BEA Cities EE Financing Options / Bulgarian EE & RE Fund (BEERESF)

Marko Markov, April 16, 2018
ECONOLER`S BEA PROJECT SCOPE

- TA to four BEA partner cities:
  - Mexico City (Mexico)
  - Rajkot (India)
  - Belgrade (Serbia)
  - Da Nang (Vietnam)

- Support the participating cities to understand finance options available in their specific markets

- Level of effort: 40 expert-hours

- Common implementation approach:
  - Interview with BEA city representatives
  - Develop and coordinate concept proposal
  - Carry out approved activities
BELGRADE (SERBIA)

- Scoping of the intervention
- Existing City owned EE Fund
- Review and analysis of Belgrade EE Fund program documents
- Identification of potential bottlenecks and drawbacks
- Concept for structural improvement
BELGRADE (SERBIA) – ROADMAP TO IMPLEMENTING THE BEA OBJECTIVE

- Major Objective – support City of Belgrade in transforming the EE Fund into a successfully operating financial mechanism
- Bottlenecks and flaws in Belgrade`s EE Fund current structure identified
- Legal and operational structure modifications in sight
- Development of a new Operations Manual concept paper
Guidelines on how to best structure EE Fund`s operations – at the core of the document

Focus on several aspects:

- Fund`s objectives and operating principles
- Investment policy and eligibility criteria
- Monitoring and reporting
- Project cycle

Final discussions and remarks
RAJKOT (INDIA)

- Scope of Econoler intervention – development of a limited EESAP
- EESAP targeting two audited buildings:
  - Municipal Corporation Central Zone Building – RMC Central Zone
  - Multi Activity Center – MAC
- How to define Rajkot`s EESAP objectives – five steps process approach
- EESAP Preparation – Phase I: Initiation
RAJKOT (INDIA), EESAP DEVELOPMENT

Multi-step approach to developing EESAP:

- Develop an inventory of buildings
- Data collection
- Data Analysis
- Data aggregation, normalization and benchmarking
- Ranking of projects in each sector
- Tracking and monitoring EESAP implementation
RAJKOT (INDIA), MAPPING OF POTENTIAL FINANCING SOURCES

- Internal sources
  - Budget Optimization and Reallocation for EE/RE Investments
  - Sustainable Budget Funding from Tapping into Existing Taxes

- Third party financing
  - Local banks
  - IFIs, Donor agencies, Other support programs

- Design of a tailored financial mechanism
MEXICO CITY (MEXICO)

- Mexico City`s interest in applying ESCO model for financing building efficiency
- Deloitte assigned to carry out an ESCO market survey for public buildings
- Econoler tasked to study application of ESCO model in private sector buildings (focus on commercial and services)

**Deliverables:**
- ESCO market for private sector buildings survey (regulatory framework, active companies, EPC approach, etc.)
- Workshop to present the findings to Mexico City`s Environmental Fund staff
BEEREF – REVOLVING FINANCING MECHANISM FOR EE/RE PROJECTS IN BULGARIA

- Revolving mechanism for financing commercially viable EE and RE projects
- Established in 2005 pursuant to Energy Efficiency Act from 2004
- Initial capitalization – approx. BGN 22 million ($15 m)
- Capitalization through donations from
  - International: World Bank (for GEF), Government of Austria, Eurobank EFG,

BEEREF Structure:
  - Donors assembly
  - Management board
  - Independent fund manager
BEEREF – LOAN PRODUCTS

I. Direct loans to final beneficiaries

BEEREF ➔ Beneficiary

Up to 90% of project cost (incl. VAT)

II. Loans for ESCO

BEEREF ➔ ESCO ➔ Beneficiary

Up to 90% of project cost

III. Bridge Financing:

BEEREF ➔ Beneficiary ➔ Structural Funds

IV. ESCO Receivables Purchase Facility*:

BEEREF ➔ ESCO ➔ Beneficiary

Up to 90% of the contract (VAT excl.)
BEEREF – financing ESCO through purchase of receivables (cession)

- BEEREF purchases up to 90% of EPC receivables, providing WC to the ESCO
- ESCO guarantees project results
- Monthly payment (10% of the installment)
- Monthly payment (90% of the installment)
- Project implementation
- CEDENT ESCO
- DEBTOR UNDER ASSIGNED RECEIVABLES - MUNICIPALITY
# EERSF Summary Results 2017

<table>
<thead>
<tr>
<th>Credits</th>
<th>Number of projects</th>
<th>% projects</th>
<th>Value of projects (EUR million)</th>
<th>% value of projects</th>
<th>Size of financing (EUR million)</th>
<th>% size of financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipalities</td>
<td>103</td>
<td>53,1%</td>
<td>20,6</td>
<td>50,4%</td>
<td>13,9</td>
<td>48,2%</td>
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<tr>
<td>Corporate clients</td>
<td>68</td>
<td>35,1%</td>
<td>12,7</td>
<td>31,3%</td>
<td>9,4</td>
<td>32,7%</td>
</tr>
<tr>
<td>Others (hospitals, universities, etc.)</td>
<td>23</td>
<td>11,9%</td>
<td>7,5</td>
<td>18,3%</td>
<td>5,5</td>
<td>19,1%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>194</strong></td>
<td></td>
<td><strong>40,8</strong></td>
<td></td>
<td><strong>28,8</strong></td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Guarantees</th>
<th>Number of projects</th>
<th>Value of projects (EUR million)</th>
<th>Size of financing (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partial credit guarantees (on credit contracts)</td>
<td>4</td>
<td>3,5</td>
<td>1,95</td>
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<tr>
<td>Portfolio guarantees on ESCO projects</td>
<td>29</td>
<td>8,9</td>
<td>0,31</td>
</tr>
<tr>
<td><strong>Total Credit Guarantees</strong></td>
<td><strong>33</strong></td>
<td><strong>12,4</strong></td>
<td><strong>2,26</strong></td>
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</tbody>
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