

# Climate Change

## Stories of Impact

*This series provides examples of our impact, expertise, and lessons learned working with clients and partners.*



## Joint Effort Taps into Russia's Energy Efficiency Potential

### RESULTS & IMPACT\*

- Joint IFC/World Bank work contributed to the adoption of Federal Law #261 On Energy Savings and Energy Efficiency in 2009.
- IFC helped 12 Russian banks, including Center-Invest Bank, MDM Bank, Credit Bank of Moscow, NBD-Bank, and Transcapitalbank, develop special financial products and launch lending for energy efficiency projects.
- 342 projects worth \$289 million were financed.
- The financed projects save 2.1 million megawatts of primary energy each year and reduce annual CO2 emissions by 558,532 tons.

\*As of December 2012

The Russian Federation is the world's third largest energy-consuming country. Yet its market for investments in improving energy efficiency had been developing slowly.

In 2008, IFC and the World Bank, along with partners in Russia, conducted comprehensive market research that concluded: *If Russia maximized its energy efficiency potential, the country could reduce primary energy consumption by as much as 45 percent—an amount equal to the annual consumption of France or the United Kingdom.*

These striking results were presented to the President of Russia, marking the beginning of a new era for energy efficiency in the country.

*“IFC’s Energy Efficiency Program contributed to the transition of Center-Invest Bank to a sustainable banking business model. Energy efficient finance proved to be a financially and environmentally viable product. As a result, many other development institutions provided us with funding to expand energy efficiency finance across the south of Russia.”*

—Vasili Vysokov, President of Center-Invest Bank.

In partnership with: Global Environmental Fund • Denmark • Finland

## The Opportunity

Russia is the largest greenhouse gas emitter in Europe and Central Asia and the world's third-largest energy-consuming country—up from seventh in 2007.

Since the mid-1990s, various local players had attempted to change Russia's regulatory framework in the area of energy efficiency, but to no effect. Several new draft laws on energy efficiency were circulated among the local expert community, but the government apparently paid no attention to them.

IFC's Russia Sustainable Energy Finance Program, launched in 2005, worked with local banks to help them develop specialized financial products for energy efficient finance.

Though the program was developing successfully, many companies did not view their own excessive waste of energy as a high priority. In addition, the country's regulations were not conducive to energy efficient investment.

After two years of catalyzing energy efficiency financing in Russia via client banks, IFC realized that achieving sustainable country-wide impact would require a government policy to increase awareness, set technical standards, and introduce incentives for energy efficiency.

Meanwhile, energy efficiency was emerging as the World Bank's next focus in its public policy dialogue with Russia.

## Our Approach

IFC and World Bank expertise on energy efficiency are complementary.

IFC takes care of the private sector agenda for energy efficiency for both industry and housing, and focuses on catalyzing external financing.

With the support of IFC's Russia Sustainable Energy Finance Program, 12 Russian banks offered energy efficiency financing to their clients. IFC experts taught the banks' credit officers how to identify, assess, and price such projects, and advised banks on their marketing campaigns.

In addition, IFC provided several companies in non-financial sectors—like KuAZ, which produces chemicals, and OMK, which produces steel pipes—with debt financing and advice to improve energy efficiency at their production facilities.

The World Bank, on the other hand, works on broader issues of macroeconomic analysis. It focuses on sectors where it has considerable experience, such as transport and urban issues, electricity, and carbon; and issues that impact the broader economy, such as tariffs and expenditure management.

In 2007, both IFC and the World Bank realized that inefficient use of energy was a big issue for Russia. The two joined efforts to address the challenges of energy efficiency promotion, such as the lack of political will and a clear strategy, and inadequate regulations.

A joint team, formed to study Russia's energy efficiency potential, produced a report, "Untapped Reserves: Energy Efficiency in Russia." The president of the World Bank Group presented Russian government leaders with the study during a 2009 visit to Russia. In addition, the report's key findings were presented to Russian think tanks, universities, and the business community and covered by all major daily and weekly publications.

Soon after, the Ministry of Finance included report recommendations on improving energy efficiency in public organizations as part of its Budget Strategy through 2023. Also, Federal Law #261 On Energy Savings and Energy Efficiency was adopted in 2009.

The IFC and World Bank teams continue to work together to promote energy efficiency in Russia, and their success has been replicated in many other countries in the region.

REGION: EUROPE AND CENTRAL ASIA | COUNTRY: RUSSIA | STRATEGIC PRIORITY: INFRASTRUCTURE | BUSINESS LINES: SUSTAINABLE BUSINESS ADVISORY, ACCESS TO FINANCE

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