



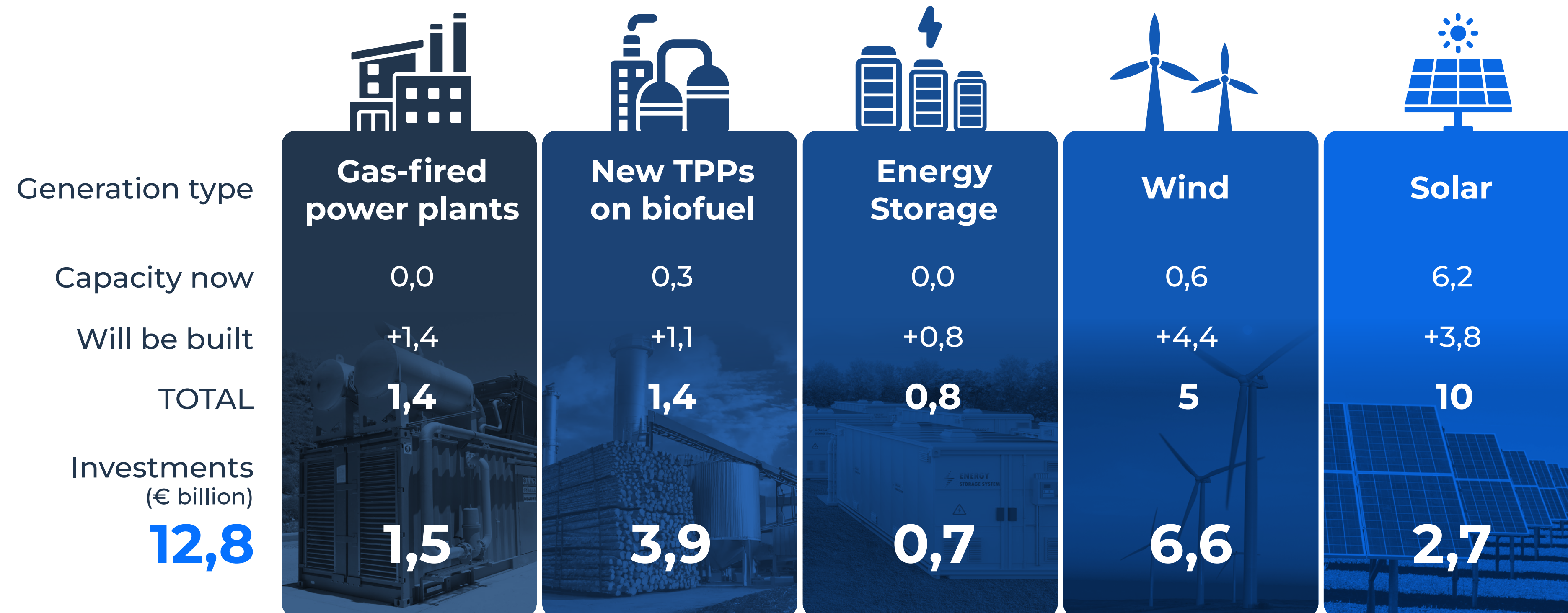
COMMERCIAL RISK GUARANTEE FUND

Unlocking private investment
in Ukraine's renewable sector

October 2024

UKRAINE REQUIRES OVER 10 GW OF NEW GENERATING CAPACITIES

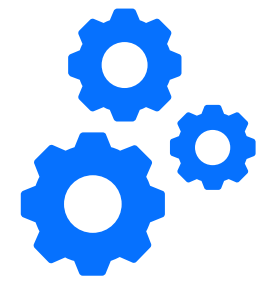
WHAT NEW GENERATION SHOULD BE BUILT



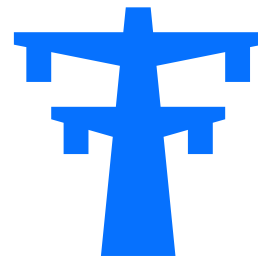
Renewables are the key to a decentralized, affordable, and rapid reconstruction of Ukraine's energy sector.

OBSTACLES FOR SUCCESSFUL RES DEVELOPMENT & EFFECTIVE SOLUTION

REASONS FOR ABSENCE OF NEW RES PROJECTS:



No mechanism for transitioning from the green tariff to market mechanisms



No viable off-takers in the current market landscape for corporate electricity offtake



No project financing can be attracted **without ensuring financial risks** in case the DAM price falls below the minimum required guaranteed price (MRGP)



No less than a guaranteed, long-term offtake (10-20 years) with a minimum price, backed by either a balance sheet guarantee or a bank guarantee, **is required by international financial institutions** (DFC, IFC) to ensure CAPEX.

SOLUTION: COMMERCIAL RISK GUARANTEE FUND

- **Covering the difference between the DAM and LCOE electricity prices**
- **Ensuring long-term offtake viability**
- **Founded by Donors and IFIs:** The Fund is established by a coalition of donors and international financial institutions (IFIs), governed by a supervisory board with representation proportional to each participant's contribution.
- **Initial Funding:** The Fund's initial capital is sourced from contributions made by IFIs and donors.
- **IFI Leadership at Initial Stage:** The Fund's early operations are led by one of the participating IFIs.

HOW THE FUND WORKS

Minimum price for wind is 65 EUR/MWh

Installed capacity volume up to 1,5 GW per year

3% contribution from participants = Fund's financial stability

1 year settlement period

Up to 20 years term of operation

Fund jurisdiction

The minimum required guaranteed price (MRGP) to be set, aligning with the estimated Ukraine prices forecast by each generation technology.

All projects can participate in auction by lots with installed capacity volume. Each project can be covered by Fund's Guarantee partly.

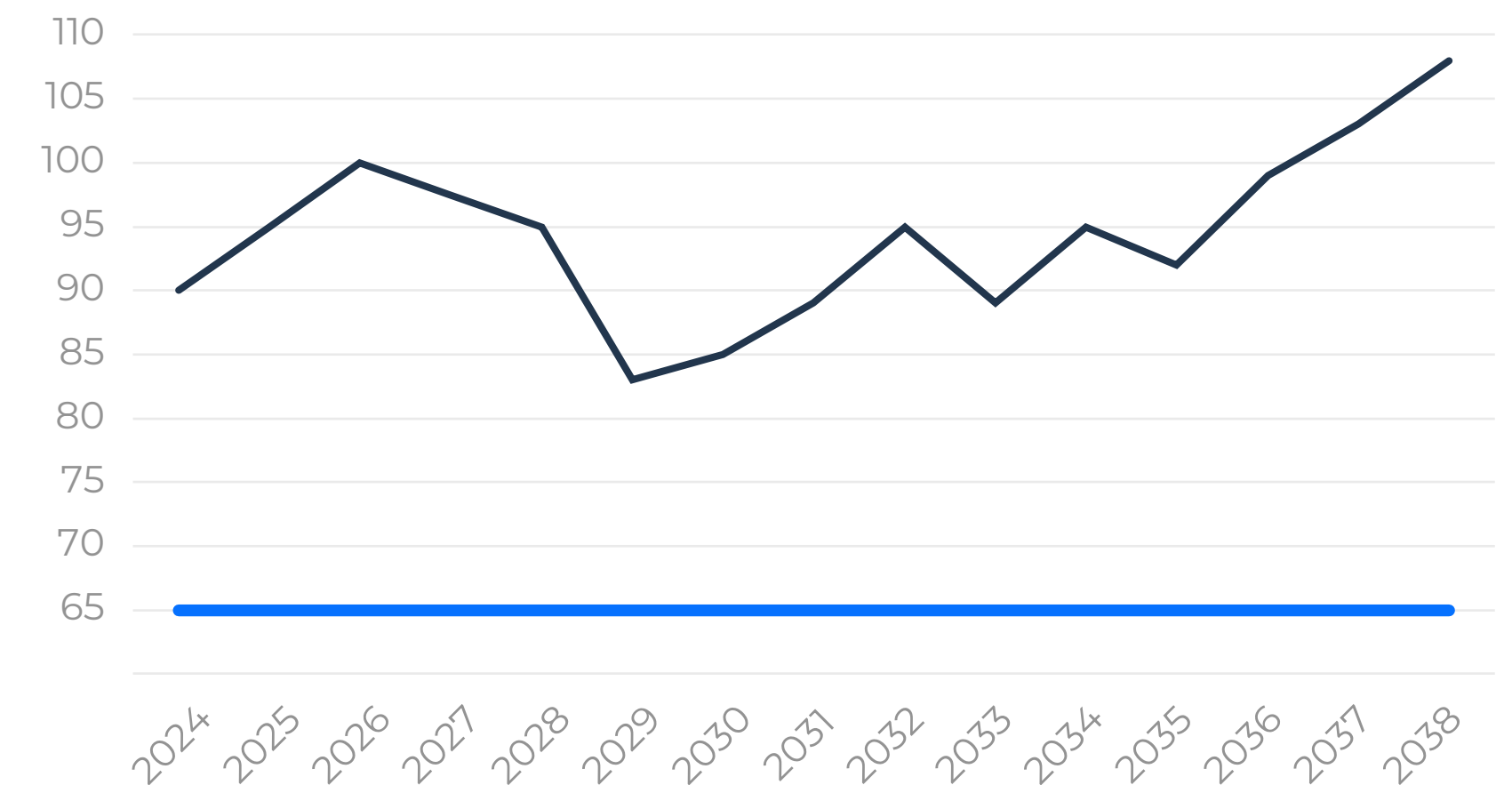
The fund will be supplemented by contributions from participating projects. If the average monthly DAM price exceeds €65/MWh plus 3%, each participant must contribute 3% of the DAM price to the fund. The level of contribution depends on price forecast to provide Fund profitability.

To minimize seasonal volatility, the payment settlement period will be extended to one year

The fund will work for at least 14 years for the term of the credit agreements by first three auctions and up to 20 years for the next auctions as option.

Up to donors' decision

WIND CAPTURE PRICE EXPECTATIONS VS PROPOSED MINIMUM PRICE



- ✓ The creation of the Fund will unlock private investment in the energy sector through access to financing
- ✓ Access to financing will make it possible to implement new projects in the energy sector, which will help reduce the electricity deficit

AUCTION CONDITIONS



MRGP

All participants provide offer of their minimum required guaranteed price (MRGP) for their projects. MRGP is based on estimated LCOE for the projects in Ukraine by each technology and should meet investors' market prices expectations to provide the return of investments. Fund's donors determine the maximum level of MRGP and its difference with forecasted market price by each technology in accordance with their risk/profit expectations



VOLUME

Fund donors determine for each auction the quota of installed capacity volume covered by MRGP. All projects can participate in auctions by lots of installed capacity volume. All participants can ask MRGP for whole or part of projects' installed capacity generation.



PERIOD

For each of the first 3 auctions MRGP covers 2 years of construction and 10 years of commissioning. Total period of Fund's activity 14 years.



WINNERS

Participants who provided minimal MRGP for the volume of installed capacity within 1 year auction quota

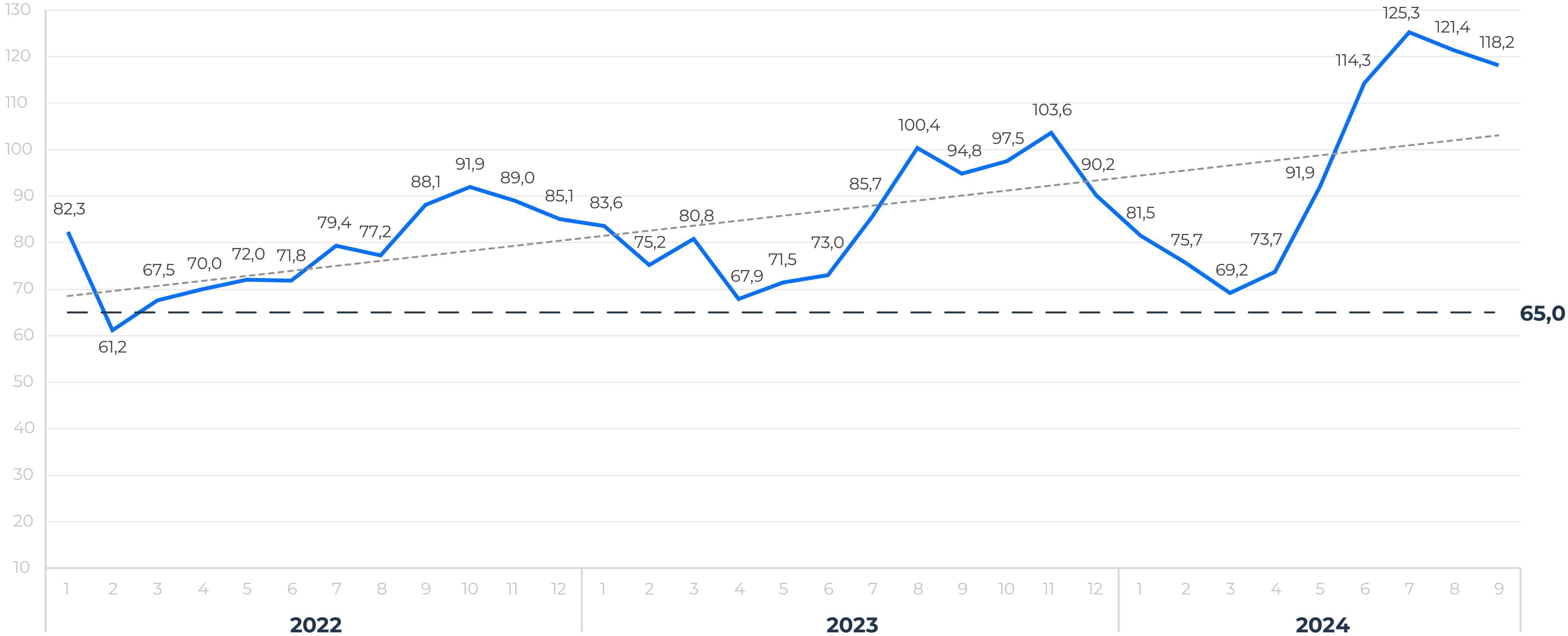


REQUIREMENTS

Providing a financial guarantee for participation in the auction
Providing evidence: property rights to the location of the object; relevant environmental licenses and permits, etc.

HISTORICAL DAY AHEAD MARKET PRICES IN UKRAINE OVER THE LAST 3 YEARS

monthly euro/MWh



FUND PERFORMANCE FORECAST (Auction #1, Wind Projects)

Annual quota for the volume of installed capacity under the 1st auction for the minimum selling price guarantee (MRGP)	MW	1 500 MW			
The average utilization rate of the installed capacity for wind turbines	%	33%			
Annual generation volume	MWh	4 336 200			
Forecast of the average sales price for the 10-year guarantee period (2027-2036):	euro/MWh	88,6			
MRGP	euro/MWh	65,0			
Market price risk factor scenario	euro/MWh	65	61	55	50
Probability of risk realization (the share of period with market price under risk factor during the last 3 years)	%	9%	3%	0%	0%
Probability of the fund contributions (the share of period with market price above risk factor during the last 3 years)	%	91%	97%	100%	100%
Difference between market price and MRGP	euro/MWh	0	-4	-10	-15
Annual maximum fund volume (100% of period with a market price = price risk factor)	mIn euro	0	17,3	43,4	78,0
Annual fund volume including the risk probability	mIn euro	0	0,5	0	0
Annual volume of contributions to the fund	mIn euro	11,5			