

# Sustainable Energy Initiative in Russia



European Bank  
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Energy efficiency is one of the key priorities for the EBRD's activities in Russia. The country has enormous potential for saving energy across the economy and the entire energy chain from generation and distribution to final consumption. Investing in efficient and sustainable energy use will allow Russia to enhance its competitiveness, reduce environmental costs and improve the standard of living for its population. In 2009, the EBRD signed an Energy Efficiency Action Plan with Russia to support the country's transition to a less energy- and carbon-intensive economy.

The EBRD's Sustainable Energy Initiative (SEI) finances sustainable energy projects by combining investments with technical assistance and policy dialogue with stakeholders. Under the SEI, the EBRD has invested €2.4 billion in 102 projects in Russia, of which 20 projects worth €337 million were signed in 2012. The Bank has invested across a number of sectors in Russia such as manufacturing and services, municipal infrastructure energy efficiency and power and energy.

## Manufacturing and services

SEI investments in the Russian manufacturing and services sector have reached almost €502 million since 2006. The Bank promotes the use of energy efficient technologies and management approaches through both investment and knowledge transfer to energy intensive companies as well as smaller users in the agricultural and retail sectors, commercial real estate and residential developments. Under the EBRD-UNIDO (United Nations Industrial Development Organization) Industrial Programme, funded by the Global Environmental Facility (GEF), the Bank supports its clients through providing energy audits and system optimisation studies, energy management systems development and ISO certification. The Bank also actively supports producers of energy efficient equipment and materials.

## Power and energy

Sustainable energy investments in power and energy in Russia have reached €963 million since the launch of the SEI. The Bank is active in the conventional power sector and supports power companies by providing technical audits aimed at developing investment programmes for energy efficient refurbishments of power plants. The EBRD also promotes renewable energy generation by supporting hydropower projects and projects utilising other renewable energy sources.

### SEI performance since 2006

SEI business areas	SEI volumes (€ in million)	Number of projects
Industrial energy efficiency	921	54
Sustainable energy financing facilities	85	9
Cleaner energy production	744	13
Renewable energy	368	3
Municipal infrastructure energy efficiency	317	23
Total	2,434	102

## At a glance

The EBRD's Sustainable Energy Initiative (SEI) was launched in 2006 to address the twin challenges of energy efficiency and climate change in the region. Since 2006, €11 billion has been invested in 617 projects.

SEI results in Russia include:

Number of projects

**102**

SEI investments

**€2.4 billion**

Total project value

**€17 billion**

SEI percentage in EBRD's business volume for Russia

**15%**

Avoided GHG emissions in Russia (CO<sub>2</sub> eq per year)

**18 million tonnes**

**or 1% of Russia's annual emissions in 2010**

Primary energy savings in the country

**9 million toe per year**

## Contacts

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## Natural resources

The EBRD supports projects in oil and gas, mining and related sectors with an emphasis on energy efficiency. The Bank is carrying out studies aimed at the identification of viable opportunities for gas-flaring reduction and energy efficiency improvements in minerals refining both of which are important areas of focus in the sector.

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## Municipal infrastructure energy efficiency

The EBRD supports energy efficiency upgrades in municipal infrastructure by financing municipal companies and private operators in district heating, water and heat supply, waste treatment and other areas. Investments in this sector in Russia have reached €317 million since 2006.

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## Transport

The Bank promotes sustainable energy in transport and transport infrastructure projects as they have the potential to significantly improve energy efficiency. This includes developing sustainable rail and marine transport, airport and sea port infrastructure.

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## Sustainable energy financing facilities

The Bank targets energy efficiency lending in small and medium-sized projects by developing long-term credit lines to commercial banks for on-lending and technical assistance to banks and prospective borrowers. The EBRD has launched the Russian Sustainable Energy Financing Facility (RuSEFF) aiming to channel up to US\$ 300 million through local banks for on-lending. One of the RuSEFF partner banks, NBD Bank, has been awarded a prize for the best energy efficiency financial product in the “Save Energy” contest organised by the Russian Energy Agency, the Ministry of Energy and the Moscow city government.

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## Carbon finance

The Bank supports its clients in accessing international carbon markets by providing assistance in project development and facilitating carbon transactions. The Bank has also started to cooperate with the Ministry of Economic Development, Business Russia Association and other stakeholders to develop a domestic carbon market in Russia. In 2012, the carbon credit fund Multilateral Carbon Credit Fund (MCCF), sponsored by the Bank, successfully concluded the first transfer of carbon credits in Russia from the EBRD-financed Air Liquide Severstal (ALS) Energy Efficiency (EE) project, thereby providing an additional carbon revenue to ALS of € 1.2 million.

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## Public and residential buildings

In 2011 the EBRD launched two programmes aimed at enhancing energy efficiency in buildings. These programmes are supported with US\$ 10 million each in grants from the GEF. The first was centred on residential buildings and aims to develop financing instruments that will allow housing associations and apartment owners to collectively borrow for building-level energy efficiency refurbishment and home improvements from commercial banks. The second programme is focused on public sector buildings where four pilot cities and regions (initially) will be supported in capitalising on energy efficiency improvements financed and implemented by private ESCOs.

## Supporting energy service companies

The Bank promotes budget-neutral solutions for implementing and financing energy efficiency projects. The most innovative investment in this area in Russia was a seven-year RUB-denominated loan equivalent to €20 million for the energy service company (ESCO) FENICE RUS, signed in 2012. FENICE RUS utilises long-term energy performance contracts (EnPCs) under which it designs, finances and implements the measures needed to make its industrial clients' operations more energy efficient. It is then repaid from a share of the client's metered energy savings.

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## Policy dialogue

The Bank supports a number of projects as part of its policy dialogue with the Russian government to establish an effective regulatory framework. In 2011 the Bank supported the Russian Ministry of Economic Development in developing effective regulations enabling energy performance contracting and development of energy service companies. The Bank also worked with the Ministry of Regions and the International Finance Corporation (IFC) to put in place regulations to enable lending to housing associations for collective energy efficient refurbishment of multi-apartment buildings.

Several new policy dialogue activities have been launched to promote industrial on-site heat and power generation; and to promote the introduction of energy efficiency standards and labels for materials and industrial equipment. The EBRD has also joined efforts with IFC and the International Bank for Reconstruction and Development (IBRD) to provide best practice policy recommendations to the Russian government with regards to the new law on waste management and recycling and considering further support in this area.

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