

Why are private banks now engaging in EE financing?



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What are green loans, loans for energy efficiency, loans for renewable energy sources?

- **Global process and one of the trendiest topics at the moment;**
- **We talk a lot, but we know little;**
- **Meetings like this are good opportunity to learn more, discuss and share experiences**



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Is there potential for EE and RE projects in Macedonia?

- A lot of people believe that these projects are feasible only on paper and a much longer period of return on investment is needed;
- But in practice the results are excellent;
- In a recent study of market demand for the Western Balkan countries, Macedonia has been identified as one of the priority countries for funding under this credit program;
- Limitation of energy resources, which in recent years led to the rise in energy prices, and liberalizing the energy market in Macedonia in the near future, will lead to at least double the price of electricity;
- Macedonia has great potential for improving energy efficiency, but lack of sufficient access to long-term funding is a major obstacle in the process of improvement.

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Necessity of lending for energy efficiency projects and projects for energy production from renewable sources

- ❖ **NLB Tutunska Bank in May this year signed a loan agreement with EBRD in the amount of EUR 4.000.000,00, for further finance of investment projects in industrial energy efficiency, energy efficiency in commercial buildings and retail energy production from renewable sources.**

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Benefits from this type of projects

The practice in the Western countries, and recent experience in Bosnia and Serbia confirm that investing in such projects gives excellent results:

- Fast return on investment,
- Real energy savings which reduce the company's costs,
- Increasing their profitability and competitiveness and
- An additional motivation is incentive of 15-20% of the loan amount that are returned to the client after the successful implementation of the project.

In addition, the companies replace their old assets with new and increase their value.

All of this leads to increased power of companies to service their loan obligations, which increases the reliability of banks to finance such projects.

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What to do with refunded amount?

- The companies can use the refunded amount as they desire, for fixed assets, working capital, for other investments and so on.
- If we take the fact that this credit line provides return of funds in the amount of 15-20% of the investment, after the successful implementation, it would mean that interest the client pays the bank is largely refunded to the client, so the loan comes with very low and attractive interest.

Example: For approved loan amount of EUR 300,000 with a term of 5 years included 12 months grace period and interest rate of 8%, client would pay ca EUR 74,500 of interest for the entire period. If we take into account the return of funds in the amount of 20% of the loan, or EUR 60,000, net interest paid to the Bank is ca EUR 14,500, which is the amount the customer would have paid if the loan is approved with 1,6% interest.

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Bank motives for financing such projects

- **High effectiveness and profitability of this type of projects is the main motive for the banks to place their loans, because the banks want to finance only sound and sustainable projects.**
- **The good cooperation that NLB Tutunska Bank has with the EBRD consultants, who visit the investment site in order to identify the real opportunities for effective implementation of the potential projects and provide free assistance and expertise to clients in preparation of investment programs.**
- **Safe placements of the loans and a very high probability of repayment of the loans in timely manner.**

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The procedure

- **Not very long, but a good deal depends on the cooperation of the client, or how much time is needed to provide the requested documents and prepare the investment program;**
- **First project was approved in one month;**
- **Currently in the pipeline we have three projects.**

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Ultimate goal of financing such projects

- **environment protection;**
- **reduction of CO2 emissions;**
- **increasing awareness of companies and the population of the adverse effects of climate change.**

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THANK YOU