Environmental Loans – Circular 236 Framework

Central Bank of Lebanon
Financing Unit
BDL Mission Statement

- The safeguarding of currency as a fundamental guarantee for permanent economic and social development:
  - Safeguard a sound Lebanese currency.
  - Safeguard economic stability.
  - Safeguard the banking system institutions.
  - Develop the monetary and financial markets.
MOU signed between BDL, UNDP and LCEC

- Develop a vehicle to finance Energy Efficiency and Renewable Energy, called NEEREA
- Cooperate to involve International Donors and organizations (i.e. EU) to support NEEREA
- Develop awareness and capacity building activities among Lebanese Commercial Banks and end consumers
Grant Contract signed between BDL and EU

A grant contract was signed to support investments in sustainable energy in the amount of €12,200,000 in order to:

- Support SMEs to invest in energy saving and renewable energy technologies by providing them with longer term financing and minimum financing cost.

- Enhance the atmosphere for the set of development companies, products and services involved in sustainable energy sector.

- Create a local market for sustainable energy technological competence.
Parties involved in Setting up the NEEREA

BDL

NEEREA

UNDP/LCEC

EU
Sectors that can benefit from the NEEREA Mechanism

- Industrial Sector,
- Touristic Sector,
- Commercial Sector,
- Medical Sector,
- Educational Sector,
- Residential Projects (Buildings, Houses),
- Other sectors...
Green Projects

- Energy Related (NEEREA Mechanism):
  - Any undertaking related to *Energy Saving* and *Renewable Energy*.

- Non–Energy Related:
  - Any project concerned with pollution abatement, solid waste and waste water treatment, recycling.
  - Ecotourism, organic agriculture, and landscaping.
Green Projects

- **New Projects:**
  - Repayment period up to 10 years, beginning after the end of the grace period.
  - Grace period ranging from 6 months to 4 years.

- **Re-modeling Existing Projects:**
  - Repayment period up to 10 years, including the grace period.
  - Grace period ranging from 6 months to 2 years.
LCEC will perform preliminary technical validation on energy saving and renewable energy before approving the loan by BDL.
Green Projects

- Green project is finally executed

- LCEC will perform technical validation on energy saving and renewable energy, and will release its report to BDL

- Action would be taken if final execution diverges from original plans.
Non-Subsidized Environmental Loans

Energy Related

Interest + Commissions ≤
LBP: 3% – 50% (1Yr. TB. Yield) ≈ 0.59%
USD: Cost of Funds + 2% – 50% (1Yr. TB. Yield)

Non-Energy Related

Interest + Commissions ≤
LBP: 3%
USD: Cost of Funds + 2%
Which Economic Sectors are Subsidized?

**Subsidized Economic Sectors**
- Industry, Tourism, Agriculture, IT Development and Artisanal

**Subsidy Rate**
- The Lebanese Government subsidizes interest up to a maximum rate of 7%.

**Subsidy Period**
- Subsidized loans maturity ranges between 5 to 7 years.
**Subsidized Interest Environmental Loans**

**During Interest Subsidy Period**

- Interest + Commissions ≤
  - LBP: Rate on 2Yr. TBs. ≈ 5.34%
  - USD: LIBOR 3Mths. + 6% ≈ 6.32%

**After Interest Subsidy Period**

- Interest + Commissions ≤
  - LBP: Rate on 2Yr. TBs. – 2.5% ≈ 2.84%
  - USD: LIBOR 3Mths. + 2.5% ≈ 2.83%
Green Related Projects

- The value of the loan extended to finance Green Projects would be calculated as follows:

<table>
<thead>
<tr>
<th>Nature of Project</th>
<th>Rating</th>
<th>Loan Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Project</td>
<td>Not rated</td>
<td>Environmental Cost</td>
</tr>
<tr>
<td></td>
<td>Certified</td>
<td>15% of Total Project Value</td>
</tr>
<tr>
<td></td>
<td>Silver</td>
<td>25% of Total Project Value</td>
</tr>
<tr>
<td></td>
<td>Gold</td>
<td>35% of Total Project Value</td>
</tr>
<tr>
<td></td>
<td>Platinum</td>
<td>45% of Total Project Value</td>
</tr>
<tr>
<td>Existing Project</td>
<td>Rated or Not Rated</td>
<td>Environmental Cost</td>
</tr>
</tbody>
</table>

- The cost of the property is excluded from the above scheme.
- The certification system developed by LEED is adopted, or equivalent classifications from other internationally recognized systems.
Financing Cost for **Rated** Environmental Loans

**Energy Related**

Interest + Commissions ≤
LBP: 3% – 50% (1Yr. TB. Yield) ≈ 0.59%
USD: Cost of Funds + 2% – 50% (1Yr. TB. Yield)

**The Remaining Amount of the Assigned % of the Rated Project**

LBP: Interest + Commissions ≤ 3%
USD: Cost of Funds + 2%
Penalties

- If the final rating assigned was less than the rating given when the loan was initiated.
- The difference resulting in the amount of the loan times the 1Yr. TB interest rate times the time period.
Energy Related Projects

- The Central Bank would, in collaboration with the EU, pay a grant to subsidize loans extended to finance energy projects, with a maximum amount of $1m. energy loans:

  15%
  - Of the value of the non-subsidized energy related loan

  5%
  - Of the value of subsidized energy related projects

  BDL
  - Funds are allocated to the project after BDL/EU Consultant approves the technical study proposed.

  - The grant money allocated would be disbursed upon final execution, and after technical validation.
Consumer Solar Heaters Loans

- 0% Interest Rate
- Up to 5 Years Maturity
- $200 Grant for the first 7,500 applicants and deducted from their last installments