Thanks to the newly installed modern windows and light bulbs, our home is now cozier. We are very happy.

— Resident of one of the residential multifamily buildings in Rostov-on-Don, which benefitted from energy efficiency upgrades

Helping Russia’s Residential Sector Improve Living Standards and Save Energy

The residential housing sector in Russia consumes 20 percent of the country’s electricity and 60 percent of its heat. As the second-largest end-user of energy after manufacturing, the housing sector holds the greatest opportunity for energy savings: the market potential for new financing of capital repairs is estimated at $4 billion to $13 billion.

In 2010 IFC launched Russia Residential Energy Efficiency Project, which works through Russian banks to finance the energy efficient modernization in the housing sector. The project aims to stimulate investment in green renovation, reduce CO2 emissions, and create enabling environment for residential energy efficiency finance in Russia.

With support from the project, local Center-Invest bank pioneered lending to homeowners’ associations and individual home owners to finance repairs and energy-saving measures.

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RESULTS & IMPACT

IFC provided investment and advisory support to Center-Invest bank operating in the South of Russia:

- Invested $10 million equivalent in Russian rubles in Center-Invest in 2009 to pilot residential energy efficiency financing.
- Advised the bank on product design, outreach, and assessment of residential energy efficiency projects through Russia Residential Energy Efficiency Project.

As of December 2012, Center-Invest bank has:

- Extended loans totaling $2.2 million to homeowners associations. These loans have benefitted 63 apartment buildings housing 4,300 families.
- Issued loans totaling 280 million rubles ($8 million) to 1,300 individual home owners.

Stories of Impact

This series provides examples of our impact, expertise and lessons learned working with clients and partners.
The Opportunity

The residential housing sector in Russia consumes 20 percent of the country’s electricity and 60 percent of its heat. As the second-largest end-user of energy after manufacturing, the housing sector holds the greatest opportunity for energy savings. The market potential for new financing of capital repairs in that sector is estimated at $4 billion to $13 billion.

The majority of the Russian population lives in multifamily buildings, many of which are in need of renovations and repair. Yet Russia lacks mechanisms for financing energy efficient renovations in the residential sector, as well as the legal and institutional framework to support it.

Our Approach

IFC Russia Residential Energy Efficiency Project works through Russian banks to stimulate investment in the energy efficient renovation of residential multifamily buildings and reduce CO2 emissions in Russia. The project also focuses on creating an effective legal and institutional platform to support local homeowner associations and housing management companies in accessing finance for energy efficiency improvements.

In 2009, with support from Russia Residential Energy Efficiency Project, Center-Invest bank operating in the South of Russia created a special loan product for homeowners’ associations. The product was designed to finance repairs and other energy-saving measures in multi-family apartment buildings. As of December 2012, Center-Invest had issued loans totaling $2.2 million benefitting 63 apartment buildings, where 4,300 families live.

Building on the initial success, in 2011 Center-Invest launched another lending program for individual home owners to finance energy saving in individual houses and apartments. Since the start of the program, Center-Invest has extended loans totaling 280 million rubles ($8 million) and benefiting 1,300 families.

One of the projects financed by Center-Invest is at the apartment building No. 39 on Tekucheva Street in Rostov-on-Don city. The building used to be much like its shabby neighbors, with old windows, loose doors, and outdated electrical wiring. The building management company used the 5 million rubles ($167,000) loan from Center-Invest for a variety of energy-efficient measures such as installing new windows, energy-saving light bulbs, gas and water meters; repairing the roof, water supply systems, heating systems, and sewage systems. As a result, savings on heat reached 16 percent, or more than $9,000 a year. The modernization also provided electricity savings of 20 percent, and building management company used that money to repair the entrance of the building.

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.