

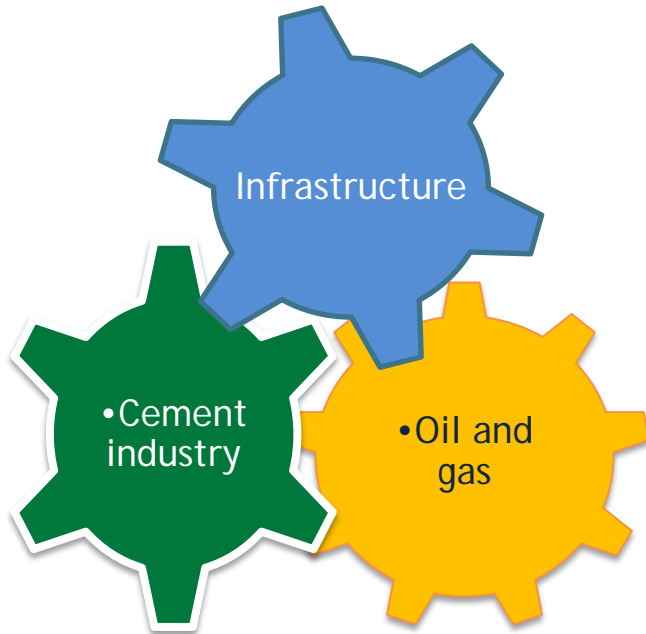
# Energy Efficiency in Residential Sector of Albania & Kosovo

IFC Advisory Services in Europe and Central Asia

Tirana, Albania  
July 7-8, 2014

# IFC in Albania

## Focus Areas



- IFC's investment in Albania totaled \$621 million, including \$180 million in syndicated loans since 1991
- Committed investment portfolio in 2013 is \$213 million in the financial sectors, industry, oil and construction.
- In 2013 additional \$146 M were mobilized from partners.
- IFC's advisory services in Albania aim to improve the investment climate, performance of private sector, access to finance, and to attract private sector participation in development of infrastructure projects.
- Energy Finance AS program present since 2009

# Albania potential for energy efficiency (EE) in residential sector

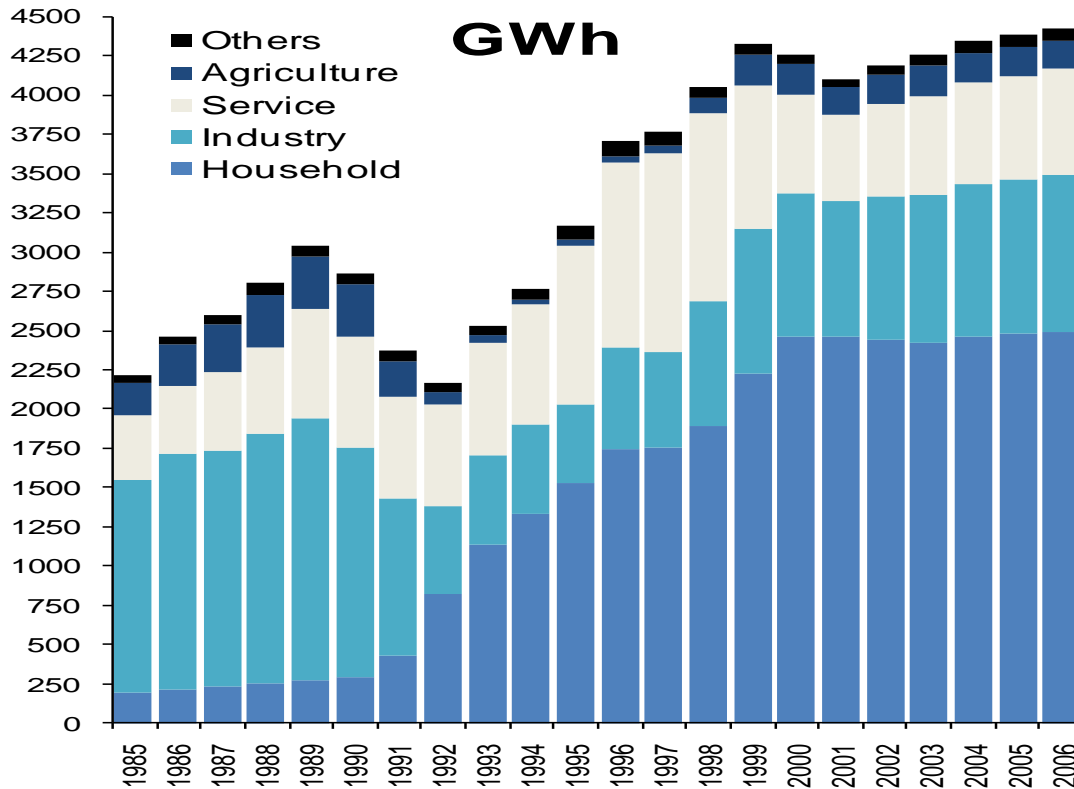
## Basic info about the sector

- The housing sector in Albania consume **49%** of all electricity available.
- **14 million m2** - The residential floor area of the building stock
- The price of electricity is increased by **66%** in 2003-2010
- The **energy market** will be liberalized in 2015
- National Energy Efficiency Action Plan (NEEAP) goal of **9 % energy savings by 2018**

## Residential EE potential

- **€ 600 million**- estimate Investments for Energy Efficiency of Residential sector
- **30%-50%**- energy saving potential of Residential sector
- **3-7 years** - average payback period for Residential EE investments
- **88%** of the buildings are constructed before 1990 and require EE renovation

# Challenges of EE in Albania

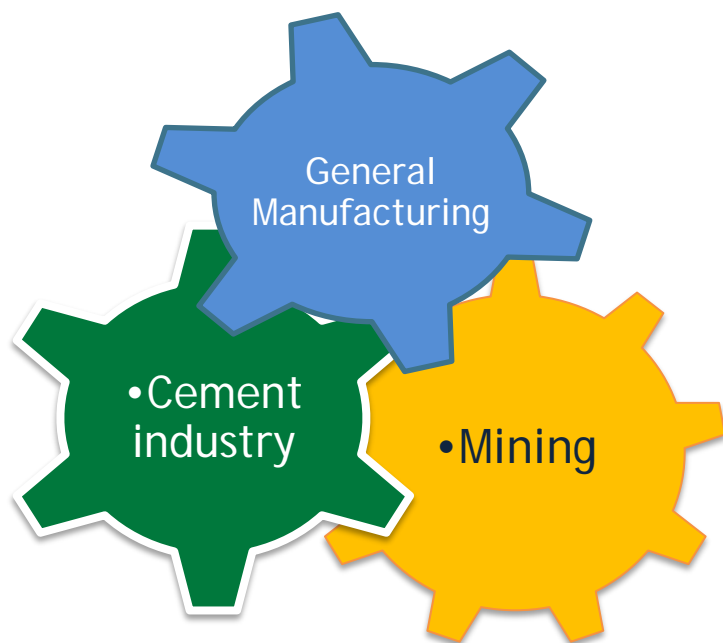


## Challenges

- Regulatory framework
- Lack of gov. incentives to EE investments
- Lack of sectorial capacities (agencies, Auditors)
- Sector not aware of the market potential
- Banking sector lack of capacity and funds to be allocated for new products

# IFC in Kosovo

## Focus Areas



Operates in Kosovo since 2000

- Total committed investment portfolio over \$20 million in the financial sectors and manufacturing.
- In 2013 additional \$369M were mobilized from partners.
- Other active advisory work includes Investment Climate including Trade Logistics, Renewable Energy, PPP Infra, Corporate Governance and Financial Literacy.
- Sustainable Energy Finance AS program present since 2014

# Kosovo potential for energy efficiency (EE) in residential sector

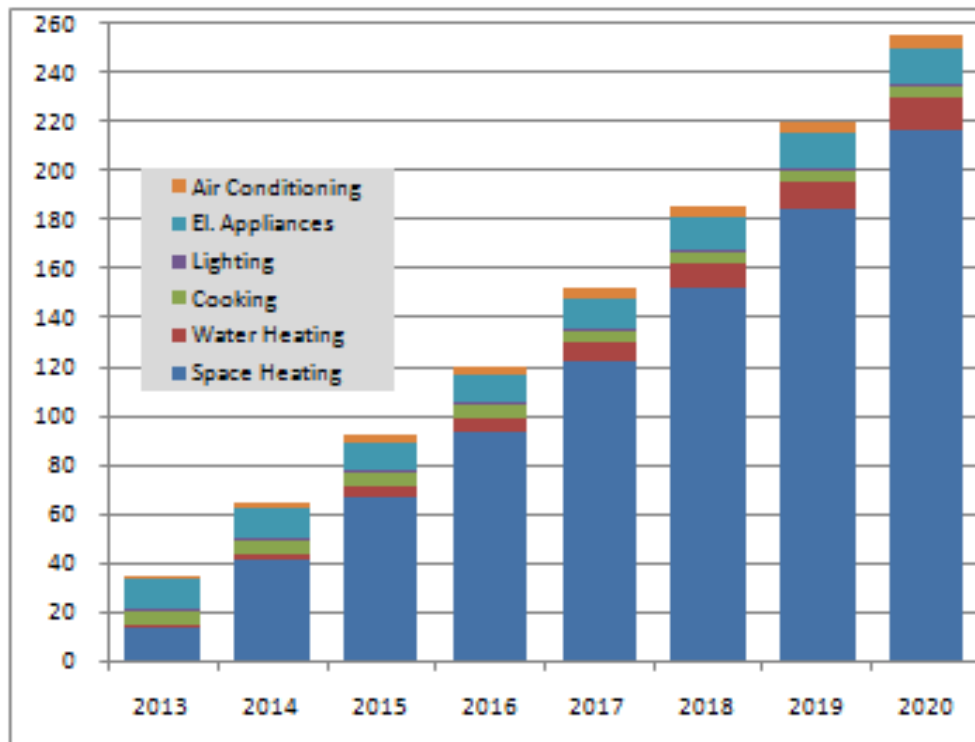
## Basic info about the sector

- **48%**- The building sector energy consumption as share to total consumption
- **45% / 44%** - Energy sources for Residential sector- Biomass / Electricity
- **37 million m2** - The residential floor area of the building stock
- **79%** - Household buildings over 20 years old
- National Energy Efficiency Action Plan (NEEAP) was adopted with the goal of **9 % energy savings by 2018**

## Residential EE potential

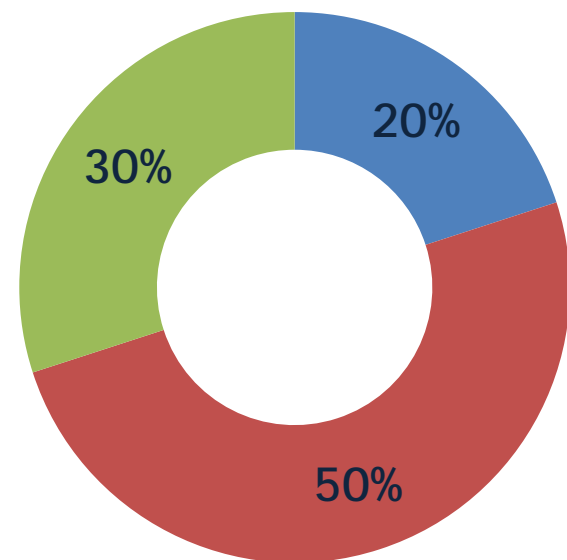
- **€ 1.12 bn** - estimate Investments for Energy Efficiency of Residential sector
- **46.1%** - energy saving potential of Residential sector
- **5.85 years** - average payback period for Residential EE investments
- **One-story houses** - focus subcategory for banks with the biggest amount of Investments needed (460 Million Euro)
- Progress has been made in terms of the legal and regulatory basis for EE improvements in Kosovo

# Solutions for energy efficiency (EE) in Kosovo residential sector



Yearly investment required for each EE measure for each energy service in the Residential Sector (€ million)

Share of measures in Residential EE potential



■ Heating system ■ Thermal Insulation ■ Double / triple windows

# Limitation factors faced by implementers of EE projects

- **Energy scarcity** and **increasing energy prices**
- Unawareness of **available technologies** and benefits of application
- Lack of **awareness of real economics** of properly designed projects
- **Gradual need for retrofits/upgrade** of essential systems incl. buildings and SME/corporate premises
- New **business opportunities** for contractors/equipment vendors/ESCOs
- **Payback** periods
- **Financing**



# IFC Sustainable Energy Finance Programs

## Advisory (AS)

- Product Development
- Trainings for staff
  - loan officers,
  - credit risk managers,
  - marketing personnel
- SEF calculator
- Marketing activities

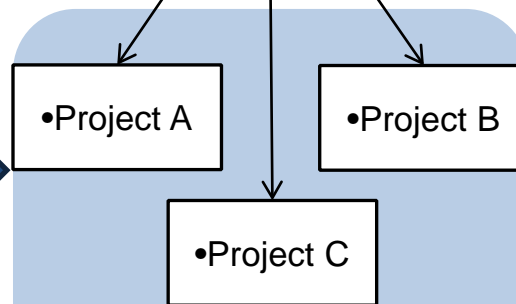
- Project assessment support
- Pipeline Development
- Seminars
- Work with contractors/vendors



•Financial Products



•Bank Loans to EE/RE Projects



•Portfolio of EE /RE Projects

## Investment (IS)

•Risk Positions at the Level of the Bank:

- Credit lines
- Equity
- Subordinated debt
- Currency swap
- Trade finance

•Risk Positions at the Level of the Underlying Assets:

- Guarantees
- Portfolio Risk Sharing
- Direct Co-financing

# General implementation components



## Awareness raising and knowledge sharing

1. Round tables/workshops
2. Knowledge sharing
3. Brochures/booklet
4. Media appearances
5. REE fair



## Sectorial Support

1. Training for Residential EE auditors
2. Regulatory work on Energy Efficiency by-laws

**Concurrent**

# Taking advantage of IFC advisory support

## Principal Benefits

### For banks

- Expanded business and more effective work with existing client base
- Stronger market position thanks to competitive differentiation
- Increased credit portfolio
- Lower credit and technological risks
- Business model to be up-scaled ( from individual EE lending to MFB lending)
- Business perceived as socially responsible

### For companies

- Higher resource efficiency
- Greater cash flow due to energy cost saving
- Reduced costs in parallel with higher product/service quality and stronger competitiveness
- Better control over internal processes
- Reduced impact of processes on the environment

# AS and IS banking projects related to SEF product EMENA region

## Examples of advisory projects

									
Erste Bank	Banque Libano-Francaise	SME Bank	Prime Finance Bank	Agropromcredit Bank	Tatfondbank	Societe Generale Albania	Union Bank Albania	Fondi Besa mfi	NOA mfi
2010	2012	2011	2009	2009	2007	2012	2014	2010	2010

## Examples of IS – AS joint projects: IFC financing + consultations

						
TCB Bank	LOCKO-Bank	Credit Bank of Moscow	Center-Invest Bank	NBD Bank	MDM Bank	URSA Bank
USD 18 million 2011	USD 20 million 2010	USD 20 million 2010	USD 10 million 2010  USD 4 million 2008	USD 8 million 2008	USD 50 million 2008  USD 35 million 2007	USD 53 million 2008

				
Tamweelcom	AmeriaBank	MTBank	Bank Respublika	Credins bank
USD 3 million 2011	USD 15 million 2010	USD 10 million 2011	USD 15 million 2013	USD 13.3 million 2012

# Example of EE Advisory Credins Bank (Albania)

2010-2012



## Bank's need:

- Increase micro loans business and implement modern banking products

## IFC Solution:

- Residential Energy Efficiency Finance Program
- Specialized program with a focus on bank needs in this area: delivery of manuals and tools, training on financial & technical aspects of energy efficiency investments in residential sector

## Outcome:

- About USD 5 million in retail EE loans to more than 1.000 customers since 2011
- Advisory Services led Investment transaction with Credins Bank for EUR 10 mln

# Key success factors to EE lending

## ➤ Internal Awareness of the Bank

- Adaptation of "Green Bank" image - Energy Efficiency is not just business but also Social Responsibility

## ➤ Creating internal support structures at the Bank

- Dedicated group of internal experts

## ➤ Financial incentives when the Bank launch the product

- Favorable loan conditions

## ➤ Know your client

- Each individual client has specific energy needs

## ➤ Specialized technical assistance

- EE Lending is a new business, unlike classical Lending
- Market research study to be obtained ahead- strategy and product development
- Continuous training courses of staff
- Marketing support and network equipment vendor of EE

# Thank you!

## Contacts:

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