

Financing opportunities and possibilities: Energy projects in Ukraine

Planning Lithuania's future involvement in Ukraine includes considering financing. As Lithuania is dedicating part of its budget every year for certain funds, it is beneficial to perform this exercise strategically. Targeting specific funds, instead of diversifying, may allow Lithuania to also take part in relevant projects, specialize, and stay informed. Therefore, in this document energy-related funds are overviewed in relation to Ukraine. They may be both, funds where budgetary investments are allocated and funds that finance or co-finance projects. The information is structured in the following way:

1. How they work with Ukraine (program available, partnerships, past projects, announced plans)
2. Involvement with green transition, especially including district heating and biomass ecosystem
3. Possible avenues for cooperation in general
4. Financing conditions (if there are).

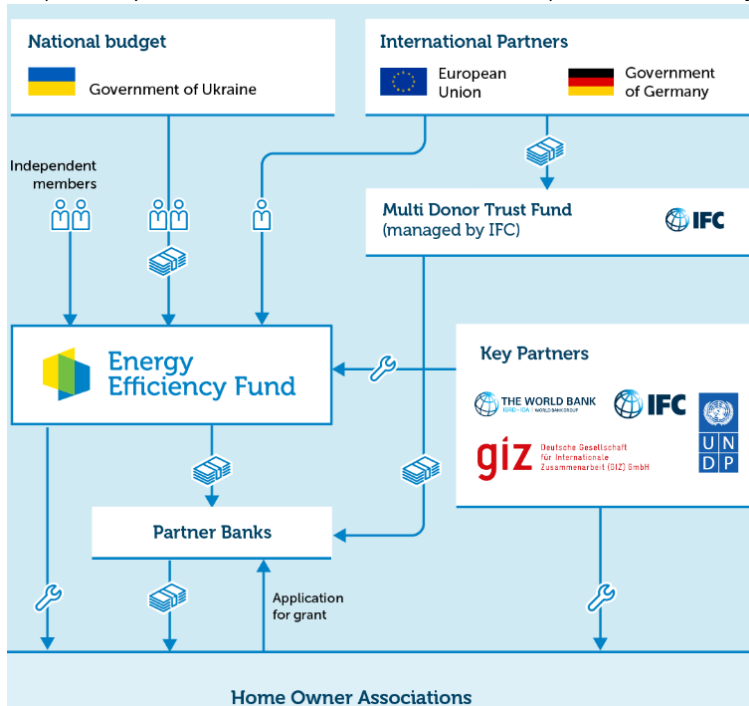
The information in this document was gathered by the means of attended conferences and presentations, consultations, and communications with stakeholders, as well as through open-source materials. The collected data is actual as of May 22nd, 2023.

Energy Efficiency Fund (EEF)

1. The Energy Efficiency Fund (EEF) is a governmental institution in Ukraine providing instruments for thermal innovations in multi-family buildings where homeowners associations were established (HOA). Before 24th of Feb 2022 carried out renovation of the apartment buildings aimed to improve energy efficiency via [The Energy Efficiency Fund Program](#) - **in cooperation with the IFC, GIZ and UNDP**. After 24th of Feb 2022 - new initiative to repair of war-damaged apartments across Ukraine with 100% of cost covered by the Fund ["VidnovyDIM" Program](#) ("Restore a home").
2. **"GreenDIM" program** is under development, aimed at **stimulating the use of alternative energy sources** (May 2023) – “<...> The program is designed to provide an opportunity for citizens living in multi-apartment and individual houses, and possibly institutions (institutions) of another form of ownership, to receive financial support for the installation of equipment for the use of renewable energy sources. **Currently, the EEF is looking for potential donors for the detailed formulation of the terms of the Program according to their requirements.**” - [representative of EEF](#) (May 2023). Suggestion for possible equipment includes heat pumps (ground and air, as an option - water) and related equipment, solar panels, storage systems, inverters, solar collectors.

No biomass boilers or DHS were mentioned. It is not clear if that could be integrated into the program, as most probably that would require some subprogram for modernization of DHS for apartments connected to central heating, where it is more efficient than solar and others. DHS may interfere with heat pumps, because the latter are individual heating solutions and thus discourage centralized solutions such as district heating.

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3. Possible ways of cooperation: (1) through allocating finances from the Lithuanian budget to Multi Donor Fund or Trust Fund managed by IFC, based on the Fund's structure above; (2) to include CPVA as a Key Partner of the EEF, that provides Technical Assistance and Support.

The EEF Fund structure. Source: <https://eefund.org.ua/en/partners>

4. No info available on "GreenDIM" program financing; at IFC website only a reference to examples of successful cooperation of IFC/EU and EEF (Sept 2022) [here](#).

NEFCO

1. During the last decade Nefco partnered with over 100 Ukrainian municipalities, financed and implemented environmental projects for energy efficiency, district heating and other municipal services. Projects offer the possibility to share know-how on Nordic technologies and European standards.
2. Program "[Green Recovery for Ukraine](#)": municipalities will receive technical support in developing environmental needs assessments. Aims to work long term, together with Nordic, European and multinational contributors, and institutions.

The program may comprise individual initiatives from various contributors. Existing contributions can also be repurposed towards the new program for the urgent recovery. The program will be available on an ongoing basis and provide financial and technical assistance to municipalities for various repair and rebuilding projects to be executed in an environmentally sound way and **support them in designing Local Green Recovery Plans**.

The program was launched in July 2022 and project preparations and implementation have already begun. The EU, Denmark, Finland, Norway, and Sweden are the program's initial contributors.

3. Cooperation could be possible by working on the municipal DHS in the framework of their program.
4. They finance and implement small and medium-size green projects outside the Nordic countries through investments on market terms.

For the municipal sector:

- Small energy-saving projects:
Loans in local currency, on favorable terms, up to the equivalent of 500,000 EUR.
- Medium-sized projects:
 - i. Loans in EUR up to 5 million;
 - ii. Can be blended with dedicated grant funding;
 - iii. Provision of technical assistance.
- Large loans in EUR on relevant market terms.

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- Small loans in local currency on favorable terms are meant for the first or second loan of small municipalities.
- Utility company loans must be guaranteed by the local municipality.

[For financial institutions](#)

[The Finland Ukraine Trust Fund \(FUTF\)](#)

1. Has provided grant financing to promote cooperation in the fields of energy efficiency, renewable energy and alternative types of energy sources in power and heat generation and in district heating networks. [Examples of financed projects by the Finland Ukraine Trust Fund](#).
2. Financed by the Ministry for Foreign Affairs of Finland and **managed by Nefco**. The local coordinator is the State Agency on Energy Efficiency and Energy Saving of Ukraine (SAEE).
3. **Have done [research on biomass potential in UA](#)** (including district heating). Potential partner in co-financing projects aimed at district heating.

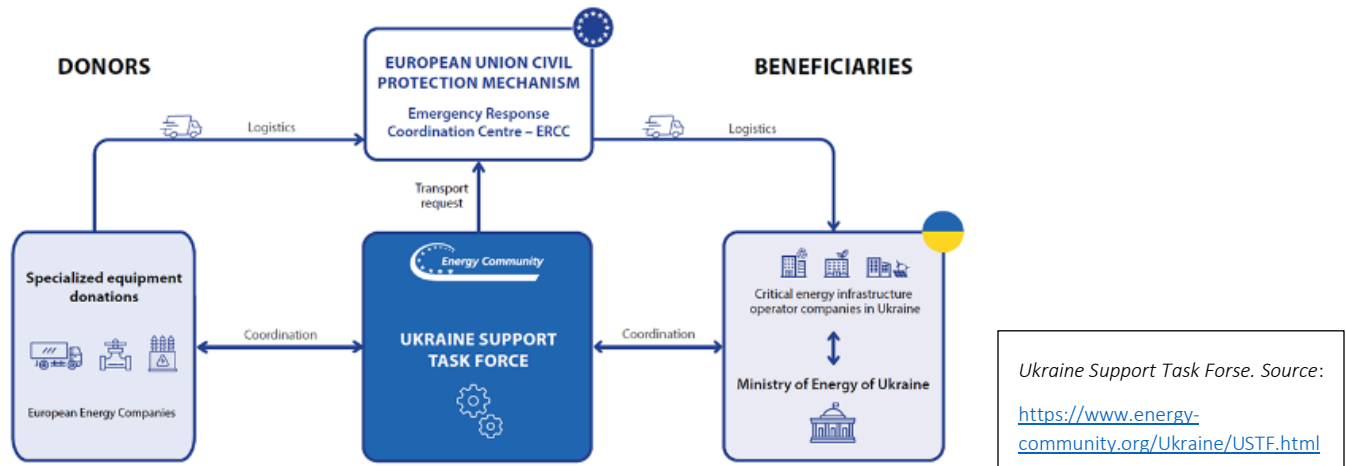
[IFU](#)

1. [IFU made the first investment to UA after the start of the war](#).
 - a. Through Horizon Capital Growth Fund IV,
 - b. to UA private sector,
 - c. together with a group of 10 international development finance institutions,
 - d. 5 million dollars.
2. IFU is willing to take risks to reduce the risks for private investors. Focuses on SDGs, green energy and infrastructure, waste management and waste-to-energy projects.
3. Could potentially be co-financing. "IFU is planning additional investments from its Ukraine facility, including potential projects together with Danish partners that are ready to deepen existing activities or enter into new enterprises that contribute to Ukraine's economic recovery and development potential."¹ – as an example, LT could join such facility. No specific information on this facility is yet available.
4. [IFU investments](#) are made on a commercial basis, they offer funding in the forms of:
 - a. Equity;
 - b. Mezzanine financing (equity-like loans);
 - c. Loans;
 - d. Guarantees.
 - IFU may participate both in the creation of new businesses, joint ventures and through the acquisition of existing companies.
 - Big and small investments: IFU will be a minority investor and take a 10-30% stake of the total investment. In small projects IFU can take up to 49%. Consequently, additional funding of the projects is necessary. This may be through partner funding and, for example, through regional development banks.
 - IFU can finance a project with up to DKK 350 million (almost 50 million EUR).

[Energy community](#)

- [Ukraine Energy Support Fund](#) - Contributions used to finance the most urgent needs of Ukrainian energy companies such as equipment, spare parts, technical items, fuels, and services needed to repair infrastructure and maintain energy and heat supply in Ukraine; listed here: <https://energysecurityua.org/>. The purpose is to keep energy system functional and repair the damages from the war.
- [Ukraine Support Task Force](#)

¹ <https://dia.dp.gov.ua/en/foreign-investments-in-new-horizon-capital-fund/>



EIB

1. [EU for Ukraine](#)
2. The EIB and UNDP have signed a €2 million agreement funded by the multi-donor [Eastern Europe Energy Efficiency and Environment Partnership \(E5P\)](#) Fund to assist Ukrainian cities in implementing a €300 million EIB energy efficiency framework loan. The renewable energy (including biomass) sector is eligible for E5P grand support based on the Fund's policy.

EBRD

1. EBRD [Crisis Response Fund](#) has a focus on Ukraine. **Among the donors:** The United States, Norway, France, Netherlands, Spain, the European Union, Canada, the United Kingdom, Italy, Japan, South Korea, Switzerland, Taiwan, China, Germany, Austria, Denmark, Finland, Ireland and Sweden. **Works with Ukrainian state-owned energy companies:** Naftogaz (gas & utilities company), and Ukrenergo (electricity transmission system operator). EBRD secured contributions from Sweden (SEK 100 million), Norway (NOK 32.5 million), Germany (€20.0 million) and Finland (€4.7 million) to E5P that will be used as CAPEX grants for the Ukraine's municipal infrastructure sector. Overall, Lithuania has contributed to E5P 28,962 EUR for Ukraine (not clear when).
2. [EBRD-led Ukraine Investment Platform](#) - "Aim to strengthen cooperation and promote information exchange and co-financing among participating institutions for the reconstruction assistance of Ukraine with a mainly private sector focus".² Guarantees and investment grants funded via Crises Response Special Fund for cities, but it covers immediate help for essential service restoration only.

International Finance Corporation (IFC)

1. IFC has launched a \$2 billion package to support the Ukrainian private sector ([December 15, 2022](#)), that includes finance from IFC's own account working alongside guarantees from donor governments. The program focuses on ensuring access to critical goods and services with emergency liquidity support for agribusiness and trade finance, including for fuel imports. The second phase "Reconstruction and Recovery" includes direction of energy transition.³
2. **Works with UA EEF:** see info on UA EEF. Last press release [here](#).

² <https://www.ebrd.com/news/2023/ebrdled-ukraine-investment-platform-launched-in-tokyo.html>

³ IFC's Economic Resilience Action Program for Ukraine: <https://www.ifc.org/en/where-we-work/country/ukraine>