

\$165M Plan for Renewable Energy

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The World Bank announced on Thursday the start of a multimillion-dollar greenfield program of consulting and investment in Russian renewable energy that should unleash a “tsunami” of additional projects and funding.

The Russian Renewable Energy Program, an experimental program by the World Bank's International Finance Corporation, the Global Environment Facility and the Russian Energy Agency, will work with the government to develop a regulatory framework to assist renewable energy projects, expand access to financing and directly inject funds into private projects.

“This is the first project of its kind, and it is no coincidence that we are choosing to launch it in Russia. Russia has huge renewable potential,” Snezana Stoilkovic, IFC's director for Eastern Europe and Central Asia, said at a news conference in Moscow.

The Global Environment Facility will spend \$10 million on “technical assistance” to develop a framework of legislation and incentives over the next five years. The IFC has set aside another \$150 million for direct investment in renewables, and expects another \$5 million from the

European Bank for Reconstruction and Development.

“Our ambition is to invest in about 30 real projects over the next five years,” said Patrick Willems, IFC program manager.

Most of the investment is expected to go into wind and biomass power generation. The investment in biomass is likely to be concentrated in the south of the country, and wind farms in the south and northeast, said Willem, but he could not say which regions in particular would benefit.

On Wednesday the IFC signed a memorandum of understanding with RusHydro that will have the monopoly invest in new projects both inside and outside Russia.

Green groups welcomed the focus on technical assistance, saying improving existing legislation, which is weak and vague, and creating a system of incentives could unleash “unparalleled” Russian potential in renewables.

“The finance exists, and the technology exists. Big energy companies like RusHydro and LUKoil all have renewable projects. The only thing stopping renewables from taking off in a big way is Russian legislation,” said Vladimir Chuprov, head of Greenpeace Russia's Energy Unit.

Willems said the establishment of such a framework would be followed by a “tsunami” of independent “ideas, investments and initiatives” that will have a much wider environmental impact.

The five-year program is expected to install 205 megawatts of renewable generation capacity and cut greenhouse gas emissions by 5 million tons a year. It is hoped that the indirect impact of follow-on projects will save up to 200 million tons.

Russia is the fourth-largest producer of greenhouse gases in the world. It now generates more than 220 gigawatts of electricity, 68 percent of which is from oil, natural gas or coal, and less than one percent from renewables.

The government's Energy Strategy to 2020 foresees increasing that to 4.5 percent by 2020. Willems said a study by the MacKenzie consulting firm suggested that that share could reach 7.5 percent of installed capacity by 2030. Greenpeace Russia estimates that 9 percent by 2020 is feasible.

But the biggest challenge will be overcoming Prime Minister Vladimir Putin's skepticism, Chuprov said.

"Take the windmills that are very common in many European countries," Putin said at a news conference last week in Khabarovsk. "It would seem that they are a really environmental form of energy, but it's not so. They kill birds, and there is so much vibration that worms crawl out of the ground, not to mention all sorts of moles."

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