



Norræn fjármögnun grænna verkefna

Þórhallur Þorsteinsson
12. september 2019

NEFCO in Brief

● Geographical focus on Eastern Europe

- International Financial Institution (IFI), established by the Nordic countries in 1990. A pioneer in green financing in the Nordics.
- NEFCO was established in order to support the Nordic countries' efforts to **increase environmental awareness in Eastern and Central Europe**
- NEFCO provides **results-based green financing** by providing financing to projects that reduce emissions harmful to the environment
- Headquarters in Helsinki, Finland with 40+ employees
- Offices in Saint Petersburg, Russia & Kiev, Ukraine

Helsinki

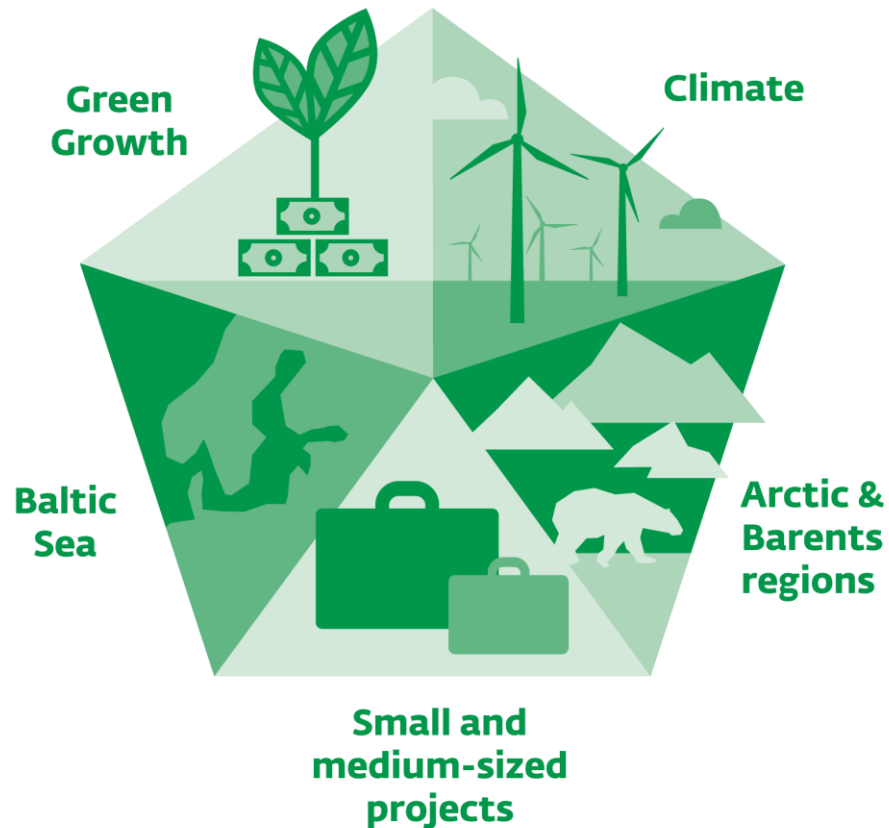


NEFCO in Brief

- Investments and fund administration with a total value of EUR 500 million (ISK 70 billion)
- Over 1.200 project approved in 80 countries
- NEFCO previous projects reaching 10 out of 17 UN Sustainable Development Goals (SDG's).



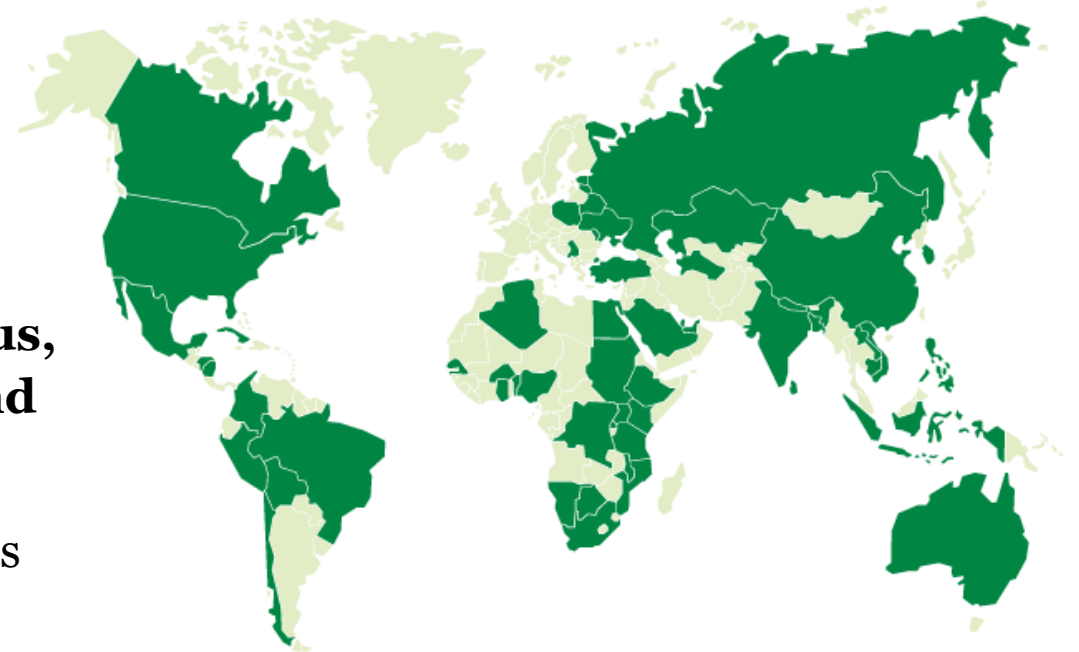
Focus Areas for NEFCO



- NEFCO's new strategy will enable to explore new projects outside Eastern Europe by providing loan capital for relevant green growth investments of interest to the owner countries Denmark, Finland, Iceland, Norway and Sweden
- Targeting the reduction of pollutants affecting the **Baltic Sea** and the **Arctic and Barents regions**, and
- To enhance existing activities and initiate new interventions related to further prevent **Climate Change**
- The promotion of **Green Growth**
- Focus on **small and medium-sized projects**

Where We Are

- NEFCO invests its own capital through its Investment Fund, and manages 36 trust funds governed by different geographical mandates.
- NEFCO's Investment Fund operates **globally** but is focused on projects in Eastern and Central Europe
- Key areas: **Russia, Ukraine, Belarus, Estonia, Latvia, Lithuania, Poland Armenia, Georgia and Moldova**
- A global presence through Trust Funds related to climate and Green growth



NEFCO's financial instruments

- **Loans and equity**

Loans on market terms and, in special cases, on favorable terms to private and public companies as well as municipalities. Share capital in companies for environmental investments of interest to the Nordic countries.

- **Buyers credits**

Export credits for environmental projects in Belarus, Russia and Ukraine

- **Project support / grants**

Project financing in the Arctic and Barents regions and the Baltic Sea area

- **Grants for internationalisation**

Conditional loans for feasibility studies for the internationalisation of Nordic SME's

- **Fund management**

Funds for the implementation of climate investments and green projects



Types of Projects

- Renewable energy: Biomass, wind, solar, geothermal and small-scale hydro power projects.
- Energy efficiency measures
- Modernization of industrial production processes
- Raw material and resource savings
- Solid waste management
- Water & wastewater treatment
- District heating modernization
- Climate mitigation and adaptation
- Mitigation of hazardous substances



Criteria for Projects

- All NEFCO projects shall deliver measurable reductions of environmentally harmful emissions
- Only financially viable, bankable investments
- Tested technology must be applied, no start-ups, no R&D
- The project has to be environmentally cost efficient and contain a Nordic interest or a priority set by Nordic governments (Cleantech, Green Growth, climate change)
- Only financially solid partners are selected with a full financing of projects required.



Our Added Value

- We are specialized in environment/climate financing
- We have good experience in our key markets in Eastern Europe.
- We fill a SME gap not covered by other financiers, IFIs and commercial banks
- We have a long and solid experience within green growth
- We offer a wide range of financial instruments, loans and equity
- Our financing reduces the project risks
- We have a long and solid experience in project financing
- We provide environmental expertise

Iceland & NEFCO

- Currently four Icelandic projects active, in different stages;
 - **Bank Lviv.** A small bank in Ukraine owned by Icelandic investors. Cooperated with NEFCO since 2008, 3rd loan program on-going, providing energy efficiency measures in Western Ukraine.
 - **Carbon Recycling International (CRI).** Approved in 2018 and adjusted approval in 2019. EUR 2 million (ISK 280 million) investment into the company through a convertible loan agreement. Purpose: to support up-scaling of CRI technology worldwide. Documentation on-going.
 - **Pólar toghlerar.** Approved in June 2019, EUR 750.000 (ISK 105 million). Purpose: To support internationalization, marketing and production of newly developed remote trawl doors for fishing industry.
 - **Thor Ice Chilling Solutions:** Approved in June 2019, EUR 700.000 (ISK 98 million). Purpose: To support internationalization, marketing and production of newly developed chilling solutions for food production (poultry industry)

NEFCO Investment Fund (IF)

- The main financing fund of NEFCO
- Finances projects globally but **not within the Nordic countries**
- Loan and equity financing
- Economically viable projects with positive environmental impacts
- Investment Fund size is EUR 170 million (ISK 24 billion)
- Nordic ownership or interest required
- Finances public / private projects
- Small and medium sized projects
- Flexible investment strategy, loans or equity



Terms for the Investment Fund

- Commercial / market terms
- Nordic involvement is a requirement
- Exposure up to EUR 5,000,000 per project
- NEFCO's equity contribution can be up to 35% of the total equity
- Total NEFCO loans up to 50% of the total project cost
- Maturity up to 10 years
- Exit for equity investments after 5-7 years.
- Annual financial and environmental reporting





NEFCO Global

- Funding for internationalisation and green investments carried out globally
- Offered to Nordic SMEs and midcap companies for investments in a subsidiary or an affiliated company in the project country
- Funding for projects outside of Nordic countries.
- Investments in facilities, machinery, equipment or technology needed for production or business development
- The investment must have a clear environmental/climate benefit
- Loans and subordinated loans and equity-type investments



NEFCO Global - Terms and Requirements

- Financing offered in Euros as loans or equity on market terms
- NEFCO's maximum financing is EUR 2.5 million
- Financial requirements for the sponsor company include:
 - minimum EUR 1 million in equity,
 - solidity (equity) ratio over 25% (after NEFCO investment),
 - positive EBITDA,
 - at least three years operational history



Application Process

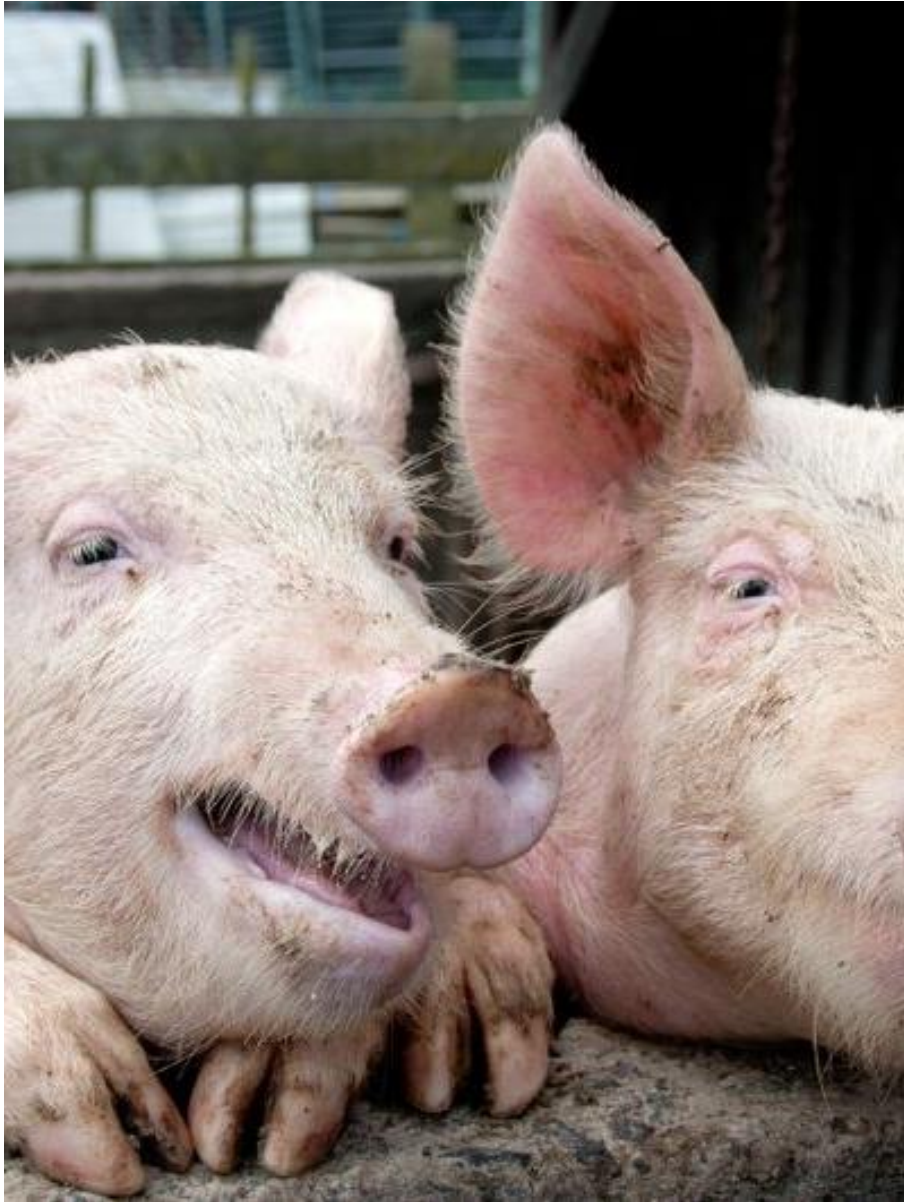
1. Enquiry – contact NEFCO investment officers
2. Project Proposal – detailed description or business plan
3. Expression of interest – 1st stage - Approval in Principle
4. Further elaboration
5. Board approval – 2nd and final stage of approval
6. Agreement on terms and conditions and documentation
7. Project implementation
8. Monitoring – Annual financial and environmental reporting from partners



CASE STUDY

Extraction of landfill gas in Vitebsk

- The Swedish company Vireo is extracting landfill gas at four locations in Belarus
- NEFCO has provided a loan from its Investment Fund for the project
- Environmental benefit: Reduction of methane emissions
- The projects in Belarus reduce emissions of 32,000 carbon dioxide equivalent units annually
- Huge potential for similar projects in Eastern Europe



CASE STUDY

Improving manure treatment in Latvia

- Client: Norwegian-Latvian company Baltic Pork
- Improved manure management and biogas production
- The biogas plants are located in Allazi and Laubere
- Reduced discharges of phosphorus and nitrogen to surrounding waterways
- Reduction of carbon dioxide emissions by approx. 1,500 tons per year



CASE STUDY

Investments in wind energy

- Loans and equity investments for the construction of wind farms in Estonia and Lithuania
- Norwegian interest through the municipally owned company Vardar
- 289 MW of installed capacity
- 27 new turbines and 68 MW capacity added in 2016



CASE STUDY

Energy-efficiency investments in China

- NEFCO is a substantial shareholder in GreenStream Network Oy in Finland.
- GreenStream is a leading Nordic energy management company operating in China
- The concept is to bring Nordic Cleantech technology to the Chinese market.
- GreenStream has signed eight energy-efficiency projects in three different industrial sectors in China
- GreenStream is looking for more technology providers to introduce to the market.



CASE STUDY

Production of cereals in Russia

- Myllyn Paras' new mill in Domodedovo was financed by Nordea and Finnfund
- NEFCO financed the company's ecologically sustainable cultivation of cereals in Kursk
- NEFCO's financing: EUR 3 million
- Environmental benefits: Less discharges of nutrients and reduced CO₂-emissions due to shorter transport distances



CASE STUDY

Bank Lviv, Ukraine

- Credit program with Bank Lviv for lending to projects supporting energy savings
- The program size is EUR 5 million
- On-lent to more than 4,000 households and several corporates
- Loans have been provided for residential energy efficiency measures including window renewal, insulation, instalment of frequency converters etc.
- CO₂ savings of more than 10,000 tons annually.



CASE STUDY

Production of waterborne paint in Odessa, Ukraine

- The project is financed by Eskaro, Swedfund and NEFCO
- NEFCO's equity: EUR 2.4 million
- Production of waterborne paint will reduce the releases of volatile organic compounds (VOC) by 870 tons per year
- New production in Ukraine will reduce transports by 230,000 km per year



Takk fyrir!

Þórhallur Þorsteinsson
Senior Financial Manager
thor.thorsteinsson@nefco.fi
mob: +358 (0) 503256553

www.nefco.org