

## INSIDER

### Energy Efficiency Loans to Rise Steadily: Center-Invest Bank

Residential and agricultural sectors present big opportunities for energy efficiency in southern Russia, said **Sergey Smirnov**, deputy head of corporate banking at **Center-Invest Bank**. Modernizing technologies would increase the competitiveness of southern Russia's products, he said. In 2005, the bank became the first in Russia to finance energy efficiency projects. It works with international financial institutions like the International Finance Corporation to support small and medium enterprises. Last year, the bank financed 1.78 billion rubles [\$53.7 million]. "Our target is to increase our investments in energy efficiency every year," Smirnov told Bloomberg New Energy Finance's Agnes Teh.



#### Q: Why was there a need to provide energy efficiency finance?

**A:** After the breakdown of the Soviet Union and the privatization of many factories and plants, Russia had a very long period of infancy. Today it is very important for our companies to be competitive with other European companies. Most goods on our shelves are produced in Europe or China. It's very important for us to support the modernization of technologies and introduce newer ones to companies here. That helps to decrease the cost of goods because the improvement in equipment produces more competitive production and increases the range of goods. We estimate that new technologies create energy savings per unit of production of 40-70 percent.

#### Q: The bank provides energy efficiency loans to industry, agriculture, services and the public sector and housing. Where does the biggest chunk go?

**A:** If we look at our portfolio, since 2005, our bank has provided \$200 million in energy efficiency finance, loans. Out of that, 46.5 percent have gone to industrial, 31.6 percent to agriculture, 6.4 percent to housing and communal and 15.5 percent to residential. But that's always changing. In housing, there are currently big changes in Russian law concerning the capital repair of multi-family buildings. Repair costs, for the most part previously, were financed by the government, but it's now on the owners 100 percent. So we expect big growth areas in the industry from 2014. We expect 5 to 10 percent of all multi-family buildings to start seeking loans for capital repair initially. In addition, loans for our residential product, which was implemented in the middle of 2011, have increased between 2011-2012 first by 6.1 percent, then 16.6 percent. The agriculture sector also has a tendency to rise. For example, between 2011 and 2012, its share increased from 32.2 to 45.7 percent.

#### Q: Where are the opportunities for energy efficiency in residential and agriculture?

**A:** Our share of loans for the residential sector is estimated to be 30-40 percent. About 50 percent of that is in private homes, and the other 50 percent in flats and apartments. If you change your windows, temperatures rise by 5 to 7 degree Celsius and you pay less for heating. Agriculture is the most important industry in our region. Southern Russia occupies only 3.5 percent territory of Russia but produces about 23 percent of agricultural production. A couple of years ago in southern Russia, the hot weather left our grains in a very bad condition and only companies with irrigation systems produced good ones. We have very old technologies and techniques. Today we provide loans for irrigation systems, tractors, harvesters and grain dryers.

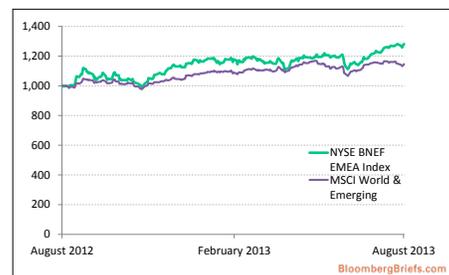
#### Q: Russia is set to invite bids for renewable energy projects, with an assured 14 percent return on investment. Are renewable energy projects also of interest to the bank?

**A:** Yes, of course. We are interested in all projects. However, in Russia, we have cheap tariffs for electricity so renewable energy is quite exotic. In most regions, we have huge power and coal stations so there's enough energy for all. They're not so popular now and there is also a very long payback period. That said, we do have renewable energy projects in our loan portfolio. One interesting example is for the construction of a steam boiler [running on] husk (production waste) in a factory producing confectionary like halva, and nuts and honey bars.

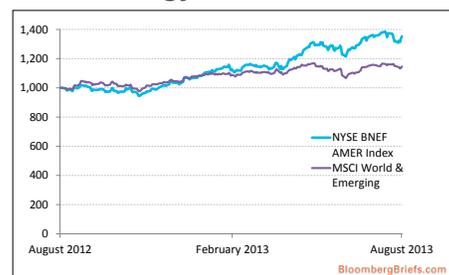
### NYSE EURONEXT AND BLOOMBERG NEW ENERGY FINANCE REGIONAL CLEAN ENERGY STOCK INDEXES

The three indexes, covering respectively Europe, Middle East and Africa, the Americas, and Asia and Oceania, currently follow a basket of between 125 and 325 companies with a moderate, or greater, exposure to renewable energy and energy-smart technologies. The following indexes track shares over the past year. They are indexed to 1,000.

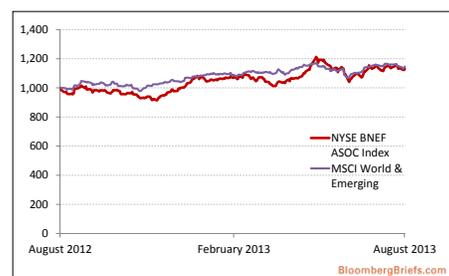
#### NYSE-BNEF Europe, Middle East and Africa Clean Energy Index



#### NYSE-BNEF Americas Clean Energy Index



#### NYSE-BNEF Asia Oceania Clean Energy Index



Source: Bloomberg New Energy Finance

## WHERE ARE CARBON PRICES GOING?

## CARX