



Innovative Finance for Energy Efficiency and Renewable Energy Projects

“Kazakhstan Sustainable Energy Financing Facility” (KAZSEFF)

The EBRD is launching an exciting new financing facility, designed exclusively for companies wishing to improve energy efficiency of their production facilities and those active in the development of renewable energies.

ENERGY EFFICIENCY MAKES GOOD BUSINESS SENSE

Energy systems, energy consumption, energy use – traditionally this is all for engineers. Right?? Wrong!! Here is an example: Motor and steam systems account for 15% and 38% respectively, of global final manufacturing energy use. That means, any improvement has a direct impact on company finance, regardless of the energy cost in the region where the company is located. In some industries, the energy bill of a company easily accounts for millions in the two-digit range. Achievable savings of 15-20% therefore produce a cash benefit of an order where most top managers pay full attention.

Project Example: A producer of paper products in Ukraine, with an annual production volume of 20,000 tonnes, undertook measures to decrease consumption of natural gas, electricity, water and raw materials whilst increasing its production capacity. Measures taken included replacement of boilers, increase in burner efficiency, new steam distribution, waste-water treatment and installation of variable speed drives.

Total investment volume: US\$ 1.4 million.

Project results: increased production by 1000 tonnes per year, savings in all targeted areas resulting in annual monetary savings of US\$ 700,000.

Project Payback: 3 years

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Improvement measures
for better energy
efficiency may range
from a simple boiler

replacement to a holistic review and improvement of the entire energy system. Installation of modern, energy efficient production equipment, as an example of a major capital project, can make a significant difference to the energy bill. However, good control strategies and variable speed drives that allow greater flexibility to match supply with demand, also increase work efficiency whilst reducing energy consumption and energy cost, as an example of a lower cost high impact alternative that should not be ignored.

A study of 41 completed industrial system energy efficiency improvement projects showed an average of 22% in energy savings. Total investment of all projects combined was US\$ 16.8 million. All projects combined generated annual savings in energy expenditure of US\$ 7.4 million an/or 106 million kW. On average the recovery of cost was a little over 2 years.

Renewable energy plants (wind turbines, run-off-river hydropower plants, solar-thermal water and drying systems, biomass combustion systems generating heat and/or electricity, biogas engines, geothermal heat pumps, etc) are often a financially attractive alternative for companies, which have the possibility of further utilising side products or, for example, waste (e.g.

biomass combustion system in poultry production) and for companies who need their own power plant to secure their power supply.

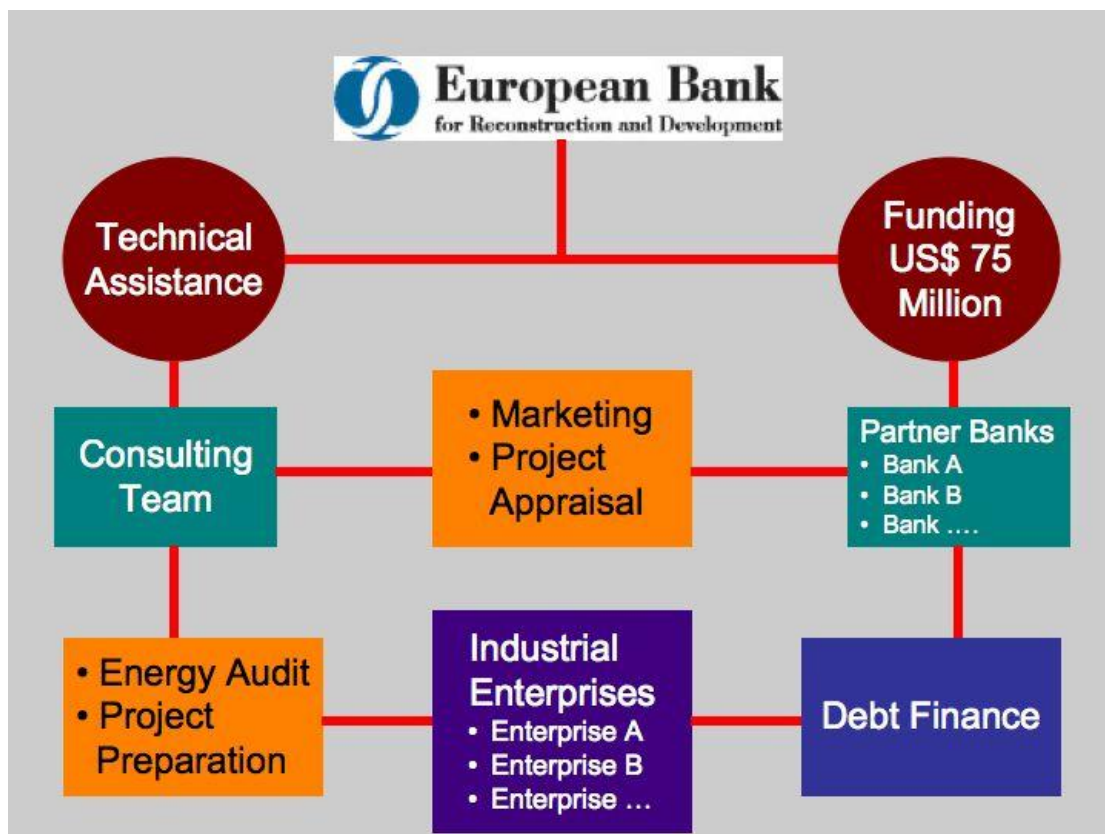
NOT JUST A LOAN

KAZSEFF is not just a dedicated financing facility. It is a holistic approach consists of two major components:

A US\$ 75 million financing facility for on-lending to industrial enterprises through local partner banks

A technical assistance grant to promote the facility and to identify and prepare suitable projects (funded by the EBRD-DFID Energy Efficiency Fund, the Norwegian Ministry of Foreign Affairs, the Japan-Europe Cooperation Fund, and the German Government).

That means, eligible companies, which are interested in reaping the substantial benefits energy efficiency improvements and Renewable Energy projects, receive free assistance from a multinational team of technical experts in the assessment and scoping of their project, in support of preparing a bankable loan application. Eligible are companies registered in Kazakhstan, which are privately owned (51%) and operate in compliance with national environmental, health and safety legislation and which are not engaged in activities listed in the EBRD's Exclusion and Referral List.



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