Innovative Financing Schemes in Local and Regional Energy Efficiency Policies

Identifying barriers and overcoming them through share of good practices and formulation of recommendations to the European Commission

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I. THE OBJECT OF STUDY

Innovative Financing Schemes aim at:

- *not relying solely on public subsidies* or pure grant financing,
- *offering the capacity of diversifying the sources of financing*,
- *allowing municipalities to overcome the lack of financial resources*.

Projects carried out by members of the FEDARENE were prioritised, results achieved outside this scope were also taken into account.
II. THE OBJECTIVES OF THE RESEARCH PROJECT

- **Share** innovative financing solutions and **encourage replication** in order to **perfect these methods**, 

- **Identify barriers and bottlenecks** of legal, technical, political and financial nature that project developers where faced with and **raise awareness** regarding these issues among decision-makers at the European level,

- **Draw conclusions and form recommendations** for the European Commission.
III. THE CONSIDERED FINANCING SCHEMES

- Third party investment schemes experimented through Public ESCOs.


  - **ENERGIES POSIT’IF (Ile de France, France):** A public-private ESCO engaged in deep renovation of condominiums.

**Main barrier:** lack of a legal framework authorising third party financing schemes in France.
III. THE CONSIDERED FINANCING SCHEMES

- ESCO financing via Energy Performance Contracts

  - **Energy Efficiency Milan (ELENA project, Italy):** Promotion of Energy Performance Contracting with the help of technical assistance.

  Main barrier: existing ESCO business model in Italy incompatible with EPC principles.

  - Other documented cases: RE-FIT outside London (Kent County Council, United Kingdom), Feedback from Streetlight – EPC projects from the Carlow Kilkenny Energy Agency and the Region of North-West Croatia.
III. THE CONSIDERED FINANCING SCHEMES

- Revolving Funds

- **Zagreb’s Revolving Fund project, Croatia**: the City of Zagreb is currently setting up a revolving fund, based on the JESSICA architecture, in order to support energy revitalization of buildings through soft loans, guarantees and grants.

**Main barrier**: the complex architecture of the fund requires time to develop and establish fully functional revolving fund.

- **Other documented cases**: The KredEx Revolving Fund (Estonia), Intracting (Stuttgart), JESSICA implementations in Lithuania and Poland.
III. THE CONSIDERED FINANCING SCHEMES

- **Soft loans**

  - **Ecopack (Wallonie, Belgium):** A public interest body (SWCS) offering zero rate loans for energy refurbishments, repayment periods depend on revenue.

  - **Other documented cases:** Community Energy Loan Scheme in Kilkenny (Ireland).
III. THE CONSIDERED FINANCING SCHEMES

- Guarantee Funds

  - **Revolving Retrofit Guarantee Fund (Severn Wye, United Kingdom):** a financial mechanism that makes loan finance more accessible and less expensive by providing a low cost guarantee. As loans are repaid this replenishes the fund providing capital that can be loaned out to other households.

  - **Other documented cases:** Energy Efficiency and Renewable Sources Fund (Bulgaria), Retrofit Revolving Loan Guarantee Fund developed by the Global Environmental Social Business (GESB).
III. THE CONSIDERED FINANCING SCHEMES

- **Green Bonds**
  
  - **The Orebro Green Bonds (Sweden):** One way of getting new investors and to broaden the funding options has been issuing green bonds. Örebro issued its first green bond, worth SEK 750 Million (approx. EUR 80 M.), in October 2014.

  - **Other documented cases:** City of Gothenburg (Sweden), Ile de France Region (France), Varna (Bulgaria).
III. THE CONSIDERED FINANCING SCHEMES

- Inclusive approaches aimed at citizens & small investors

- **Crowdfunding platforms**: REGEA’s crowdfunding platform project for energy efficiency and renewables, Green Crowding (Brussels), Bettervest (Germany);

- **Cooperatives** :“Centrales villageoises” (Rhônes-Alpes, France), Rescoops such as Sifnos (Greece);

- **Sustainable savings accounts**: Livret d’épargne de la “Troisième révolution industrielle” (Nord-pas de Calais Region, France);

- **Crowdsourcing experimentation program for sustainable solutions**: Small pilot projects financing through the program “Towards Resource wisdom” (Jyväskylä Finland).
IV. Addressing the barriers

A pressing need to attract investments in energy efficiency:

- Estimates suggest that € 60-100 billion* is needed to be invested annually in EU buildings to achieve Europe’s 2020 energy efficiency targets yet current investments are below half of these requirements** and five times lower than required to deliver 2050 decarbonisation targets for buildings.

- These financial needs cannot be met by public funds alone.

- The launch of the European Fund for Strategic Investments makes the implementation of such schemes an even more pressing need.


V. THE POSITION PAPER

“Addressing the Barriers in the use of Innovative Financing Schemes in Local and Regional Energy Efficiency Policies”

- 10 types of measures
- 3 main goals:
  1. Improved and intensified communication and capacity building strategies
  2. An easier access to funds and a smarter use
  3. An enhanced and more adapted European legal framework
V. THE POSITION PAPER

- 10 types of measures

1. Raising awareness at the decision making level
2. Capacity building in Energy Efficiency innovative financing
3. Dissemination of successful projects
4. An improved and multiplied offer of Project Development Assistance
5. Leveraging and blending European Structural and Investment Funds
6. Encouraging easier access to loans
7. Maximizing the use of the European Fund for Strategic Investments
8. An European legal framework for crowd-investing
9. Encouraging adaptation of public procurement procedures
10. A more energy efficiency – considerate interpretation of public debt rules
Thank you for your attention

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