



European Bank  
for Reconstruction and Development

# European Bank for Reconstruction and Developments

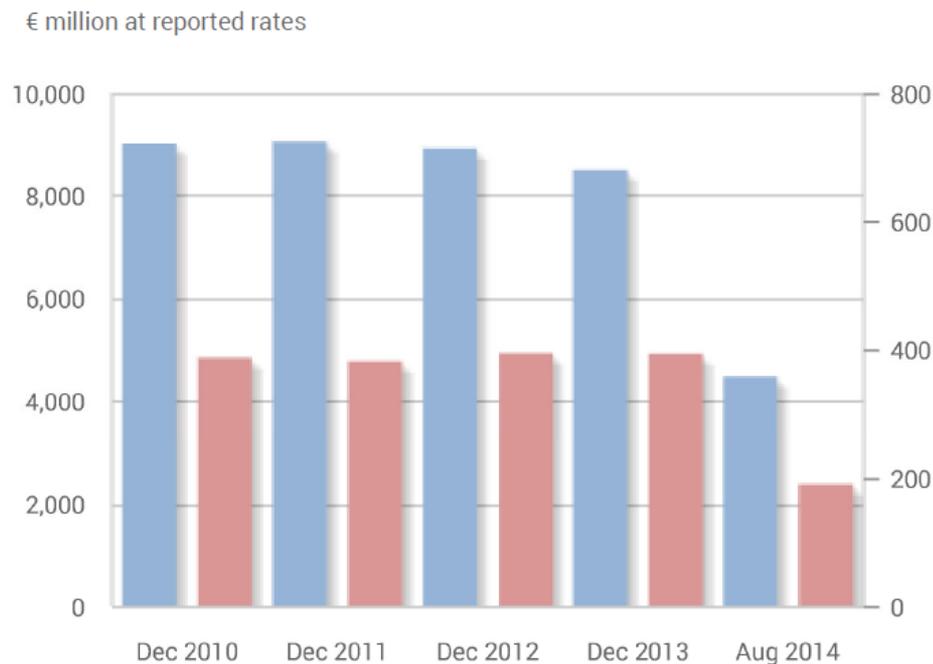
## Utilizing Bulgaria's Gas Opportunities

23 September 2014  
Daniel Berg

# EBRD: A Driving Force for Promoting Market Economies

- International Financial Institution established in 1991, owned by **64 countries plus EU and EIB**
- Invests in **34 countries** of central and eastern Europe, central Asia and the southern and eastern Mediterranean
- Circa **€90 billion** cumulative commitments
- **189 new projects** signed to date in 2014 (as at 31 August) with total commitments of **€4.5**

## Annual Bank Investment and Operations



**Cumulative commitments of circa €90bn**

*Unaudited as at 31<sup>st</sup> August 2014*

**At end August 2014, EBRD's cumulative commitments amounted to €90 billion**

## Cumulative Activity

Number of projects to date	4,065
Net cumulative Bank investment	€90,142m
Cumulative disbursements	€68,500m

## Transition

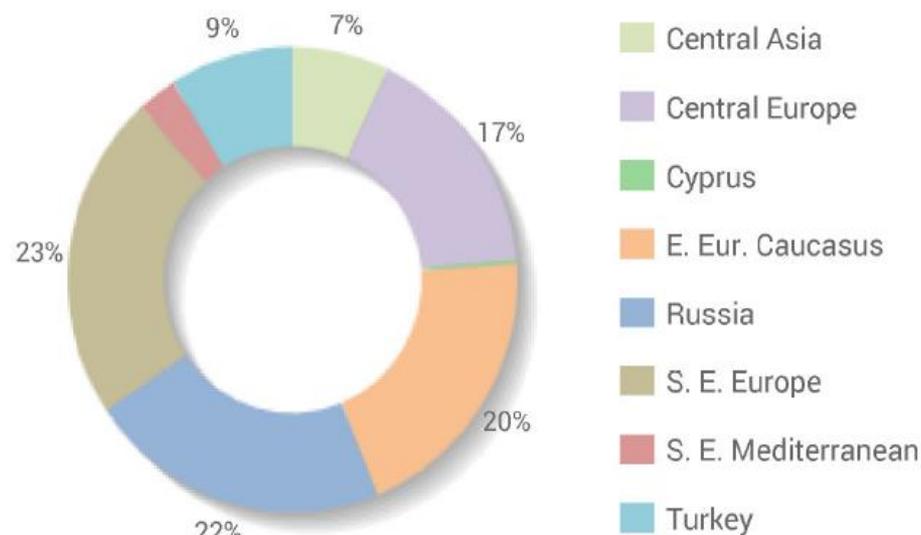
Expected Transition Impact	<b>64.4</b>
Portfolio Transition Impact	<b>66.5 (66.5)</b>

## Portfolio & Operating Assets

Portfolio	€37,497m
Number of active portfolio projects	1,807
Operating assets	€26,621m
Private share of portfolio	71%
Equity share of portfolio	22%
Non Sovereign Loan Impairment Ratio	<b>4.0%</b>

## Portfolio Composition

Share of current portfolio at reported rates



## August 2014

### Cumulative Activity

Number of projects to date	227
Net cumulative Bank investment	€2,859m
Cumulative disbursements	€2,650m

### Transition

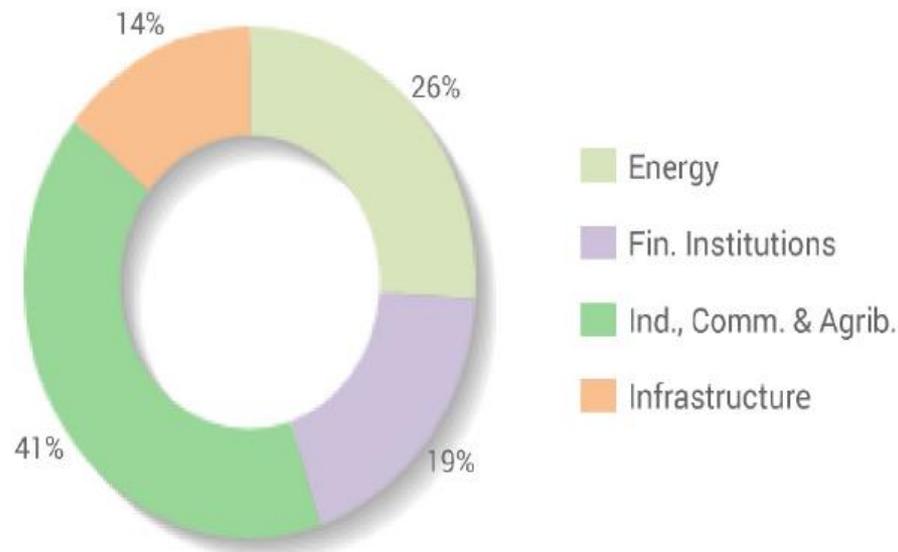
Expected Transition Impact	-
Portfolio Transition Impact	<b>57.0 (58.4)</b>

### Portfolio & Operating Assets

Portfolio	€1,115m
Number of active portfolio projects	108
Operating assets	€923m
Private share of portfolio	91%
Equity share of portfolio	17%
<b>Non Sovereign Loan Impairment Ratio</b>	<b>12.9%</b>

### Portfolio Composition

Share of current portfolio at reported rates





- EE and demand side measures. To promote and stimulate efficiency among consumers and innovative ways to manage and reduce demand.
- Deep and liquid markets. To help expand markets, liberalise prices and private sector participation; promote predictable regulation; support energy interconnections.
- Rethinking systems. To empower consumers, investing in smart grids, demand-side efficiency and opening up new models for efficient energy supply and consumption.
- The low carbon transition. To promote transition to a low-carbon energy sector. The efficiency agenda will be central, as will growing support for renewable energy and through promotion of prices that reflect costs, including externalities.
- Cleaner energy production and supply. To support cleaner production and distribution through energy and resource efficiency, for example by reducing gas flaring or investing in cleaner transport fuels or switching from coal to gas.
- Setting standards and best practice. To promote best international standards in environmental, health and safety and social practices.
- The wider role of the sector. To promote an energy sector that generates economic inclusion, and reliable energy that offers equal opportunities.



## In the Energy sector the Bank will encourage:

- To increase efficiency in energy infrastructure
- To promote energy security and diversity in supply
- To facilitate expansion of renewables as an energy source
- To develop sustainable energy policies and investments



- Gas is expected to have increasing importance in the Bank's operations.
  - Gas important role, transition to a lower carbon model, security as a theme, regional market dev
- Across the region – a key objective is to promote energy security and create regional markets.
- Besides expanded interconnections, gasification in Bulgaria and the region will be stimulated and supported by expected arrival of Azeri gas by 2019.
- In sum, EBRD can finance projects across the chain – extraction to transportation and storage to distribution.
  - for upstream projects, we are focused on conventional gas extraction. The Bank has not financed any shale gas projects to date.
  - In pipelines and storage. Such long-term financings require a supportive regulation and/or off-takes by creditworthy users.
  - Application of highest environmental, health & safety and social standards. Core to Bank's engagement in the sector.



- Subsidiary of Gruppo Societa Gas Rimini S.p.A, Italy
- Development of gas network as well as natural gas distribution in 27 municipalities in the Trakia region and Kurjali. Currently over 700 km of pipeline constructed, delivering approx. 70 million m<sup>3</sup> of gas p.a.
- Project value is EUR 63 million, including an EBRD loan of EUR 30 million, signed in 2010, of which EUR 10 m is syndicated to Banca Intesa.
- Project:
  - Brings access to a reliable and cleaner source of energy for commercial and residential clients.
  - Demonstrates that with a supportive regulatory framework, infrastructure development and FDI.

## KIDSF Grants to Bulgartransgaz

- Construction of a 300 mm diameter pipeline from Dobrich to Silistra (80 km) with an Automated Gas Regulation Station
- Total electricity savings for the residential sector only in Silistra – 35 GWh per year
- Total estimated investment costs: EUR 12.3 million
  - KIDSF grant covers 75% of this investment
- Status:
  - Supply of pipes and fittings completed
  - Pipeline installation almost completed, implemented by S.A.L.P SpA, Italy
  - Expected commissioning – early 2015



- Construction of 122 km transmission gas pipelines with Automated Gas Regulation Stations
- Connection of the municipalities of Svishtov, Panagjurishte, Pirdop, Bansko and Razlog to the national grid
- Diversification of energy supply and reduction of CO<sub>2</sub> emissions by access of more municipalities to natural gas
- Total estimated budget: EUR 21.8 million
  - KIDSF grant covers 50% of the investment and 100% of consultancy services
- Status:
  - A General Procurement Notice will be published in September 2014
  - Selection of Project Management Unit Consultant will be launched by end of 2014
  - Other preparatory activities to be implemented in parallel



# Interconnectors – Interconnector Greece



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- EBRD still discussing construction of 80km pipeline interconnecting gas transmission systems of Bulgaria and Greece
  - Shareholders are BEH, DEPA (Greece) and Edison (Italy)
- This will provide an alternative gas supply route for Bulgaria and SEE countries
- Project becomes more important in light of development of TAP/TANAP pipelines to deliver Azeri gas
- The Bank is prepared to work with BEH, BTG and the Government to support national investment needs for other interconnectors – Serbia, Turkey, Romania.
- Binding phase of market test, results are expected very soon.





- EBRD can support modernisation and expansion of existing or new gas storage facilities. Focus to date has been on the existing Chiren gas storage facility. However, the Bank also could consider, for example, conversion of the Galata deposit to provide alternative storage capacity.
- Bank financing could support preliminary investigative requirements as well as actual capacity investments. In general, it is assumed that Bulgaria should have storage and utilisation capacity to respond to potential supply disruption and also to capitalise on opportunities for gas trading which will arise with creation of regional SEE market (interconnectors) and new sources.
- The Bank has storage capacity projects in the region:
  - Plinacro (Croatia) – EURO 70 million loan to Plinacro (gas transmission network operator) for the purchase of underground gas storage facility Okoli from INA (oil and gas company, now partially owned by Hungarian MOL)
  - MOL (Hungary) – EUR 200 million financing for a EUR 678 million total project. Conversion of a Szreg-1 reservoir into underground gas storage facility

- Demand Side Residential Energy Efficiency Financing Facility through Gas Distribution Companies in Bulgaria
- The project would support implementation of EU Directive on Energy End-Use Efficiency and Energy Services (32/2006/EC) by helping meet objectives set by the National Energy Strategy and targeted 30% gasification of households (called for in the National Gasification Program 2020)
- Managed by the Ministry of Economy and Energy with grant component from KIDSF
- Grant beneficiaries would be households (appr. 10,000), which have access to gas distribution network but are not yet connected
- About 213 kWh will be saved per 1 EUR of grant support over average economic lifetime of 15 years – installation of high efficiency equipment
- GHG emission reduction of 70,000 tCO<sub>2</sub> per year
- Selection of DeSiREE Gas Project Consultant to prepare the implementation tools of the Project under way



- Up to USD 100 million reserve based loan participating in an existing club deal with commercial banks and the IFC.
- Financing of capital expenditures within already developed and producing conventional gas fields in Egypt (at El Mansoura onshore concessions) and in Bulgaria (at Galata offshore concession).
- Financing in current stage includes: (i) 5 development wells and installation of compressor units in Egypt and (ii) tie in of the Kaliakra well and expenses toward completion of the Kavarna East well in Bulgaria.
- Aim is to improve recoveries from mature gas fields and achieve higher operational safety standards. Domestic gas production is a key factor for energy security and CO2 emission reduction.
- Positive impacts through: (i) supporting ... the only material natural gas producer in Bulgaria; and (ii) setting business conduct, environmental, social and health & safety standards.



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