



**CONCERTED ACTION
ENERGY EFFICIENCY
DIRECTIVE**

Unlocking private finance for energy efficiency - perspectives from Member States and private financial institutions

Executive Summary 4.6

Funds and Financing for Energy Efficiency

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1. Background

Many Private Financial Institutions (PFIs) have already realised the opportunities that exist for financing energy efficiency and have developed products to support energy efficiency investments. Furthermore, many Member States (MS) are now aware of specific financial products that are available from PFIs to support the delivery and financing of energy efficiency projects. These financial products support a range of projects from the refurbishment of commercial and public buildings to financing district heating and cooling systems, as well as energy efficient transport and mobility schemes.

Previous CA EED¹ sessions have explored in detail the barriers that exist to financing energy efficiency projects and, in particular, have discussed the findings of the Energy Efficiency Financial Institutions Group (EEFIG) report² that presents recommendations on how these barriers could be overcome. There has been growing interest from CA EED participants to better understand the requirements of successful project financing and the perspectives of financial institutions.

The requirement to better understand financing of energy efficiency projects is driven by EED Article 20, which calls for "Member States to facilitate the establishment of financing facilities, or use of existing ones, for energy efficiency improvement measures to maximise the benefits of multiple streams of financing".

In order to gain this better understanding, the CA EED plenary meeting in October 2015 explored the requirements of successful project financing from the perspective of the financial institutions. Other sessions focused on cooperation with banks and financial institutions and another examined communication with banks in accordance with the implementation of Article 17.

2. Summary

The following two presentations were given during the CA EED plenary meeting in October 2015:

2.1. Investor Confidence Project Europe

The Investor Confidence Project (ICP) is a project of the US Environmental Defence Fund that defines a clear road-map, starting from identifying a retrofit opportunity through to successful project financing, called Investor Ready Energy Efficiency™. With a portfolio of energy performance protocols and standards in place, ICP reduces transaction costs by assembling existing standards and practices into a consistent and transparent process that promotes efficient markets by increasing confidence in energy efficiency as a demand- and supply-side resource. Cooperating with many active, allied organisations, the ICP is enabling a marketplace for building owners, project developers, utilities, public programmes and investors to trade in standardised energy efficiency projects.

With the support of the European Commission, the ICP Europe initiative has been established. Recognising the fact that the lack of standardisation is one of the main barriers for energy efficiency investments, ICP takes the variability out of the process by leveraging best practices for each phase of an energy retrofit and giving credentials to projects through third-party review. The near-term benefit of ICP Europe will be a greater deal flow with reduced

¹ Concerted Action for the Energy Efficiency Directive

² https://ec.europa.eu/energy/sites/ener/files/documents/2014_fig_how_drive_finance_for_economy_1.pdf

transaction costs, more market confidence in energy savings and a clearer, more transparent perception of performance risk in general. On a longer-term basis, ICP Europe will help establish energy efficiency as a new and profitable global asset class leading to a building sector with lower operating costs, higher market value and a significantly lower carbon footprint.

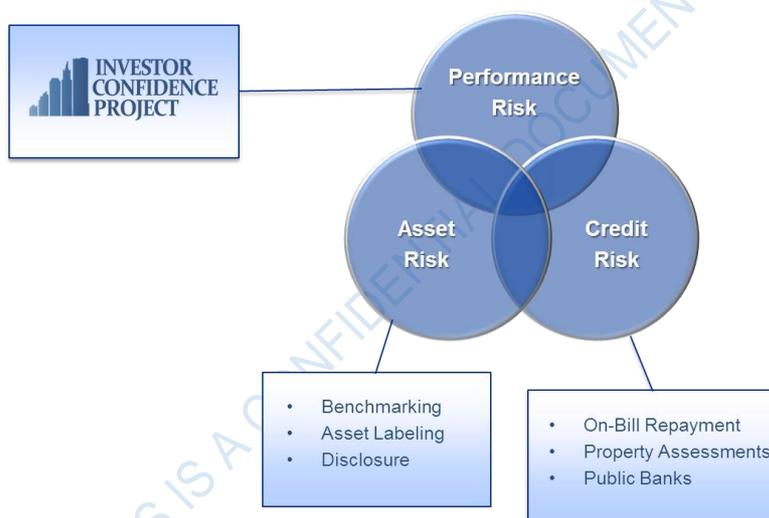
ICP provides information about open source tools and resources to help all energy efficiency market participants to improve renovation project performance and investment attractiveness. It aims at:

- Helping Governments reduce programme processing time and attract investment
- Helping developers deliver more bankable projects
- Helping investors and owners manage risk so they can invest in energy efficiency

Different levels and types of risk exist for the following participants:

- Financial markets
- Building owners
- Insurance industry
- Utility / Capacity markets

The figure below shows the correlation between identified investment risk and ICP areas of activities.



2.2 Financing for energy efficiency from a commercial bank - experience of BOS Bank (Poland)

BOS S.A. (Bank of Environmental Protection) is a Polish commercial bank established for an unlimited period of time as a joint stock company. The Bank's mission is strongly related to supporting activities that contribute to the development of products and services in environmental protection, the development of ecology-related goods and services markets and further encouragement of environment-friendly attitudes and environmental protection initiatives. The Bank performs its mission by providing specialised banking services and financial products tailor-made for specific types of projects and beneficiaries.

The majority of financial products offered in the area of energy efficiency and renewable energy systems include some measures to make an offer more attractive for investors and increase the bankability of project proposals, such as preferential loans and incentives regarding investment expenditures.

During its 25 years of activity, BOS Bank has identified a number of barriers (both for the investor as well as the financial sector) related to the financing of environmental and energy efficiency projects:

Barriers for investors	Barriers for the commercial bank
<ul style="list-style-type: none"> - Cost of investments / of financing - Access to long term financing - Lack of collateral 	<ul style="list-style-type: none"> - Lack of collateral - Creditworthiness of the investor - Regulations

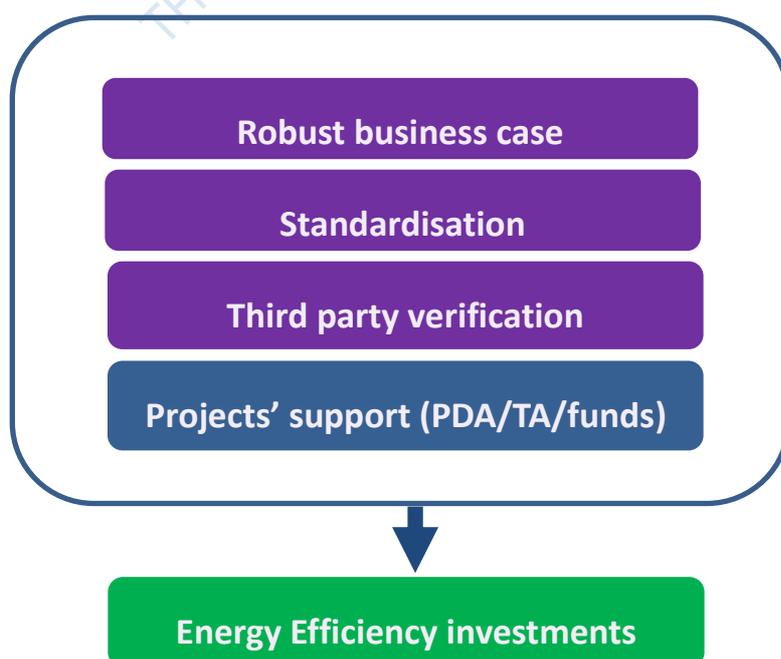
3. Conclusions and Recommendations

Although MS are now beginning to support financing of energy efficiency projects through PFIs, several barriers still exist and prevent more opportunities being realised. During the CA EED plenary meeting in October 2015, the most problematic barriers relating to the engagement of PFIs were discussed, summarised, and further analysed. In addition, the aforementioned barriers were grouped in thematic areas. Participants were trying to elaborate the most suitable and effective measures for overcoming identified obstacles.

The discussion and feedback from the participants helped to identify three substantial recommendations which might be helpful in overcoming barriers in using private financing for energy efficiency projects on a massive scale and unlocking the full potential of possible effects and results. Three issues were identified as necessary for effective financing of energy efficiency investments from private sources, namely **standardisation, robust / clear business case and third party verification**. In addition, representatives from a PFI (Polish Bank of Environmental Protection) firmly underlined the requirement for additional support, adapted for real market needs, e.g. Project Development Assistance / Technical Assistance measures for investors and/or financial intermediaries/ PFIs, additional support for projects from the public/ EU funds (e.g. partial grants).

The conclusions were that the following are needed to support project development

- Standardisation
- Clear business case
- Increased investor confidence and change in risk perception
- Reducing transaction costs / simplicity
- Measurement, Reporting & Verification (MRV) and Quality Assurance.



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The Concerted Action for the Energy Efficiency Directive (CA EED) was launched by Intelligent Energy Europe (IEE) in spring 2013 to provide a structured framework for the exchange of information between the 29 Member States during their implementation of the Energy Efficiency Directive (EED).

For further information please visit www.eed-ca.eu or contact the CA EED Coordinator Lucinda Maclagan at lucinda.maclagan@rvo.nl



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