

Operation Evaluation of the Mid-size Sustainable Energy Financing Facility



EBRD Evaluation department
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This evaluation study assesses the Bank's Mid-size Sustainable Energy Financing Facility I. It provides insights to inform future sustainable energy financing facilities. It also contributes to a forthcoming in depth evaluation study on energy efficiency frameworks across the EBRD countries of operations.

Highlights

Key facility features

The EBRD's 2010 Mid-size Sustainable Energy Financing Facility (MidSEFF) I is a framework providing EBRD €300 million capital to Turkish commercial lenders for financing sustainable energy projects in Turkey. An additional €100 million was set aside for direct risk participation projects.

The evaluation study covers 27 mid-size projects of €10 to €40 million each under the facility implemented through four different participating commercial banks. These four banks on-lent nearly €300 million of EBRD financing to 27 renewable energy and energy efficiency projects.

Of these, 11 are confirmed fully operational, 10 have completed construction with operational status to be confirmed and 6 have an expected completion in 2015.

The EBRD mobilised co-finance from EIB

Key facility outputs

- MidSEFF has been major contributor to increased renewable energy capacity in Turkey; 87 per cent of EBRD €300 million was disbursed by June 2014.
- 494MW in additional energy capacity was generated through MidSEFF projects.
- A carbon market services component enlisted projects in carbon registration and raised awareness although yet to monetise carbon credits.

Findings

- MidSEFF had a significant effect on the Turkish renewables market.
- More time and other specific products were needed for further market diversification of renewable energy technologies.
- Participating bank experience in project finance was important to subproject success.
- There is currently a limited market for local currency lending in sustainable energy.
- Inclusion of energy efficiency projects in MidSEFF was of limited value.
- Incentives were not needed for MidSEFF to succeed.
- Brand is important; an outreach and marketing project component could promote uptake and diversification.

Transition impact achievements

- Acceleration and scale-up of sustainable energy investments
- Diversification of technologies into areas other than hydropower
- Demonstration of new financing mechanisms through carbon market development: carbon credits were monetised and services developed.
- Transfer of skills through upgrade of environmental standards and capacity building: environmental and social standards were improved.



Approach

This evaluation contributes to corporate accountability, learning and strategy as lessons will be applied to subsequent EBRD sustainable energy financing facilities. It also contributes towards a more in depth evaluation study due to take place on energy efficiency frameworks across EBRD countries of operations.

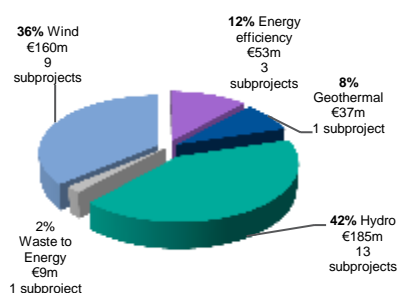
The evaluation process involves scrutiny of monitoring and self-assessment which may highlight key issues. As part of the evaluation, a results framework was used to show results achieved.

Key questions of the study were regarding the additionality of the EBRD project, how well designed structured and managed it was, what would have happened without EBRD support, the extent to which financial operational and transition objectives were achieved and the environmental and social impacts.

The study involved a desk review of project documentation, interviews with staff, participating banks and sponsors, a field trip and use of a consultant with technical expertise in sustainable energy and carbon finance.

Key facility outputs

- MidSEFF has been a major contributor to increased renewable energy capacity in Turkey
- MidSEFF investments by technology (the 27 projects) are shown below:



- 494MW in additional energy capacity was generated through these projects
- A carbon market services component enlisted 3 projects (target was 4-8) in carbon registration to date and raised awareness although they have not yet been monetised into carbon credits
- 87 per cent of €300 million was disbursed by June 2014, and a total EBRD/EIB co-financed amount of €413 million was on-lent

- Delivered higher than projected IRR from subprojects

Transition impact objectives were achieved as follows:

- Acceleration and scale-up of sustainable energy investments
- Diversification of technologies into areas other than hydropower
- Demonstration of new financing mechanisms through carbon market development: some carbon market services were developed.
- Transfer of skills through upgrade of environmental standards and capacity building: environmental and social standards were improved.

Overall rating

The facility was found to be “*highly successful*”. Performance was strong in the areas of financial performance, achievement of objectives and transition impact.

This was achieved despite an incomplete regulatory framework and low carbon demand.

MidSEFF helped expand the capacity of participating banks and supported the government of Turkey’s Sustainable Energy Action Plan.

The facility was unique as the first to:

- Provide a mid-size lending facility for sustainable energy;
- Require sub-project sponsors to comply with EBRD environmental and social standards
- Incorporate a carbon market services development component

Main findings

MidSEFF had a significant effect on the Turkish renewables market.

- More time and other specific products were needed for further market diversification of renewable energy technologies.
- Participating bank experience in project finance was important to subproject success.
- There is currently a limited market for local currency lending in sustainable energy

- Inclusion of energy efficiency projects in MidSEFF was of limited value

- Incentives were not needed for MidSEFF to succeed

- Brand is important

- An outreach and marketing project component could promote uptake and diversification.

Recommendations

The evaluation provided a number of recommendations which Management will implement under any future sustainable energy financing facility. They were as follows:

- Given comparable circumstances, avoid allocating funds for direct risk participation.
- Introduce market/industry norms, benchmarks or standards for energy production and/or carbon reduction.
- Select energy efficiency projects for mid-size facilities such as MidSEFF with a clear and evident demonstration effect.
- Limit hydropower and wind projects, and when hydro and wind projects are undertaken, accompany them with enhanced environmental and social standards.
- Feature solar licensing as a focus of future policy dialogue.
- Focus carbon market policy dialogue on greenhouse gas management and measuring, reporting and verifying.

The full report is available at:

www.ebrd.com/evaluation

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