



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION



Investing in an Energy Efficient Future  
for **Ukrainian Industry**

Extensive use of energy subsidies and increases in energy prices have significantly hindered Ukraine's economic performance and industrial competitiveness in recent years. The country's energy intensity per GDP at purchasing power parity (PPP) is the second-highest among EU4Energy countries and over twice the world average (0.11 toe /1000 USD).<sup>1</sup> When it comes to industry, this high consumption of energy is largely due to old and inefficient equipment, but also because Ukrainian industries have not traditionally prioritized energy management and energy efficiency.

In 2017 the Ukrainian Government revised its **National Energy Strategy**, which outlines the country's long-term energy development priorities. One key goal is to reduce the energy intensity of GDP by more than 50 per cent before 2035. Such an ambitious target requires significant investment into new technology, equipment upgrades and awareness about the opportunities that industrial energy management systems can offer.



**Industrial production processes and fuel combustion constitute the highest share of carbon emissions in Ukraine. So, investments into energy efficiency are also beneficial to lowering Ukraine's CO<sub>2</sub> footprint, which is critical in the effort to fight climate change.**

<sup>1</sup> IEA, [Ukraine Energy Profile](#).



# A loan guarantee fund for energy efficiency

In 2020 the United Nations Industrial Development Organization (UNIDO) and Ukraine's Public Joint Stock Bank "UkrGasBank" officially launched a US\$1.5 million loan guarantee (LGF) fund for investments into industrial energy efficiency. Designed to increase the flow of capital into sustainable and energy efficient industrial projects, the fund will help to de-risk investments into industrial energy efficiency. In the first phase of the project at least 10 industrial enterprises will be awarded fully guaranteed loans valued at US\$ 150,000 each.

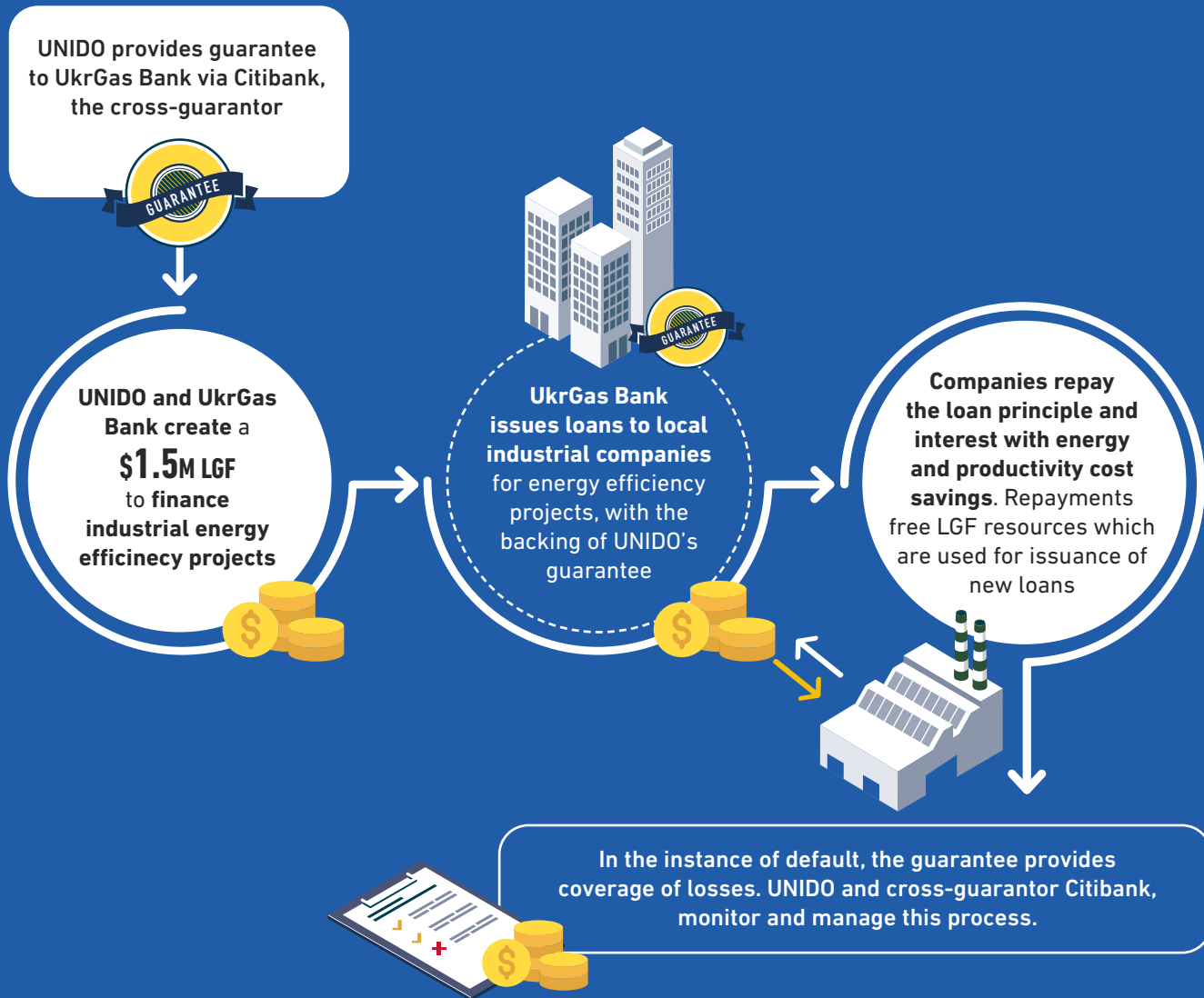
## What is a loan guarantee?

A loan guarantee is a financial instrument that involves a commitment by one party (the guarantor) to assume the risks and potential debt obligation of a borrower. These types of loans are provided for new markets or in countries with vulnerable financial systems or where there is a high perception of financial risk.



The Industrial Energy Efficiency Loan Guarantee Fund was launched with support from the Ministry of Energy, the State Agency on Energy Efficiency, the Ministry of Ecology and Natural Resources and the Ministry of Economic Development, Trade, and Agriculture. The fund is made possible by the Global Environment Facility (GEF) and cross-guaranteed by Citibank Europe PLC.

## Mechanism for loan guarantee fund for investments into industrial energy efficiency



# Overcoming financial barriers for industrial energy efficiency

## LIMITED AWARENESS



Currently only a handful of Ukrainian companies are certified to the globally regarded **ISO 50001 Energy Management System Standard**. Furthermore, most Ukrainian companies are unaware of the cost saving opportunities and environmental benefits that can be achieved through the establishment of effective energy management systems and energy efficiency.

## RISK PERCEPTIONS



In Ukraine there is substantial finance available for energy efficiency projects. However, high interest rates, complex assessments of creditworthiness and a high perception of risk, which calls for extreme collateral requirements, limits investment into energy improvements. This is further compounded by a general lack of knowledge in the finance sector about the potential returns that can be made through energy efficiency projects.



Ukrainian companies will be granted fully guaranteed loans to invest in an energy management system (EnMS) and to implement other energy efficiency solutions. UNIDO expects that the cost and energy savings achieved by participating companies, with support from the loan guarantee fund, will generate successful case studies and boost demand for financing ISO 50001-EnMS implementation and other energy efficiency best-available technologies.



UNIDO's loan guarantee scheme is designed to demonstrate the business and investment opportunities which can be realized through industrial energy efficiency projects. Over time, as return on investments are achieved and high risk perceptions are addressed, UkrGasBank and other financing institutions will be encouraged to replicate and expand the scheme. Long-term, UNIDO expects that the loan guarantee modality will be expanded with support from national stakeholder groups and international financing institutions.





## Loan recipients

The loan guarantee fund was launched in the last quarter of 2020. The programme team expects to start seeing returns in the form of energy cost savings within six months of issuing each loan. The loans are targeted to industrial enterprises, particularly those that demonstrate enthusiasm for energy efficiency. This includes companies that have already gone through **UNIDO's training on Energy Management Systems, Energy Systems Optimization and Resource Efficiency**. Women led enterprises and departments seeking funds to invest in energy efficiency are strongly encouraged to apply. Priority companies for the loans are those with a substantial energy cost component above 20 per cent of their facility's overall production costs. Specifically, the loans will target high energy intensive sectors which include: metallurgy, the chemical industry, mining, machine building, pulp and paper as well as the construction materials sector.

In its initial phase, the loan guarantee fund will prioritize investments in the following measures:

- **Implementation of EnMS**, which may include third-party certification to ISO 50001.
- **Optimization and technology upgrades** of energy systems and utilities such as motor-driven systems (fans, pumps, compressed-air and others), steam systems and refrigeration systems.



“

As Ukraine embarks on a large-scale upgrade and reform of our critical energy and industrial sectors, we welcome initiatives such as UNIDO's loan guarantee fund for energy efficiency, which will surely help to accelerate our progress. Improving the competitiveness of Ukraine's industrial sector through innovative energy efficiency solutions will provide a solid foundation for the country's sustainable energy future and economic development.”

Kostiantyn Gura, Acting Head of State Agency on Energy Efficiency and Energy Saving of Ukraine (SAEE)

---



“

We are proud to be part of this initiative which will greatly help to stimulate an energy efficiency services market in Ukraine, and potentially provide new opportunities for investment in our industries. Given the rapid pace of change in our world, it's critical for Ukraine to be open to innovation and we are glad to facilitate this.”

Rodion Morozov, UkrGasBank, Deputy Chairman of the Management Board

---



“

The issue is not a lack of finance. There is plenty of capital available in Ukraine. However, among the key challenges is a lack of awareness related to energy efficiency projects, especially among banks, as well as scepticism around the rapid return on investment these projects can provide. By demonstrating what's possible through this loan guarantee fund we aim to drastically change this perception.”

Serhiy Porovskyy, UNIDO Energy Efficiency Financing and Policy Expert

---

## CONTACT

Interested Ukrainian industrial organizations are encouraged to visit UkrGasBank's website to learn more about the energy efficiency loan application criteria: <https://www.ukrgasbank.com/corporative/unido/>

To contribute or find out more about UNIDO's loan guarantee fund for Ukrainian industrial energy efficiency projects contact Alyona Nevidoma: [A.Nevidoma@unido.org](mailto:A.Nevidoma@unido.org)

This project is part of a coalition of UNIDO country programmes dedicated to accelerating industrial energy efficiency. Since its launch in 2014 by the UN's Sustainable Energy for All, the Industrial Energy Accelerator has showcased the vast opportunities that industrial energy efficiency can provide for people, businesses, economies and the planet.

In collaboration with:



*State Agency on Energy Efficiency  
and Energy Saving of Ukraine*



**ukrgasbank**  
eco·bank



MINISTRY  
OF ECONOMIC DEVELOPMENT  
AND TRADE OF UKRAINE



With support from:



**INDUSTRIAL  
ENERGY  
ACCELERATOR**

Visit: [www.industrialenergyaccelerator.org](http://www.industrialenergyaccelerator.org)