

### Terms of Reference

<b>Title:</b>	National consultant on Renewable Energy Finance
<b>Assignment:</b>	Analyzing the situation of accepting RES equipment as collateral by banks, developing recommendations and measures to eliminate this barrier to investing in RES.
<b>Place of work:</b>	Home-based
<b>Period:</b>	July – November 2021 (30 working days)
<b>Contract type:</b>	Individual contract
<b>Project title:</b>	UNDP/GEF Project "Derisking Renewable Energy Investment in Kazakhstan"

### **DESCRIPTION OF THE PROJECT:**

The objective of the project is to promote private sector investment in renewable energy sources in Kazakhstan to achieve the country's 2030 and 2050 renewable energy targets. The project targets both large-scale and small-scale renewable energy sources.

The goal of this project is to achieve transformation of the energy market in Kazakhstan by significantly increasing the scale of the use of renewable energy sources in electricity production, thereby increasing the share of renewable energy in the country power generation mix from 1.1% in 2017 to 10% by 2030.

To achieve its objective, the project includes activities to support renewable energy projects that are expected to bring about a collective GHG emission reductions of at least 460,000 tonnes of CO<sub>2</sub>. In addition, by the end of the project, the project would have supported the commissioning of 9.5 MW of direct, small-scale renewable energy system (RES) that will produce about 500 GWh of electrical energy.

The project is comprised of three components:

- Component 1 – Large-Scale Renewable Energy: Policy and Financial Derisking Measures
- Component 2 – Renewable Energy for Life: Policy Derisking
- Component 3 – Renewable Energy for Life: Financial Derisking and Incentives

This consultancy assignment is part of Activity 3.1.2 under Component 3/ Output 3.1.

One of the identified financial barriers that the DREI Project intends to remove is the fact that commercial banks only accept RES devices (e.g., equipment for small solar power plants - solar panels, storage devices, inverters, etc.) as supplementary collateral (i.e., the main collateral is required) and discounted at 30-50% of the market value. So investors developing RET application projects do not have the opportunity to use these devices as part of the main collateral, and there is no way to mortgage these at a value close to their real values. Banks perceive such collaterals as high risks for two reasons: 1) the complexity of assessing RET equipment/devices; and 2) the illiquidity of these equipment/devices.

Since reducing the risks of investing in RES is the main objective of the DREI Project, the negative perception by banks about RES devices as collateral is an area of concern for the project. The Expert is required to focus on the use of two RET equipment, solar collectors and solar PV panels, as loan collateral by commercial banks.

### **TARGET:**

To study and describe the requirements and enabling conditions for acceptance of the most common RES devices (equipment) as collateral by commercial banks in Kazakhstan and to analyze also the experience from other countries, to see how some of these (if any) can be applied, or modified and applied) in the banking sector in the country.

To advice on the directions and activities to improve the methodology for assessing used (second-hand) or refurbished RET equipment, in general, and particularly solar collectors and solar PV panels.

To propose directions and activities to form a secondary market (used equipment) for RET equipment/ devices particularly solar collectors and solar PV panels.

To propose prospective measures to remove the problem of the negative perception of RES devices as main collateral, which is a barrier for financial institutions in financing the development of small-scale "green" energy projects.

To propose potential measures addressed to financial institutions to increase the attractiveness of the use of collaterals for other, less popular types of renewable energy sources (biomass, wind, etc.).

### **CONTENT AND SCOPE OF WORK:**

1. Conduct a detailed study of the approaches of commercial banks (both in Kazakhstan and in other countries) to the assessment of collateral (taking into account prudential standards and current legislation in this area) - devices (equipment) of renewable energy sources, for a maximum consideration of their needs. The expert is invited to focus on the two most common devices (equipment) of renewable energy sources, and their acceptance as collateral;
2. Preparation of draft recommendations and/or clarifications by the regulatory authorities in the financial sector on the adoption of renewable energy devices as collateral;
3. Conduct of a study on the ratio of prices of new and used renewable energy devices in foreign markets (2-3 active foreign markets by choice), to include observations and conclusions in the final report and use in methodological recommendations for evaluating renewable energy devices;
4. Formulation of recommendations for the development and implementation into banking practice of a methodology for assessing collateral - RES devices, considering the long service life and slow wear of many types of devices, their demand, world experience in the turnover of RES devices in secondary markets, and other aspects of its acceptance as collateral;
5. Formulation of policy recommendations for creating a transparent market for used renewable energy devices to increase the liquidity of collateralized property, allocating renewable energy devices into a separate product category on marketplaces, including possible benefits (temporary free provision of information services by marketplaces) to manufacturers and suppliers to start forming a secondary market for such devices;
6. Provision of recommendations based on consultation with manufacturers and suppliers of new renewable energy devices regarding the formation of a secondary market for these devices, in particular, by posting information about new devices - on marketplaces, incl.

used devices, the possibility of forming a trade-in market for such devices, other measures to improve the conditions for lending to buyers of renewable energy devices on the security of previously purchased devices. Consider the possibility of using the online RES calculator on marketplaces;

7. Provision of recommendations on other possible measures to simplify the assessment of pledges - RES devices and increase their liquidity, it is in process of the task occurs other solutions that are not yet obvious;
8. Assessment of the prospects for leasing RES devices as an alternative to bank loans, as a source of financing for the RES sector;
9. Conclusions and recommendations on the use of RET equipment as collateral for the financing of RET application projects.

The Contractor in his work must use the previously completed work within the framework of the UNDP / GEF Project " Derisking Renewable Energy Investment in Kazakhstan " related to the research topic, which will be provided by the Project.

### **EXPECTED RESULTS:**

The deadlines for completing tasks and payment will be carried out according to the following table:

No.	Results	Term of completion (number of working days)	Checked and approved
1.	Completion form: Report on the work performed in accordance with clause 1,2	6 weeks from the date of signing the contract (7 working days)	Project manager
2.	Completion form: Report on the work performed in accordance with clause 3,4	10 weeks from the date of signing the contract (7 working days)	Project manager
3.	Completion form: Report on the work performed in accordance with clause 5,6	14 weeks from the date of signing the contract (8 working days)	Project manager
4.	Completion form: Report on the work performed in accordance with clauses 7,8,9	20 weeks from the date of signing the contract (8 working days)	Project manager

### **Indispensable conditions:**

When carrying out all types of work that may have to be done in the performance of this consultancy assignment, the contractor must ensure the safe and legal production of the required deliverables (e.g., reports and finished products, excluding the creation of counterfeit products).

It is necessary to ensure compliance with the copyright (and related rights) laws and regulations of the Republic of Kazakhstan.

All rights to products produced, including originals of documents and their copies, can be transferred to any third person by the decision of the client (DREI Project), and such transfer can be carried out directly to the third person and immediately upon completion and acceptance of all work, in accordance with this Terms of Reference.

The general terms of work indicated in the table above can be adjusted downward subject to discussion and agreement with the national partner, if necessary.

The UNDP project reserves the right to amend the Terms of Reference (up to a maximum of 20% of the content) but ensuring no change in the general essence of the consultancy assignment and the cost of services under the Agreement.

#### **Responsibility and accountability:**

The contractor bears full responsibility for the accuracy and legality of the information provided and for the timely provision of reports.

- Coordinates actions to be carried out with the DREI Project Manager
- Collaborates with the expert team of the DREI Project.
- Ensures unconditional fulfillment of the requirements specified in the subcontract and Terms of Reference.

**Reports and materials:** These must be written in the Russian language in electronic form using MS WORD and Excel (2003 and above) according to the UNDP format; Font: Times New Roman, 12.

**DURATION OF WORK:** July - November 2021(30 working days)

**PLACE OF WORK:** Home-based.

If sanitary and epidemiological requirements allow, the consultant will make 2 trips within the territory of Kazakhstan, visiting several locations where the technologies identified in the study are applied, with visits to banks, scientific centers; trips will be planned in detail during the work planning phase. If travel is not possible, the Expert will make every reasonable effort to replace face-to-face consultations with remote discussions.

#### **REQUIRED SKILLS, EXPERIENCE OF THE CONTRACTOR:**

- Higher education in energy, economics, finance, business, environmental sciences, or in an area related to the topic of study.
- At least 7 years of experience in the field of corporate lending.
- Work experience in the energy, construction or other technical fields will be an advantage.
- At least 5 years of experience in the field of loan collateral, in the banking sector or the field of banking supervision in Kazakhstan.

- Experience in cooperation with international agencies/organizations, experience in the UN system will be an advantage.
- Knowledge of legislative and other regulatory documents in the field of collateral.
- Skills in presenting information and writing reports.

**Price offer volume and payment schedule:**

%	Stage of work
15	Result 1
25	Result 2
30	Result 3
30	Result 4

GEF Portfolio Manager	<i>Abduvakkos Abdurahmanov</i>	
Abduvakkos Abdurahmanov		Date: 10-Jun-2021
Project Manager	<i>Syrym Nurgaliyev</i>	
Syrym Nurgaliyev		Date: 09-Jun-2021