



EU support to private finance for energy efficiency

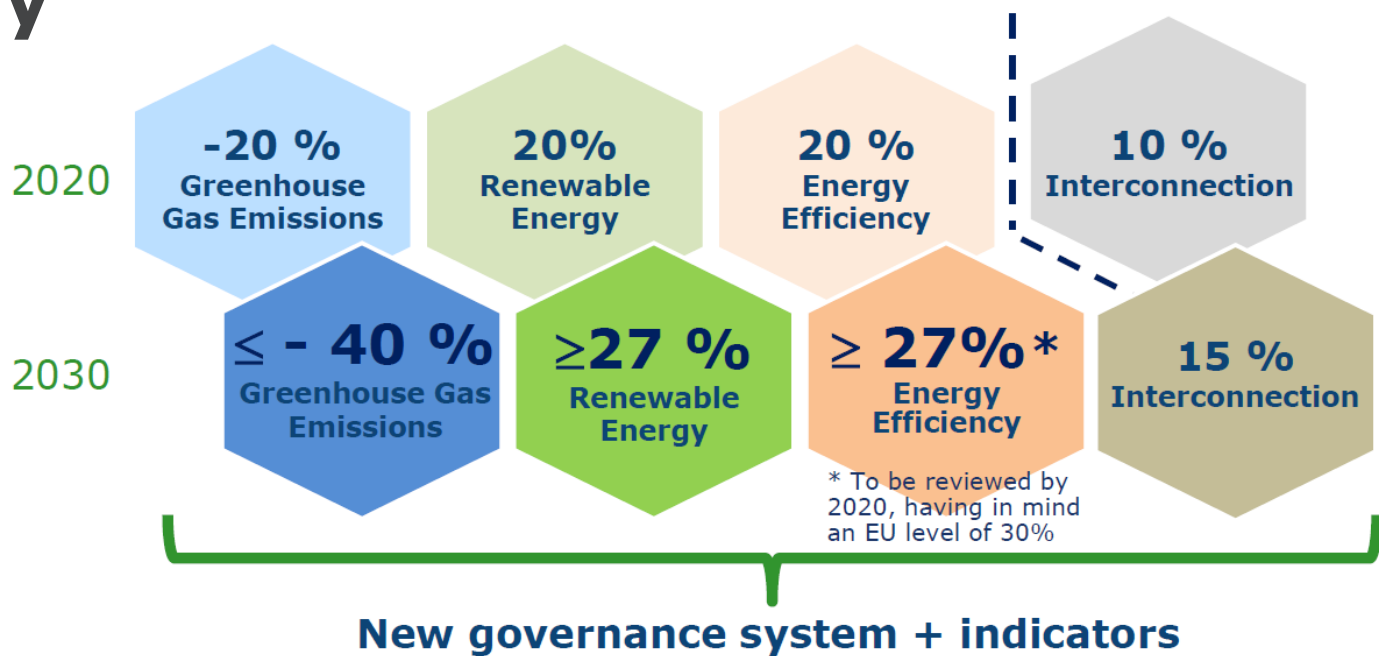
**Intelligent Energy Europe programme
and Horizon 2020 Energy Efficiency call**

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ACEEE Energy Efficiency Finance Forum, Newport, RI, May 24th 2016

The EU's 2030 framework for climate and energy



Investments needed in the European energy system:

> EUR 200 billion per year *EUR 100 billion/year for energy efficiency*

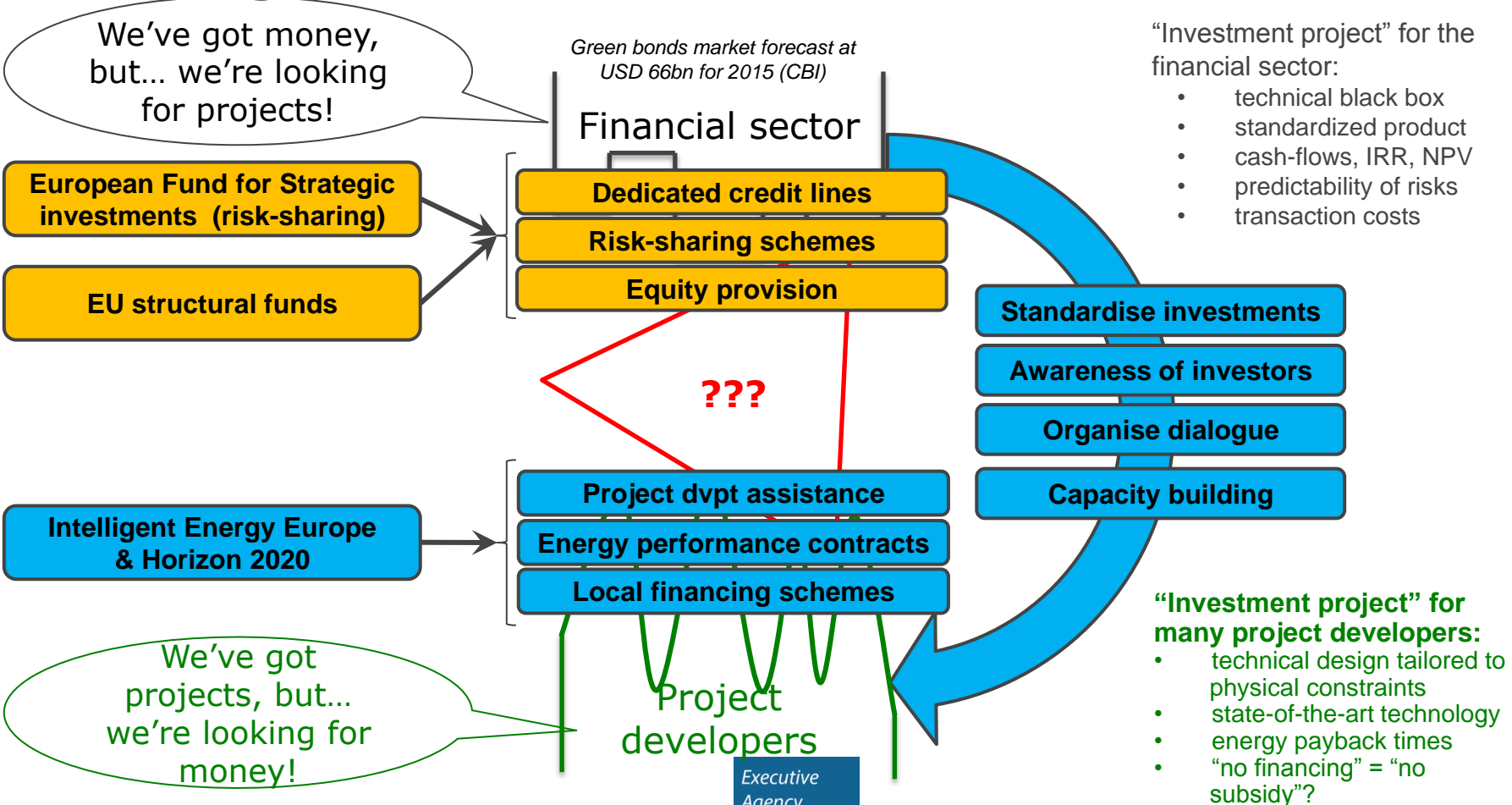
Key EU policies on energy efficiency

- Energy performance of Buildings directive (2002, 2009):
 - Energy performance certificates on most buildings
 - New build to be nearly zero energy by 2020
 - EE requirements on components / major renovations
- Energy efficiency directive (2012):
 - Energy efficiency obligations (1.5% of energy sales)
 - Renovation of 3% p.a. of central government buildings
 - National building renovation plans
 - Support to energy performance contracting
- EE finance mostly through public grants and bank loans
- On-bill or on-tax finance is almost non-existent



European Commission

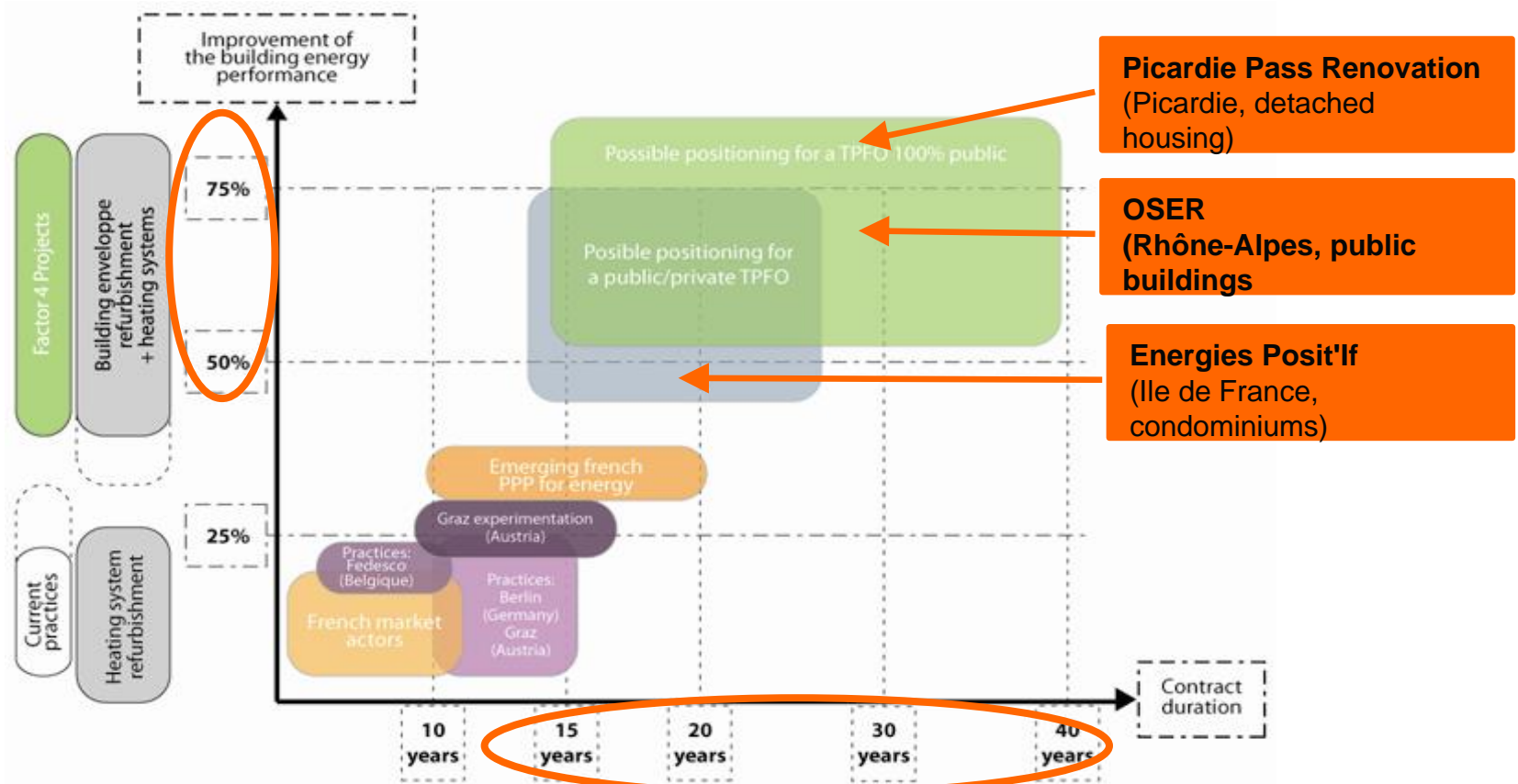
EE finance: matching squares and circles ? EU programmes intervention



Project development assistance facilities: building a project pipeline

- Every Euro of EU funding must lead to investments of EUR 15
- Altogether approx. €100m to > 80 projects expected to trigger > **€4 billion investments** in EE/RES
- Examples of projects:
 - (Bundled) **energy performance contracts** on public buildings and street lighting
 - **Investment funds, citizen financing (mostly RES)**
 - **On-bill finance / PACE** schemes on private housing
 - **Public ESCO** schemes
 - Other: district heating, clean urban transport, smart grids, biogas...
 - Complete list: <http://ec.europa.eu/energy/intelligent/files/mlei-projects-2011-12.pdf>

French regional ESCOs to develop the market for deep renovation



Energies Posit'IF (Ile de France, FR)

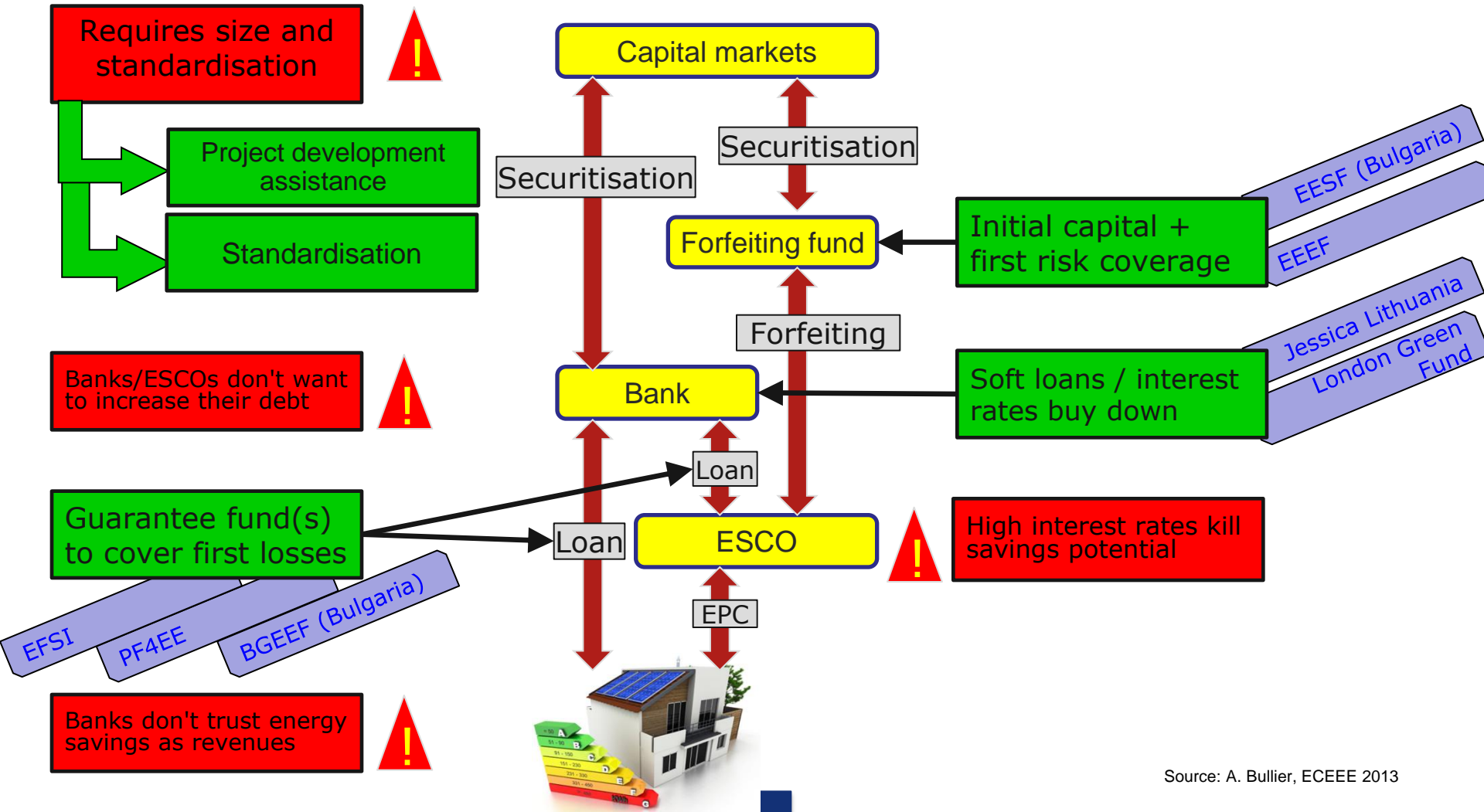
Deep renovation of condominiums

- Semi-public ESCO proposing an integrated service offer:
 - Project design and financial engineering for each household
 - Works implementation and follow-up, guaranteed energy savings
 - Provision of finance
- Results (to date)
 - Project pipeline: 60 condominiums
 - 22 contracts signed: 1 600 dwellings with investment of €18m
 - EUR 100 m loan from EFSI (European Investment Bank)

ESCOs are not banks: how to (re)finance ESCOs?

- The successful model of Renesco in Latvian multifamily building stock (Soviet era buildings):
 - 15 buildings retrofitted, 50-60% guaranteed savings over a 20 year contract
 - Financed with 40% ERDF, 25% equity and 35% bank loans (6-7%)
 - Savings are reached in all cases, 0% payment default from homeowners
- ... but Renesco is running out of equity and cannot finance more projects!
- Development of a forfeiting fund for ESCOs that will pay cash for the future receivables of the EPC and thus allow ESCOs to develop more projects
 - SUNSHINE project, started in 2015
 - Previous example: Energetics and Energy Savings Fund set up by EBRD in Bulgaria in 2011 (EUR 11 million)

Financial instruments to support energy efficiency



Structuring the market for energy efficiency finance

- Standardisation and improving confidence:
 - Investor Confidence Project Europe: standardisation of building retrofits
 - Transparense: European code of conduct for EPC
 - Trust EPC South: certification for EPC on tertiary buildings (IT, ES, FR, HR, GR, PT)
 - SEAF, led by Joule Assets: IT based framework for valuation and benchmarking of small-sized projects (EE, RES, demand response)
- TrustEE: investment fund focused on energy efficiency in industrial process heat
- Raising awareness of institutional investors
 - SEI Metrics (led by 2 Degrees Investing): benchmarking the climate performance of investment portfolios
 - ET RISK (led by 2 Degrees Investing): integrating energy transition risk in asset rating methodologies

Dialogue with the financial sector - Energy Efficiency Financial Institutions Group (EEFIG)

- Over 120 participants from the finance sector and other key stakeholders worked for 18 months
 - Report (Feb 2015): 'Energy Efficiency – the first fuel for the EU Economy. How to drive new finance for energy efficiency investments'
- Focused on buildings and industry – different issues but similar conclusions!
- EEFIG is being replicated at the national level and G20 level
- Smart Finance for Smart Buildings (2016-17)
 - Joint work with the financial sector towards commonly accepted underwriting procedures, contract elements, protocols etc.
 - Tracking projects' energy and financial performance in order to make cash flows more credible

Thanks for your attention

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