Agenda

1. Energy Efficiency Financial Institutions Group - (EEFIG)

2. EEFIG - De-risking Energy Efficiency Platform (DEEP)

3. EEFIG - Underwriting Tool Kit

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6. EEFIG – Going Forward
The Energy Efficiency Financial Institutions Group (EEFIG) was co-convened by the EU Commission and UNEP FI in November 2013.

EEFIG’s work has benefited from:

- Active input of some 120 expert participants (8,000 hours)
- 40% of the EEFIG participants either work for, or represent the views of, financial institutions. Participation from financial institutions, policy makers, finance users (buildings, industry or SME) and energy efficiency experts.

EEFIG’s Mandate:

1. What are the most imminent challenges that must be overcome?
2. Who would be the right party to address them?
3. What should the European Commission/ EU do?
Energy Efficiency Financial Institutions Group

In February 2015 EEFIG presented its landmark report "Energy Efficiency – the first fuel for the EU Economy: How to drive new finance for energy efficiency investments" which provided a significant advance in the understanding the issues of energy efficiency financing.

EU's investment need in energy efficiency 2014-2035 (for 2°C scenario, IEA) is 1,300 billion USD in buildings and 154 billion USD in industry.
The EEFIG 2015 report identified two main barriers:

- **Lack of evidence on the performance** of energy efficiency investments makes the benefits and the financial risk harder to assess.

- **Lack of commonly agreed procedures** and standards for energy efficiency investment underwriting increase transaction costs.
De-Risking Energy Efficiency Platform (DEEP)

**Barrier** - Lack of evidence on the performance of energy efficiency investments makes the benefits and the financial risk harder to assess.

**Deliverable** - On 30th November 2016 the EEFIG launched the De-risking Energy Efficiency Platform (DEEP) which is a pan-EU database to improve the sharing and transparent analysis of existing energy efficiency projects in Buildings and Industry.

**Goal** - DEEP is an open-source initiative to up-scale energy efficiency investments in Europe through the improved sharing and transparent analysis of existing projects in Buildings and Industry. It is translated to French, German, Italian, Spanish, and Polish.
De-Risking Energy Efficiency Platform (DEEP)

As of December 2017, DEEP has available data for 10,000+ energy efficiency projects in buildings and industry, contributed by 25+ data providers illustrated below.
De-Risking Energy Efficiency Platform (DEEP)

Key figures for energy efficiency investments in the platform

- **Buildings**
  - Projects: 5,152
  - Median Payback: 5.0 years
  - Median Avoidance Cost: 2.5 Eurocent / kWh

- **Industry**
  - Projects: 5,014
  - Median Payback: 2.0 years
  - Median Avoidance Cost: 1.2 Eurocent / kWh
De-Risking Energy Efficiency Platform (DEEP)

Buildings

Distribution of payback times for measures in buildings (years):

- HVAC Plant
- Lighting
- Building Fabric Measures
- Integrated Renovation
De-Risking Energy Efficiency Platform (DEEP)

Industry

Distribution of avoidance costs for measures in industry (Eurocent/kWh)

- Heating
- Waste heat (without power generation)
- Motors
- Metering/Monitoring and Energy Management
- Compressed Air
- Refrigeration
- Other
- Pumps
- Cooling
- Street Lighting
Underwriting Toolkit – Purpose

**Barrier** – Lack of commonly agreed procedures and standards for energy efficiency investment underwriting increase transaction costs.

**Deliverable** - On 22 June 2017 the EEFIG Underwriting Toolkit was launched during the EU Sustainable Energy Week. The toolkit is aimed specifically at financial institutions that are looking at ways to design better financial products for energy efficiency investment projects. It is available in an online version and a printable pdf version translated to French, German, Italian, Spanish and Polish.

**Goal** - To assist financial institutions in scaling up the deployment of capital into energy efficiency by:

1. helping financial institutions better **evaluate value and risks**.
2. providing a **common framework** for evaluating energy efficiency investment risks.
3. helping project developers better **addresses the needs of financial institutions**.
4. fostering a **common language** between project developers and financial institutions.
Energy efficiency underwriting is the process of appraising the value and risks of an investment or a loan in order to make a decision to finance the project.
The EEFIG Underwriting Toolkit explains the different types of Energy Efficiency financing structures and provides examples of how these operate in different European jurisdiction. Type of financing structures presented include:

• Lease-Purchase/Equipment Finance
• Energy Performance Contracts
• Efficiency Services Agreement
• Managed Energy Services Agreement
• Metered Energy Efficiency Transaction Structure
• Sale-leaseback

The Underwriting toolkit also presents considerations on choosing the appropriate financing source and structure for financing the energy efficiency project.
The EEFIG Underwriting Toolkit explains the following sources of common risks in energy efficiency projects and discusses possible risk mitigation strategies:

- **Performance risks** – Performance guarantees / third party insurance
- **Design risks** – International Standards and third party reviews.
- **Equipment risks** – A longer the warranty negotiation.
- **Operational and maintenance risks** – Clear maintenance protocols.
- **Weather risks** – Long term (over three / four years) base line data.
- **Changes in hours of use** – minimum baseline production data.
- **Energy price risks** – Hedging in the market.
- **Construction risks** – Performance Bonds / Contractors financials.
The February 2015 EEFIG report "Energy Efficiency – the first fuel for the EU Economy: How to drive new finance for energy efficiency investments" also had a number of recommendations.

- **Leverage private sector finance** through appropriate use of ESIF and Member State Funds.

- **Streamlining, blending and optimizing** the use of European Structural and Investment Funds, Horizon 2020 and EU ETS revenues for energy efficiency investments;

- Ensure that current **State Aid rules** do not unnecessarily burden accelerated energy efficiency investing and the up-scaling of public-private financial instruments, and

- **Increase the capacity to facilitate** ongoing project development assistance to all relevant actors for the development and aggregation of energy efficiency investments in SMEs and households;
On the 6 February 2018, the Board of the European Investment Bank (EIB) approved the creation of a brand new financial instrument, the Smart Finance for Smart Buildings Initiative. (SFSBI)

Expression of Interest: This is to be issued by the EIB once the Maltese Government and the EU agree that there is scope for such a product in Malta and the size of the fund is identified.

EU Guarantee: Is planned to be 75% of the portfolio made up from the blending of different EU Funds.

Capacity Building: The instrument is also looking into assisting applicants undertake energy reviews/audits.
An Energy Financial Instrument – How does it work?

**Normal Market Conditions**

- SME 9 €100k Collateral
- SME 8 €100k Collateral
- SME 7 €100k Collateral
- SME 6 €100k Collateral
- SME 5 €100k Collateral
- SME 4 €100k Collateral
- SME 3 €100k Collateral
- SME 2 €100k Collateral
- SME 1 €100K Collateral

**EU Financial Instrument**

- SME 9 €25k Collateral
- SME 8 €25k Collateral
- SME 7 €25k Collateral
- SME 6 €25k Collateral
- SME 5 €25k Collateral
- SME 4 – €25k Collateral
- SME 3 €25k Collateral
- SME 2 €25k Collateral
- SME 1 €25K Collateral

**EU Guarantee Cover: 75%**
An Energy Financial Instrument – A Malta position

✓ The **eligible entities** should include both personal and business customers to ensure an adequately large pool of eligible entities to create a portfolio large enough considering Malta’s small market.

✓ The proposed **eligible costs** are all well targeted, however the restriction on renewable systems only for own consumption (i.e. not for renewable systems that feeding into the grid) may limit the potential volume of renewable energy projects eligible under the scheme.

✓ The **capacity building** aspect of this initiative is positive however should not be implemented as a check box approach to benefit from the instrument since this may prove to be an administrative hurdle. An optional / proportional approach based on the size of the proposed investment should be considered when obliging beneficiaries to undertake and energy audit / review.

• **State Aid** is currently proving to be a hindrance to seek finance for energy investments in the business sphere since they need to choose between a government grant and favourable terms to access finance. As outlined in one of the EEFIG recommendations: It need to be ensured that State Aid rules do not unnecessarily burden accelerated energy efficiency investing and the up-scaling of public-private financial instruments.
Energy Efficiency Financial Institutions Group - 2019+

The EEFIG work programme 2019 – 2022 will build synergies with the EU Commission’s work on sustainable finance and will be focusing on:

1. Assessing the financial performance of energy efficiency loans.
2. Developing an energy efficiency taxonomy and tagging of energy efficiency loans.
3. Extending the application of DEEP to a wider geographical scope.
4. How to increase financing energy efficiency in industry, and
5. Focusing on an improved communication of EEFIG goals.

For more information:

De-Risking Energy Efficiency Platform (DEEP) - [www.deep.eefig.eu](http://www.deep.eefig.eu)
Underwriting Toolkit - [www.valueandrisk.eefig.eu](http://www.valueandrisk.eefig.eu)