



# **Finnfund's possibilities to finance energy investments in Ukraine**



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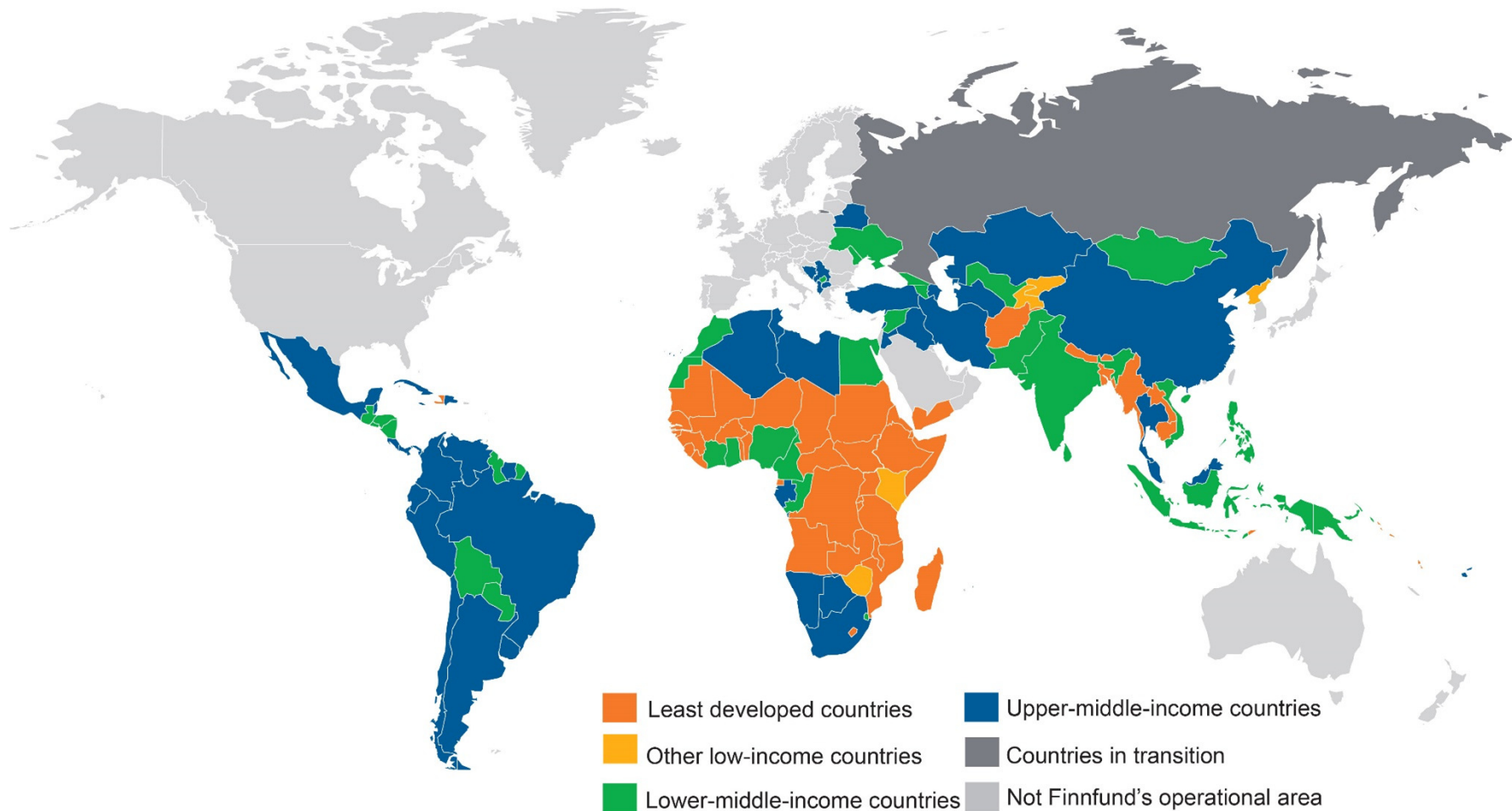
## Finnfund in brief

- Finnish Fund for Industrial Cooperation Ltd. (Finnfund)
  - development finance institution
- State of Finland 93,4%, Finnvera Plc 6.5%, Confederation of Finnish Industries EK 0.1%
- Founded in 1980
- Office in Helsinki, staff of 58 persons
- Member of European Development Finance Institutions (EDFI)
- Risk capital for projects in developing countries
- Investment criteria include:
  - profitability (only private sector projects)
  - social and environmental responsibility
  - development impacts (employment, tax income, less import etc.)

## Finnfund in numbers 31 December 2015

Shareholders' capital	EUR 251 million
Portfolio	EUR 369 million
Portfolio and undisbursed commitments (at original value)	EUR 602 million
Total assets	EUR 377 million
Number of investments	160
Number of investment countries	33

## Finnfund's target countries by income level



## Financial instruments

- Senior debt
  - medium to long-term investment loans
- Mezzanine
  - subordinated and convertible loans
  - preferred equity
- Equity
  - risk-sharing as a minority shareholder

## What can Finnfund do in Ukraine on energy?

- We need Finnish content (shareholder, technology provider)
- Private sector investments only
- Due diligence
  - Technical
  - Environmental and social
  - Legal (permits, licenses, concessions, etc.)
  - Financial model + other financial issues
  - Know Your Customer procedure
  - Other case specific (meetings with ministers, regulator, off-taker, etc.)

## GreenStream Esco - China

# Improvements of Energy Efficiency

- Chinese clients – Finnish technology
- Various industrial processes, food related and energy related industries
- Energy savings worth appr. 20 MW of new capacity
  - Less coal burned (21 500 t)
  - Less CO<sub>2</sub> emissions (140 000 t)
  - Less water used (59 million m<sup>3</sup>)
- Significant export from Finland
- Finnfund's role has been important in putting the finance package together



## Wind in Africa

- 25 MW in Cape Verde (in operation), 310 MW in Kenya (under construction)
- Replacing use of fossil fuels, increased use of local "fuels" and fighting against climate change
- Lower cost power for local consumers
- Finnfund a shareholder in both projects





## Hydropower in Honduras

- 13 MW exited, 5 MW in operation, 10 MW in operation, 40 MW in operation, 22 MW under construction
- Good and functioning PPA system
- Honduras used to have a lot of small hydropower, during the past decade a strong wish to return to that
- Replacing use of fossil fuels, increased use of local "fuels"
- Finnfund a mezzanine investor in all projects



## Environmental and social policy

### Key issues when assessing potential investments

- Economic, environmental and social sustainability
- Creation of positive environmental and social impacts
- Respect and promotion of human rights

### Benefits of environmental and social sustainability

- Improved operational and financial performance
- Guard against unforeseen risks and impacts
- Competitive advantage
- Enhanced community support

# Assessing E&S impacts and risks

## Tools

- Finnfund's E&S expertise
- National legislation
- International standards (IFC Performance Standards and the related Environmental, Health & Safety Guidelines)
- Other relevant sector specific standards (e.g. ISO, FSC)
- Common guidance developed by European DFIs
- E&S site visit (due diligence)
- Information and materials provided by the client
- Support during implementation

## Client to commit to

- Developing adequate E&S assessments
- Implementation of an E&S Action Plan, when necessary
- Providing adequate E&S information
- Obtaining a good understanding of the applicable international E&S standards, as well as national and local legislation

**The aim is to develop the project in line with international standards and guidance.**

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