



#H2020Energy

# Horizon 2020 Work Programme for Research & Innovation 2018-2020

## EE-10: Mainstreaming energy efficiency finance

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## Challenge

- High risk premiums on energy efficiency due to lack of data
- High transaction costs
- Lack of standardisation prevents aggregation of assets and hampers refinancing by capital markets through securitisation
- Energy efficiency investments usually don't aim only at energy savings, but the associated benefits are not factored into financial models (property value, vacancy rates...)
- Energy efficiency needs to become as normal as a car loan!

## The scope

Proposals should address 1 or more of the following issues:

1. Frameworks for the standardisation and benchmarking of energy efficiency investments
2. Capacity building for banks and investors
3. Gathering, processing and disclosing large-scale data on actual financial performance of energy efficiency investments,
4. Further integration of non-energy benefits in project valuation, in particular in the building sector, leading to evolution of existing financial products or creation of new targeted products;
5. Targeting institutional investors (e.g. public pension schemes) in order to increase the share of their funds invested in energy efficiency
6. Exploring the impact of revised risk ratings and requirements for energy efficiency on financial regulations (Basel III, Solvency II).

## The expected impact

- Number of financial institutions and other stakeholders reached as well as their potential volume of investment concerned;
- 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 (in million Euro of investment within 5 years after the end of the project);
- Primary energy savings triggered by the project (in GWh/year);
- Investments in sustainable energy triggered by the project (million Euro).

## Key features for a successful proposal

- Adequate analysis of the market needs and barriers to overcome
- Clear and detailed concept answering the real needs of market actors – a good idea is not enough!
- Engagement of market actors at proposal stage and during the whole duration of the action – in particular financial institutions
- Clear viability of the solution(s) envisaged



## Projects selected under call 2017 – under Grant Agreement Preparation

- Designing a standardised protocol for reporting large scale technical and financial data on energy efficiency of mortgage assets and to make these data accessible to institutional real estate investors and lenders via a centralised portal
- Developing a tool that will allow investors in the commercial real estate sector to analyse the risks of stranded assets due to low energy performance and to reallocate investment into more energy efficient buildings
- Creating a framework and a toolkit to support non-state actors and specifically financial institutions, in framing their commitment to the Paris Agreement, setting targets and measuring and reporting their contribution to energy and climate goals.

## Relevant projects examples

- Investor Confidence Project Europe / I3CP:
  - Replicates a US initiative in the EU
  - 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 (ICPEU) and **industry, street lighting and district heating (IC3CP)**
- 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

### ➤ EEMAP – Energy Efficiency Mortgage Action Plan

- 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

### ➤ QualitEE

- Establish 8 national quality certification frameworks for energy efficiency services, and develop guidelines on EU-wide standardized criteria



# Thank you!

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