



ČSOB Corporate and Institutional Banking

Refinancing EPC projects – Insight into good practice from the Czech Republic

REFIN 

ČSOB experience in financing EPC projects

- **14 years experience in financing and refinancing energy and EPC projects on the Czech market.**
- **A broad customer base** covering all major Czech EPC providers as well as EPC investors (municipalities, public sector, corporates).
- **Product portfolio** providing tailor-made solutions for EPC and energy projects in general (incl. electromobility, smart cities etc.).

Summary of EPC projects financed by ČSOB since 2007 by groups of investors:

	Total financed		
	amount CZK mln.	= EUR mln.	% of total
➤ Municipalities	158	5.8	12.3
➤ Town parts	218	8.0	17.1
➤ Regions incl. allowance organisations (education, health)	547	20.1	42.9
➤ Governmental allowance organisations (culture, health)	354	13,0	27.7
TOTAL	1,277	46.9	100

Pre-contract and construction period

- Advisory services related to financial calculations of the project
- Discount rate long-term hedging (up to 15 years for municipalities)
- Short-term credits for purchase of technology
- Solutions for combination of state subsidies and suppliers' credits

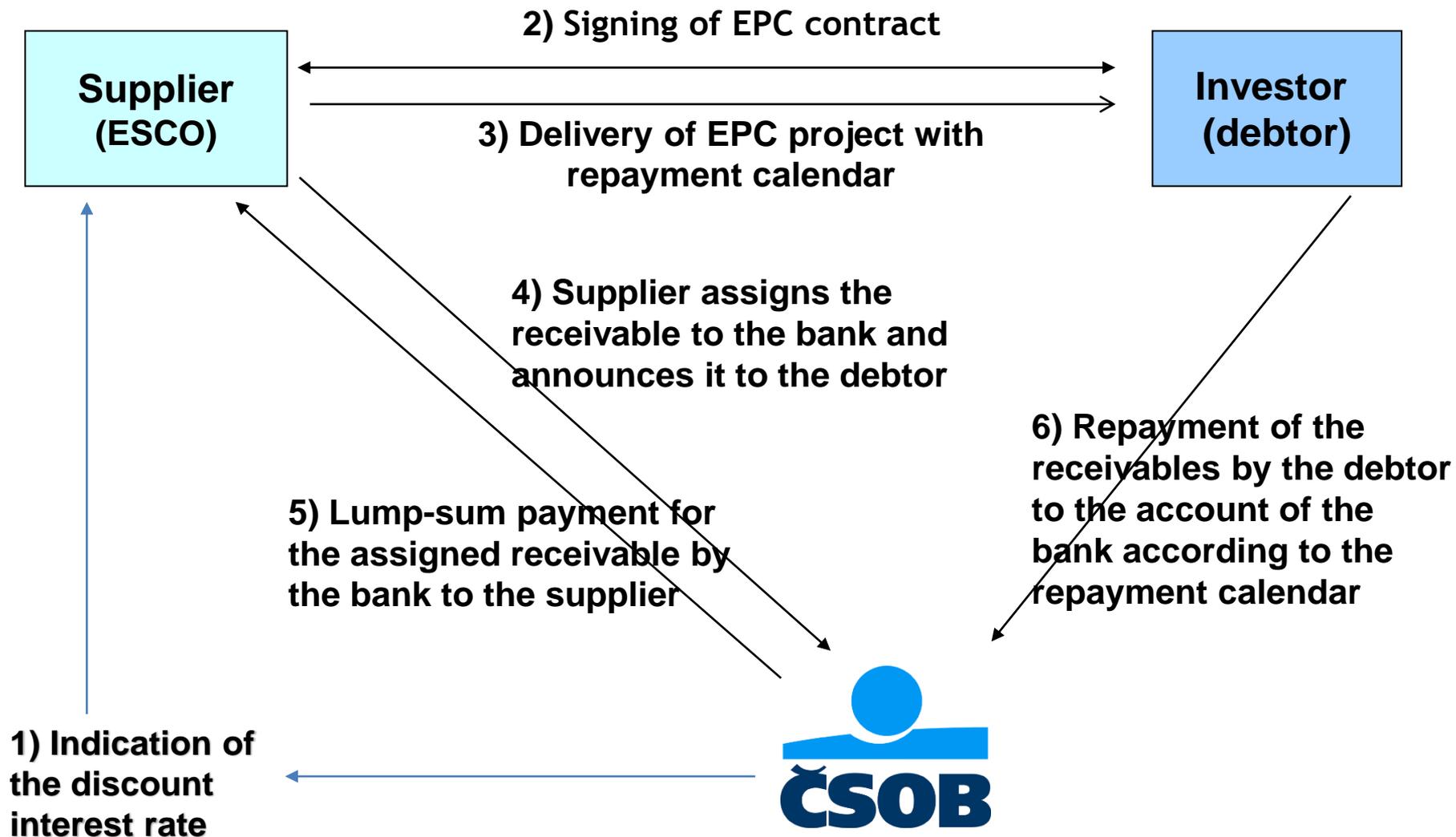
After implementation of EPC project

- Assignment of receivables from EPC projects to ČSOB
- Lump-sum payment to the supplier (ESCO) for receivable
- New possibilities:
 - purchase of future receivables from rental contracts, incl. municipalities
 - combination of subsidies and suppliers' credits

KBC activities related to energy saving projects:

- department of Energy Recycling Services established and working on its first projects
- support of EPC financing for companies of the group, mostly ČSOB Praha and ČSOB Bratislava
- exchange of experience within the group's Trade Finance departments (Prague, Bratislava, Budapest)

Process of the Purchase of Receivables



Basis of the purchase: ✓ **Without recourse to the supplier/assignor/ESCO**

- When a public tender for an EPC project is opened, ČSOB prepares an indication of discount rate for ESCO
- ESCO prepares its commercial offer for the investor
- The tender winning ESCO and ČSOB agree on conditions of future purchase of receivables incl. the discount rate in the Framework Agreement on Future Assignment of Receivables
- ESCO proceeds with implementation of the project (i.e. supply of energy saving measures)
- After take-over of the EPC project by the investor, the Assignment agreement between ESCO and ČSOB is signed, the assignment of the receivable is notified to the investor who is asked to confirm correctness of the receivable to ČSOB
- ČSOB pays the lump-sum payment for the receivable to the account of ESCO
- The investor repays the receivable to the account of ČSOB according to the repayment calendar

- **Costs of sale of receivables** equal the difference between the amount of money received by the FI from the EPC client and the amount of payment received by the EES provider from the FI, who purchase receivables.
- The **EPC provider's costs** for selling receivables consist mainly of paying a discount. In addition to the discount, the EPC provider also pays a fee for the assignment of receivables or processing of relevant contracts. When receivables are sold to CSOB bank, this fee is not high, however, reaching EUR 800 at most.
- **The discount interest** is the sum of **the basic market rate** corresponding to the maturity of the receivable and **the margin of the FI** reflecting the creditworthiness of the borrower (EPC client). The discount therefore primarily reflects the creditworthiness of the EPC client and the length and frequency of repayment of the receivable.
- **The discount rate** is generally lower for public EPC clients than for private sector EPC clients. The risk for municipalities or state-funded organisations is therefore generally lower than corporate risk, which is also reflected in the amount of the discount rate or bank margin.



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