

Information Memo Petersburg Energy Service Company (FIRST)

Since 2003 several joint Norwegian-Russian project developers has worked on the development of renewable energy projects and energy efficiency in Russia. The companies have worked for several Russian companies and institutions, for RAO UES and RusHydro and also developed biogas plant with Novgorodsky Bekon as well as several energy efficiency projects, of which the main project is the energy service company (ESCO) OOO "FIRST" - Petersburg Energy Service Company in cooperation with the Homeowners Association of St Petersburg (HOA). The project has been developed with strong involvement from St. Petersburg City Government over 3 years.

This ESCO investment project covers 250 000 m² in apartment buildings. The investments are estimated to 10 - 15 mill euro in the first stage. The investments are in heating systems, LED lighting etc, based on experience from the Nordic market, especially from handling of financing barriers and the finding of optimal technical solutions. In the first investment, the providers are Rockwool and Danfos. To initiate the financing of the projects, FIRST has entered into a financing agreement with Norwegian investment company Green Energy One AS (GEO) who works with the Norwegian advisor Nordic Commodities AS.

FIRST is a Private Public Partnership concept owned by GEO and HOA with 50% each and established to implement investments, demonstrate results and spread ideas of the concept. It is also a clear goal to introduce Nordic companies to the concept, like providers of equipment, control systems, etc. The Private Public Partnership with HOA as a strong and serious relationship, will significantly increase the possibility of success. HOA will be the main contact point with the customers and use its large contact base in Russia.

Russia, as well as other CIS countries, are selected by GEO because these countries all have energy systems with high losses, a credit market that has few offers for such investments, increasing energy prices and a strong political focus on the sector, which all together will give the possibility to identify and execute projects with good reward for the investor. There are several barriers related to such a project, but FIRST believes in the concept of being the first mover and benefit from this. FIRST regards the expected benefits to compensate for the risk, and also considers the concept as an investment possibility for investment funds that wish to obtain a green profile.

The concept has been developed with support from important institutions that also has participated in funding of the initial stage of the concept development, such as NOPEF, the Norwegian Ministry of Foreign Affairs, the Norwegian Ministry of Petroleum and Energy, the Nordic Council etc.

There are 3 main fields where cooperation with Finnish companies and institutions are of special interest:

- Export of products and services
- Investments into GEO and/or FIRST from green investment funds
- Spreading of results in order to demonstrate the concept for Finnish and Russian parties

The input from Finland can be in combination with and linked to the definition of a dedicated investment project element with Finnish technology and financing and with a strategy to spread results and increase possibilities for industry sector. FIRST seeks to establish a Nordic profile and Finnish participation also will be given high priority, based on Finnish presence and existing cooperation with St. Petersburg and the North West area of Russia.