

## Environmentally Important Projects

As at the end of 2014, the share of environmental stewardship and energy efficiency projects in the portfolio of projects financed by Vnesheconombank was 33.9%

*Our investment priorities include support to environmental stewardship and energy efficiency projects. In this area, we place a particular emphasis on renewable energy development. In 2014, Vnesheconombank's project for the renovation and construction of small-scale hydro power plants in the Republic of Karelia won an international award of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), the European Organisation for Sustainable Development (EOSD) and the World Federation of Development Financing Institutions (WFDI).*

Our investment efforts aimed at supporting environmentally sustainable projects, including energy efficiency projects, work towards the goals of the national environmental development policy, including the Energy Efficiency and Electric Utility Development national programme (its plan was approved in 2014). As energy resource costs rising and environmental issues aggravating, the programme becomes particularly relevant and will enhance the availability of energy resources in the Russian economy while making their use more efficient. It will also reduce the environmental footprint of the energy sector.

Under Vnesheconombank's Development Strategy for 2015–2020, support to energy efficiency projects and green projects of high social and environmental importance will be a priority area that will drive the structure of the development bank's loan portfolio. The Strategy also provides for establishing business relations with green funds that seek to invest in renewable energy, resource and energy efficiency, and water supply and waste recycling initiatives. At the same time, the Bank will consider issuing green bonds, with the proceeds to be used exclusively to finance environmental projects.

### Vnesheconombank's Projects Aimed to Promote Efficient Use of Natural Resources, Support Environmental Stewardship and Enhance Energy Efficiency

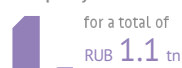
Since Vnesheconombank has been acting as a development institution, the Bank's management has approved its involvement in the financing of

45 projects



As at the end of 2014, Vnesheconombank took part in the financing of

34 projects



Vnesheconombank runs its energy efficiency projects in close contact with international development institutions, including as part of a programme for the financing of energy efficiency projects in Russia. In 2014, Vnesheconombank prepared a concept for raising a loan from the IBRD and had it approved by the Russian Ministries of Finance and Economic Development. The concept provided that the loan amount was to be increased from USD 300 mn to USD 500 mn.

At the same time, Vnesheconombank, with the support of IFC, continued working on building a mechanism for evaluation of energy efficiency projects for its portfolio of projects that can be financed under the programme.

Currently, Vnesheconombank, with the support of IFC, is actively working on building a mechanism for evaluation of energy efficiency projects. In 2014, jointly with IFC, organised a number of training courses for employees of Vnesheconombank on energy efficiency in investment projects, including interaction in major banks and development institutions in China. This experience was used by the Bank to prepare draft guidelines on assessing energy efficiency indicators that are planned to be integrated into the existing regulations on expert evaluation of the Bank's investment projects. This work should produce an energy efficiency portfolio of development bank projects, including those to be potentially financed by international investors.

## Priority Areas of Target Financing of Energy Efficiency Projects



Energy efficient equipment upgrade



Efficient energy generation

## Planned Energy Efficiency Changes in the Regulations on Expert Review



Vnesheconombank is planning to select energy efficient projects that aim to



Vnesheconombank is planning to apply the following criteria to energy efficient projects



Project: Construction of Boguchany HPP

*Project initiators:* RusHydro, RUSAL

*Borrower:* Boguchany HPP

*Total project value:* RUB 72.5 bn

*Vnesheconombank's commitment:* RUB 28.1 bn

*Actual budgetary effect since initial financing:* RUB 2.8 bn

*Number of new jobs:* 118

*Project goal:* complete the construction of Boguchany Hydro Power Plant on the Angara River with an installed capacity of 2,997 MW.

Boguchany HPP is one of the largest construction projects in Russia that has been financed by Vnesheconombank since 2010. The plant's launch contributed to the setup of a new regional industrial complex in the Lower Angara basin by solving the issue of electricity supply to a number of large industrial facilities of the region and by prompting the development of related economic sectors. At the same time, Boguchany HPP has increased the share of renewable energy generated in Russia.

The plant is being constructed as part of the General Layout of Electricity Facilities until 2020 approved by the Resolution of the Russian Government dated 22 February 2008 and the Integrated Development of Lower Angara Basin investment project approved by the Resolution of the Russian Government dated 30 November 2006 and implemented with government support using funds of the Investment Fund of the Russian Federation.

The project involves cutting-edge technologies that minimise its environmental footprint, including from a more than 350 km long water reservoir built in the valley of the Angara River. The project initiators ran its social and environmental evaluation in line with the requirements of Russian laws, and international standards, including the Equator Principles and guidelines of IFC and the World Bank Group. All 9 hydro units of the Hydro Power Plant have already been commissioned, with the reservoir bed currently being filled to the designed level.

