

Frequently Asked Questions

Brussels, 1 July 2011

Launch of the new European Energy Efficiency Fund (EEE– F) of the European Energy Programme for Recovery (EEPR)

Why is a European Energy Efficiency Fund being set up?

The Council of Ministers and the European Parliament agreed in December 2010 to a European Commission proposal, made the same year in May, to allocate approximately EUR 146 million from the European Energy Programme for Recovery (i.e. 3.7% of the total EEPR envelope) towards a new financial facility dedicated to sustainable energy. The EU contribution comes from funds mobilised for the EEPR in 2009 which could not immediately be allocated to projects in the sectors of infrastructure, off-shore wind and carbon capture and storage.

What structure has the new financial facility ?

The new facility takes the form of a dedicated investment fund ("European Energy Efficiency Fund, EEE-F") complemented by technical assistance (TA). The EU will contribute about EUR 146 million to the fund, of which EUR 125 million are placed as risk capital into the fund to leverage public and private funding and about EUR 21 million to TA and awareness raising activities.

The European Commission and the European Investment Bank have concluded a formal agreement on 31 March 2011 to set up this facility.

The facility's fund is a specialised investment fund (SICAV type) established under Luxembourg law. The Commission will be an intrinsic part in the fund's governance, in particular Shareholders Meeting and Supervisory Board .

The fund has already been presented at a specific session on financing during the European Sustainable Energy Week on 13 April in Brussels (www.eusew.eu).

In parallel, work is progressing to finalize implementation of the TA component as well as of the awareness raising.

What is initial volume of the EEE-F?

At its launch the **initial fund volume will be EUR 265 million**: in addition to the EU contribution (EUR 125 million), the European Investment Bank will invest EUR 75 million, Cassa Depositi e Prestiti SpA (CDP, Italy) EUR 60 million and the designated investment manager (Deutsche Bank, DB) EUR 5 million .Other financial institutions at Member State level have been invited and could also join the fund later. In addition private sector investors are expected to leverage the public sector contribution. The final size of the fund will depend on additional investors (public but also private) and the eventual investment portfolio.

What type of investment projects will the fund support?

The EEE-F will invest in energy saving, energy efficiency and renewable energy projects, particularly in urban settings, achieving at least 20% energy saving or GHG/CO₂ emission reduction. Sustainable energy investments promoted by local, regional and (where justified) national public authorities, could include: energy saving measures in public and private buildings; investments in high efficient combined heat and power (CHP), including micro-cogeneration and district heating/cooling networks; investment in decentralised renewable energy sources, including micro-generation; clean urban transport; the modernisation of infrastructure, such as street lighting and smart grids, as well as investment in sustainable energies with a potential for innovation and growth. Specific eligibility criteria with regard to economic viability and fit into local/regional CO₂ reduction plans are in place. The focus will be put on EE in view of the needs of public authorities based on the Commission's Energy Efficiency Plan 2011 and its proposal for an Energy Efficiency Directive of 22 June.

What finance and additional services will this financial facility offer?

The EEE-F, which will be operated by the designated investment manager Deutsche Bank, will provide finance for investment projects by addressing market needs at municipal and local level. The fund will cover a large range of financial products such as senior and junior loans, guarantees or equity participation.

In addition, about EUR 20 million of the EU funding will be made available as grants for project development services (technical assistance) related to technical and financial preparation of projects. Finally, awareness-raising activities for national/regional authorities managing cohesion/structural funds in the field of sustainable energy are also envisaged (for about EUR 1 million).

How does the support for technical assistance relate to the existing ELENA - European Local Energy Assistance - Facility and to the planned 'Smart Cities and Communities' initiative?

The existing ELENA facility (www.eib.org/elena), which was launched jointly in December 2009 by the Commission and the European Investment Bank, provides grants covering up to 90% of the technical assistance costs for local authorities preparing sustainable energy investment programmes greater than EUR 50 million. ELENA does not provide finance towards final investment costs but prepares projects for financing by other sources of public or private finance.

The technical assistance offered under this new facility targets investment projects (incl. projects smaller than EUR 50 million), which will be financed by the fund, by applying the successful ELENA model. The fund and the associated technical assistance are complementary to the support provided under ELENA.

The planned 'Smart Cities and Communities' initiative¹ will in an initial stage provide grants to cities submitting innovative low carbon projects in response to calls for proposal under the 7th Research Framework Programme. These projects

¹ http://ec.europa.eu/energy/technology/consultations/20110513_smart_cities_en.htm

will be co-financed to a maximum of 50% and should be embedded in comprehensive urban sustainability plans covering at least energy, transport and ICT.

Who are the potential beneficiaries of this money?

Potential beneficiaries are public authorities (e.g. municipalities), preferably at local and regional level, and public or private companies, which are acting on behalf of those public authorities, such as local energy utilities, Energy Service Companies (ESCOs), district heating combined heat and power (CHP) companies or public transport providers.

How can municipal/ regional authorities apply for finance and/or technical assistance?

As from the operational start of the Fund (1st July) detailed information for applicants will be available on a dedicated website.

Applicants will have to provide a project proposal complying with the scope and the objective of the Fund (cf. Regulation 1233/2010), the eligibility and selection criteria (cf. Annex II of 2010 Regulation) and the EU legislation applicable to the specific area of the project (i.e. Buildings directive, Renewable Energy directive etc).

In addition, a Technical assistance grant may be offered for project development services including financial advice. Application forms for this grant will be aligned with the rules under the existing ELENA facility.

Projects and technical assistance (TA) requests are eligible as from 1st January 2011 and may thus be financed on a retroactive basis from that date.

The designated Investment Manager (Deutsche Bank), who will also implement the TA component, can already be contacted² (to be noted, however, that formal application will only be made possible after the operational start of the Fund).

For how long will the funds be available?

EU funds will have to be allocated to investment projects, project development services and technical assistance during a period of 3 years, which will end on 31st March 2014.

How will the projects improve the lives of citizens?

The investment in energy efficiency and renewable energy projects aims to cut CO2 emissions and reduce Europe's dependence on imported energy supplies, thereby improving energy security. The fund will help improve access to finance by addressing risk aversion and offering essential project development services to public authorities, whose investments are often rendered impossible or delayed due to budgetary constraints and lack of knowledge on how to implement such investments.

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