

EBRD press release

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EBRD continues support to ISTIL Ukraine steel mill

\$85 million facility to meet working capital needs, generate carbon credits

The EBRD is providing an \$85 million financing facility to ISTIL Ukraine, the only modern mini steel mill in Ukraine based on an electric arc furnace and continuous casting technology. The facility consists of a \$40 million revolving loan for working capital needs and a \$45 million term loan for energy efficiency improvements, Quality control systems installation and debt refinance. Both loans have an A/B structure, with the B loan, which has been syndicated to commercial banks, totalling up to USD 50 million.

ISTIL Ukraine, which produces steel billets and bars that are sold to re-rolling mills, seamless pipe manufacturers, machine-building, automotive producers and steel traders world-wide, has enjoyed successful cooperation with the Bank since 2001.

Energy efficiency measures being implemented by ISTIL Ukraine include the installation of a new oxygen plant, a steam generating unit and a new transformer for the electric arc furnace. These measures are expected to improve overall energy efficiency of the company and cut its CO₂ emissions.

ISTIL sold EUR 3 million worth of carbon credits to the EBRD (a procedure envisaged by the Kyoto Protocol) for the account of the Netherlands. It would be the first such project in the steel sector in the Bank's countries of operations.

In the context of the carbon credits project the Netherlands-EBRD Carbon Fund commissioned a study on a standard baseline for Joint Implementation Projects in the field of energy generation and energy efficiency. This study will make it easier to determine the amount of carbon credits generated by such projects in Ukraine and hence will reduce the cost for preparing future carbon credit transactions.

Dr. Mohammad Zahoor, Chairman of ISTIL Group said: "We have been dealing with EBRD since 1999 and value our warm relationship. It is especially welcome that the \$85 million credit was arranged in less than three months, which is faster than with most commercial banks. It has always been a privilege for ISTIL to have the continuous support of the EBRD in improving its efficiency, quality control and environmentally friendly operations. We were already proud to be the first recipient of EBRD financing in the Ukrainian steel sector but today we are even more honoured to be the first ever steel sector company to sell carbon credits under the EBRD/Dutch facility. Cooperation with the EBRD has also enhanced accountability and transparency, which in turn helps in creating a more predictable business climate for foreign investors in the Ukrainian capital market".

Olivier Descamps, EBRD Business Group Director for southern and eastern Europe, said this carbon credit transaction would be a good example for Ukraine and has the potential to demonstrate to other steel companies in the country the financial and environmental benefits from energy efficiency investments. We are also happy to provide continuous support to our long-standing client ISTIL Ukraine in its development programme, he added.

The European Bank for Reconstruction and Development is the biggest financial investor in Ukraine. As of 31 December 2006 it had committed €2.87 billion through more than 130 projects.

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