

June 2, 2010

Comments from Spain
EBRD's Ukraine: Renewables Direct Lending Facility

Dear colleagues:

We assess positively the project proposal. We thank the EBRD and the Government of Ukraine for their effort in the preparation of this document.

In addition to the comments made by Mr. Sasaki, we would like to seek clarification on the following issues:

1. The Ukraine Sustainable Energy Direct Lending Facility seems to be a kind of Fund where the CTF is going to invest. We would like to know if other investors such as bilateral donors or foreign private companies have been considered. We think this could be an interesting way to explore at least in a project by project basis. We understand there is room to add new projects on demand apart from those identified by the consultant.
2. We would appreciate an explanation of the subordination of the CTF loan to the other sources of finance, including EBRD funds. We understand that our main contribution lies in the very soft terms of the CTF lending.
3. The CTF share of the projects cofinancing will be up to 20%. However, our share in the admin budget is 28% (Annex B). Could you please explain this difference?
4. I am not sure I have understood correctly the tables on the cumulative reductions. It seems to me that the direct reductions for the first 5 or 10 years are not that sizeable. I would appreciate a clear explanation on the expected cost per tonne.
5. In Page 2 we see NERC has been preparing detailed implementation procedures for renewable energy that should have been finalized by the end of 2009. Are they ready? Although the CTF is not financing the TC, we know that the potential of carbon finance has not been exploited in Ukraine due to regulatory framework and market environment barriers. We think it could be interesting to promote this aspect since it would increase the viability of the projects undertaken with the CTF support.

Best regards,

Vanesa Álvarez Franco

D. G. Financiación Internacional / G. D. for International Finance
S. G. Instituciones Financieras Multilaterales / D. D. for Multilateral Financial Institutions
Ministerio de Economía y Hacienda / Ministry of Economy and Finance of Spain
Paseo Castellana, 162 Planta 17 Desp. 20
28046 Madrid
Telf: +34 91 583 58 74
vanesa.alvarez@meh.es