

# Energy projects: integration potential & implementation mechanisms

11<sup>th</sup> International conference “Eurasian Economic Integration”, November 2016



**European Bank**  
for Reconstruction and Development

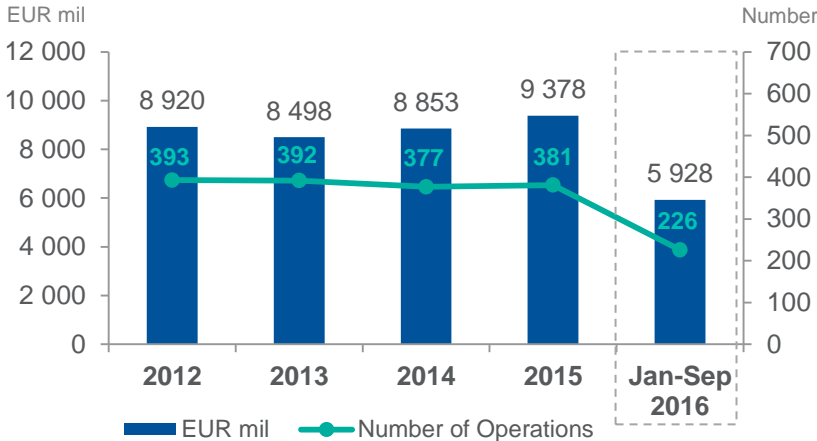
# EBRD at a glance



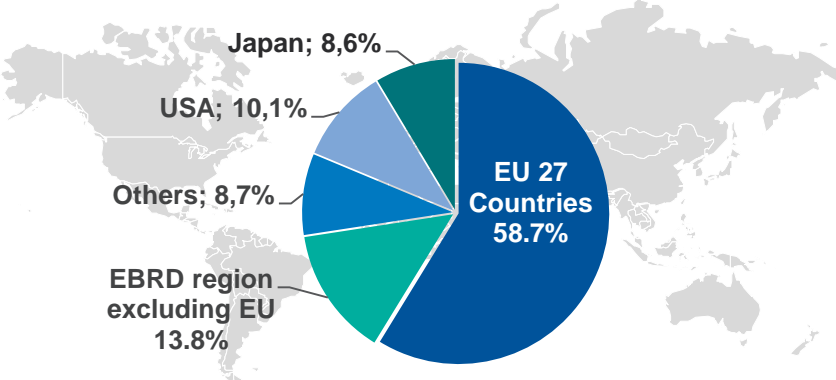
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- EBRD is an **AAA/Aaa** rated bank with a capital base of **€30 billion**.
- Operating in **36 countries** from central Europe to central Asia, EBRD promotes:
  - ✓ Transition to market economies;
  - ✓ Mobilisation of significant FDIs;
  - ✓ Improvement of people’s lives through municipal services enhancement;
  - ✓ Environmentally sound and sustainable development.
- EBRD has invested **over €111 billion** in more than 4,616 projects since 1991.
- EBRD is owned by **65 countries** and two inter-governmental institutions.
- In January 2016 China became the 67th member of the Bank.

## Annual EBRD’s Investments and Operations, 2012-2016 (EUR in million, number)



## EBRD shareholder structure, 2016



- ERCCA is a dedicated team of 15 bankers focused on Energy Utilities & Natural resources sectors, across Russia, Caucasus and Central Asia.
- As of October 2016, ERCCA portfolio is **€ 2,5 billion** including:
  - ✓ **40 Power & Energy** projects;
  - ✓ **24 Natural resources** projects.
- Almost 60% of the portfolio consists of Private sector projects.
- Annual Investments by the team c. € 350 million.

## Key Energy Sectors EBRD invests into:

### 1 &G extraction, transportation, refining



### 2 Mining & Services



### 3 Power



Complementary economic environments, abundant resources and growing demand drive active integration processes inside the region

## EBRD operations in Eurasia



- The region is rich in natural resources:
  - ✓ 8,5% of world Oil reserves;
  - ✓ 28,5% of world Gas reserves;
  - ✓ 22,6% of world Coal reserves;
  - ✓ 6,5% of world Electricity generation.
- Has strong similarities in the power sector set up largely inherited from the Soviet Union times although partially disintegrated.
- Has increasing economic potential from integration with bordering countries.
- EBRD total investments in the region amount to **€ 44 billion** across **1 631 projects**.

## CASA 1000 project

- Construction of transmission infrastructure in Tajikistan **to enable summer electricity export** from the hydropower **surplus countries** of Tajikistan and Kyrgyz Republic to electricity **deficient countries** of Afghanistan and Pakistan.



## Integration Potential

- The Project facilitates stronger cross-regional integration across **four neighboring countries**.
- CASA 1000 will unlock Tajikistan export potential of up to 2,800 GWh of electricity per annum, establishing an important revenue stream from Pakistan and Afghanistan allowing modernisation of the ageing generation capacity and related electricity shortages.

## Implementation

- USD 110 million sovereign-guaranteed loan to finance the construction of the AC/DC converter station and connection from the existing AC substation (Sangtuda-1) in Tajikistan.

# Integration examples: Black sea transmission line



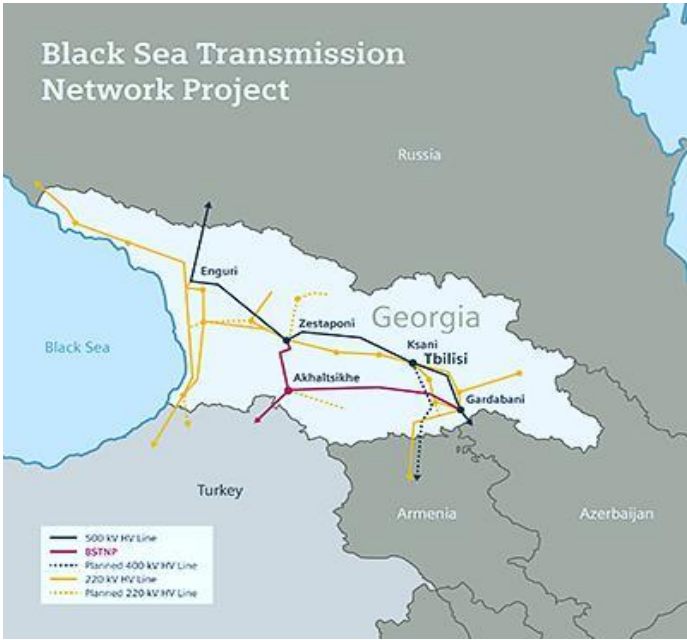
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- In 2010 EBRD financed the **Black Sea HV transmission line** connecting hydropower potential of Georgia with booming electricity market of Turkey;

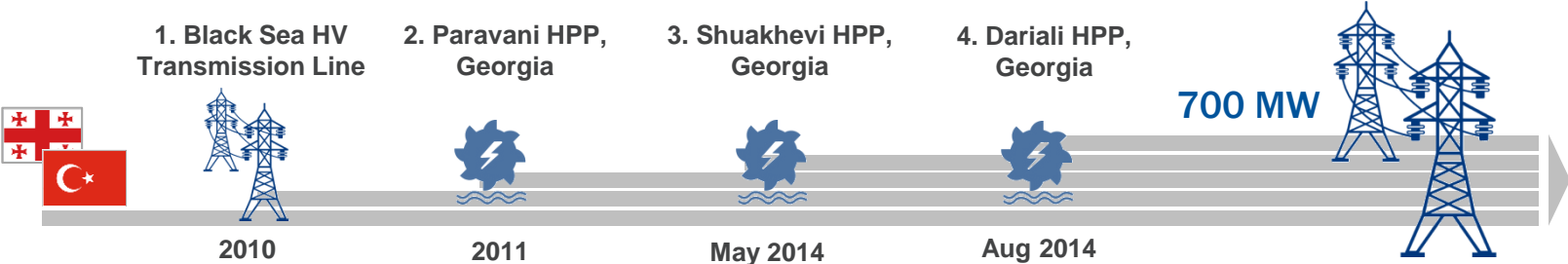
**Three new hydropower plants** were built in Georgia supplying electricity to Turkey through the new transmission line.

- Interconnection allowed to unlock hydropower potential in Georgia also addressing local electricity shortages and satisfying electricity demand in Turkey with renewable energy.

## Georgia exports green energy to Turkey



### Integration Timeline

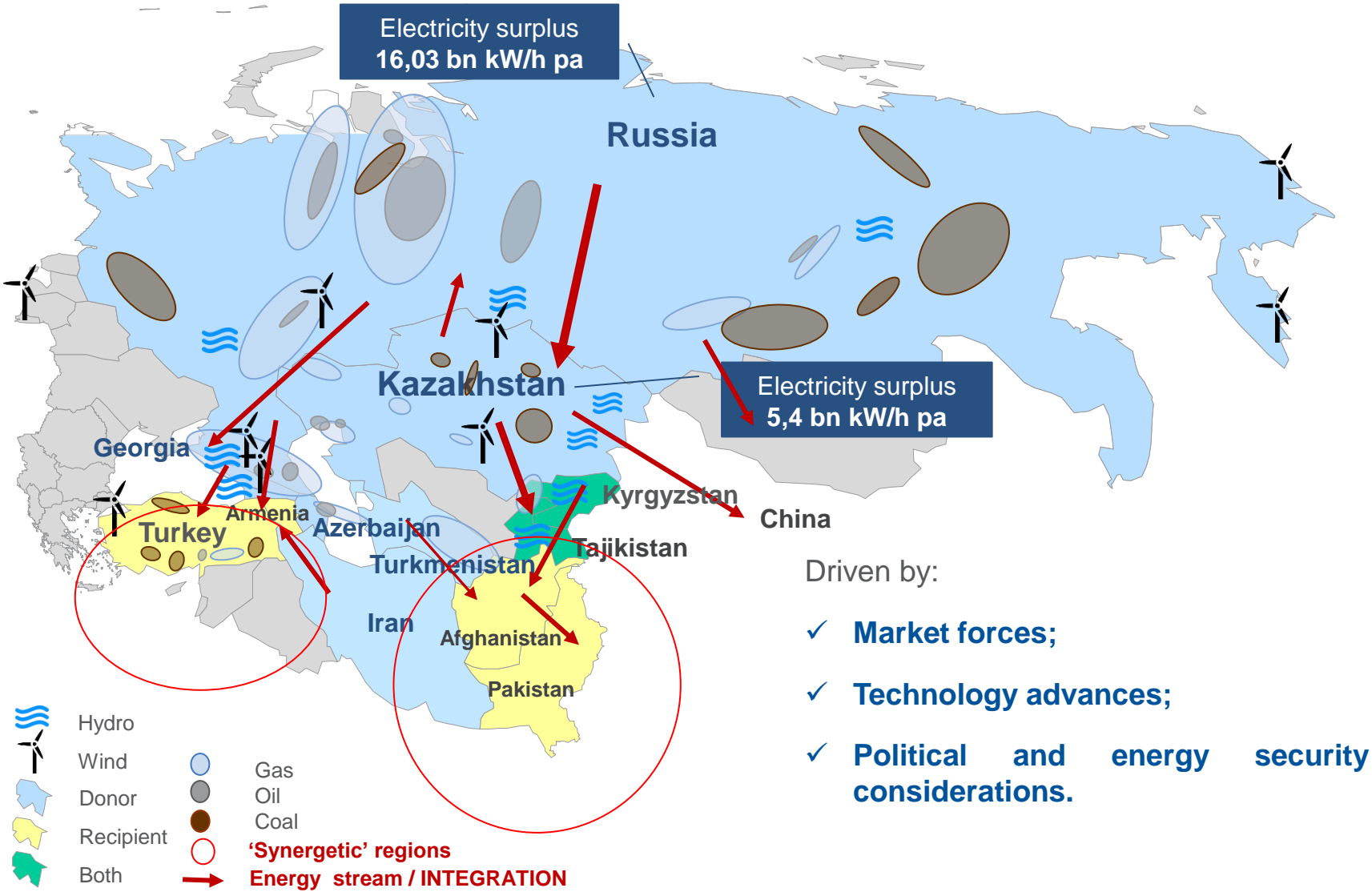




# Regional interconnection in place and expanding



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**There are VARIOUS OPTIONS of further energy systems development, though ENERGY SECURITY should be considered as a top priority when choosing among the options**

- ✓ **CASA 1000** – through joining of new countries, i.e. Kazakhstan;
- ✓ **Russia, Georgia, Armenia and Iran** – through creation of the power corridor “North – South”;
- ✓ **Central Asia - China gas pipeline** – through launching of the Kazakhstan gas pipeline and supplementing entities (e.g. underground gas storage facilities);
- ✓ **One Belt – One Road** initiative which should foster East-West integration route.

**...or there might be no integration due to:**

- ✓ Energy security concerns
- ✓ High risks and low returns of “mega” projects
- ✓ Changing technological landscape such as affordability of renewable energy



# EBRD can provide bespoke financing solution



	Debt	Equity	Guarantees
Term	5-7 (up to 15) years	Typically from 3-7 years	1.5-2 (up to 3) years
Currency	Local currencies and major foreign currencies		
Approach	Finance up to 35% of the project (up to 70% with syndication)	Usually up to 35% share, minority stake	Mainly through Trade Facilitation Programme
Options	<ul style="list-style-type: none"> <li>▶ Senior, subordinated or convertible</li> <li>▶ Floating or fixed rates</li> </ul>	<ul style="list-style-type: none"> <li>▶ Risk equity</li> </ul>	<ul style="list-style-type: none"> <li>▶ Import/export operations</li> <li>▶ Pure guarantees, cash advance trade finance</li> <li>▶ Factoring</li> </ul>
Applications	<ul style="list-style-type: none"> <li>▶ Greenfield or Brownfield</li> <li>▶ Modernisation and energy efficiency</li> <li>▶ Acquisition and consolidation</li> </ul>		<ul style="list-style-type: none"> <li>▶ issued to international banks</li> <li>▶ takes the risk of transactions of local banks</li> </ul>

**Exact terms depend on specific needs and market conditions**

Thank you

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