

Cover Page for CTF Program Approval Request			
1. Country/Region	Regional MENA (EBRD SEMED – Egypt, Jordan, Tunisia, Morocco)	2. CIF Project ID#	[Type text]
3. Project/Program Title	SEMed Private Renewable Energy Framework (SPREF)		
4. Terms and Amount Requested in million USD equivalent	Public sector n/a		
	Private sector Total amount:	USD 35.00 million	
	<ul style="list-style-type: none"> Investment Knowledge Management and Evaluation Management and Implementation Budget 	<ul style="list-style-type: none"> USD 34.00 million USD 00.15 million USD 00.85 million 	
5. Implementing MDB(s)	European Bank for Reconstruction and Development (“EBRD”)		
6. National Implementing Agency	SEMED Private Sector Renewable Energy Project Developers		
7. MDB Focal Point	Andreas Biermann, CTF Coordinator (biermana@ebrd.com)		
8. Brief Description of Project/Program (including objectives and expected outcomes)			
<p>Fit with Dedicated Private Sector Programme</p> <p>The programme was identified in the Dedicated Private Sector Programme Proposal accepted by the Trust Fund Committee at its meeting in Montego Bay in June 2014. There have been no substantive changes to the design of the programme, and it fully fits with the outline approved at the meeting.</p> <p>Project Summary</p> <p>The goal of SPREF is to break down barriers preventing the development of the private renewable energy markets in SEMed and the exploitation of the region's outstanding renewable resources. Successful implementation of an investment model involving the private sector in renewable energy needs to include:</p> <ul style="list-style-type: none"> (i) the establishment of the necessary legal and regulatory framework, and (ii) the financing, construction and operation of projects using that model. <p>This is necessarily an iterative process where incremental improvements in an initially inadequate legal and regulatory framework are validated and built upon by new investments, which in turn builds momentum for further regulatory reforms. Under the SPREF EBRD will combine policy dialogue to help establish the necessary regulatory framework and finance, accompanied by concessional finance, to demonstrate the success of the initial projects under these new private models. This will involve regulatory risk and uncertainty about pipeline delivery, but with the potential for significant transition impact.</p> <p>Similar to the Ukraine Sustainable Energy Lending Facility (USELF) and the Western Balkans Sustainable Energy Direct Financing Facility (WBSEDF), concessional support will accompany EBRD investment in order to catalyse the sector. Despite the need for support for initial investments, SPREF will finance renewable energy projects on more commercial terms than current practice in the region. In addition to the CTF support, EBRD has received CEO Endorsement of USD 15 million in concessional finance support from the Global Environment Facility (GEF).</p> <p>In parallel to SPREF approval the team is in the process of launching an initial gap analysis assessment of the legal and regulatory gaps related to private renewable energy investment in SEMed.</p>			

9. Consistency with CTF Investment Criteria - For Private Sector Projects/Programs

- (1) Potential GHG Emissions Savings
675,000/tCO₂/yr over 20 years lifetime, equalling 13,500,000 mtCO₂
- (2) Potential energy savings: n/a
- (3) Cost-effectiveness
CTF: USD2.6/tCO₂ reduced over the lifetime of the programme
Total project cost: USD68/tCo₂ reduced over the lifetime of the programme.
The marginal abatement cost will be below USD100/tCO₂.
- (4) Demonstration Potential at Scale
High
- (5) Development Impact
The project will have a good development impact through (i) the provision of electricity to satisfy the increasing demand in the region; and (ii) the reduction of other environmentally damaging emissions from fossil fuel power generation.
- (6) Implementation Potential
High. The markets are at a sufficiently developed stage to implement renewable energy projects with the kind of support envisaged in this framework.
- (7) Additional Costs and Risk Premium
Low. The need for concessionality is relatively low, it is primarily driven by the requirement to bridge some capital gaps and reduce project development costs so the projects will be more attractive .
- (8) Financial Sustainability
High. Given the development of renewable energy support frameworks, continued increase in power demand, and continued high costs of fossil fuels.
- (9) Effective Utilization of Concessional Finance
High. There is a very low need for concessional support, and substantial capacity will be added.
- (10) Mitigation of Market Distortions
High. The share of concessional finance is very low by comparison to other projects.
- (11) Risks
The main risks related to:
 - (a) Regulatory
 - (b) Construction implementation
 - (c) Offtake.
 - (d) Financial:
- (12) Risk Mitigation
The risks outlined above are mitigated by:
 - (a) Technical assistance aimed at regulators.
 - (b) Working with reputable sponsors and ensuring diligent project management.
 - (c) Sound banking assessment of PPAs and offtake risk.
 - (d) Execution of complete financial due diligence.

10. Stakeholder Engagement		
Stakeholder engagement will occur in the context of technical assistance provided prior and during framework and project development, and on the level of sub-projects as appropriate under the guidelines of the EBRD, CTF, and the GEF.		
11. Gender Considerations		
Gender implications of the facility will be assessed in line with the relevant CIF and EBRD policies. In particular, the facility will be assessed in line with EBRD's Environmental and Social Policy to avoid any disproportionate adverse impacts on women (with particular questions inserted in the ESIA). See also Annex F.		
12. Indicators and Targets (consistent with results framework)		
Core Indicators	Targets (by Feb 2019 – 5 years)	
(a) <i>GHG emissions avoided</i>	675,000 MtCO ₂ e per annum	
(c) <i>Renewable Power Capacity Installed</i>	432 MW installed	
Development Indicator(s):		
<ul style="list-style-type: none"> • Renewable power supplied • Other pollutants mitigated • Regulatory/Legal technical assistance provided 	<ul style="list-style-type: none"> • At least 1 GWh/a by the end of the investment period. • To be determined as the sub-project pipeline develops. • At least 8 assignments launched by the end of the investment period. 	
13. Cofinancing		
Please specify as appropriate	Amount (in million EUR)	
Government	n/a	n/a
<ul style="list-style-type: none"> • EBRD 	Hard Loan	250
<ul style="list-style-type: none"> • Project Developers/Co-financiers/Bilateral DFIs 	Equity/Hard Loan/Soft Loan	617
<ul style="list-style-type: none"> • Donor Co-finance 	Grant	3
<ul style="list-style-type: none"> • GEF 	Soft Loan	15
<ul style="list-style-type: none"> • Total Co-Financing 		885
Total Finance including CTF	CTF share 4%	920
14. Expected Date of MDB Approval		
December 2014		
15. Document Structure		
Main Sections:		
1: OVERVIEW		
2: PROJECT SPECIFICS		
3: RESULTS MEASUREMENT, ADDITIONALITY, MARKET TRANSFORMATION POTENTIAL, AND RISK		
4: GENDER AND SAFEGUARDS		
5: OVERVIEW OF SECTOR		
Annexes:		
A – Abbreviations and Currency Conversions		
B – Administrative Budget		
C – Technical Assistance Budget		
D – Knowledge Management and Evaluation Activities		
E – ToR for Initial Regulatory Gap Assessment		
F – Gender		

CTF Private Sector Proposal	
<i>Name of Project or Program</i>	SEMed Private Renewable Energy Framework (SPREF)
<i>CTF amount requested</i>	Total: 1. <u>Investment</u> – up to USD 34.00million 2. <u>Grant (advisory services, evaluation, and knowledge management)</u> – up to USD 0.15 million for EBRD’s account. 3. <u>Implementation and supervision budget</u> – USD 0.85 million for EBRD’s account (see Annex D)
<i>Country targeted</i>	Egypt, Jordan, Tunisia, Morocco
<i>Indicate if proposal is a Project or Program</i>	Program
<i>Transfer of Funds by the Trustee to the Implementing Entity</i>	Express authorization of the CTF Trust Fund Committee is requested to allow for the full up-front transfer of CTF resources required for the Investment Component (as described below) to EBRD prior to the commitment by EBRD pursuant to a signed loan agreement with a project developer (the Investment Component), following Board approval of the proposed Framework, or any of its sub-projects.
<p>OVERVIEW</p> <p>Fit with the Investment Plan The programme was identified in the Dedicated Private Sector Programme Proposal accepted by the Trust Fund Committee at its meeting in Montego Bay in June 2014. There have been no substantive changes to the design of the programme, and it fully fits with the outline approved at the meeting.</p> <p>Rationale for Use of CTF in Sector EBRD SEMed countries are facing dramatic electricity demand growth combined with threats to energy security. These countries have among the best renewable energy resources in the world and exploiting these resources is crucial to facing the challenge of ensuring energy security while reducing environmental impacts.</p> <p>While some of the SEMed governments have made steps towards developing renewable energy generation capacity, full project risks have not been transferred to the private sector yet. Private sector mobilisation for renewable energy has been constrained by the following fundamental market and policy failures:</p> <ol style="list-style-type: none"> 1. the absence of cost-reflective tariffs and market structures conceal the potential advantage of renewable energy as a cost-competitive alternative to conventional fossil fuels; and 2. the regulatory framework is inadequate in these countries to support the level of private investment needed to exploit the full potential for renewable energy generation. <p>SPREF will address these market and structural failures in a comprehensive manner, through a combination of investment, policy dialogue and support for project preparation.</p> <p>In addition, lack of access to local currency at competitive pricing has provided further impediments to private investment in renewable energy projects, particularly for complex project finance transactions that may be essential to a project’s economic viability. Concessionality of CTF funds will play a key role in addressing this concern.</p>	

PROJECT SPECIFICS

Overview

Egypt, Jordan, Morocco and Tunisia each have varying combinations of regulatory and legal frameworks for the four investment models above and varying degrees of progress towards establishing the successful functioning of a given model. Furthermore, in some cases a country has successfully used a financing model for conventional power projects but not for renewable energy projects. The status of each model per country can be summarised as follows:

Table 1: Country Regulatory Status in EBRD SEMed region

	Public to Public	IPP	Auto Generation	Private to Private
Egypt	- Proven for conventional and renewable	- Authorised - Not proven for renewables	- Authorised - Not proven for renewables	- Authorised but not proven
Jordan	- Proven for conventional	- Proven for conventional and renewable	- Authorised - Not proven for renewables	- Not authorised, except net metering - Not fully proven for renewables
Morocco	- Proven for conventional and renewable	- Proven for conventional and renewable	- Authorised - Not fully proven for renewables	- Authorised for HV - Not proven for renewables
Tunisia	- Proven for conventional and renewable	- Authorised for conventional but not renewable	- Authorised - Not proven for renewables	- Not authorised

Project Objectives and Design

- The SEMed Private Renewable Energy Framework (“SPREF” or the “Framework”) will provide finance to private developers of renewable energy generation projects in Morocco, Tunisia, Egypt and Jordan, catalysing the private sector and reducing greenhouse gas emissions. It is expected that over the next four years, EBRD will invest approximately USD 250 million in private renewable energy projects of varying sizes in SEMed, avoiding 675,000 tons of CO2 emissions annually.
- The technologies financed under SPREF are expected to be mainly onshore wind and solar PV, but other renewable energy technologies would be considered, including small hydro, biomass, energy-from-waste and geothermal.
- Investments could be across the capital structure, depending on individual needs, in projects and companies. Financing is expected to be primarily project finance senior secured debt though investments in equity and quasi-equity could also be considered case-by-case.
- EBRD finance will be accompanied by concessional finance from the Clean Technology Fund (USD 35 million) and the Global Environment Facility (USD 15 million). The combined concessional finance will be capped at 10% of total project costs and will not exceed USD 10 million in any single project. It will be allocated between projects in proportion to need, project size and impact. The GEF and CTF finance would most likely enter on the same terms as EBRD finance, except with some concessional aspects such as a lower expected return and/or longer grace period and tenor.
- Projects of all sizes will be considered under SPREF, with LEF involvement in the case of smaller deals. EBRD investments of EUR 10 million or less will be approved at SBIC under existing delegated approval authority arrangements.

The goal of SPREF is to break down barriers preventing the development of the private renewable energy markets in SEMed. The EBRD analysis today is that the private to private and auto generation models face barriers in all four countries and that the renewable energy IPP model faces market barriers in Egypt and

Tunisia. Therefore, these are the types of projects that will initially be eligible for CTF and GEF finance to accompany EBRD finance under SPREF. This analysis will be amplified by the initial legal and regulatory gap analysis, which will in turn inform SPREF's policy dialogue component. In summary, the SPREF, including CTF and GEF finance, will cover the following market models for renewable energy initially:

Project Activities and Policy dialogue

SPREF will employ a combination of investment, policy dialogue for regulatory improvements, and technical assistance for project preparation to achieve its objectives.

Investment Component

Target Clients

The goal of SPREF is to advance SEMed countries along the spectrum of renewable energy investment models towards fully private to private models. While in Morocco operational project risk has been transferred to the private sector in partnership with the government, full project risk has not been transferred to the private sector for renewables in any SEMed countries. Potential clients include international and local energy companies seeking to build renewable energy generation capacity and industrials seeking cheaper power independent of public utilities. The models of investment for renewable energy projects range as follows from fully public to fully private investment:

1. **Public to public:** A public company develops, builds, owns and operates the power generation project (100% owned by the government).
2. **Independent power producer (IPP):** A private (or majority private) entity owns and operates the power plant, selling the electricity to a public entity through a power purchase agreement (PPA), sometimes with a feed-in-tariff, and often a state guarantee on the PPA..
3. **Auto generation:** A private company builds, owns and operates a power plant to use the electricity for its own use, generally for industrial or manufacturing processes. A public off-taker may commit to purchase a portion of surplus production, if any.
4. **Private to Private:** A private developer sells produced electricity to one or more private off-takers. In some cases a public entity may serve as off-taker of last resort for a portion of potential surplus generation.

Given the wide range in business models targeted by SPREF, likely clients are expected to be similarly varied, from large developers pioneering new markets to small local companies exploiting novel market niches to provide small scale distributed generation.

Table 2: Coverage of SPREF by Country and Project Type

	Public to Public	IPP	Auto Generation	Private to Private
Egypt	<i>Not financed through SPREF</i>	Financed through SPREF	Financed through SPREF	Financed through SPREF
Jordan		<i>Not financed through SPREF</i>		
Morocco		<i>Not financed through SPREF</i>		
Tunisia		Financed through SPREF		

Table 3: Financial Structure of SPREF

SOURCES TOTAL	USD 917 M
EBRD Financing	USD 250 m
Co- Financing / AMI	USD 617 m
Donor Co-Financing	
CTF Financing	USD 35 m
GEF Financing	USD 15 m
USES TOTAL	USD 917 M
Capex for construction	USD 917 m

EBRD investment under SPREF will be accompanied by finance from the GEF and CTF. Each project will receive an approval from the GEF/CTF, including pricing and terms. Thereafter authority will be delegated to EBRD so the GEF/CTF investment is made through the EBRD. Similar to the approach taken with existing facilities, such as USELF, the concessionality will be tailored to each project's needs in discussion with OCE and Credit, applying the guidelines for the use of non-TC in the EBRD Climate Investment Funds Special Fund rules. The parameters are as follows:

Table 4: Terms of the CTF Investment

Proposed CTF Investment:	USD 35 million
<i>Instrument:</i>	Any part of capital spectrum, must be alongside EBRD investment
<i>Tenor:</i>	No more than 20 years repayment including up to 10 years grace
<i>Seniority / security:</i>	Pari-passu with EBRD
<i>Pricing:</i>	To be assessed in each sub-project based on the principle of minimum concessionality, with floor interest rate of 75 basis points (all-in)
<i>Sector</i>	Renewable Energy
<i>Investment Period</i>	Sub-projects to pass EBRD concept review before Dec. 2016
<i>CTF Share in Structure</i>	No more than 20% of total project costs across all sub-projects of SPREF

Table 5: GEF Financing and Conditions

Proposed CTF Investment:	USD 15 million
<i>Instrument:</i>	Any part of capital spectrum,
<i>Tenor:</i>	No more than 15 years repayment, and no more than 15 years grace
<i>Seniority / security:</i>	To be assessed for each sub-project
<i>Pricing:</i>	To be assessed in each sub-project based on the principle of least concessionality, with floor interest rate of LIBOR (all-in)
<i>Sector</i>	Renewable Energy and CHP
<i>Investment Period</i>	Sub-projects to pass EBRD concept review before Dec. 2018
<i>GEF Share in Structure</i>	No more than 9% of total project costs across all sub-projects of SPREF

Use of Concessional Co-Finance – Impact and Eligibility Criteria

The EBRD's leverage in pushing the reform agenda in favour of renewables in SEmed countries will be enhanced by the proposed operation, and the support given to it by key multilateral donors.

CTF and GEF support will be able to be combined, when eligibility criteria are met, and each donor funds specific project components. The use of CTF and GEF will be guided by the following principles:

- Concessional co-finance needs to be justified on the basis of compensation for externalities (emission reductions);
- Concessional co-finance will be sized in proportion to the project effect in terms of reducing emissions (Concessionality = estimated annual emission reduction × # of years × price of carbon as per rules set out in the relevant EBRD manuals and guidelines);
- Concessional co-finance will leverage reforms. As grants/concessional co-finance are expected to largely finance renewables, it is expected that countries will implement power sector and market reforms that will level the playing field for renewable energy projects.

Implementation Progress and Pipeline

The indicative list of projects (including the exploratory ones) currently in preparation (for approval in the investment period) under the framework is given below:

Table 6: Indicative Pipeline for SPREF

SPREF Indicative Project Pipeline										
Country	Technology	Installed Capacity (MW)	Avoided CO2 Emissions (tons/year)	Estimated TPV (USD m)	Estimated EBRD loan (USD m)	CTF Financing (USD m)	GEF Financing (USD m)	CTF + GEF (USD m)	Concessional / TPV	Estimated Co-Finance (USD m)
Jordan	Solar PV	20	30,000	50	18	2.5	1.0	3.5	7%	29
Tunisia	Onshore wind	27	43,000	54	19	2.7	1.1	3.8	7%	31
Morocco	Onshore wind	120	190,000	240	48	6.0	3.0	9.0	4%	183
Egypt	Solar PV	50	75,000	125	38	6.3	2.1	8.3	7%	79
Tunisia	Onshore wind	30	47,000	60	21	3.0	1.2	4.2	7%	35
Egypt	Onshore wind	100	158,000	200	46	5.0	2.5	7.5	4%	147
Jordan	Solar PV	25	38,000	63	22	3.1	1.3	4.4	7%	36
Tunisia	Solar PV	10	15,000	25	9	1.4	0.6	2.1	8%	14
Morocco	Onshore wind	50	79,000	100	30	5.0	2.2	7.2	7%	63
TOTAL		432	675,000	917	250	35.0	15.0	50.0		617

Technical Assistance and Policy Dialogue Component

The total budget for technical assistance is expected to be USD 3 million, to be covered by bilateral donor or EBRD-internal donor resources.

Technical Assistance

TA assignments will be developed to finance the technical, environmental and legal due diligence for a number of pilot projects under the Framework. The advantage of this will be: (i) to apply and spread best practices in these areas, and (ii) cost saving from synergies across similar projects. The estimated budget is USD 1.7 million, breaking down as follows:

- Technical due diligence for SPREF projects: Estimated budget USD 600,000
- Environmental due diligence for SPREF projects: Estimated budget USD 600,000
- Legal due diligence for SPREF projects (not including the preparation and negotiation of legal documentation, which would be funded by the client): Estimated budget USD 500,000

Policy Dialogue:

TA assignments will be developed to support legal and regulatory development of the renewable energy support framework and other elements of power sector and other regulation that has an impact on the development of renewable energy projects. The advantage of this will be: (i) to apply and spread best practices from countries with a long history of renewable energy development, and (ii) ensuring value for money in the development of renewable energy. The estimated budget is USD 1.3 million, breaking down as follows:

- Gap Analysis & Conference: The initial TC planned is for a gap analysis of the legal and regulatory frameworks supporting private renewable energy investment in each of the four countries and how those frameworks should be improved to enable the success and growth of these markets. Estimated budget: USD 400,000
- Follow on TCs: This initial work would be followed by further TCs to help countries address the gaps that were identified in the initial TC above. These will be prepared in consultation with policy makers to maximize implementation. Estimated budget: USD 900,000 (to be spread across the four countries)

Co-Operation with other IFIs

EBRD will continue its close co-operation with other IFIs in the region in promoting sector reform and investments. Specifically, EBRD will seek co-financing from other IFIs for projects where this can add value.

RESULTS MEASUREMENT, ADDITIONALITY, MARKET TRANSFORMATION POTENTIAL, AND RISK

Results Measurement Framework

Monitoring will be fully in line with the most recent version of the CTF Results Measurement Framework¹. Market transformation objectives at the sub-project level will be monitored through the normal EBRD process for each transaction under the framework. In addition, there are aggregated targets that are expected to be achieved under this framework. The benchmarks below aim to capture these aggregated objectives and will be monitored through the EBRD's close engagement with the regulators and periodic reporting from the clients. Also, each new project document submitted under this IA will include a brief progress report on the benchmarks below and update on remaining challenges.

Table 7: Objectives, Benchmarks, Target Dates

Impact Objectives	Monitoring Benchmarks	Timing
Renewable energy capacity financed	At least 430 MW	by Dec. 2017
Number of Private Sector Projects financed	At least 9 projects financed	
CO2 Emissions Reductions Achieved	At least 675,000tCO2/yr mitigated	By Dec. 2018
Other environmental improvements	TBD SOx mitigated TBD Dust mitigated	
Technical Assistance Assignments Implemented	At least 8	By Dec. 2017

Market Transformation Potential

SPREF is expected to have a considerable market transformation impact, through its size, and approach in focusing on currently underserved niches of the renewable energy sector in the SEMED region.

Table 8: Market Transformation Indicators

1. More widespread private ownership	
Increased private sector involvement.	Essential to the objective of SPREF is to increase the participation by the private sector in renewable energy markets in the four SEMed countries. Increasing private ownership is a transition objective for the EBRD, such as through the improvement of procurement standards. Private ownership, in terms of the number of players and the size of their investments, will be directly advanced through the policy dialogue and investment work under SPREF.
Benchmarks	Increase in private sector contribution to electricity generation
Due diligence	Full due diligence for each project under the Framework
Covenants/TC	TC for project preparation

¹ 6 December 2012

2. Institutional Change	
Regulatory reform to support renewable energy.	One of the most important market barriers to more private sector involvement in renewable energy is the establishment of the necessary legal and regulatory framework. SPREF will launch its policy dialogue activities with a gap analysis of the current legal and regulatory frameworks for private renewable energy projects in the four SEMed countries. This study will guide the advice EBRD will provide to governments and other stakeholders and will provide direction for further targeted policy dialogue work in each country. In order to bring about the expansion of private sector involvement in renewables envisioned by SPREF, improvement to the institutions, laws and policies will be a critical pursuit.
Benchmarks	Improvements to the legal and regulatory frameworks to support private renewable energy projects in SEMed
Due diligence	Market, legal & regulatory due diligence
Covenants/TC	TC for policy dialogue

Additionality

Additionality of the CTF is primarily driven by the longer tenor, which gives additional comfort to project sponsors, and the its willingness to consider more unusual project structures.

Table 9: Additionality Indicators

Additionality Dimension	Verification and/or counter factual results	Timing
Terms	CTF will be additional through providing long-term finance and a willingness to engage with novel market structures, which commercial banks are not willing to.	During project implementation & operation
CTF attributes	CTF involvement will help addressing the market barriers described in this document will provide political comfort to developers and financiers.	During project implementation & operation
Conditionalities	CTF will be additional in terms of conditionalities such as MRV, gender, and linking into programmatic approaches.	During project implementation
Syndication	Where possible and practical CTF will be additional in terms of making it easier to mobilise other finance.	During project financing stage

Risks to market transformation impact

Even though the operation is focusing on near-market sub-sectors, there are risks to the achievement of the market transformation objectives.

The main risks to the transformation impact are related to:

- **Regulatory:** The key risk for the success of SPREF is that the governments will not implement the regulatory and legal framework needed for private renewable energy investments to be made. There is also a risk of regulatory change during the implementation of projects. Construction implementation: For any power plant, the risk of delays and cost overruns in the construction and operation of the project need to be analysed and mitigated through the structuring of the investment and through reliance on reputable contractors without technology risk.
- **Offtake:** For these power generation projects, the creditworthiness of the counterparty buying the electricity will be analysed, as will the strength of the offtake agreement. The fundamental competitiveness of renewable power in a region characterised by energy shortages and excellent resource will underpin any such analysis.
- **Financial.** A range of mitigation actions will be implemented to address these.
 - Each project under the Framework will undergo complete due diligence, including of the expected financial performance.

- Each project will be assessed based on its specifics and tested against the Bank's normal parameters for projects of that nature. This will vary from relatively stable project-financed IPPs to more challenging quasi-merchant projects, which will likely require more conservative financing arrangements.
- If sponsor support is provided, the financial strength of the sponsor will be analysed also.
- The bankability of the PPA/offtake arrangements will also be analysed to ensure their soundness.

Table 10: Sensitivity analysis / risks

Risk	Effect/ Probability	Mitigation/Comments
Regulatory risk	Medium/ Medium	This risk will be somewhat mitigated through the policy dialogue TCs and the growing influence the EBRD will have as the portfolio of EBRD investments grows in the four countries.
Completion and cost overrun	Low/High	<i>Mitigating actions:</i> Where appropriate, turnkey contracts with a reputable consortium of companies will be concluded. Project implementation will be supervised by the Bank's Engineer or consultant.
Financial	High/ High	- This risk and the offtake risk will be mitigated through the financial structuring of each project
Delay in approval	Medium/High	Project Sponsor has been developing the Project for over 3 years now and with an exception of the EIA, local feasibility study and land acquisition the project can be considered bankable. In case CTF/EBRD approvals take longer than 5 months, the Sponsor might decide to develop the project on its own.
Management/ Operations	Medium/High	As the Project is the first one of this kind in the Sponsor's portfolio, its management's expertise should be thoroughly tested during due diligence session. <i>Mitigating factors:</i> Managers who will be implementing the Project on a day-to-day basis are said to have sufficient expertise in carrying out projects in RES area. The Banks technical specialists will be involved in reviewing and monitoring the project.
Reliability of renewable resource	Low/High	Renewable resource is a key driver of the business and its underestimation might adversely affect future performance of the projects. <i>Mitigating actions:</i> Analysis of the renewable resource assessment will be undertaken for the Bank by independent technical advisors.
Environmental and social	Low/High	The risk might be significant given the limited local experience in developing renewable energy projects while local regulations might not adequately address specific issues. <i>Mitigating actions:</i> Potential issues will be reviewed in detail in the course of environmental and social due diligence.

GENDER AND SAFEGUARDS

Gender Impact (see also Annex F)

In accordance with the EBRD's Strategic Gender Initiative (SGI), opportunities for enhancing the benefits for women at the facility and sub-project level will also be sought during implementation. Special attention will be paid to identifying opportunities for leveraging men and women's roles as energy managers as part of marketing activities of the facility, and during awareness raising and stakeholder engagement processes at the sub-project level. Opportunities to improve women's employment at the sub-project level will also be sought in line with the SGI.

Safeguards

Environmental
The Framework itself will not be subject to environmental and social categorisation. Instead, each sub-project, including potentially both Category A & B projects, will be reviewed individually and be subject to normal due diligence and disclosure requirements in line with the rules and requirements of the EBRD.

Integrity
Due diligence will be completed for each project under the Framework separately, in line with the rules and requirements of the EBRD.

SECTOR BACKGROUND

Market Structure Summary - SEMed

Table 11: Market Structure by Country – SEMed Region

	Egypt	Jordan	Morocco	Tunisia
Natural Resources	Oil and gas Wind, solar & hydro resources	No fossil fuel energy resources Wind & solar resources	No fossil fuel energy resources Wind, solar & hydro resources	Gas yet Tunisia is net importer of natural gas since 2001. Wind & solar resources
Generation Sources	Electricity is generated mainly from thermal and hydropower stations RE (excl. hydro) accounts for 1% of electricity mix	Jordan produced 98% of its electricity from imported fossil fuels	Morocco produces 74% of its electricity from fossil fuels (mainly coal), followed by hydro, with limited but increasing wind and solar generation	Tunisia is highly dependent on natural gas as fuel for power production (91% share), followed by heavy fuel oil (5.7%), hydro-electric (1.6%) and wind (1.3%).
Renewable Energy (RE) Target	RE share target: 20% of the energy mix by 2020 RE capacity by 2020: 7,200MW wind 4,800MW solar and hydro	RE share target: 7% of energy mix by 2015 and 10% by 2020	RE share target: 42% of energy mix by 2020 RE capacity: 6GW by 2020 (2GW each of solar, wind and hydro)	RE share target: 5.6% of Tunisia's primary consumption by 2020 and 6.5% by 2030
Interconnection	Linked to Libya and Jordan	Linked to Egypt and Syria	Linked to Spain and Algeria	Linked to Libya and Algeria

Egypt
Egypt's power sector is heavily state dominated. Although legally unbundled, the sector has not yet been unbundled on the ownership level. Private participation in the sector is limited: there are three privately owned fossil fuel IPPs built over a decade ago with total capacity of 2,050 MW, operating under build-own-operate-transfer (BOOT) arrangements underpinned by 20-year power purchase agreements (PPAs) with EEHC and EETC. Other than the IPPs and a small private distribution company, all other electricity assets are state-owned.

However, the government's strategy involves increasing reliance on the private sector to deliver new generating capacity. Renewable energy represents an important option for the change in energy mix. In fact, the present energy strategy aims to increase the share of renewable energy to 20% of the energy mix by 2020. The share of power from wind is expected to reach 12% by 2020, while the remaining 8% would come from hydro and solar.

This translates into a wind power capacity of approximately 7,200 MW by 2020.

Jordan

Jordan's electricity demand has been increasing at over 6% per annum for the past five years, reaching 14,274 GWh in 2012. Despite a lack of domestic primary energy supplies, installed generation capacity has grown in recent years to keep pace with growing demand, reaching 3,419 GW in 2012. Distribution is handled by three fully privatised power distribution companies, each covering a portion of the country, and supplying almost 100% of the population. Power generation is also majority privately owned, with one state owned company generating 28% of electricity. The state owned transmission company, National Electric Power Company (NEPCO), performs the duties of market operator and single buyer.

The sector operates under the supervision of a regulatory agency, the Electricity Regulatory Commission (ERC) that reports directly to the Prime Minister. Although autonomous in terms of electricity production capacity, 98% of electricity is produced from imported fossil fuels. While Jordan relied heavily on cheap fossil fuel imports from its neighbours, in particular on gas from Egypt, this supply has been disrupted by repeated sabotage of the pipeline since 2011 and by shortages in Egypt itself. As a result, Jordan is forced to rely on more expensive fuel by buying imported oil and distillate. As a response, the government has set a target of bringing up the share of renewable energy in the energy mix to 7% by 2015 and 10% by 2020, almost entirely with solar and wind.

Morocco

Energy demand has been rising steadily for the last 20 years (average CAGR above 6%) in Morocco, but its installed capacity is currently unable to satisfy this growing need. With no domestic fossil fuel resources, the country is highly dependent on imports. Morocco imports 18% of its electricity, and most of its domestic electricity is produced by thermal plants that rely on imported fuel. The country is therefore very vulnerable to price volatility and energy security. Electricity transmission and about half of electricity distribution and production are owned by the 100% public Office National de l'Electricite et de l'Eau Potable (ONEE).

To ensure security of supply and achieve energy independence, Morocco has made significant efforts in recent years to encourage private investors to invest in its energy sector, and especially in renewables. Since 2006, the country has been developing a legal and regulatory framework to achieve its targets of having a 6 GW of renewable energy capacity (of which 2 GW each of solar, wind, and hydro) by 2020.

The Moroccan renewable energy law (Law 13-09) allows private developers to build, own and operate renewable energy projects connected to the HV grid with ONEE acting as offtaker of last resort for a limited amount of excess production. However, this private-to-private market model may need some adjustments in order for its effectiveness to be demonstrated.

Tunisia

The 100% state-owned Société Tunisienne d'Electricité et du Gaz (STEG) had a complete monopoly on all functions of the Tunisian power sector—generation, transmission and distribution—until 1996, when the market was opened to fossil fuel IPPs. Two gas-fired IPPs were built, but STEG still views the private sector with scepticism and maintains a market share of 82% of power production. Tunisia's electricity market is based on a "single buyer" system, with STEG buying all the power the private IPPs generate through a PPA. Tunisia's primary energy supply comes 51% from natural gas, followed by oil.

Renewable energy is important for Tunisia because of Tunisia's limited oil resources and its strategic geographic position as a corridor for the transport and export of Algerian oil and gas, as well as an interconnection for electricity transmission between Europe and the Maghreb. Renewables are expected to represent an increasing share of the country's primary consumption, with wind expected to be the biggest contributor. Tunisia is targeting to have 30% of energy consumption from renewables by 2030. To reach this objective, the installed capacity necessary from renewables is expected to be 1,100 MW by 2020 and 1,800 MW by 2030. A new law is being discussed by the Parliament authorising private renewable energy developers to sign a PPA with STEG to sell production at a feed-in-tariff level set by the government. Project size is expected to be capped at 30 MW for wind and 10 MW for solar.

Under Law 7-2009 Tunisia authorised auto generation from renewable energy sources, including the right to sell to STEG up to 30% of the annual production in excess. However, developers have cited inadequate support from STEG in the case of surplus generation as the primary reason that no renewable energy auto generation projects have been built yet.

Annex A

ABBREVIATIONS / CURRENCY CONVERSIONS

DSCR	Debt service coverage ratio
E5P	Eastern Europe Energy Efficiency and Environment Partnership
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
EUR	Euro
GDP	Gross Domestic Product
GHG	Green House Gases
IFRS	International Financial Reporting Standards
IRR	Internal Rate of Return
m ³	cubic metre – unit of volume
MW	megawatt – unit of power
MWh	megawatt hour – unit of energy
O&M	Operations and Maintenance
PP&R	EBRD's Procurement Policies and Rules
PR	Performance Requirements
SSF	EBRD Shareholder Special Fund
TA	Technical Assistance
TC	Technical Cooperation

CURRENCY CONVERSIONS

EUR 1 = USD [1.3]

Annex B

Indicative Budget for Technical Assistance Program

CTF Advisory Services Component

Activity Overview	Year 2014-2017	CTF Contribution	EBRD/Donor/Sponsor Contribution
	Thousand USD		
Project Preparation, Feasibility Studies and Technical Assistance work and Capacity Building	1,700	0	1,700
Policy Dialogue	1,300	0	1,300
CTF/CIF Knowledge Management and Evaluation	0	150	150
Total	3,000	150	3,150

Annex C

Administrative Budget

This budget covers the development of 9 projects with a tenor of up to 15 years, with the CTF covering 12.3% of the joint EBRD/CTF investment.

1. Project Implementation (pre-signing)	<i>Full Management Cost (USD)</i>	CTF Management Cost Share (12.3% - USD)
(Due diligence; legal review; contractual and site visits)	<i>500,000</i>	61,500
(Staff costs - fund management; overall project preparation; project and programme management)	<i>500,000</i>	61,500
Subtotal	<i>1,000,000</i>	123,000
2. Project Supervision (post signing)		
(Contractual and site visits)	<i>1,000,000</i>	123,000
(Fund's and Financial Controls; monitoring & reporting; site visits; restructuring; evaluation)	<i>4,900,000</i>	604,000
Subtotal	<i>5,900,000</i>	
3. Total	<i>6,900,000</i>	850,000

Annex D

Knowledge Management Activities

- 1) Production of a publishable case study aimed at the climate finance community covering the climate and social benefits of investing in renewable energy projects, and the particular challenges and benefits of operating through a multilateral direct lending structure.
 - Overview of the project
 - Outcomes
 - Barriers and challenges
 - Impact of key actors
 - Public Authorities
 - Central Government
 - Regulator
 - DFIs
 - EBRD
 - Others
 - Donors
 - CTF
 - Other donors
 - Specific development outputs and social impact
 - Climate impact
 - Approach to tariff reform
 - Market transformation impact
 - Lessons learnt

Annex E

Indicative Regulatory Gap Assessment ToR (excerpt)

I. SCOPE OF WORK

The assignment is expected to be implemented over a period of 6 months. It comprises the following activities and tasks :

Activity 1: Benchmarking, Gap analysis & roadmaps

The Consultant will deliver the below tasks based on research, review of existing work and interviews with key public and private stakeholders, including the EBRD and potential EBRD clients. Identify replicable best practices and put them into the context of national contexts, in view of experience sharing during the conference foreseen under Activity 2 below. The Consultant will also liaise with other ongoing programmes and supporting activities in the area of renewable energy in SEMed (e.g. other MDBs, MSP, AREF, Energy Community Secretariat, UNDP, GIZ, AFD, KfW, USAID).

As part of the Expression of Interest, the Consultant will propose and justify a precise methodology taking into account the requirements of the Objectives and Scope of Work sections of these Terms of Reference.

Task 1: Institutional and regulatory framework gap analysis

- 1) Review and describe the current state-of-play, policies and frameworks for renewable energy in the four Countries and benchmark them against:
 - (i) One or two relevant countries (according to technology for example) selected for having successfully deployed renewable energy under the investment models targeted by SPREF;
 - (ii) Their SEMed peers.
- 2) The focus is on wind and solar technologies; however, other technologies such as hydro should be examined when consistent with the country's strategy. The gaps and recommendations can be categorised consistently with the PWMSP/AREF/NREAP templates and will cover:
 - (i) Policy development aspects
 - (ii) Institutional and Regulatory Environment
 - (iii) Electricity market structure
 - (iv) Infrastructure (grid readiness, access & codes)
 - (v) Financial support schemes & financing barriers
 - (vi) Institutional capacity
 - (vii) Market and land access
- 3) Specific areas of interest will include (but not be limited to):
 - (i) Primary or secondary renewable energy legislation gaps;
 - (ii) Electricity grid and grid protocols and their capacity or suitability for accepting renewable energy generation sources;
 - (iii) Rules, procedures and standards for renewable energy development and operation, including permitting, licensing and connection to the grid;
 - (iv) Institutional arrangements / organisational changes;
 - (v) Support to the formalisation of NREAPs;
 - (vi) Electricity tariff and renewable energy feed-in-tariffs (where applicable)
 - (vii) Demand side management

Task 2: Roadmaps to framework improvements

- 1) The roadmap for each country should aim to provide a practical route towards closing the gap with countries where a private to private renewable energy model is well established. However, it should also:
 - (i) be tailored to each Country, achievable and phased (with a focus on short term requirements);

- (ii) be built according to “critical path” and “building block” approaches;
 - (iii) target the transition of SEMed Countries along SPREF’s investment model path;
 - (iv) place private developers’ and investors’ concerns and requirements at the centre of considerations.
- 2) Summary recommendations for a regional roadmap should be presented as way of an update to the MSP and AREF work, in particular when regional elements can hinder the fulfilment of national strategies. However, regional coordination is not the main target of this assignment.

Task 3: Definition of follow-on policy dialogue assignments

The Consultant will outline the scope and interest of policy makers and the EBRD for specific short term priority follow-on assignments that will close identified gaps and develop the specific scope in limited but reasonable detail prior to the conference.

Activity 2 : Conference & Workshop

- 1) The Consultant will organise and conduct a regional conference and workshop to present the findings of Activity 1 and enable best-practice and experience sharing between Countries.
- 2) Other key objectives of the event are to:
 - (i) Introduce SPREF to relevant stakeholders;
 - (ii) Familiarise public and private stakeholders with EBRD’s potential financial and other assistance.
- 3) The format and scale of the conference will be summarised in the Expression of Interest. Final format and participant list will be agreed with the EBRD during the assignment and should include a plenary session, separate workshops and a conclusion session.

Annex F

Gender

I. BACKGROUND

Within the CTF's policy orientations, there has been a growing interest in assessing the co-benefits of financing climate operations, where co-benefits could arise in areas such as employment, health, poverty, and gender equality. In particular, gender concerns have risen in climate finance since the initial approval of investment plans under the CTF in 2008 - 2010. EBRD is currently in the process of progressing through a pipeline of sub-projects under CTF approved frameworks for which under EBRD policies no separate gender assessment is required for every project, but rather a targeted approach is taken based on a gender gap analysis².

The EBRD recognizes equality of economic opportunity, where economic opportunities should be made available to people regardless of their gender, as well as other conditions like social background, ethnic origin etc., as a fundamental aspect of a modern, well-functioning market to be promoted in its countries of operation. A particular difficulty with involving women effectively in household energy projects has been that, since the benefits for women have appeared self-evident, it has often been believed that no special analyses were needed and that any project seeking to be effective would automatically take the necessary measures to ensure benefits for male and female equally. In EBRD we believe that further assessment is needed to fully understand the potential for the projects in terms to both promote gender equality and to ensure that both men and women are enabled to benefit from the opportunities and impact of the project and that the specific needs and constraints of women in any aspect will be taken into account.

II. EBRD STRATEGIC GENDER INITIATIVE AND FUNDING REQUEST

The Strategic Gender Initiative (SGI) approved by the EBRD Board on the 16th April 2013 (BDS13-057) mandates the EBRD to work predominantly within a pre-defined group of regions where the gender gaps have been identified as greatest, at least over the short term (3 years). The SGI specifically sets out the need for "initial efforts to develop projects that will primarily target the countries where the preliminary gap analysis has shown that gender challenges are greatest: these are judged to be Central Asia, Turkey and the SEMED³ countries."

The sectors and countries covered by the CTF do not fall within the priority regions or sectors identified by the EBRD as the key focus areas for this new Initiative. Furthermore the SGI provides three clear channels for engagement:

- Access to Finance;
- Access to Services; and
- Access to Skills and Employment.

As such, whilst the EBRD can provide the staffing to manage the consultants under the proposed assignments, the EBRD is currently limited in its ability to finance from its own funds, gender assessments within the CTF projects identified below and as such will need to rely on donor funding for external consultancy and travel cost. Given that the CTF co-finances these projects, it is the most appropriate source of funding for the proposed gender assessments.

III. OBJECTIVES

The main objective of the assignment is to implement up to 2 project-level gender assessments and gender components which will help shape the actual projects/programmes to be implemented by EBRD, within the renewable energy sector. These projects/programmes will promote the equality of access to the benefits of these Projects (such as employment, finance and heating) as well as to contribute to achieving the long term

² The relevant EBRD policy, the Strategic Gender Initiative (SGI) is outlined here: <http://www.ebrd.com/pages/about/principles/gender/plan.shtml>

³ Southern and Eastern Mediterranean Region, i.e. Jordan, Egypt, Tunisia, Morocco

and sustainable goals. As part of this, the impact the CTF financing had and can have on ensuring that gender equality and equal opportunities are fully taken into account in the design and implementation of these projects will be assessed.

A second objective will be to prepare a synthesis report analysing the project-level studies in the sector and drawing wider lessons and recommendations. This report will then be disseminated to a wide audience including recipient and donor countries of the CTF; the wider climate related financing and CSO community; other stakeholders, research and development partners and the wider public.

IV. AUDIENCE

The target audience will be wide-ranging. It includes the recipient and donor countries of the CTF; wider climate related financing and CSO community; and other member states that have submitted the investment plan, as well as other stakeholders, research and development partners and the wider public. The analysis will be used to contribute to provide guidance on a more efficient and effective targeting of financing and policy actions for gender impact and also to provide lessons for other countries.

V. SCOPE OF WORK

Based on the requirements of the EBRD's SGI and the CTF policy orientation and priorities, the tasks would comprise the following:

1) Gender Assessments Project Design

As part of the implementation of the EBRD's Strategic Gender Initiative, the EBRD will seek to address gender inequalities. In this context, the EBRD has been assessing gender considerations in Kazakhstan and Turkey in projects funded by the CTF, providing recommendations. Those recommendations will be used for this framework in SEMED countries and if needed will include a gender component. The intervention will include an assessment by country on the main issues which could be addressed through the EBRD's engagement with its clients and might include:

- *Gender Differences*
Assessment on the different use of energy by women and men, within the household, as well as the differentiated practical and strategic needs, constraints, attitudes and opinions about sustainable energy, energy conservation and cost efficiency, in order to better identify better access to services for men and women and employment opportunities
- *Access to Employment*
Traditionally employment within the energy sector has been male-dominated, much of which has arisen from the fact that historically the sector has not been attractive to the female population given the nature of the work involved. The introduction of more sophisticated systems jointly with some specific training, and more women accessing technical careers (engineers, etc) and adequate communication allow for there to be a targeted approach towards expanding employment opportunities to ensure women will access and benefit equally from job opportunities in the sector. As such, for those projects where the EBRD is engaged in financing such systems the EBRD will seek to work with its clients to assess their Human Resource approach and to more effectively market employment opportunities for both men and women so as to ensure equality of opportunity by implementing adequate measures or revising their policies.
- *Customer Engagement and Service Delivery*
In addition to this, the EBRD will seek to work with its clients with regards the customer orientation of their service delivery
- *Access and more efficient use of Services*

In the EBRD's region, including SEMED a lack of awareness in the energy conservation and sustainable use of energy can be an issue among users. Ultimately the provision of training or the production of related user-friendly and family-friendly communication and marketing material, on energy conservation and sustainable use of energy to women - the primary users of energy- could lead to quantifiable benefits both in terms of conservation and cost efficiency. A better understanding of energy conservation and cost efficiency by women can linked with more empowerment and more voice and agency at the household level, as women will have more access to the information (including technology) and will be able to make informed decisions related to energy use. The assessment will facilitate recommendations in terms of how to enhance the voice of women related to energy conservation and cost efficiency, participation of women in local energy existing committees or associations or creation of structure at the local level of such committees in order to exchange information, raising awareness and multiplication effect among families.

2) Preparation of a report

This will capture knowledge emerging from the country project-level gender assessments in the sector which will include lessons learned and best practice. This will be made accessible to a wide audience including, but not limited to, donors, policy makers, the private sector, research, civil society and international financial institutions.

Special attention will be paid to identifying opportunities for leveraging men and women's roles as energy managers as part of marketing activities of the facility, and during awareness raising and stakeholder engagement processes at the sub-project level. Opportunities to improve women's employment at the sub-project level will also be sought in line with the SGI.

VI. BUDGET

The cost of this work is expected to be covered by bilateral or EBRD donor funds. Its execution is dependent on the ability of the team to raise funds from donors.

VII. EXPECTED OUTPUT AND TIMETABLE

Concrete deliverables: 4 country reports identifying:

- Gender differences in energy use
- Opportunities for leveraging men and women's roles as energy managers as part of marketing activities of the facility,
- Awareness raising and stakeholder engagement processes at the sub-project level.
- Opportunities to improve women's employment at the sub-project level