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Summary translation



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Managing energy for a better future

PRESS RELEASE

EUROPE'S EMERGING ECONOMIES

EU regulation is driving a renewable energy boom in the region, writes Jan Cienski

When Ceska Sporitelna, one of the Czech Republic's leading banks and a subsidiary of Austria's Erste Bank, decided to dip its toe into the world of sustainable banking, it decided to devote half of its environmental banking resources to renewable energy projects and the other half to ecologically sound infrastructure projects.

But over the past four years, it has become obvious that there is much more interest in renewable energy like wind farms than in so-called green buildings, says Jan Herman, leader of sustainable banking product development at Ceska Sporitelna.

"We started with the idea that there would be a lot of interest in new technology for buildings... but the most attractive area turned out to be renewable energy," he says.

Now, about 90 per cent of the bank's sustainable lending portfolio of approximately Kc2bn (€80m) is in renewable energy. Ceska Sporitelna has set up a special team to handle the projects.

Electricity generation is attractive because [long] contracts make it easy to assess if a project is likely to be a success

Poland, which is one of Europe's most promising renewable energy markets. Poland's Baltic coastline is a prime location for wind farms, but the size of the projects makes them difficult for local banks to handle without outside help.

"A lot of institutions are interested but they don't have a lot of experience," says Maciej Radziwill, a businessman looking at building a large-scale wind farm.

Green Bear, a subsidiary of Orco, the Czech-French real estate developer, plans to build about 1.2GW of wind-generated capacity in Poland. The portfolio could end up being worth about €1.8bn, so the company is turning to international banks with experience in western Europe.

"We are working with top-tier banks which have a lot of experience in wind farm lending and which show a big appetite for financing renewable energy projects in Poland," says Jean Claude Moustacakis, Green Bear's CEO.

While international banks eye the enormous projects that will be needed if Poland is to meet EU targets of supplying 15 per cent of its energy from renewable sources by 2020, there is still scope for smaller players.

Poland's government-owned BOS, a bank set up in 1991 to fund environmental projects, focuses on smaller scale wind schemes as well as helping finance local government initiatives, particularly in the area of clean water and sanitation. About a quarter of the bank's 6.2bn zlotys in outstanding loans have been spent on ecological projects.

"We are the leader in this area in Poland," says Jerzy Pietrewicz, the bank's chief executive. "You need to have a level of specialisation that other banks just don't have."

The bank had its boom years in the 1990s, when the government was desperate to clean up

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Green building, however, is still very marginal across the region, says Richard Hallward, who recently organised a Warsaw conference on the subject for Central and East European Real Estate Quality Awards.

"We did a pretty thorough scour of the region and there isn't one yet, although there are a few projects that have made a token effort in that respect," he says, adding that while developers have not taken many steps toward constructing energy efficient buildings, investors are expressing more interest, realising that in the future such buildings may have higher rental and resale values.

While investment in green buildings has not been popular, lending for wind electricity generation is attractive because investors have been able to strike up 15-year contracts with utilities, making it easy to assess if a project is likely to be a success.

"The market is not very risky but very profitable," says Mr Herman. But in order to make sense of highly technical energy projects, banks need staff with technical experience.

Ceska Sporitelna has a team of five, which is fine for the smaller investments that are most common in the Czech Republic but *nothing* like the scale needed in

excesses of communist-era development. At the time, much of western Poland was shrouded by clouds of coal smoke – the ancient city of Krakow was being steadily devoured by acid rain and many lakes and rivers were badly poisoned.

Dealing with those very visible problems pushed less immediate environmental concerns off the front burner, until now – the country is now being forced by the EU to reduce its CO₂ emissions and has to increase the proportion of electricity it generates from renewable sources.

Investors are also increasingly interested in ecological projects because of the estimated €5bn the EU is pumping into Poland for environmental spending.

"We are seeing a growing interest from other banks," says Mr Pietrewicz.

BOS expects most of its water sanitation work to be completed within the next decade, as Poland's infrastructure finally meets European standards. After that, it will have to do battle with larger, more experienced banks in power generation and green building projects.

"The best era in environmental protection is still before us," says Mr Pietrewicz. "In our strategy we would like about half of our activity to be linked to the environment."

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