Early Warning System

EBRD-53747

RLF - Electrica Distribution Liquidity Facility

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Quick Facts

Countries	Romania
Financial Institutions	European Bank for Reconstruction and Development (EBRD)
Status	Approved
Bank Risk Rating	B
Voting Date	2022-11-15
Borrower	DISTRIBUTIE ENERGIE ELECTRICA ROMANIA SA
Sectors	Energy
Investment Amount (USD)	$ 48.77 million
Project Cost (USD)	$ 48.77 million

Project Description

PROJECT DESCRIPTION

A senior loan of RON 240 million (equivalent to EUR 49 million) in favour of Distributie Energie Electrica Romania SA ("DEER", or the "Company"). The loan will be guaranteed by Societatea Energetica Electrica SA ("Electrica"), who owns 100% of the shares of the Company.

The transaction is presented under the EBRD's Resilience and Livelihoods Framework, one of the focus areas of which is energy security in Ukraine and neighboring countries.

PROJECT OBJECTIVES

The loan will finance the Company's liquidity needs to cover the increased cost of electricity purchases required for network losses. This will enable the Company to continue the distribution of electricity to Romanian consumers without interruptions and allow the Company to continue investments in the electricity grid in order to cope with integration of additional renewables generation.

TRANSITION IMPACT

ETI score: 65

Resilient: The Bank's loan will support the Company to maintain its financial stability in the midst of an energy crisis exacerbated by the war in Ukraine.

Inclusive: The operation will prevent electricity supply disruptions and safeguard access to vital energy services for both the Romanian population and Ukrainians refugees predominantly women, children and elderly.

EBRD financing effectively bridges a financing gap due to adverse market conditions. EBRD also provides comfort and complements financing provided by commercial lenders that are maximising their exposure in the Romanian energy sector.

ENVIRONMENTAL AND SOCIAL SUMMARY

Categorised B (ESP 2019). The proposed transaction involves a loan to Distributie Energie Electrica Romania SA to support the company's liquidity management and financial resilience on the back of electricity price increases following on the war in Ukraine. Therefore, given the structure of the transaction (energy purchase), there will be limited (at best) leverage over the electrical infrastructure that will be utilized for electricity supply, while key environmental risks on this transaction are associated with the physical infrastructure owned by DEER. The Bank is one of the major investors in Electrica, with a 5.1% stake in the company's share capital, and an ESAP has been agreed (opID 52212) for the client to comply with and implement EBRD's Performance Requirements. This is currently monitored under the existing agreements and results of the monitoring show good performance.

ESDD was conducted by ESD and included a review of annual E&S reporting by the Company, progress update on ESAP agreed previously and follow up questions as well as a meeting held with the Company to assess compliance with EBRD's 2019 E&S Policy. The Company operates certified management systems to manage environmental and health and safety risks. Social policies and labour provisions are in general aligned with PR2. However, further stakeholder engagement, grievance management, contractor control and supply chain management, and workers accommodation are needed and additional actions were advised into revised ESAP to be agreed before approval. Currently, no land acquisition is planned for the Project and new investments mostly prioritize using public land to avoid impacts on communities as much as possible. However, preparation of a land acquisition framework is included in ESAP for any future needs of land acquisition.

Investment Description

- European Bank for Reconstruction and Development (EBRD)

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	DISTRIBUTIE ENERGIE ELECTRICA ROMANIA SA	Client	Energy

Contact Information

Lucian Penes, Chief Financial Officer
lucian.penes@distributie-energie.ro
+40 730 006 666
www.distributie-energie.ro
Str. Ilie Macelaru, nr. 28A, Cluj-Napoca, Jud. Cluj

ACCESS TO INFORMATION

You can request information by emailing: accessinfo@ebrd.com or by using this electronic form: https://www.ebrd.com/eform/information-request

ACCOUNTABILITY MECHANISM OF EBRD

The Project Complaint Mechanism (PCM) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an European Bank for Reconstruction and Development (EBRD)-financed project. If you submit a complaint to the PCM, it may assess compliance with EBRD's own policies and procedures to prevent harm to the environment or communities or it may assist you in resolving the problem that led to the complaint through a dialogue with those implementing the project. Additionally, the PCM has the authority to recommend a project be suspended in the event that harm is imminent.

You can contact the PCM at: pcm@ebrd.com or you can submit a complaint online using an online form at: http://www.ebrd.com/eform/pcm/complaint_form?language=en

You can learn more about the PCM and how to file a complaint at: http://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism.html