



European Bank
for Reconstruction and Development



THE EU AND THE EBRD WORKING TOGETHER FOR A GREEN ECONOMY



About the EU

The European Union (EU) is made up of 28 Member States who have decided to gradually link together their know-how, resources and destinies. Together, during a period of enlargement of 60 years, they have built a zone of stability, democracy and sustainable development while maintaining cultural diversity, tolerance and individual freedoms. The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders.

About the EBRD

The European Bank for Reconstruction and Development (EBRD) - owned by 65 countries and two intergovernmental institutions (the European Union and the European Investment Bank) - is investing in changing lives from central Europe to central Asia, the Western Balkans and the southern and eastern Mediterranean. Working together with the private sector, the EBRD invests in projects, engages in policy dialogue and provides technical advice that fosters innovation and builds sustainable and open-market economies.

This publication has been produced with funding from the EBRD to recognise its common projects with the EU that support the green economy. The contents of this publication are the responsibility of the EBRD and do not necessarily reflect the views of the EU.



THE EBRD
IS THE LARGEST
SINGLE INVESTOR
IN MANY OF THE
COUNTRIES WHERE
IT OPERATES

The EU and the EBRD

Preserving and improving the environment are central features of a modern, well-functioning market economy and therefore key goals of the transition process that the EBRD was set up to promote. Recognising this, the Bank launched the Green Economy Transition (GET) approach, which puts investments that bring environmental benefits at the heart of the EBRD mandate.

Sustainable growth and enhancing energy and environmental resilience are also key priorities of European Union (EU) policy. The EU promotes sustainable economic development and energy security by supporting energy efficiency and the diversification of energy sources. This helps to build resource-efficient economies that address current environmental challenges, enhance resilience to climate change and promote economic modernisation.

The EU is one of the two largest donors to EBRD green projects and has contributed more than €290 million in support of the Bank's green ventures since 2006. Over that period, the EBRD's green investments have reached a value of €20 billion in over 1,000 projects. Reductions of greenhouse gas (GHG) emissions related to these projects are estimated at almost 80 million tonnes each year, which is equivalent to the annual GHG emissions of Romania.

The EU and other donors provide critical support to GET projects. This takes the form of technical cooperation, concessional finance and investment grants. The blending of commercial EBRD financing with donor grant-funded elements enables donors to achieve impact on a greater scale than would otherwise be possible.





EU and EBRD priorities

EU PRIORITIES

- EU Global Strategy
- EU New Migration Partnership
- EU External Investment Plan
- European Neighbourhood Policy and European Neighbourhood Instrument
- Eastern Partnership
- Union for the Mediterranean
- EU Strategy for Central Asia

EBRD PRIORITIES

- Support the transition to market-based economies
- Apply sound banking principles
- Ensure additionality to the private sector
- Promote a Green Economy Transition
- Make use of both public and private impact channels



The EBRD is well-placed to support key EU investment priorities that address the many varied and inter-dependent challenges in the EU and the surrounding regions. The Bank's private sector-oriented business model prioritises economic reform and development and support for small and medium-sized enterprises, while its activities in the public sector strengthen public institutions and promote good governance. With a mandate to promote environmentally sound and sustainable development, the Bank also contributes to sustainable development, energy security, enhanced interconnection and resource efficiency.

Why work with the EBRD?

EBRD countries of investment are formerly planned economies, traditional developing countries, emerging markets or industrialised economies going through a period of sharp adjustment. The EBRD is uniquely placed to address these challenges and help its countries build a sustainable, green economy.

- The Bank has over 25 years' experience of successful investments in transition countries and is the largest single investor in many of the countries where it operates.
- Through its resident offices in each country, it has a widespread reach and expertise in the region with a real impact on millions of people.
- It maintains a close political dialogue with governments, authorities and representatives of civil society to promote its goals. This mutual cooperation can multiply the opportunities to effectively blend operations and policy reform objectives.

The EBRD's ability to combine policy dialogue and technical cooperation activities with large-scale commercial financing is unique among international financial institutions and other development agencies. It enables the Bank to achieve a lasting impact that extends beyond the immediate impact of its investments. With over 60 per cent of its portfolio in non-sovereign ventures, the Bank promotes the role of the private sector in driving sustainable economic growth.



A region in need of urgent action

Most countries where the EBRD invests began their transition to market economies at a significant disadvantage, owing to a legacy of widespread environmental neglect and wasteful energy use. In recent years, these countries have taken important steps to reduce environmental degradation with noticeable results including improved air quality, phasing out ozone-depleting substances, increased use of renewable energy sources and better water management.

Despite these efforts, the EBRD region is still lagging behind. Its average carbon intensity is almost five times higher than the EU-28 average and the level of energy intensity is four times higher. Urgent action is needed to protect the people in the region and their livelihoods from environmental hazards, as well as to close the technological gap separating these countries from those that moved to tackle climate change early and are now reaping considerable economic, environmental and social benefits.

THE EBRD AIMS TO INCREASE
THE SHARE OF GREEN INVESTMENTS
IN ITS ANNUAL BUSINESS VOLUME
TO 40 PER CENT BY 2020

The GET model

The EU and the EBRD: a successful partnership

With its solid track record of financing green investments, the EBRD is uniquely placed to support its countries of operations in combatting climate change and cutting harmful CO₂ emissions. In 2006, the EBRD started financing energy efficiency and renewable energy projects on a large scale. Building on this, it added resource efficiency investments, including projects that optimise efficient water and material consumption and minimise waste. Today, the EBRD systematically integrates climate change considerations into its project design to ensure investments are resilient to the effects of a changing climate.

In 2015, the EBRD launched its GET approach, which aims to increase the share of green investments in the Bank's annual business volume from an average 24 per cent in the last 10 years to 40 per cent by 2020. The EBRD has developed a unique business model to finance green projects by combining investments with technical assistance and policy dialogue.



Projects across GET business areas

Technical assistance to overcome barriers: market analysis, resource audits, training, awareness raising; grant co-financing to provide appropriate incentives and address affordability constraints

Working with governments to support development of strong institutional and regulatory frameworks that incentivise the sustainable use of resources

How EU funding supports the EBRD's GET

EBRD green investments have benefited significantly from EU funding, including the Instrument for Pre-accession Assistance (IPA), EU Phare, the Neighbourhood Investment Facility (NIF), the Investment Facility for Central Asia (IFCA), the Technical Assistance to the Commonwealth of Independent States (Tacis), the Western Balkans Investment Framework (WBIF), as well as bilateral funding and other regional programmes. The EU supports the GET approach in several ways:

TECHNICAL COOPERATION

This can include in-depth project preparation to reduce perceived risk, highlight new technical solutions, analyse market opportunities and transfer new skills to clients. Technical assistance may also involve resource audits and/or climate resilience audits which consider the impact of projected environmental changes on investments such as projections of water availability, sea-level rises or the increased occurrence of flooding and identifying potential measures to mitigate these risks.

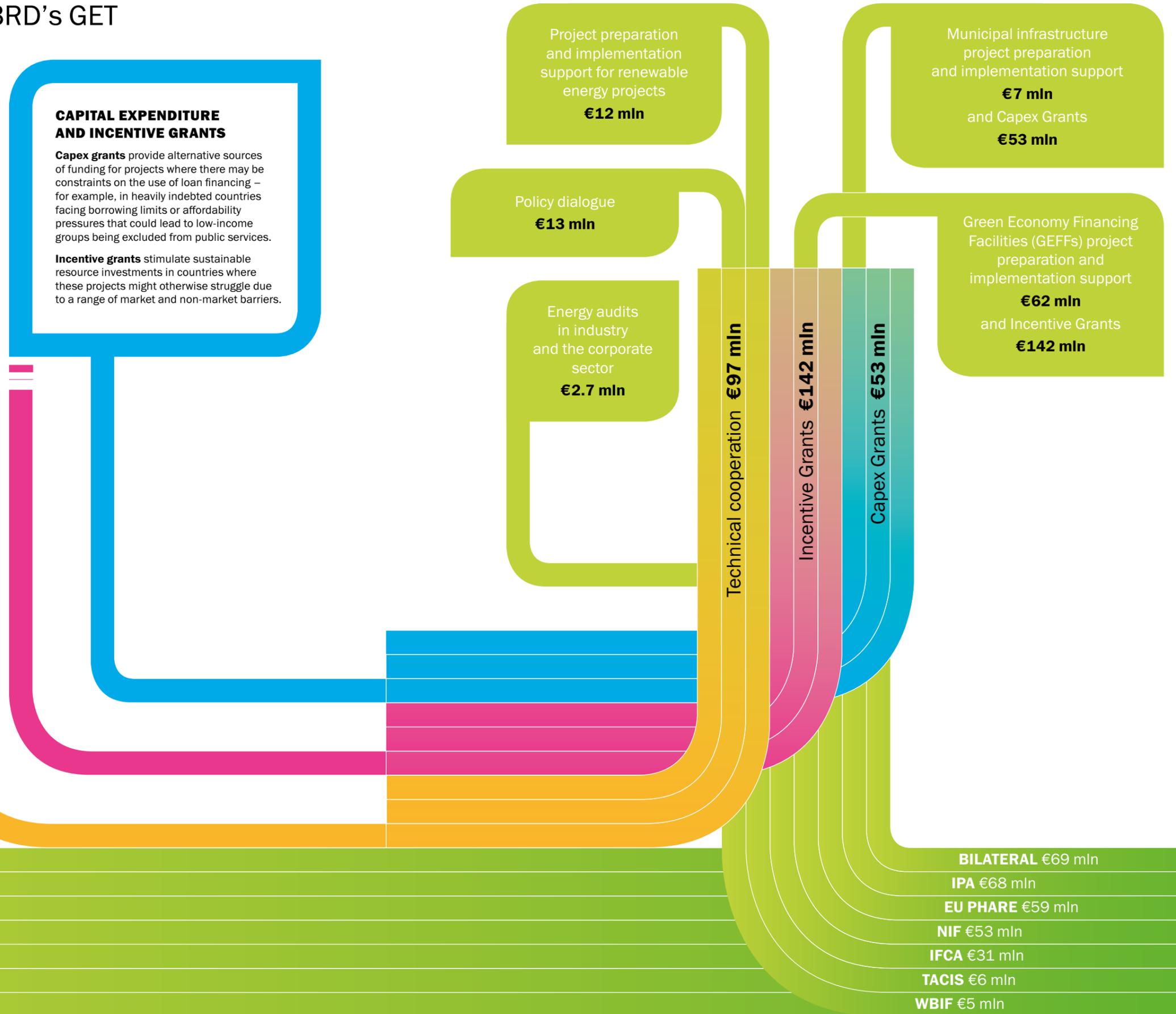
CAPITAL EXPENDITURE AND INCENTIVE GRANTS

Capex grants provide alternative sources of funding for projects where there may be constraints on the use of loan financing – for example, in heavily indebted countries facing borrowing limits or affordability pressures that could lead to low-income groups being excluded from public services.

Incentive grants stimulate sustainable resource investments in countries where these projects might otherwise struggle due to a range of market and non-market barriers.

EU funding by region

	€ in million	percentage
Central Asia	26	9%
Eastern Partnership	78	27%
EU	100	4%
Regional south	25	9%
Russia	0.5	0%
Western Balkans and Turkey	62	21%



€80 MILLION
EU FUNDING TO
SUPPORT EBRD
GREEN INVESTMENT
PREPARATION
AND IMPLEMENTATION

Technical cooperation

The EU provided €97 million for technical cooperation projects associated with EBRD green investments between 2006 and 2015. Of this amount, more than €80 million was directly linked to supporting investment projects. This work included:

Project preparation, such as resource and climate risk audits and feasibility studies

Project implementation, such as assistance in engineering design, project management, tendering and procurement, construction supervision support and capacity building.

The EU also provided funding for market studies and policy dialogue activities. Such activities support the development of a sustainable market for investments into the green economy.

Developing a National Energy Efficiency Action Plan for Turkey

The Turkish Ministry of Energy and Natural Resources launched the country's National Renewable Energy Action Plan in February 2015. This plan is a roadmap for Turkey to achieve its 2023 renewable energy targets and it also aims to harmonise Turkey's renewable energy policy with the EU acquis, particularly with the EU's 2009 Renewable Energy Directive. The EBRD, supported by the government of Spain, assisted the Turkish government in the development of the plan.

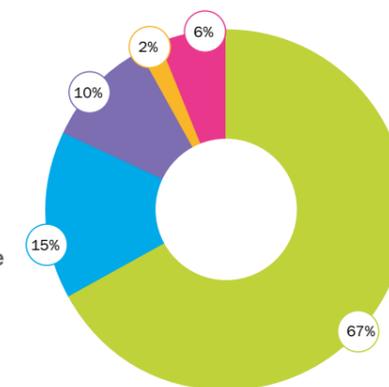
In a subsequent step, the EBRD, supported by € 290,000 from the EU, assisted the Turkish government with the development of the country's first National Energy Efficiency Action Plan (NEEAP). In line with the 2012 EE EU Directive, this document sets out steps for achieving efficiency targets across Turkey's economic sectors, from industry and power to municipal services, and mobilising the financing for the implementation of the required measures.

The International Energy Agency has recognised the significance of these efforts and included the achievement of the targets set out by NEEAP as one of the five key recommendations in its 2016 Turkey Energy Outlook.



Share of green investment TC by business activity

- Green Economy Financing Facilities are programmes through which the EBRD provides credit lines to local financial institutions that on-lend the funds to households, small and medium-sized businesses and corporate clients to finance green investments
- Corporate and industrial energy efficiency, in industrial processes such as steel manufacturing, aluminium smelting, cement and glass production, as well as major transport investments
- Renewable energy and cleaner energy supply, including investments in solar, hydro, winds, geothermal, biomass and biogas as well as improvements to transmission networks
- Municipal infrastructure energy efficiency, including upgrades in district heating, public transport networks and water supply systems
- Carbon market development through policy dialogue, capacity building and support of projects in their carbon asset development and monetisation



EU-SUPPORTED
GREEN ECONOMY
FINANCING
FACILITIES REDUCE
ANNUAL GHG
EMISSIONS BY
4.3 MILLION
TONNES PER YEAR

Helping partner banks build a green portfolio

The EU has supported Green Economy Financing Facilities (GEFFs) with a combined financing volume of more than €2 billion. These are expected to reduce annual greenhouse gas emissions by 4.3 million tonnes, which is more than the annual greenhouse gas emissions of Albania.

GEFFs provide credit lines to local financial institutions for on-lending to small and medium-sized enterprises and homeowners. The facilities offer expert guidance to lending partners on designing financial products for sustainable energy projects and advise borrowers on how to turn these projects into sound investments.

GEFFs received more than €60 million of EU-funded technical cooperation to support the development of new products and to train bank staff to promote them. The funds also helped partner institutions recognise technically eligible projects, market the benefits of sustainable energy investments and create standards for environmental and social due diligence.



Identifying energy efficiency opportunities in the corporate and industrial sectors

Technical cooperation assignments in the corporate and industrial sectors are varied. They include resource audits, which identify energy savings and measures to optimise water and material consumption and minimise waste. They may also involve an analysis of climate risks and recommendations to deal with them. Finally, they also comprise market and feasibility studies and research that explores the use of carbon credits.

Between 2006 and 2015, the EU provided €2.7 million for technical cooperation assignments in the corporate and industrial sectors. This facilitated EBRD green investments worth more than €200 million for a total project value of €855 million. Associated annual greenhouse gas emissions reductions reached 697,000 tonnes.



Enhancing green municipal investments

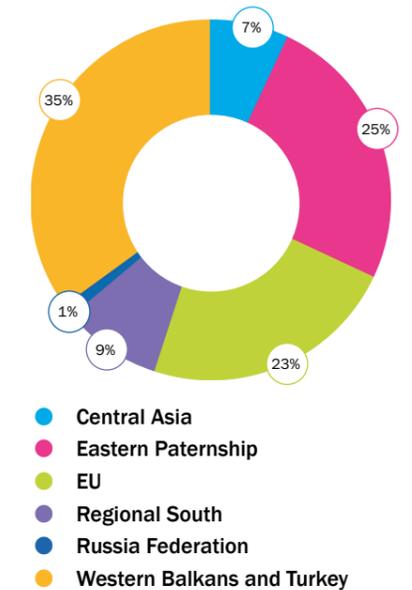
The EU has provided almost €10 million for technical cooperation linked to green projects in the municipal sector. This includes feasibility studies; procurement support; technical, environmental and social due diligence; and project implementation support such as engineering design and contract supervision.



EU-FUNDED
ENERGY AUDITS
HAVE FACILITATED
GREEN INVESTMENTS
WORTH €855 MILLION

Technical cooperation by region

Turkey and Ukraine are the main recipients of EU-funded technical cooperation related to EBRD green investments. Between 2006 and 2015 the EU provided €24 million to the EBRD to support green projects in Turkey through technical cooperation. Projects in Ukraine received just over €19 million, representing the bulk of EU-funded technical cooperation flowing to Eastern Europe and the Caucasus.



Improving Kyzylorda's water and wastewater infrastructure

The EBRD provided a senior loan of US\$ 10 million to finance the modernisation of obsolete water and wastewater infrastructure in the city of Kyzylorda in southern Kazakhstan. The Aral Sea, only a few hours' car ride from Kyzylorda, has become a symbol for the challenges facing this part of the world. Soviet mismanagement and inefficient irrigation techniques have shrunk the sea to a tenth of its former size, making efficient water use an urgent priority for the region and Kazakhstan as a whole.

Technical cooperation funds worth €295,000 provided by the EU's IFCA supported the development of an investment programme for water and wastewater systems, including procurement plans and an Environmental and Social Action Plan. The IFCA also provided €500,000 for project implementation support in project management design, engineering, supervision work and staff training.

The project will lead to reduced energy and water consumption and improve the resilience of Kyzylorda's water infrastructure to climate change. The project will also increase the reliability and quality of water services for local residents, reduce negative environmental impacts and bring down the water company's maintenance and operating costs.

These activities are part of a wider EBRD programme of investment in municipal services that involves close policy dialogue with the Kazakh authorities and seeks to improve the quality of life of some 3.8 million citizens across the country.

Share of EU-funded TC by region

The majority of EU funds in Turkey were used to support the development of a sustainable energy market through local banks. The EU provided funding for three GEFs, through IPA and the EU Delegation to Turkey which were the Turkish Private Sector Sustainable Energy Financing Facility (TurSEFF), the Mid-size Sustainable Energy Financing Facility (MidSEFF) and the Turkish Residential Energy Efficiency Financing Facility (TurEEFF). In Turkey, the EU also funded the EBRD's Private Sector Early Stage Geothermal Development Framework (PLUTO) and the Bank's Zero Waste Initiative, both of which also benefit from CIF funding.



€27 MILLION
IN EU FUNDING
HAS CONTRIBUTED
TO BUILDING
A SUSTAINABLE
ENERGY MARKET
IN TURKEY

Developing a market for sustainable energy in Turkey

In 2010 the EBRD launched TurSEFF, a €585 million finance facility that provides credit lines to local financial institutions for on-lending to SMEs for energy efficiency and renewable energy projects. It is co-financed by the Climate Investment Funds (CIF), and the Japan Bank of International Cooperation (JBIC).

A programme support team, funded by the EU, helped partner banks to develop and promote new green financial products. The team, which also delivered classroom and on-the-job training to bank employees, was instrumental in integrating sustainable energy financing into the business model of these partner banks. Disbursements under TurSEFF have so far reached €436 million. These investments are anticipated to reduce annual greenhouse gas emissions by about 2 million tonnes and result in energy savings equivalent to 4.6 million MWh per year. Over 374 MW of renewable electric power capacity has been installed under TurSEFF to date.

In 2011, the EBRD initiated and contributed financing to MidSEFF, a €1 billion facility. It targets mid-sized sustainable energy projects of more than €5 million in value. A €6.7 million technical cooperation package from the EU funded a programme support team that assists partner banks in developing a project pipeline and ensuring that eligible projects follow EU environmental and social requirements as well as health and safety standards. So far, MidSEFF partner banks have disbursed more than €758 million in 45 projects, leveraging a further €467 million in additional investments in Turkey. These projects are expected to reduce greenhouse gas emissions by almost 1.5 million tonnes per year. The added renewable energy capacity amounts to 836 MW.

The EBRD's third financing facility in Turkey, TuREEFF, combines US\$ 216 million (equivalent to €166 million) of EBRD finance with US\$ 54 million (equivalent to €42 million) of grant co-financing from the CIF to finance projects in the residential sector. The EU provided €6.3 million for technical cooperation while the CIF provided €550,000.

These funds support the inclusion of energy efficiency components in buildings that are new or being rebuilt to improve their earthquake resilience, in line with Turkey's Urban Transformation Plan.

All these facilities show how EU funds, combined with climate finance from multilateral sources, can achieve high impact on the ground and prepare Turkey for a sustainable future.



Upgrading Yerevan's metro system

The metro system in the Armenian capital of Yerevan carries more than 17 million passengers a year and is an essential part of the city's public transport network. In 2012 the EBRD agreed to invest €5 million in improvements to the service, which had received little investment since it opened in 1981 and faced increasing competition from cars and minibuses. The EIB also provided a loan of €5 million and the EU's NIF provided a grant worth a total of €5 million.

The grant supported the development of an investment programme that saw the Yerevan Metro Company refurbish its rolling stock, upgrade worn-out sections of track and prevent water from leaking into the system's tunnels.

As a result of these improvements, metro passengers enjoy safer and more comfortable travelling conditions while Yerevan as a whole experiences less traffic congestion and better air quality.

Capital expenditure and incentive grants

Between 2006 and 2015, EU-funded grants associated with EBRD green investments amounted to €194 million. Of this amount, €141 million was used for incentive grants under GEFFs. An additional €53 million supported green investments through capital expenditure grants.

Capital expenditure grants: addressing affordability constraints in the municipal sector

Over the last 10 years, the EU has provided capex grants worth more than €53 million for EBRD green investments in the municipal sector. These investments took place in Armenia, Georgia, the Kyrgyz Republic, Moldova and Tajikistan and were provided for projects in the water, wastewater treatment, solid waste and public transport sectors.

In many former Soviet countries, local governments have limited capacity to deliver effective public services and provide the necessary infrastructure. This comes from a lack of fiscal resources and in some cases from managerial weaknesses. EU-funded capital expenditure grants help to overcome these barriers while ensuring that public services remain affordable.

Incentive grants: boosting green investments in households

The EBRD has extended €142 million in incentive grants through GEFFs totalling €815 million. These mostly provide incentive payments to households and businesses to help make their energy efficiency and renewable energy investments financially viable. This is important when energy tariffs are fixed below the market rate, as is the case in many EBRD countries of operations. Without incentive grants, green energy investment returns would fail to attract local financial institutions and end borrowers. Some of these grants encourage partner banks to engage in developing new business segments. The average grant intensity is 11 per cent.



Smart grants for Morocco's corporate sector

The €80 million Moroccan Sustainable Energy Financing Facility (MorSEFF) promotes energy efficiency and small-scale renewable energy investments by private companies in Morocco. Bank financing, technical assistance and investment incentives are bundled into one unique package.

MorSEFF provides prospective borrowers with:

- Financing of up to €300,000 for small-scale projects and of up to €5 million for larger or more complex investment projects
- Project assessment and implementation support by a dedicated project consultant and verification of projects once completed by a verification consultant – both funded by grants from the EU NIF and the EBRD SEMED Multi-Donor Account*
- Investment incentives funded by grants from the EU NIF.

MorSEFF incentive grants help private companies in Morocco to overcome barriers to sustainable energy investments. Subsidised energy prices dissuade small companies and residents from investing in small-scale energy efficiency and renewable energy projects, while high initial costs deter larger businesses from investing in sustainable energy.

Eligible projects receive incentive payments worth 10 per cent of the sub-loan value, rising to 15 per cent in the case of enhanced efficiency investments. These include small-scale co-generation, tri-generation or renewable energy subprojects that exceed 2kWh per annum of electricity generated per €1 of investment cost.

MorSEFF is consistent with EU policy objectives by contributing to improved energy efficiency and wider use of renewable energy sources, reducing greenhouse gas emissions and promoting smart, sustainable and inclusive growth.

*Australia, Finland, France, Germany, Italy, the Netherlands, Norway, Sweden, Taipei China and the United Kingdom are contributors to the SEMED Multi-Donor Account.

Financing energy efficiency in Poland's small and medium sized business sector

The Polish small and medium enterprise sector faces many challenges that limit its sustainable development and competitiveness. Many businesses still operate with outdated machinery and rarely take energy consumption into account when purchasing new technology. In addition, limited access to finance and information on good industry practices often prevent businesses from exploring and reaching their potential energy savings.

The EBRD's Polish Sustainable Energy Financing Facility (PoISEFF), implemented through five banks and leasing companies, has been providing green financing and technical cooperation support to tackle this issue. More than 2,000 Polish SMEs have received finance from PoISEFF loans and leases to purchase energy-efficient machinery and equipment. This financing has amounted to more than €186 million, helping Polish businesses reduce their annual energy consumption by 343,000MWh and reduce annual carbon emissions in the country by 102,000 tonnes of CO₂e.

PoISEFF is a €180 million credit line facility complemented by €28 million contributed by the EU for financial incentives to SMEs and technical cooperation.

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