

Local Bank Lending for Municipal Energy Efficiency Projects: the Case of Russia



- I. Municipal projects:
experience of Bank Center-invest
- II. Problems of energy saving technologies
and state regulation
- III. Mechanisms and perspectives of
energy saving technologies lending



Innovative



"The success of reforms in Russia depends on enthusiasm of people like those of Center-invest's team"

German Gref

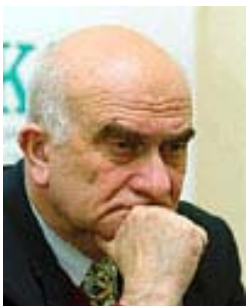
Minister of the Russian Federation for Economic Development and Trade



"The presence of the bank "Center-invest" which successfully operates according to international standards in the region is another evidence of favorable investment climate in Rostov Region"

Vladimir Chub

Governor of Rostov Region



"Commercial Bank "Center-invest" along with its infrastructure for investment decision support became "the lab for economic reforms" in the South of Russia"

Eugeny Yasin

Scientific Leader of the Higher School of Economics



Dynamic



Since 1997 PricewaterhouseCoopers has been auditing Center-invest Bank in accordance with IFRS

Mln. RUR

| | | 01.10.06 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|---------------|--------|----------|-------|------|------|------|------|------|------|------|------|
| Capital | RAS* | 2222 | 2010 | 1087 | 686 | 628 | 421 | 205 | 101 | 53 | 51 |
| | IFRS** | 2392 | 2221 | 1141 | 779 | 678 | 414 | 210 | 99 | 41 | 46 |
| Net Assets | RAS* | 18483 | 13058 | 8359 | 5132 | 3026 | 1605 | 991 | 540 | 340 | 234 |
| | IFRS** | 19083 | 13637 | 8493 | 5257 | 3124 | 1635 | 960 | 630 | 252 | 186 |
| Income (Loss) | RAS* | 535 | 501 | 212 | 130 | 64 | 27 | 17 | 6 | 5 | 9 |
| | IFRS** | 341 | 311 | 131 | 94 | 14 | 4 | (7) | (11) | (4) | 6 |

* - RAS - Russian accounting standards;

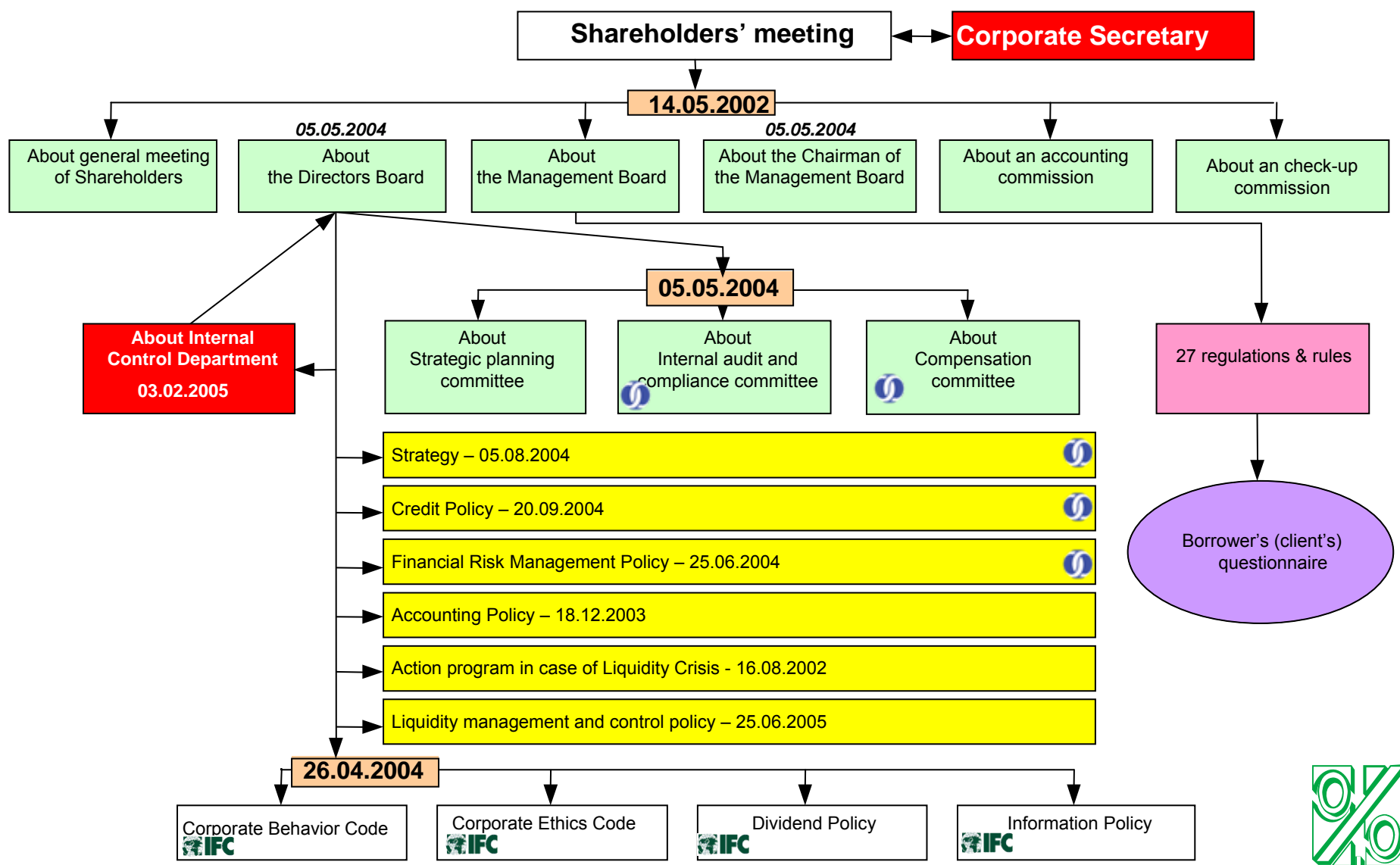
** - IFRS- International financial reporting standards (including Standard №29 "Accounting under hyperinflationary conditions" for 1999-2001)

Results of 2005 in accordance with IFRS are unaudited



Transparent

CORPORATE GOVERNANCE



Rating



**Moody's Investors
Service**

B1 - LT deposits in foreign and national currency rating



A2.ru - rating according to national scale



BB stable – short-term rating

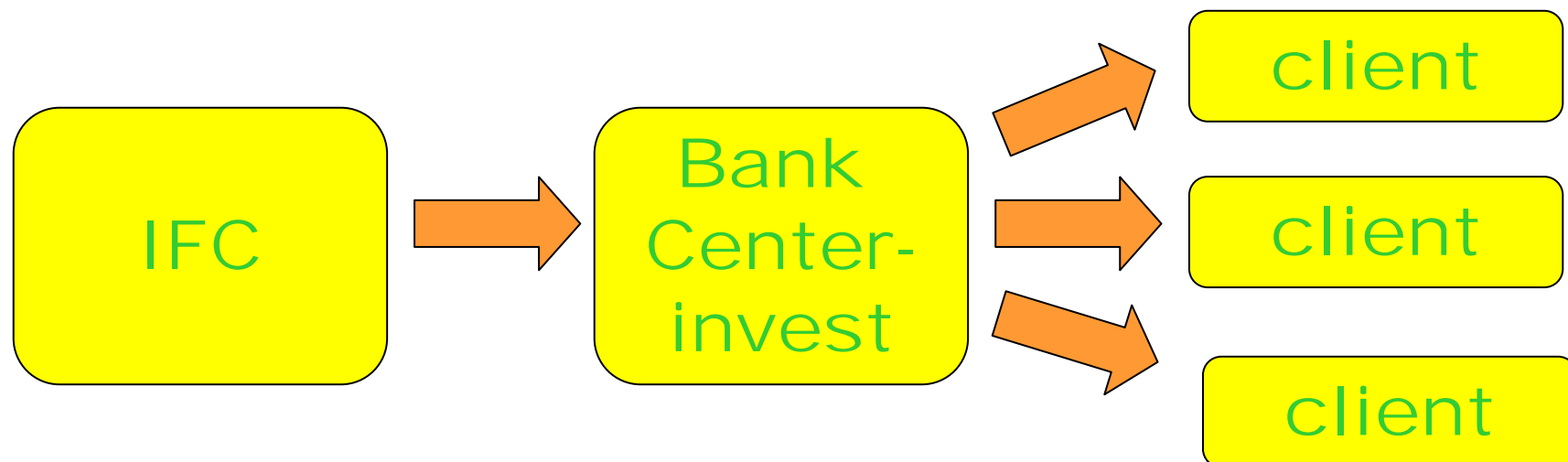


Experience of work in municipal sector

- 1993** creation of the first condominium
- 1995** solution of non-payment problems of energy-, gas- and heat supply enterprises
- 2002** participation in privatization of JSC TEPTS “Teploenergo”
- 2003** application to participate in energy efficiency project of IFC
- 2006** realization of energy efficiency projects



Energy efficiency program of IFC



Success conditions

- 1) Long-term resources 5-7 years**
- 2) Standard energy efficient technologies**
- 3) Bank's initiative**



Experience of introduction of energy saving technologies

| | Amount, RUB Mio. | Terms, years | Energy saving, % |
|---|-----------------------------|-------------------------|-----------------------------|
| 1 Press with plasma cutting (Taganrog) | 4,8 | 3 | 76 |
| 2 Chocolate mashine (Krasnodar) | 5 | 3 | 66 |
| 3 Bakery (Novocherkassk) | 0,8 | 3 | 90 |
| 4 Boiler working on husk (Kropotkin) | 30 | 3 | 65 |
| 5 Heating of a swine breeding farm (Krasnodar) | 38 | 5 | 74 |
| 6 Printing-office equipment (Aksay, Timashevsk) | 16,8 | 5 | 47 |



Experience of introduction of energy saving technologies

| Project | Equipment costs (thous. \$) | Operating life (years) | Payback period (years) | Project profitability (%) |
|---|-----------------------------|------------------------|------------------------|---------------------------|
| Bakery | ≈ 100 | 12-15 | not more than 4 | 7-12 |
| Dry-cleaner's-laundry | ≈ 20 | 7-8 | not more than 3 | 14-18 |
| Photo-studio | ≈ 35 | 5-7 | not more than 2,5 | 20 |
| Catering | ≈ 50 | 3-5 | not more than 2 | 30-40 |
| Auto repair shop | 130 – 150 | 8-10 | not more than 3 | 20-27 |
| Tire fitting | ≈ 8-12 | 8-10 | not more than 3 | 18-22 |
| Car washing | ≈ 15 | 4-6 | not more than 2 | 25-30 |
| TV-radio workshop | ≈ 3 | 7-8 | not more than 3 | 15-20 |
| Hairdressing saloon (1 work place) | 4-8 | 3-5 | not more than 2,5 | 30-33 |
| Coffee house | 40-60 | 3-4 | not more than 1 | 50-55 |
| Taxi (12-14 cars) | 120-150 | not more than 3 | not more than 1,5 | 44-48 |



Problems of state regulation of energy saving technologies

- 1) Low prices on energy resources**
- 2) Tariff regulation according to level of costs**
- 3) Delay reforms in municipal economy**



Low prices on energy resources

- **open window leaves in winter**
- **inefficiency of energy saving**
- **inefficiency of meters**



Damnation of tariff regulation

“fathers” – energy spenders

“children” – energy ruin, man-made disasters

“grandsons” – energy bankruptcy



Perspective of reforms in municipal economy

- 1. “Cheap” poor services of municipal enterprises**
- 2. Quality expensive services of private enterprises**
- 3. Public-private partnership (standard contract)**
- 4. Self-sufficiency**



Mechanisms of energy saving technologies lending

- 1. Consumer loans in order to energy saving**
- 2. Factoring of meters setup**
- 3. Outsourcing of energy efficient technologies**
- 4. Equipment leasing**
- 5. Trade financing for energy efficient technologies purchase**



Perspectives of energy saving

- 1. Decrease of energy efficient technologies risks**
- 2. Aggressive marketing of energy saving equipment**
- 3. Energy efficiency Reference-project**

