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Financing Sustainability in Buildings

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EBRD mandate and policies in the context of building sector

- **EBRD mandate:**
 - To facilitate a market economy and sustainable economic development;
- **EBRD Country Strategy (Bulgaria):**
 - Sustainable Energy AP – 17 March 2009;
 - Developing Sustainable Energy Policies and Investments;
 - Supporting shift to more sustainable growth focused on competitiveness
- **Building sector:**
 - Promotion of best available technology
 - Introduction of new financing mechanisms
 - Development of a competitive market for energy efficiency technologies
 - Introduction and upgrading of the supportive regulatory framework
 - Expansion from energy efficiency to resource efficiency and building sustainability
 - Integrated approach of financing, technical assistance and policy dialogue



Sustainable Energy Investments in Bulgaria (2006-2012)

- Sustainable energy investments: €537 million of €2.7 billionOf
- 232 projects 52 have "sustainable energy" projects



1. Industrial
Energy
Efficiency



2. Sustainable
Energy Financing
Facilities



3. Power Sector
Energy
Efficiency



4. Renewable
Energy Scale-up



5. Municipal
Infrastructure
Energy
Efficiency



6. Carbon
Markets
Development



Barriers for financing building sustainability

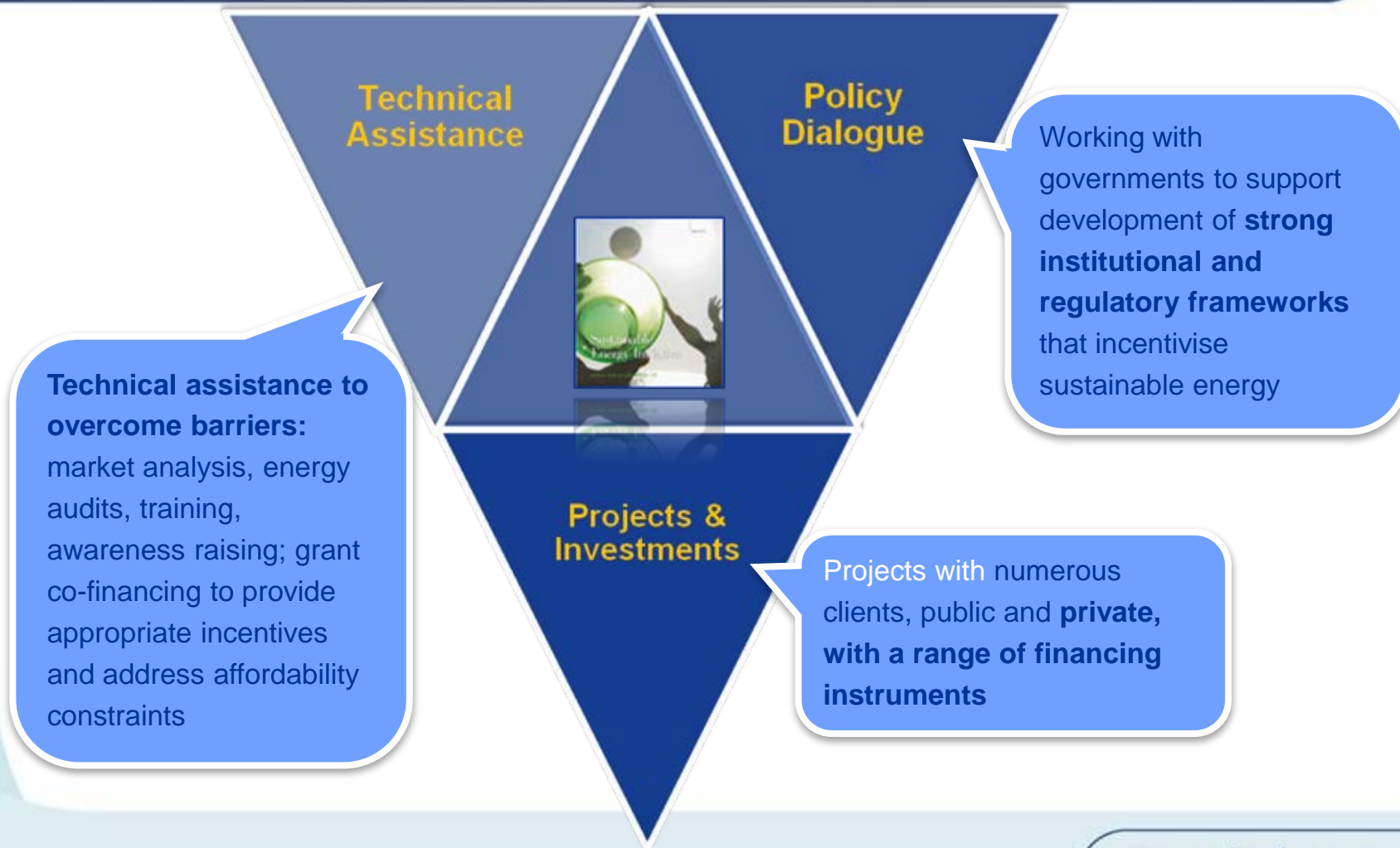
Similar to barriers in all the countries in the region:

- High fragmentation of the sector (large number of small-size property projects, different stakeholders – owners/tenants/management/authorities)
- High transaction costs for relatively small-size projects
- Lack of technical expertise for assessment
- Information asymmetries and misconceptions about technical risks and financial benefits
- Lack of targeted or specific financing structures
- Limited marketing tools and budgets allocated for such activities
- Insufficient regulatory framework (technical standards, regulations, e.g. the format and content of the energy performance certificate, etc)



EBRD Sustainable Energy Operational Approach

A successful holistic strategy



Buildings (commercial, public and residential) – the hidden culprit of Climate Change

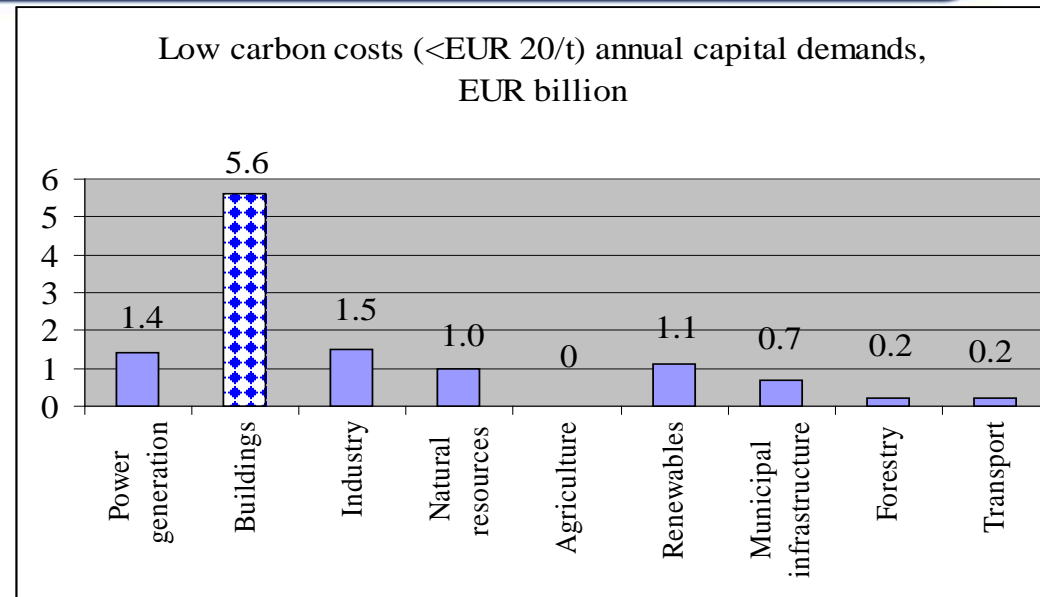
- **Largest end consumer: 40% of overall energy use in EU**
 - **34% in Bulgaria and increasing**
- **Largest saving potential: 41% of potential in the EU;**
- **Buildings are major CO2 emitters globally: 20% of global emissions.**
 - **Without change, direct and up-stream carbon footprint of buildings will grow from 8.7 G t to 20.1 G t CO2 globally¹ , and**
- **Political commitments for reduced greenhouse gases will be difficult to meet without addressing building sector impacts;**

SOURCE: 1 - IEA, WEO 2007 & ETP 2008



Buildings – how the Bank responds?

- **Building are a priority within the Bank's Sustainable Energy Initiative**



- **Financing models available**
- **TC from donor funds**
- **Policy Dialogue engagement (policy®ulatory barriers)**



Financing building sustainability

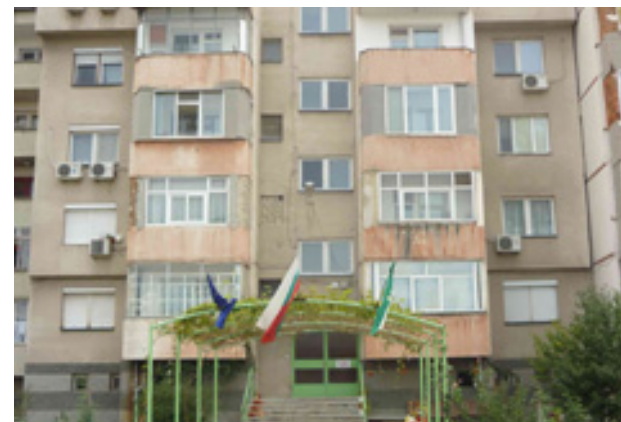
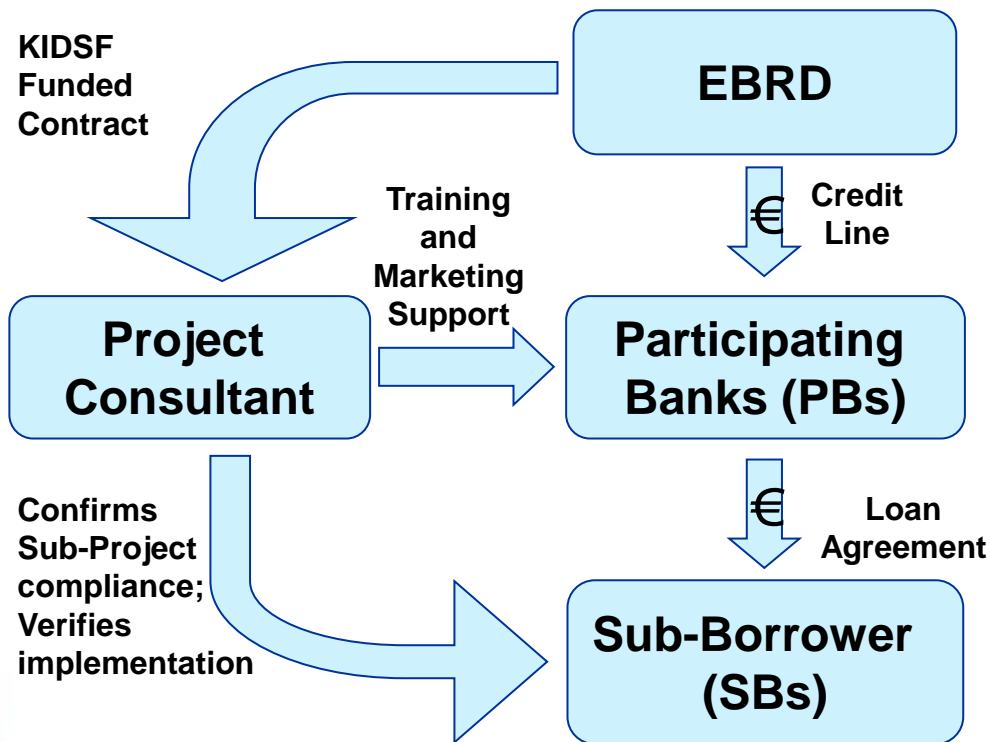
- Residential Energy efficiency Credit Line (REECL: www.reecl.org)
 - **REECL 1** (Oct 2005 – Jan. 2010): €50 million
 - €14.6 million from KIDSF for TC and incentives
 - 28,100 small-size residential projects financed with € 43 million

 - **REECI 2** (July 2011 – Dec. 2014): €40 million
 - Focus on high performing EE technologies and complex refurbishment
 - 8,200 projects financed with €13.6 million (by Oct. 2012)
- Utility Demand Side EE Programs (under development)

The Bank has suggested a Utility DS EE Program for gas distribution companies in Bulgaria and addressing the residential sector



Bulgaria: REECL Structure

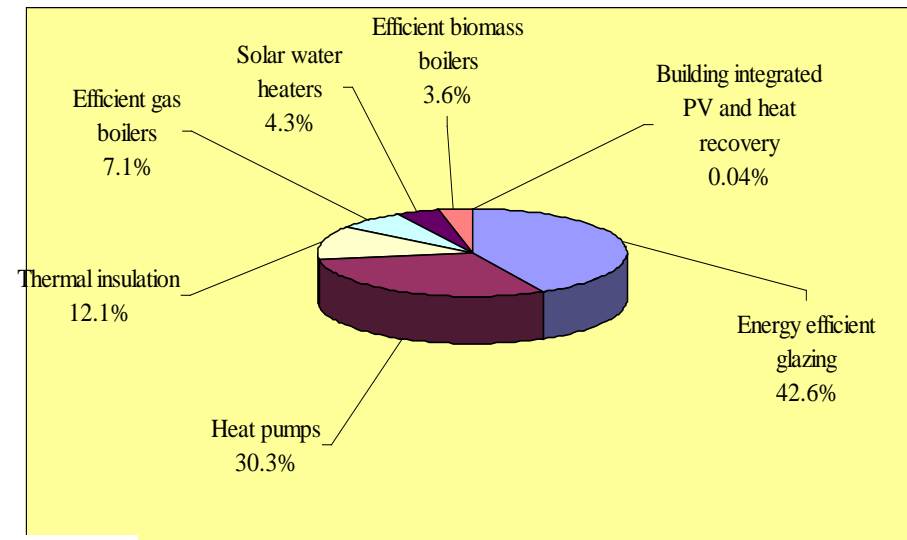


Bulgarian Residential Energy Efficiency Credit Line: REECL

- REECL finances top-performing technologies only
- Market penetration rates increased two to four times as compared with 2005



Split of projects



- REECL contribution of up to 30% from top-performing technologies sales (2005-2011)



Bulgarian Residential Energy Efficiency Credit Line: REECL

- **Continue providing all the services to PBs and interested residents:**

- Compliance and verification checks,
- Technical and legal advise
- Advisory help line
- Marketing EE through PBs and Eligible Installers
- Maintenance and up-date of operation tools
- Monitoring and verification



- **Work with the municipalities:** Sofia, Gabrovo, Plovdiv, Burgas, Varna
- **Work with utilities and technology suppliers:** Dalkia in Varna, Baumit, Marisann and Terraco, Knauf, Sisecam, Douglas
- **Work with professional associations:** Association of Professional Facility Managers, Home Owners Associations, Habitat for Humanity
- **Work with media:** bTV, TV7, 24 Hours, Duma, Standard, Capital, Pressa, Stroitelstvo, Monitor, all major info and news e-portals



EBRD Sustainable Energy Financing Facilities - overview

- REECL I+II, Bulgaria, www.reecl.org: €90 million (2005-2014)
- SlovSEFF I+II, Slovakia, www.slovseff.eu: €150 million (2007-2011)
- RuSEFF-Residential, Russia: \$ 100 million (2012-2016)
- MoREEFF, Moldova, www.moreeff.info: €35million (2012-2017)
- TurSEFF, Turkey, www.turseff.org: \$ 200 million (2011-2013)

Under preparation

- SlovSEFF III, Slovakia: €45 million (2013-)
- KoSEP, Kosovo: €15 million (2013-)
- KyrSEFF, Kyrgyzstan: \$ 20 million (2013-2017)
- ArmSEFF, Armenia: TBD
- SloREEFF, Slovenia: €30-40 million



Other ways to improve EE in public and muni infrastructure

- **Bulgarian ESCO Fund**
 - Euro 17 million signed in 2007 and 2011.
 - ESCO which helps finance – via purchase of receivables – on savings in public buildings following retrofitting of the buildings.
- **FLAG** Infrastructure project: €18 million
- **District Heating** in Sofia: €14.3 million
- **Water supply and infrastructure** in Sofia, Varna, Plovdiv, Rouse, St Zagora: €78.2 million
- **Improved power infrastructure**
- **Integrated urban transport projects**



Commercial buildings – best technology to reduce footprint

- **Sustainable energy investments**
 - Galeria Stara Zagora, Galeria Burgas, Europolis, Golden Yavor, etc
- **Overall investments in commercial properties: € 150 million**
- **The Bank is interested to finance:**
 - High profile building infrastructure projects in secondary cities
 - Strong demonstration of building sustainability (innovative technologies, best international standards, sustainability certification)
 - Commercially sound
 - Innovative financing models



EBRD financing building sustainability – next steps

- **Policy dialogue with the Bulgarian Government and the EC**
- **New sustainable financing models**
 - Off-balance financing through ESCOs and/or facility management companies
 - Green property funds
 - Utility demand side energy efficiency programs
- **From energy to resource efficiency**
 - Energy efficiency
 - Small-size building integrated renewables
 - Recyclable and reusable materials
 - Water efficiency



We are looking forward for good
cooperation!

Thank you