

THE SWEDISH TRADE & INVEST COUNCIL

BUSINESS SWEDEN

DISTRICT HEATING IN UKRAINE

BUSINESS OPPORTUNITIES FOR SWEDISH COMPANIES

February 15, 2016
Business Sweden Ukraine

THE SWEDISH TRADE & INVEST COUNCIL

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AGENDA

- ▶ Introduction
- ▶ District Heating
 - ▶ Opportunities
 - ▶ Funding
- ▶ Business Sweden recommendations


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UKRAINE AND ITS ENERGY EFFICIENCY IN BRIEF

- ▶ Rate of energy use in Ukraine is three times higher than anywhere in Europe.
- ▶ The country's accessible energy sources are exhausted
- ▶ During the last two years Ukraine has been making considerable efforts in legislative and executive state branches to reform its energy sector
- ▶ International financial institutions has provided noticeable support to Ukraine and continue to finance energy efficiency projects



Population 42 M
 70% Urban

SOURCE: BUSINESS SWEDEN, WORLD BANK

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OPPORTUNITIES FOLLOW INTERNATIONAL FUNDS THE MOST POTENTIAL SEGMENTS TO RECEIVE FINANCING

- ▶ Due to the declared by the Cabinet of Ministers of Ukraine course for reforms the biggest investments in municipal sector modernisation come from international financial institutions:



European Bank
for Reconstruction and Development



WORLD BANK GROUP



NEFCO
NETEC ENVIRONMENT FINANCE CORPORATION



European Investment Bank

- ▶ Supported by:



Sida



E5P
Eastern Europe Energy Efficiency & Environment Partnership
- ▶ Segments priority:
 - ▶ District heating and energy efficiency for public buildings and residential areas
 - ▶ Water supply and waste water treatment
 - ▶ Solid waste management
- ▶ Sweden as the leader in energy and environment technologies can offer the best solutions to Ukrainian needs

OPPORTUNITIES ARE OPEN FOR EQUIPMENT AND TECHNOLOGY SUPPLIERS AND PROJECT CONSULTANTS

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THE SWEDISH TRADE & INVEST COUNCIL **BUSINESS SWEDEN**

DISTRICT HEATING PLAYS AN IMPORTANT ROLE IN UKRAINE

SHARE OF CITIZENS SERVED BY DH IN SELECTED EUROPEAN COUNTRIES, %

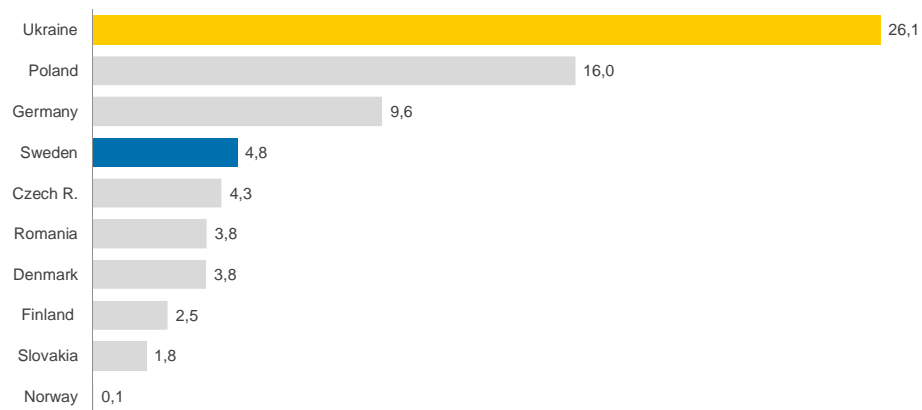
Country	Share of Citizens Served by DH (%)
Denmark	63
Ukraine	58
Finland	50
Sweden	48
Poland	41
Czech R.	39
Slovakia	36
Romania	19
Germany	12
Norway	1

SOURCE: EUROHEAT & POWER, MINISTRY OF REGIONAL DEVELOPMENT OF UKRAINE

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ONE OF THE BIGGEST DH MARKETS IN EUROPE

NUMBER OF CITIZENS SERVED BY DH IN SELECTED EUROPEAN COUNTRIES IN MILLION,



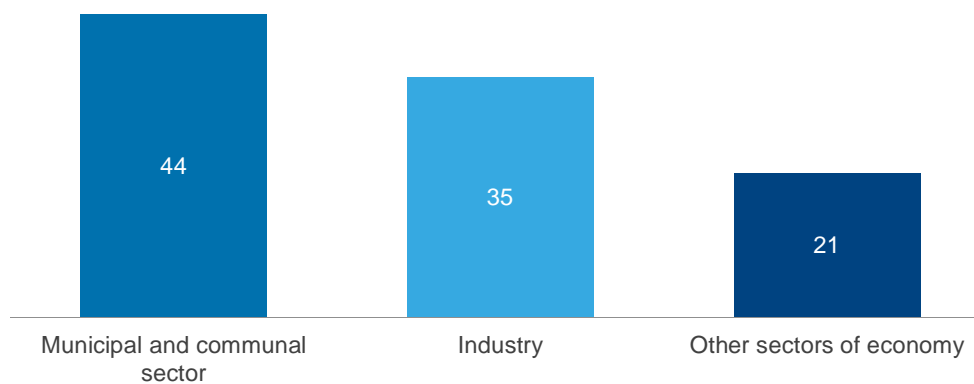
SOURCE: EUROHEAT & POWER, EUROSTAT, MINISTRY OF REGIONAL DEVELOPMENT OF UKRAINE

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BIG SHARE OF GENERATED HEAT ENERGY USED BY COMMUNAL SECTOR

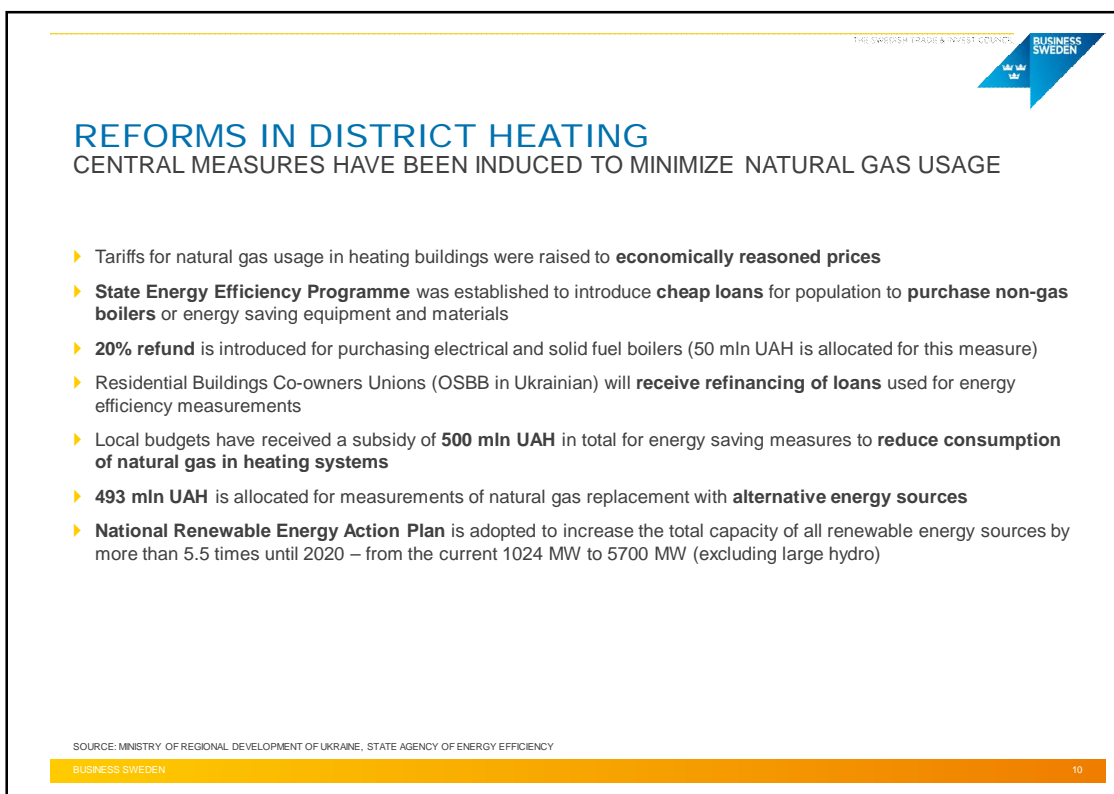
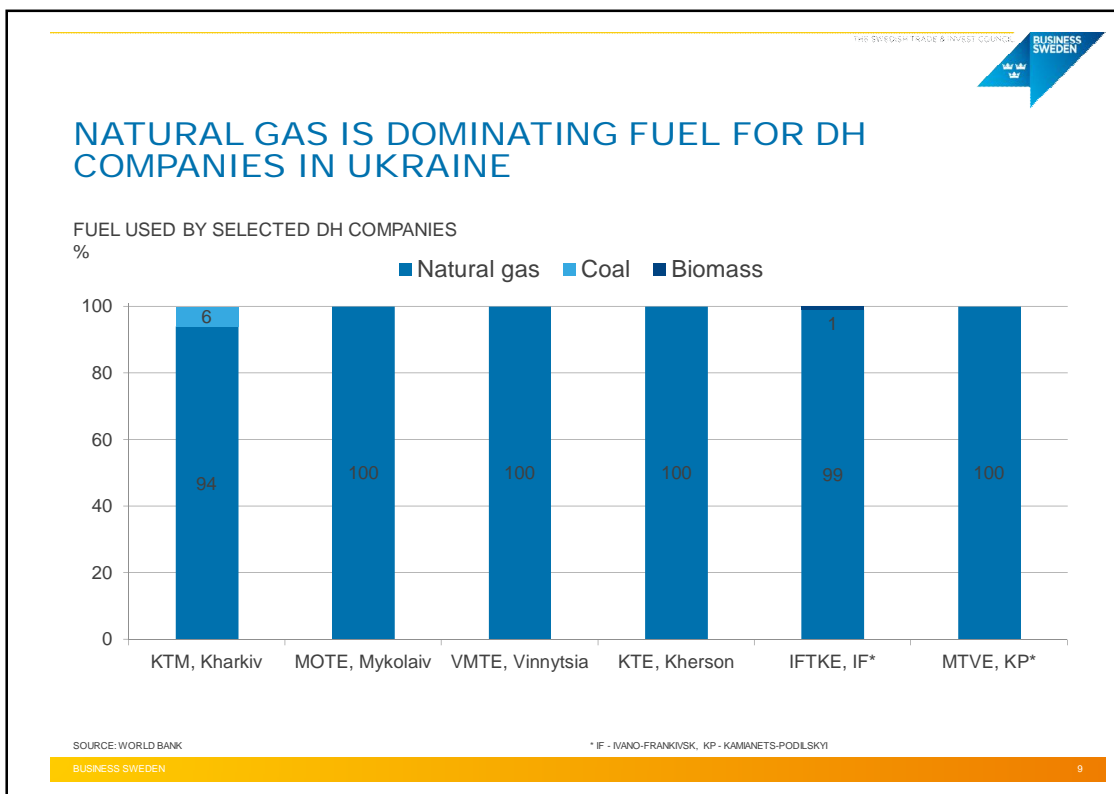
STRUCTURE OF HEAT ENERGY USE BY SECTORS, TOTAL 100%
%



SOURCE: WORLD BANK

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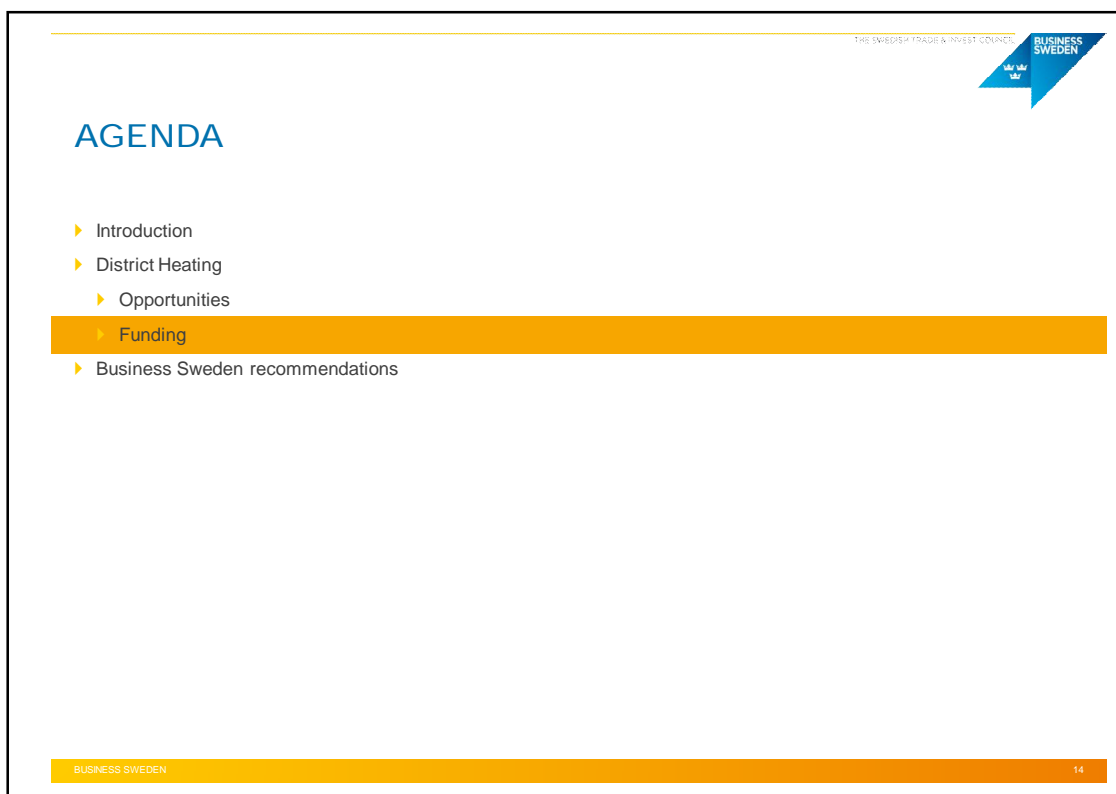
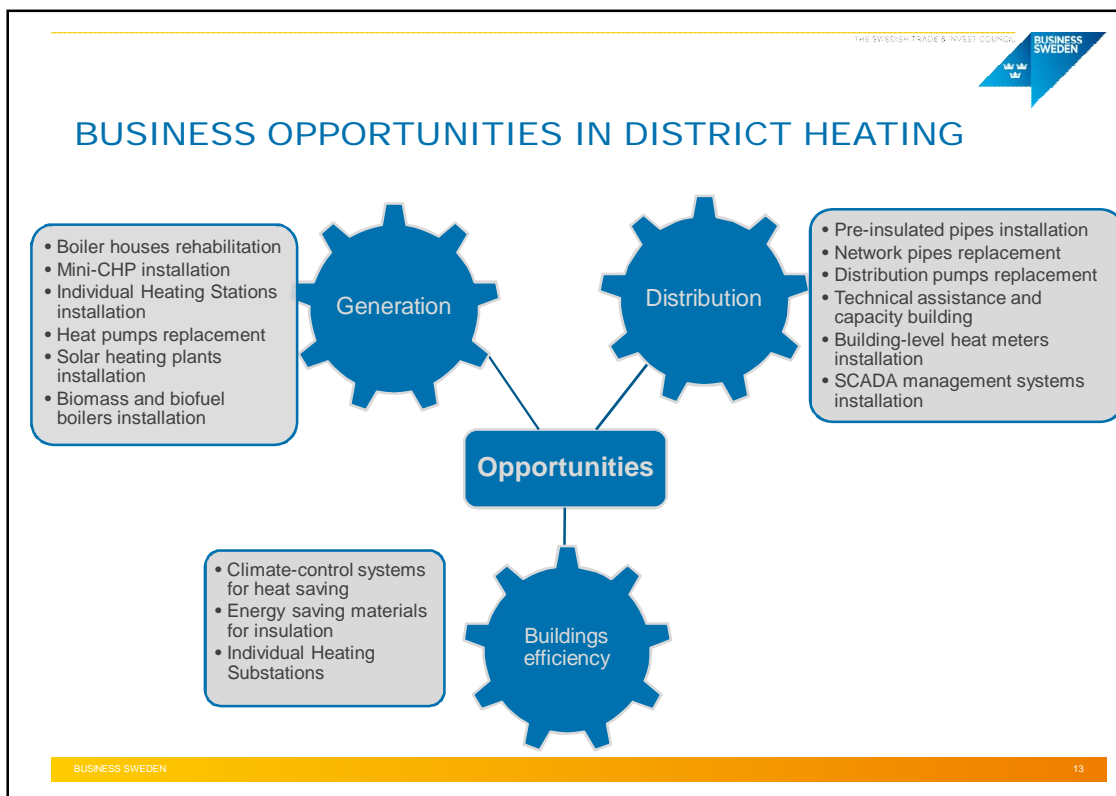
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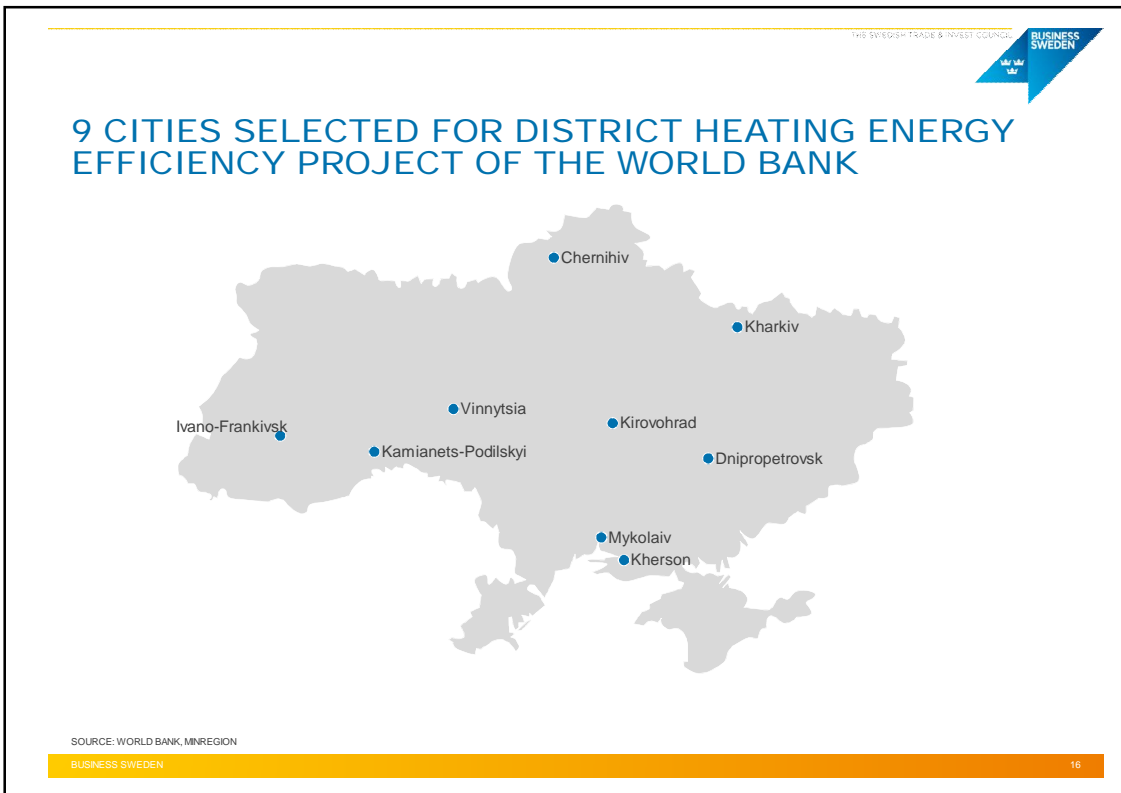
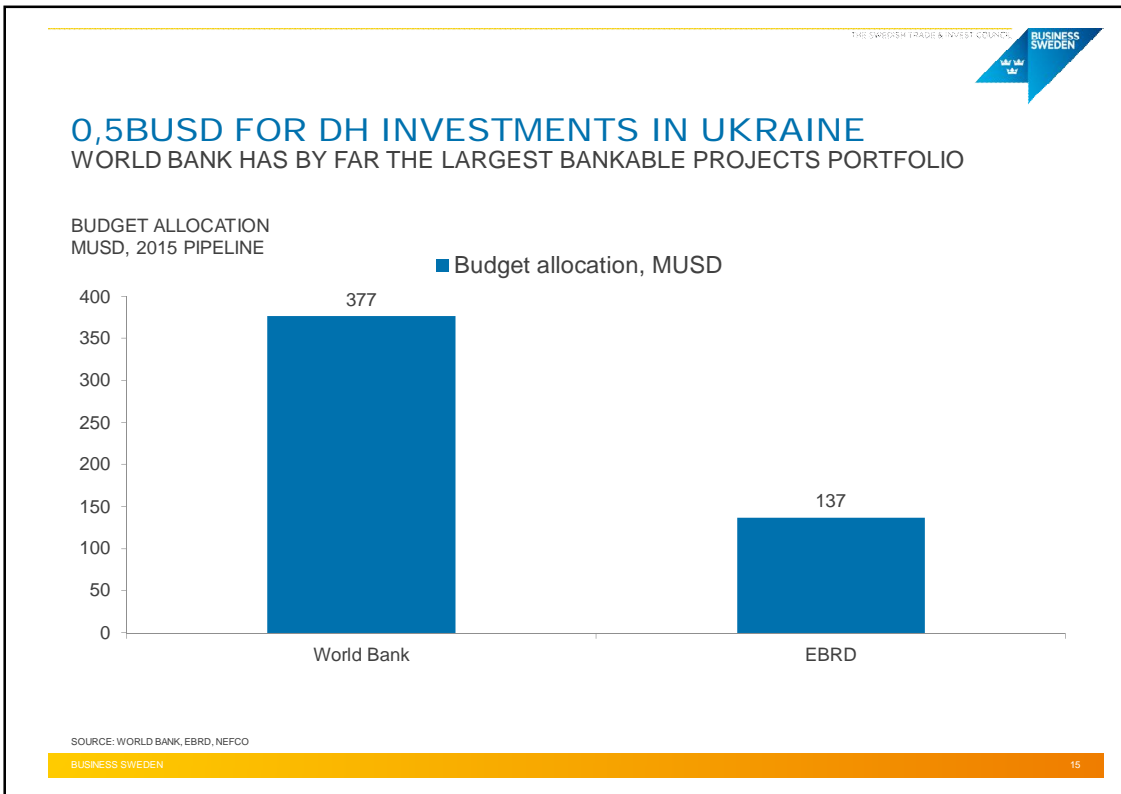
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INVESTMENT ASSESSMENT, CENTRALIZED DH

	Investments in bln USD	Years to implement
District boilers	2	3-5
DH network	1,7	3-5
Individual boilers	3,7	2-10
Heat meters / IHS	2,4	1-2

CENTRALIZED DH INVESTMENT ASSESSMENT IS NEAR 10 BLN USD





FUNDING IN THE COMING MONTHS – NEW OPPORTUNITIES

WORLD BANK

- ▶ **District Heating Energy Efficiency** project is financed until 2020
- ▶ Total Project Cost is **USD 382 million**
- ▶ Beneficiaries of the project funds are district heating **state enterprises** from the selected in all parts of Ukraine
- ▶ Procurements of IHS, Scada, cogeneration station installations, pipes insulation, projects have been ongoing in 4 cities, 5 cities have signed loan agreements with the bank

EBRD

- ▶ The **ongoing projects** are open in cities of Lviv, Zhytomyr, Ivano-Frankivsk, and Lutsk
- ▶ Fresh projects were launched for the cities of **Lviv and Lutsk** in January 2016 with the cost of **EUR 30 mln** and **EUR 16 mln** respectively
- ▶ The projects include IHS and Scada installations, boiler houses and DH networks replacement and modernisation

SWEDISH COMPANIES ARE ENCOURAGED TO TAKE PART IN OPEN TENDER PROCEDURES

SOURCE: WORLD BANK, EBRD

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FUNDING OPPORTUNITY - EXAMPLE

EBRD LUTSK DISTRICT HEATING PROJECT

Issue date	January 29, 2016
Closing date	January 27, 2017
Total project cost	EUR 16 million
Funding source	EBRD, E5P
Procured goods/services	<ul style="list-style-type: none"> • Individual heat substations • Installation of alternative fuel boiler plant • Modernisation of boiler houses and CHS • Rehabilitation and replacement of district heating networks • Decommissioning of basement boilers • Replacement of outdated boilers • Monitoring and dispatching system (SCADA)
Customer	State Communal Enterprise "Lutskteplo"

SOURCE: EBRD

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BUSINESS SWEDEN RECOMMENDATIONS

- ▶▶ **EXPLORE BUSINESS OPPORTUNITIES IN ADVANCE**
- ▶▶ **PLACE NECESSARY RESOURCES AT LOCAL MARKET**
- ▶▶ **FIND PROPER LOCAL PARTNER**
- ▶▶ **KEEP ONGOING COMMUNICATIONS WITH DECISION MAKERS AT DIFFERENT LEVELS**

BUSINESS SWEDEN MAKES IT EASIER FOR SWEDISH COMPANIES TO GROW INTERNATIONALLY

BUSINESS SWEDEN INTERNATIONALISATION SERVICES

EVALUATE OPPORTUNITIES

Examine opportunities and choose market

- ▶ Export Information
- ▶ Steps to Export
- ▶ Trade Facilitation
- ▶ Market Selection Analysis

CHOOSE STRATEGY

Understand market and define entry strategy

- ▶ Market Analysis
- ▶ Visiting Program
- ▶ Market Entry Strategy
- ▶ Partner Search
- ▶ Bus. Opportunity Project

ESTABLISH PRESENCE

Establish presence in foreign markets

- ▶ Incorporation
- ▶ Business Support Office
- ▶ Acquisition Support
- ▶ Recruitment Services
- ▶ Sourcing Services

GROW BUSINESS

Develop and grow your international business

- ▶ Sales and Marketing Support
- ▶ Operational Support
- ▶ Business Development
- ▶ BSO Connect

PROMOTIONAL ACTIVITIES

Swedish companies can use the official brand of Sweden to open doors and acquire new contacts. Business Sweden arranges seminars, site visits, trade fairs, delegations, conferences and many other activities to strengthen brands and to increase the visibility for Swedish companies



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