

June 1, 2010

Comments from Japan
Ukraine: Renewables Direct Lending Facility

Dear Colleagues

Many thanks for sharing with us the proposal of Ukraine Renewable energy program. We highly appreciate the efforts by the Ukrainian government and EBRD in pursuing development of the renewable energy sector in the country. We provide our comment as below, and would like to request the clarification on following points for our consideration.

(1) We read that there is green tariff system in Ukraine. We would like you to clarify why CTF funding is needed because Feed in Tariff is designed to make projects financially viable. In order to ensure that CTF funding would be effectively utilized with avoiding markets distortion, we would like to better understand current market situations in Ukraine. Would you provide us:

(a) detailed description of green tariff system in Ukraine (purpose, mechanism, rationale of setting different tariff level to each category, does the mechanism promote private investment? or any issues?

(b) how the recent Ukraine renewable project finance market is like? (please provide a list of information of recently arranged renewable projects in Ukraine)

(c) justification with quantitative analysis why CTF funding would be needed even the country has the green tariff mechanism?

(2) We read that CTF funding will be subordinated to private funding and EBRD funding. Although we understand that subordinated loan would catalyze private sector funding, we still like to ask further clarification on the following points:

(a) justification why CTF funding is required to be subordinated to EBRD loan? (not only to private loan but also EBRD loan?)

(b) how the risk mitigation measure of the CTF funding would be?

(c) If the CTF funding is subordinated, how the interest rate and other terms of CTF will be designed compared to EBRD loan?

(3) Lastly, we would like EBRD to make a best effort to co-finance with commercial banks to utilize private funding in the renewable sector in Ukraine.

Best regards,

Keisuke Sasaki