



# Horizon 2020 Energy Efficiency Webinar

*All you ever wanted to know about*

**EE23 - Innovative financing schemes**  
**EE24 - Making the energy efficiency  
market investible**

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We've got money, but... we're looking for projects!

National funding

EU structural and investment funds

IEE & Horizon 2020

Green bonds market forecast at USD 66bn for 2015 (CBI)

Financial sector

- Dedicated credit lines
- Risk-sharing schemes
- Equity provision

???

- Project dvpt assistance EE22
- Energy efficiency services EE25+
- Innovative financing schemes EE23

Project developers  
+/- €100 bn/year add'l investment required in EE

We've got projects, but... we're looking for money!

“Investment project” for the financial sector:

- technical black box
- standardized product
- cash-flows, IRR, NPV
- predictability of risks
- transaction costs

- Benchmark investments EE24
- Awareness of investors EE24
- Organise dialogue EE24
- Capacity building EE23

“Investment project” for many project developers:

- technical design tailored to physical constraints
- state-of-the-art technology
- energy payback times
- “no financing” = “no subsidy”?

Adapted from C. MILIN, ECEEE 2013

**\* only in 2016**



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# EASME

Executive Agency for Small and Medium-sized Enterprises

# EE-23-2017 Innovative financing schemes



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# Challenge

- **Innovative regional/national financing schemes**
  - Adequate private finance supply for EE investments
  - Support of Investment Plan for Europe and ESIF
- **Requirements**
  - Legal/technical arrangements between key actors in given territory
  - Agreed common procedures for project qualifying/financing
  - Templates for technical specifications/contracts
- **Principles**
  - Complementarity/additionality & transparency and due diligence
  - Reflection of fundamentals of given territory/market segment

## Challenge (cont.)

- **Options**

- Different organisation types/ownership structures involved
- Replication of previously successful financing models

- **Examples**

- Dedicated credit lines
- Guarantee facilities
- Factoring/forfeiting schemes
- On-bill (e.g. utility-financed) or on-tax financing schemes
- Citizen financing (e.g. crowd-funding) for EE
- Models for deep renovation of buildings (property and rental market)
- Schemes based on project aggregators /clearing houses at regional/national level (project development support; matching demand & supply of EE finance)

# Scope

- **Development or replication of innovative financing schemes**
- Exploration of **options to support EE financing** by:
  - **Innovating the framework and instruments** that could be **further up-scaled** (e.g. under the European cohesion policy or other schemes)
  - Analysing **impacts of existing financial instruments** and **requirements for up-scaling**

## Scope (cont.)

- **Capacity building** on innovative financing
  - Should be included for specific groups of stakeholders (Member States, public authorities, energy agencies, energy consultants, financial sector)
  - Should be led by or involve professional federations or associations at national level, as appropriate
  - Could use examples developed through project development assistance (PDA) facilities (e.g. MLEI PDA, ELENA)
  - Should use training tools that are complementary to already existing/recognised training schemes for the target groups and demonstrate sustainability

## Expected Impact

- Depending on activities of proposal
- Quantified indicators and targets, whenever possible



- Delivery of **innovative financing schemes** that are **operational** and ready to finance EE investments
- Market stakeholders with **increased skills/capacity/competences** and **long-lasting training tools**



## Project examples

### *CITYnvest*



- Introduction of **innovative financing schemes** (revolving funds, EPC, third party financing, cooperative models etc.) in **3 pilot regions** (Belgium, Bulgaria, Spain)
- **Analysis of models** (opportunities and barriers)
- **Large-scale capacity building** and training (for public authorities)
- **Web-based portal** for practical guidance and match-making

<http://citynvest.eu/>

## ***INFINITE Solutions***

- INnovative FINAncIng for Local SusTainable Energy Solutions
- **Replication of successful innovative financing schemes:**
  - ✓ **Internal contracting scheme**  
Public sector (public buildings, equipment and facilities)
  - ✓ **Low interest loans** (soft loan scheme)  
Residential sector (private residential buildings, social housing)
  - ✓ **Financial engineering support service**  
Residential sector (private residential buildings, social housing)

[http://www.energy-cities.eu/spip.php?page=infinitesolutions\\_en](http://www.energy-cities.eu/spip.php?page=infinitesolutions_en)



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# EASME

Executive Agency for Small and Medium-sized Enterprises

## EE-24-2017

# Making the energy efficiency market investible



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## The challenge

- **Lack of trust** of investors and financiers in the financial viability of energy efficiency measures.
- Banks, institutional investors and asset managers lack the **skills and operational tools** to effectively assess sustainable energy investments and integrate energy efficiency in their investment strategies.
- Access to the capital markets for energy efficiency investments is hampered by the **lack of standardisation** of assets.

## The scope

**Proposals should address 1 or more of the following issues:**

1. Frameworks for the standardisation and benchmarking of energy efficiency investments
2. Gathering, processing and disclosing large-scale data on actual financial performance of energy efficiency investments,
3. Targeting institutional investors

# 1. Frameworks for the standardisation and benchmarking of EE investments

- **Development, demonstration and promotion**
- Frameworks could be (not limited to):
  - labelling schemes,
  - project rating methodologies
  - risk assessment tools,
  - standardised legal and financial structures of assets (loans, guarantees, energy performance contracts etc.)
- Develop **securitisation and rating models** for energy efficiency based financial products, to allow access to secondary markets.
- Proposals integrated in a broader approach such as socially responsible investment should focus on the energy component.

## 2. Data on financial performance of energy efficiency investments

- Create a **track record** for energy efficiency in different sectors (buildings, industry, transport, etc.).
- Gathering, processing and disclosing **large-scale data on actual financial performance** of energy efficiency investments
- Further integrating the '**green value**' of buildings in property valuation through
  - collection of market data across the EU
  - actions targeted to the key actors in the sale or lease process (e.g. real estate agents, property valuers, notaries, etc.)

### 3. Targeting institutional investors

- Engaging with institutional investors (e.g. public pension schemes)
- The objective is that investors will:
  - increase the share of their funds invested in energy efficiency,
  - or develop specific funds or investment products.
- Supporting the **integration of energy efficiency in portfolio management** strategies for institutional investors and/or fund managers, including through re-definition of **fiduciary duties**.



## The expected impact

- **Reduced uncertainty** as regards investments into energy efficiency and **increased investor confidence**;
- Frameworks, standardisation, benchmarking, standardised descriptions and **data evidence** of financial returns of energy efficiency investments **agreed and accepted by the market**;
- Higher allocation of institutional investments to energy efficiency; **standardisation of assets** enabling securitisation; development of a secondary market for energy efficiency assets.

## 3 projects selected in call 2016 - under Grant Agreement Preparation

- Investigating the effects of energy efficiency improvements on the value of a home and the risks of default associated to a mortgage, and how this could result in lower interest rates and higher lending capacity for home energy renovations
- Extend the standardization approach of the Investor Confidence Project beyond buildings and into Industry and Infrastructure (street lighting and district heating)
- Establish 8 national quality certification frameworks for energy efficiency services, and develop guidelines on EU-wide standardized criteria

## Relevant projects examples

- Investor Confidence Project Europe:
  - Increase investor confidence and reduce transaction costs through standardisation
  - Joint development with the finance sector of **protocols for process and data management in building energy retrofit** projects
  - Replicates a US initiative in 5 European countries.
- SEAF – Sustainable Energy Assessment Framework
  - IT based framework for **valuation and benchmarking of smaller sized sustainable energy projects** (energy efficiency, demand response, distributed renewable generation etc.),
  - **reduction of transaction costs** and risks and enhancement of bankability
  - enhance investors' confidence, through innovative and relevant asset valuation methodologies accepted by the market and standardized descriptions of sustainable energy investments.

## Relevant projects examples

- SEI Metrics (Sustainable Energy Investment Metrics)
  - Develop an assessment toolbox that will enable to **measure the performance of investors' portfolios vis-à-vis climate and energy scenarios**.
  - Create visibility on the market in order to monitor the impact of investment portfolios.
  - Methodology is currently being tested by >70 institutional investors
- ET RISK (Energy Transition Risk)
  - Methodology to assess the **risks associated to an Energy Transition scenario** for institutional investors.
  - Equity valuation models and credit risk models will be **integrated into the products of mainstream service providers** such as Standard & Poor's (part of the consortium).

# Relevant projects examples

- REVALUE
  - Improve the financeability and attractiveness of sustainable energy efficiency investments in social and private housing
  - Developing standards and valuation techniques that **integrate energy efficiency performance into residential property valuation.**

## Other projects to build upon or take into account

- SUNSHINE project on forfeiting in Latvia - <http://sharex.lv/en>
- 'Financing platforms' projects selected in 2014-15: SEFIPA (AT), ENERINVEST (ES), BUILDINTEREST (NL, FR, IT), RESFARMS (ES)
- IEE and Horizon 2020 projects under Project Development Assistance (MLEI / PDA), EIB ELENA projects


## More information and help

- EASME Energy Efficiency webpage: <http://ec.europa.eu/easme/en/energy>
- Public workshop on innovative financing for energy efficiency and renewables (28 April 2015): <http://bit.ly/1Ohtl42>
- Innovative financing for energy efficiency and renewables: feedback from successful projects (8 October 2014): <http://bit.ly/1G7tMXC>
- Innovative financing solutions: experiences from Intelligent Energy Europe projects (2-3 April 2014): <http://bit.ly/1G9L9VQ>
- Energy Efficiency Finance Market Place (18-19 January 2017): <http://bit.ly/2hf2WsY>
- Project development assistance (PDA) projects (Horizon 2020/IEE)
  - Webinar on PDA (EE-22)
  - H2020 Energy Info Day: <http://bit.ly/29GXwns>
  - IEE project development assistance (PDA) projects (MLEI): <http://bit.ly/1WlzUFg>



# THANK YOU FOR YOUR ATTENTION

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# Questions?