

Report on the Ukrainian Energy Efficiency Financing Program¹ July-September 2000

HIGHLIGHTS

- UkrEsco signs energy service contracts to finance \$350,000 in energy efficiency upgrades at Freedom Farm and Coctabel Winery.
- The Trade and Development Agency approves funding for a full World Bank feasibility study of the Kharkiv District Heating Efficiency Project
- Business plan training seminar for government officials scheduled for November 20-24, 2000. The seminar will provide information on replicating the U.S. Federal Energy Management Program in Ukraine.

ACTIVITY DETAILS

Industrial Energy Efficiency Project

Gostomel Glass Plant: Gostomel received \$2 million in debt financing from a private Ukrainian bank to modernize one of its glass furnaces this quarter. Gostomel has already procured burners and other equipment for this modernization. UkrEsco is also financing \$380,000 in compressor upgrades at Gostomel. UkrEsco purchased new compressors for Gostomel during the summer, and the compressors will be installed in October or November 2000. Gostomel is also continuing negotiations with two large international financial institutions to receive equity investment. This investment would allow further modernization and energy efficiency improvements.

PNNL also made plans for the Financial Director of Gostomel, Vladimir Lysenko, to come to the U.S. in late October 2000 for an Association of Energy Engineers (AEE) awards ceremony. AEE awarded Gostomel, PNNL, ARENA-ECO and IRE its International Energy Project of the Year Award 2000. Mr. Lysenko will also participate in the 23rd World Energy Engineering Congress in Atlanta during his stay.

Freedom Farm: UkrEsco signed an agreement with this U.S.-owned farm for \$200,000 in new, energy efficient tractors. The new tractors perform several tasks at the same time, reducing the number of times they must pass through the fields. This further saves on fuel and reduces the environmental impact of the farming. IRE prepared the financial appraisal of the company and project.

Other plants: IRE and ARENA-ECO also visited two new plants for consideration: Prosinaya Kaolin Plant and Zaporizhzhia Ferrous-Alloy Plant. The owners of these companies have committed to make large-scale investments in energy efficiency if we will provide assistance in defining the energy efficiency measures.

Please see the attached special update on industrial energy efficiency for additional updates and status information on all the industrial projects included in this program.

Business Plan Training for Energy Efficiency

PNNL, ARENA-ECO and IRE have developed a series of business plan training seminars. The seminars will help Ukrainian entrepreneurs, existing private businesses and local government officials learn how to develop and structure financing for energy efficiency projects. Each seminar will last for five days and will cover three general topics: energy efficiency technologies and auditing, business planning, and financial planning. Specific seminar topics will be modified as necessary to meet the needs of individual audiences. The first seminar, for example, will involve government officials and will include a special focus on

¹ The Pacific Northwest National Laboratory manages this program for the Department of Energy and the Agency for International Development. PNNL provides support for local capacity building by utilizing, to the extent possible, the assistance of ARENA-ECO, the Ukrainian Agency for Rational Energy Use and Ecology.

applying the U.S. Federal Energy Management Program to Ukraine. The preliminary seminar schedule is as follows:

- Kiev November 20-24, 2000: FEMP workshop
- Kharkiv 3rd week in January 2001: finance community workshop
- Odessa 3rd week in February 2001: industry workshop
- Ivano-Frankivsk 4th week in March 2001: industry workshop

This quarter, IRE and ARENA-ECO prepared preliminary course materials for the three course topics. ARENA-ECO also prepared a list of potential participants in the first workshop. These individuals will be invited to apply for the workshop; final participants will be selected based on the quality of their preliminary business plans and their likely ability to move projects forward. The seminar will allow them to work on their business plans at the same time that they learn key business concepts. The program is designed to be very practical, focusing on actual funding and implementation of energy efficiency projects.

Kyiv Public Buildings Energy Efficiency Project (formerly KIBA)

Implementation of this \$30 million World Bank-financed project is proceeding smoothly. The World Bank and Kyiv City Administration held two tenders for project implementation. Specifically, the tenders were for design work and installation of 330 heat meters and for energy audits in 355 buildings.

A DOE-team prepared the original feasibility study for the project in 1997-98.

Kharkiv District Heating Project

The U.S. Trade and Development Agency recently announced that it is funding a full World Bank-style appraisal of the Kharkiv District Heating Project. This \$170 million project would significantly improve supply-side energy efficiency in the Kharkiv district heating system by installing new boilers and improving heat pipelines. The World Bank has included this project in its project pipeline, per the request of the Ukrainian government. DOE sponsored the prefeasibility study for this project.