

Western Balkans: Opportunities in the region and EBRD's role

Francesco Corbo, Regional Head, Energy Western Balkans and Croatia
Milano, 3 July 2023



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About Western Balkans

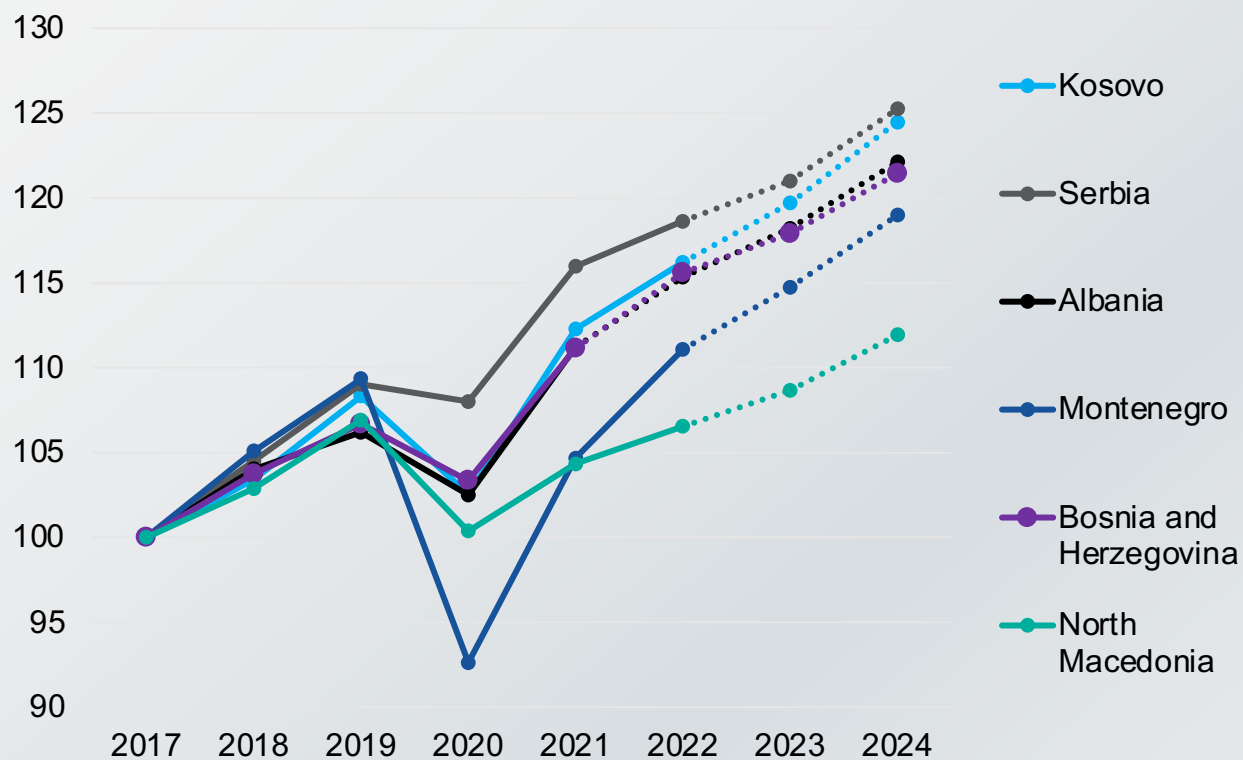
Economies in the region will continue to grow



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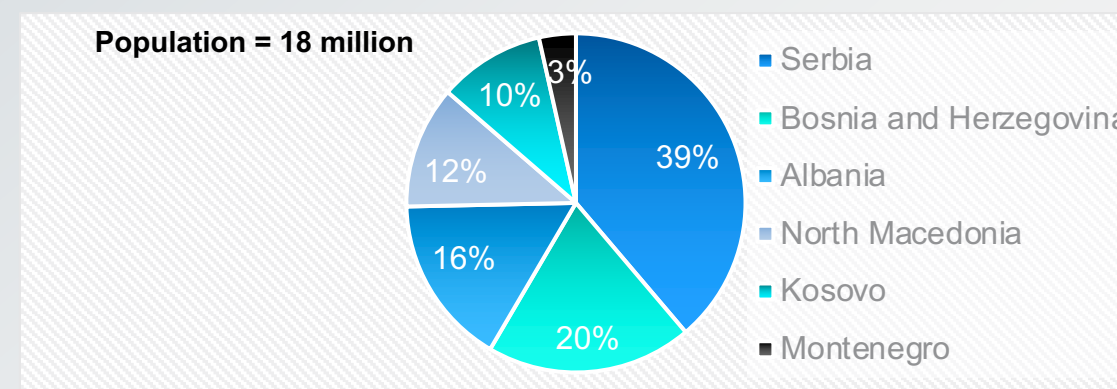
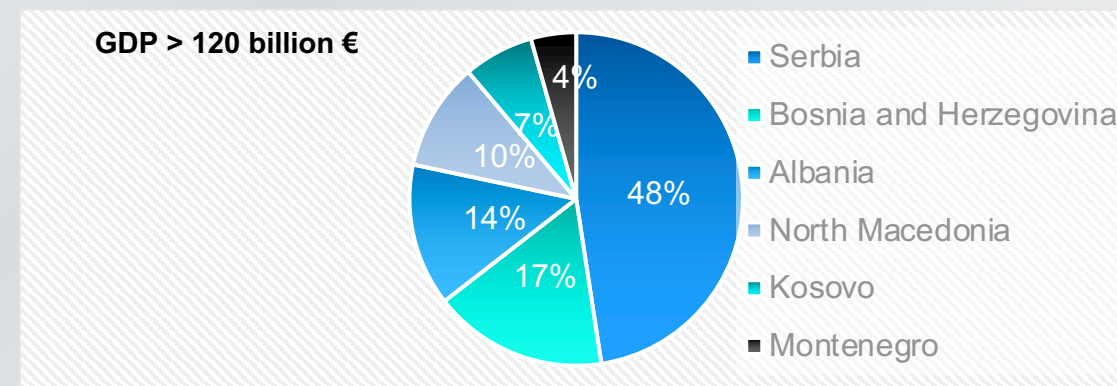
Annual GDP growth rates, realized and forecasted

Cumulative index, 2017=100



Regional GDP and population

Percentage of total



About Western Balkans

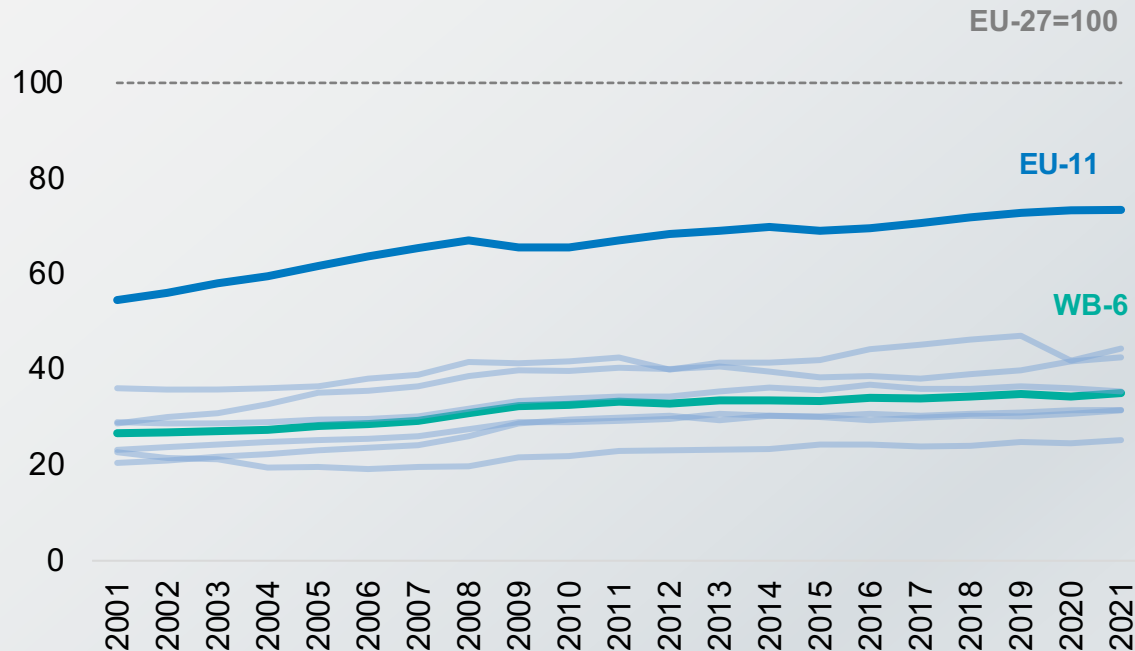
Large investment opportunities / transition gaps



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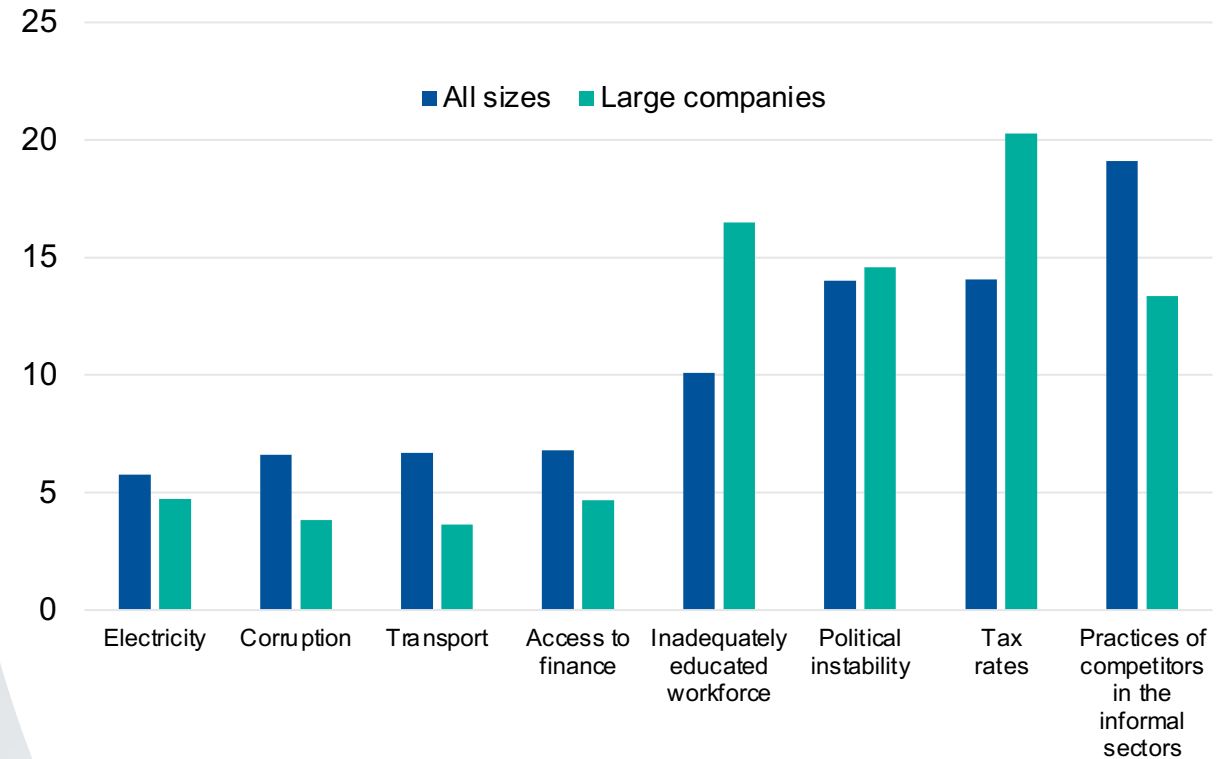
GDP per capita is low compared to the EU

Based on PPP dollars



Key obstacles to doing business in the region as perceived by the businesses

% of companies stating that the particular area is the biggest obstacle faced by the establishment, based on surveys conducted in 2018-20



About Western Balkans

Western Balkans as an attractive FDI destination



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- Geostrategic orientation and strong **ties with the EU**
- **Geographical proximity** to the EU and improving **transport links**
- Relative macroeconomic **stability** and demonstrated economic **resilience**
- **Track-record** of attracting FDI
- **Large regional market**
- Opportunities across **various sectors** – from tourism and real estate to manufacturing and renewables
- **Favourable cost structure** – labour and energy costs significantly lower than in the EU
- **Well-educated workforce** – high educational attainment, good foreign-language skills
- Proactive **investment-promoting policies**, including significant tax advantages and access to top political levels in some countries

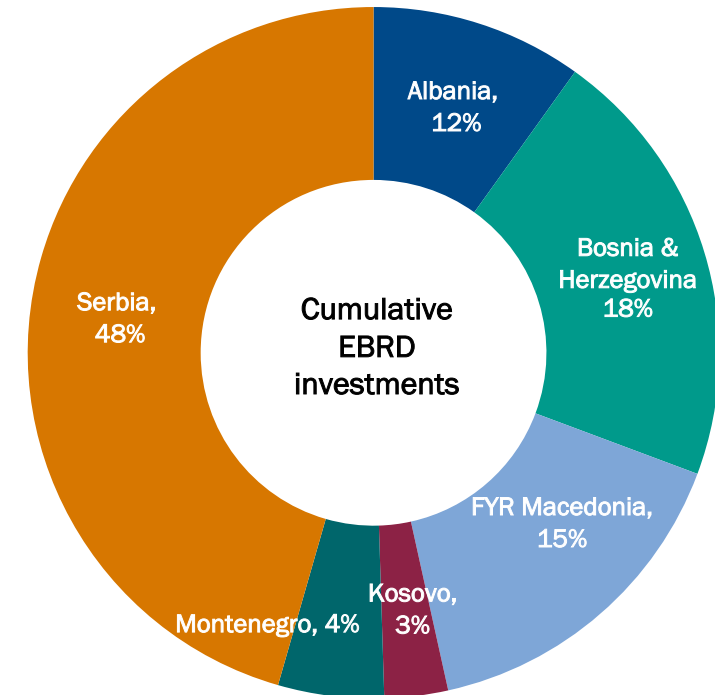
About EBRD

Western Balkans at glance



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- Total cumulative EBRD investments: **EUR 16.7 billion** in 923 projects
- Active portfolio: **EUR 6.6 billion**
 - 64% Sustainable Infrastructure
 - 23% Financial Institutions
 - 13% Industry, Commerce and Agribusiness
- Annual new business 2022: **EUR 1.3 billion** (c10% of Bank total) in 100 projects (almost a quarter of Bank total)
- 140 staff in the 6 offices in the region: **with Belgrade as regional hub**



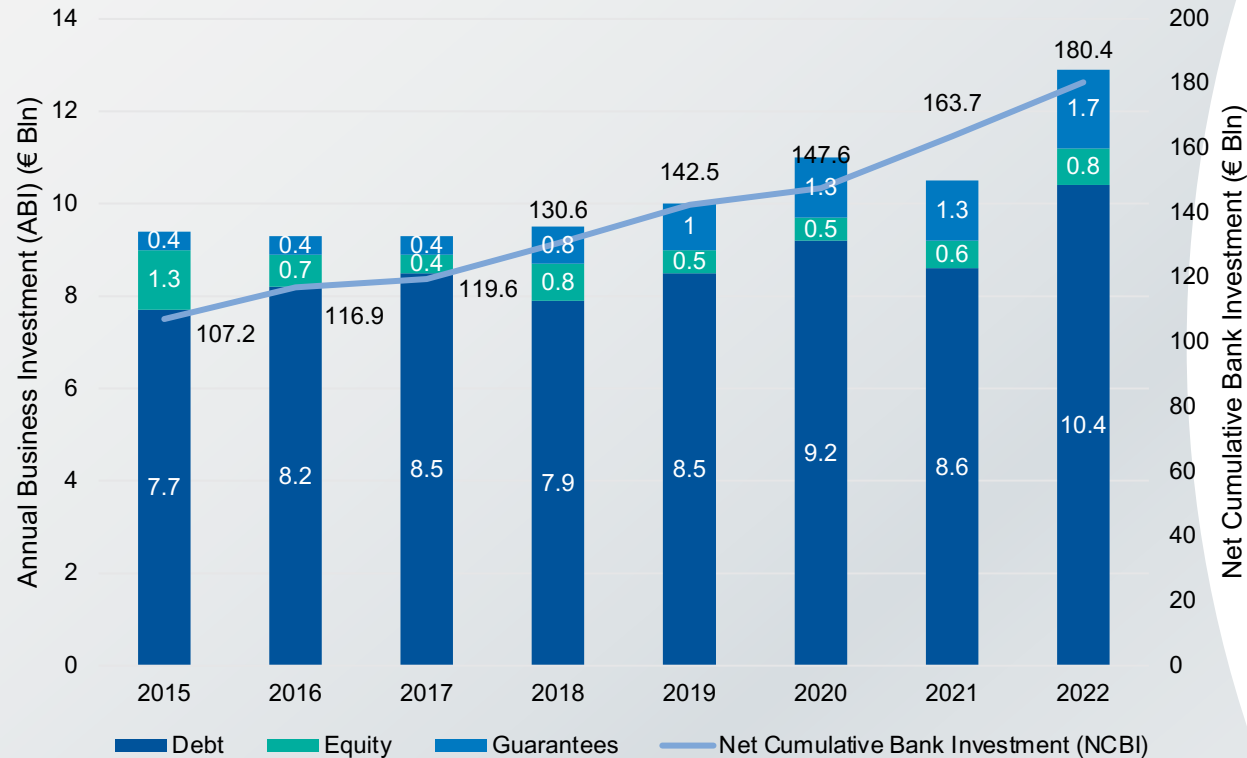
About EBRD

Serbia among top 10 investee countries



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Since 1991, EBRD invested over €180.4 billion in more than 6,623 projects (as of end Dec. 2022)



Private sector share of cumulative investment
79%

Dec-2022:
Debt **78%**
Equity **11%**
Guarantee **11%**

EBRD Top 10 investee countries in 2022 (€ Mln.)

1	Turkey	1,634
2	Ukraine	1,460
3	Egypt	1,343
4	Poland	990
5	Uzbekistan	839
6	Romania	709
7	Greece	687
8	Serbia	648
9	Morocco	528
10	Kazakhstan	480

EBRD in Serbia

[1/2]



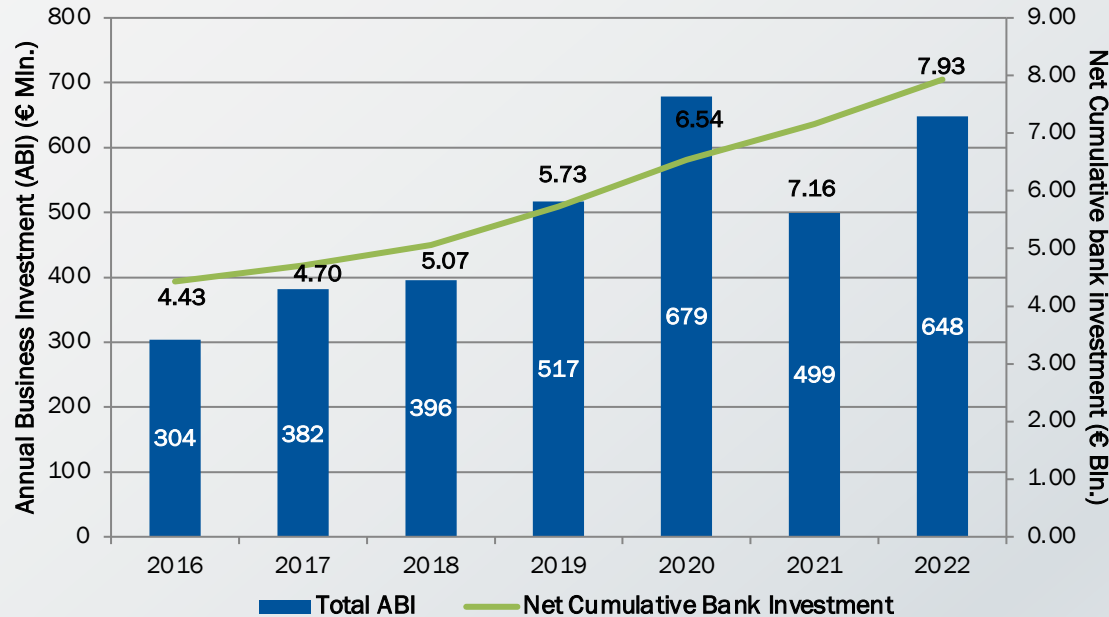
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- Present since **2001**
- Total cumulative investments over **€8.4 billion** with private sector share of **53%** as of April 2023
- The total number of projects is **335 projects**
- 33 new projects were signed in 2022 with **€648 million EBRD financing**
- Team of **64 bankers and specialists** in the Resident Office in Belgrade, the EBRD regional hub for Western Balkans

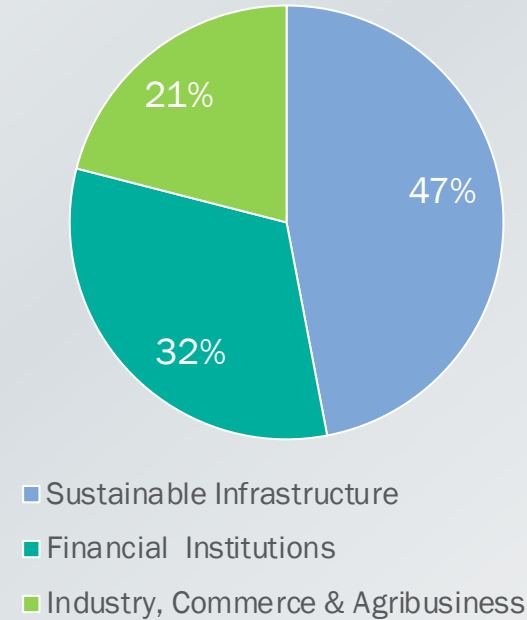




EBRD Priorities in Serbia:



FY 2022 Portfolio



- Supporting green transition;
- Promoting sound investment climate, good corporate governance;
- Enhancing the role and competitiveness of the private sector;
- Bolstering the banking sector and deepening the financial intermediation;
- Developing sustainable and efficient public utilities.

FY 2022

€648
million

33
projects




Overall portfolio

57% private
sector

3%
Equity

EBRD energy investments cover *electricity generation* (renewables, conventional and large hydro), *electricity transmission and distribution* and *natural gas infrastructure*

Energy

Since 1991 we invested

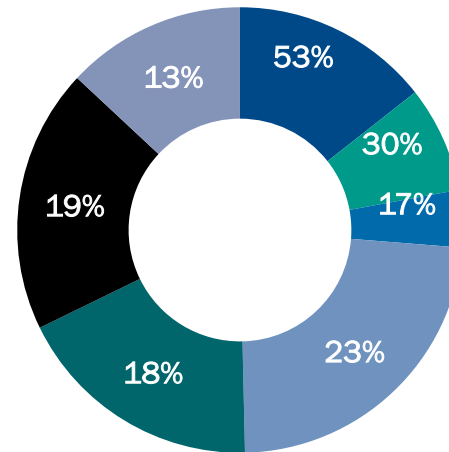
€ 20.6
billion

in

458
projects

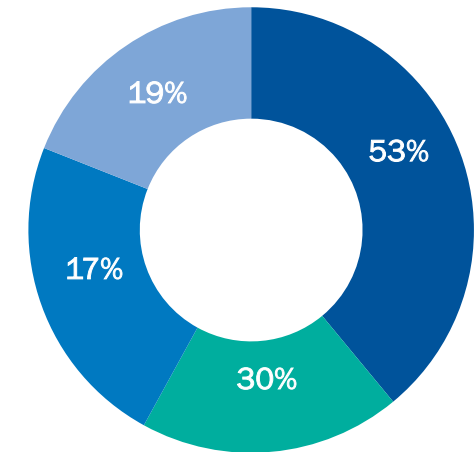
As of February 2023, EBRD had a portfolio of **energy** projects of **EUR 10 billion** across **264 projects**.

Energy Regional Allocation



- Central Asia
- Central Europe
- Cyprus and Greece
- Eastern Europe
- S. E. Europe
- S. E. Mediterranean
- Turkey

Portfolio Sector Allocation



- Renewables
- Conventional
- Networks
- Natural Gas infra

The energy team invests around **2 billion** on average annually. We close around **35+ transactions** a year.

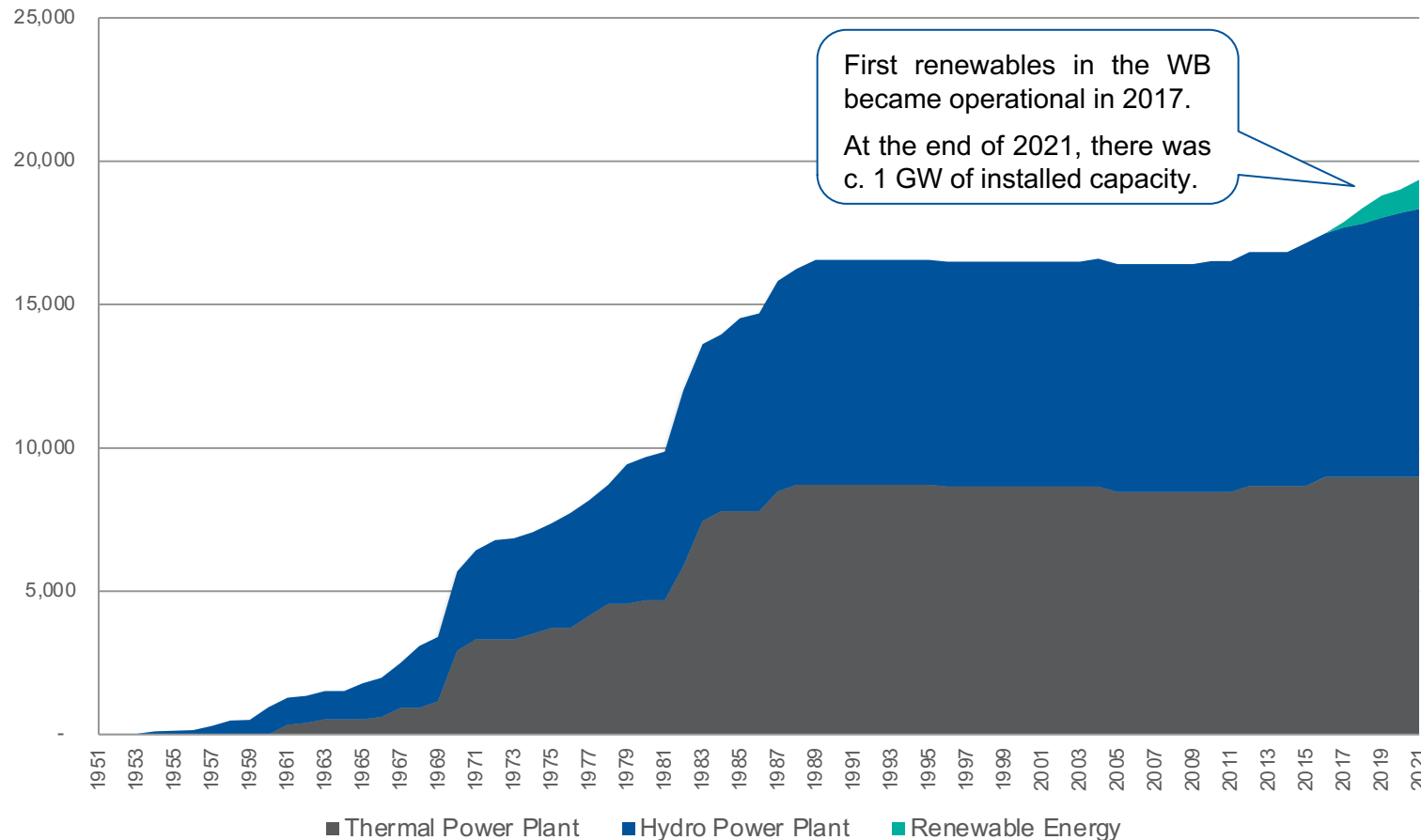
Western Balkans

Development of generation capacities



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Cumulative generation capacity
of hydro and thermal in WB (MW)



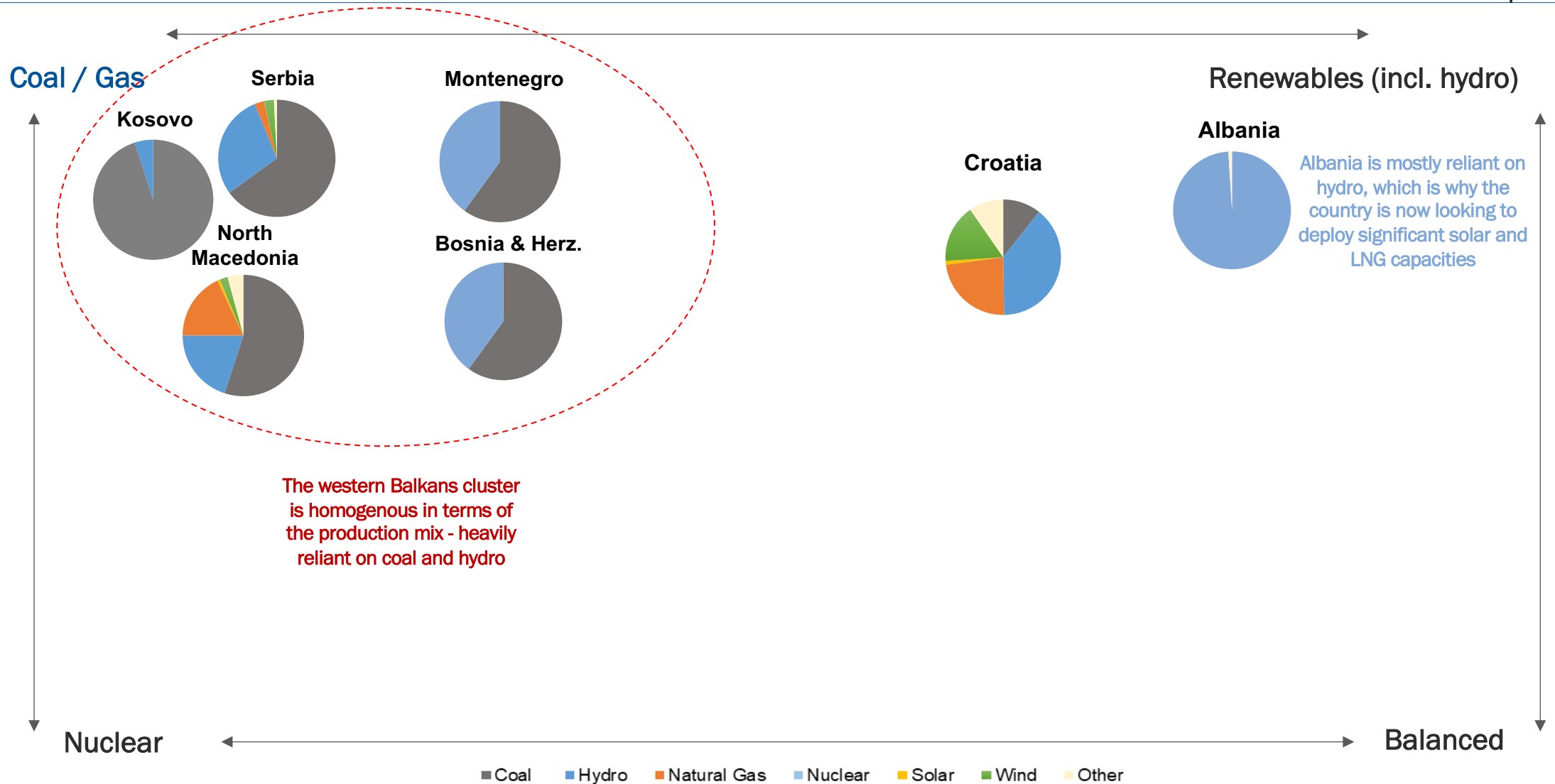
- Almost entire generation capacity in WB dates back before 1990s (former-Yugoslavia) – mostly coal and hydro.
- Very limited capital has been deployed for modernisation of these plants since they were built.
- Recently, a small amount of new RE capacity has been commissioned (total c. 1GW at the end of 2021).
- New and clean generation capacity (primarily from Wind and Solar) is urgently needed to meet the growing energy demand, decarbonise the energy sector, but also to ensure the supply of secure and affordable energy in the WBs.

Western Balkans and Croatia

Electricity generation mix



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Source: IEA (2021), Energy Community, National energy agencies

So what are our energy priorities in the region?

Decarbonisation

- ✓ Scaling-up the share of **renewable energy**
- ✓ Promote renewable frameworks and **auctions**
- ✓ Selective involvement with **gas**
- ✓ **Phase out of coal**
- ✓ **Just Transition** initiatives

Fostering the development of energy markets

- ✓ Improving infrastructure through reinforcements and supporting **smarter electricity grids**
- ✓ Cross-border interconnectivity and **market integration**
- ✓ Encouraging and supporting the roll out of **storage infrastructure**

Improving governance and operating standards

- ✓ **Energy efficiency**
- ✓ Supporting SOE's to improve **climate and corporate governance standards**,
- ✓ **climate change resilience and**
- ✓ **inclusive and more digital** energy sector,

EBRD is currently updating its internal Energy Strategy, which is due to be approved in 2023. An open question remains EBRD's ability to finance future fossil fuel projects (e.g., natural gas as a transition fuel).

Largest windfarms in the Western Balkans. Financing construction and operation of two windfarms in Serbia with capacity of 158MW and 104.5MW, both commissioned.

Dolovo

- **Borrower:** Vetroelektrane Balkana d.o.o. (Serbian SPV)
- **Sponsor:** Masdar (60%), Taaleri (30%), DEG (10%)
- **Capacity:** 158 MW
- **Project Size:** EUR 300 million
- **EBRD A/B loan:** EUR 108 million
- **Co-Financier:** IFC (EUR 108 million)
- **Structure:** Senior loans to the Borrower on a secured limited recourse basis
- **Offtaker:** EPS, with a 12-year PPA

Kovacica

- **Borrower:** Electrawinds K-Wind d.o.o. (Serbian SPV)
- **Sponsor:** Enlight (100%)
- **Capacity:** 104.5 MW
- **Project Size:** EUR 190 million
- **EBRD A loan:** EUR 50 million
- **Co-Financier:** Erste Bank (ECA covered loan)
- **Structure:** Senior loans to the Borrower on a secured limited recourse basis
- **Offtaker:** EPS, with a 12-year PPA



Dolovo Wind Farm



Masdar
A MUBADALA COMPANY

TAALERI

KFW DEG



One of the first utility scale wind farms in Serbia. The Project is the largest wind farm developed under Feed-in Tariff programme developed by the Serbian government.

- ✓ Sponsor: Masdar (60%), Taaleri (30%), DEG (10%)
- ✓ Capacity: 158 MW
- ✓ Project Size: EUR 300 m
- ✓ EBRD Investment: EUR 108 million
- ✓ Co-Financier: IFC (EUR 108 m)
- ✓ Offtake: EPS, 12-year PPA (FiT)

KESH Floating PV



KESH



The first of its kind floating solar PV technology plant in Albania and the entire region, leading to significant innovation in green technology. The Project will help to diversify energy mix of Albania.

- ✓ Sponsor: State utility KESH
- ✓ Capacity: 12.9 MW
- ✓ Project Size: EUR 13 m
- ✓ EBRD Investment: EUR 9.1m for a 70% debt
- ✓ Offtake: PPA with the Sponsor

Bura Wind Portfolio



TAALERI



The Bank's first wind farm financing in Croatia. The project Investment will boost electricity generation from renewables by more than 10%.

- ✓ Sponsor: Taaleri and ENCRO Kunovac
- ✓ Capacity: 111 MW
- ✓ Project Size: EUR 126 m
- ✓ EBRD Investment: EUR 43m
- ✓ Offtake: Commercial PPA and merchant



Albania

Albania: RES auctions

- i. Technical assistance for the first ever solar auctions in Albania in 2020 and in 2021.
- ii. Technical assistance for the national wind auctions for 150 MW under preparation.
- iii. Currently discussing a Technical assistance for an auction up to 300MW on private land.
- iv. Preparing GAF WBIF for TA to prepare Off-shore Wind auctions.



Kosovo

Kosovo: RE CfD auctions

Technical Assistance to the Ministry of Economy in Kosovo for the development the CfD support mechanism and auctions. Currently on hold although the Auction is almost finalized. Auction capacity was planned for about 150MW as a pilot auction.



Montenegro

Montenegro: RE CfD auctions

Technical Assistance to the Ministry of Capital Investment for the development the CfD support mechanism and auctions. The TA has recently started. It is expected to have an advanced draft of tender documents by end of 2023.



Serbia

Serbia: RE CfD auctions

Technical Assistance to the Ministry of Energy for the development the CfD support mechanism and auctions. Expected to start auctions towards mid 2023. Auction capacity: 1 GW to be auctioned over the next three years.

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