New interventions and financing in Europe
EIB role in supporting the EE market in Europe

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The EU bank

- Natural financing partner for the EU institutions since 1958
- Around 90% of lending is within the EU
- Shareholders: 28 EU Member States
- Lending volume 2014: signed EUR 76.1 bn

Investing in Europe’s growth
EIB Climate Action lending

EIB climate action loan signatures

Year

- Adaptation
- Other
- RD & I
- Sustainable transport
- Energy Efficiency
- Renewable Energy

2009: 15,000 EUR
2010: 20,000 EUR
2011: 15,000 EUR
2012: 10,000 EUR
2013: 25,000 EUR
2014: 20,000 EUR

02/12/2015
Energy Efficiency: a priority for EIB

- EU directive for energy performance of buildings (2010)
- EU directive for Energy Efficiency (2012)
- EIB Energy Lending Criteria (2013)
- EU 2030 Energy and Climate objectives (2014)
- EIB Climate Strategy (September 2015)
- Mainstreamed across sectors

…yet the market remains difficult…
Market failures (financial)

- Why aren’t commercial banks offering attractive and suitable conditions?
  - Inability to assess the work performance and savings
  - Small loans, same administrative burden
  - Short term tenors and high rates

- Limited grant funding available

➢ Need for long term lending
Market failure (technical / demand side)

- Owner / consumer information
- Professional quality certification
- Audits are inconsistent, of poor quality
- Grants as carrots not always available
- Challenging process for building owner → lack of motivation

➢ Need for independent Technical Assistance
EIB products used for EE

• Investment loans (direct) – plus possible blending

• Framework loans (intermediated) – to promote aggregation and crowding in of commercial lending

• Investment funds (equity) – to catalyse private investors

• Technical assistance – typically upstream, with or without links to operations
Co-financing of regional / municipal programmes

- Loans to Regions/Municipalities
- In the context of an EE scheme
- Thermal rehabilitation of residential buildings
- Measures recommended through energy audits, but typically thermal insulation of building envelope
- Verification ex-post of EE savings
EE Walloon Social Housing

- EE refurbishment and upgrade of 12,000 - 14,000 flats in social housing in Wallonia BE, including also RE if requested
- Partner: regional social housing company supporting local social housing companies
- EE refurbishment level: low energy consumption (or minimum R values)
- Total investment: EUR 400m
- EIB co-financing: EUR 200m
Framework loans for EE&RE projects

- Sub-projects <= 50 MEUR
- FI to perform the due diligence of projects

**Beneficiaries:**
- Public bodies
- Private promoters
- Individuals
- SMEs...

**Advantages for beneficiaries:**
- Allows the financing of smaller projects, not necessarily part of a larger scheme
- Faster (delegated) approval process
Energy Efficiency in the Province of Milan

Problem
Large EE potential in public buildings but budget constrained municipalities with a lack of technical capacity to develop a flow of projects.

Solution
adopt energy performance contracting
• aggregate projects
• coordinate at Province level, by civil servants;
• standardise EPC contracts

Programme:
Refurbishment of existing school buildings in some 30 to 40 municipalities.

Implementation by ESCOs who pay the investment costs and guarantee energy savings (around 20%); serve debt through energy savings.

Finance provided by local Banks to ESCOs, supported by EIB loan. Technical Assistance provided by the EIB-ELENA facility
Programme EE French Private Housing

- New approach through « Société de Tiers Financement »
- Public or public-private entities, sponsored by French Regional Councils
- Act as a one-stop-shop for EE service supplier for residential buildings:
  - Technical assistance
  - Long term and affordable funding
- Total framework loan amount EUR 400m
Investment funds targeting EE&RE

- Equity investment in funds investing in EE&RE
- Investments held to maturity by the investment fund
- EIB normally as passive investor
- Catalytic effect to mobilise private investors
European Energy Efficiency Fund

- Investment areas: e.g. EE in public and private buildings, efficient cogeneration + district heating, decentralised RE, clean urban transport, modernisation of infrastructure like street lighting or smart grids;

- Project CAPEX: ~ 5 to 25 mEUR

- Beneficiaries: local/regional public authorities and public bodies, PPP, ESCO or SPV are possible

- Financing in form of: i.a. loans, guarantees, forfeiting schemes (to finance ESCO projects), equity shares

- Fund manager: Deutsche Bank; ([www.eeef.eu](http://www.eeef.eu))

- Project examples:
  - EPC for University of Applied Science, Munich, GE,
  - Public building refurbishment in Rhône-Alpes, OSER, FR
  - SPV for energy demand and supply improvements, Hospital, Bologna, IT
Example: OSER in Rhône-Alpes, FR

Set up of a local public company to assist its shareholders (local and regional authorities) in EE refurbishment of their buildings.

Investment volume: signed ~ EUR 20m, planned EUR 78m.
Advisory Services & Technical Assistance

- **JASPERS**: technical assistance for projects in all sectors benefitting from ESIF
- **FI-Compass**: knowledge hub for guidance and advice on financial instruments linked to ESIF
- **European Investment Advisory Hub**: support for project development and preparation in parallel to EFSI
- **ELENA**: TA support for EE & small scale RE for local authorities, public entities
- **Other TA**: mainly outside EU e.g. Municipal Project Support Facility (eastern neighbors)
European Local ENergy Assistance - ELENA

- EC-EIB cooperation to support **local and regional authorities** to reach 20-20-20 targets

- **Grant** facility (Project Development Assistance)

- Eligible investments: EE, RE, clean transport, urban infrastructure

- **Budget**: variable, but around 15-20 mEUR / year

- Market replication focus

- Minimum investment leverage required (x20)

- Supported projects/programmes around EUR 3.7 billion

http://www.eib.org/products/advising/elena/index.htm
Private financing for EE Structure

PF4EE comprises three components

1. A loan to the financial intermediary to be on-lent for financing of energy efficiency investments ("EE Loan")
2. A risk mitigation mechanism, which covers losses incurred in the portfolio of EE loans granted by the financial intermediary to on-lend the EE Loan ("Risk Sharing Facility")
3. Consultancy services aiming at supporting the financial intermediary to create the abovementioned EE loans portfolio ("Expert Support Facility")
European Fund for Strategic Investments (EFSI)

- **EFSI** is NOT a fund or a separate legal entity!
- It is a contractual arrangement between EC & EIB Group.
- EFSI consists of:
  - EUR 16bn EC guarantee in favour of EIB
  - EUR 5bn capital contribution by EIB
  - Target of generating EUR 315bn investment in 3 yrs.
- All operations are EIB Group operations.

- **Infrastructure and innovation window** (through EIB)
  - 16bn
  - 5bn

- **SME window** (through EIF)
  - 21bn
  - 2.5bn

- Debt portfolio
  - 11bn

- Equity-type portfolio
  - 5bn

- Increased EIB RCR mandate
  - 2.5bn

- Fully guaranteed by EC
  - 2.5bn
What are « EFSI products »?

- Risk range: **below (or near) investment grade**
- **Debt-type** products
  - PPP/PF loans
  - Other riskier (senior) debt finance
- **Equity-type** products
  - Quasi-equity (mezzanine/subordinated loans)
  - Infrastructure funds
- **Guarantee** products on risky corporate portfolios of intermediaries, including **National Promotional Institutions**

- Some EFSI “**plus factors**” (aside of risk) include:
  - Innovation, Convergence areas, longer-term lending, project acceleration, crowding-in private capital, ...
Summary

• Energy efficiency investments are a priority for EIB
• Technical Assistance is still available to develop large scale EE programmes (ELENA and European Investment Advisory Hub)
• EIB financing is available for larger and smaller projects
• Further targeted financial products are under development (see EFSI and investment platforms)
• Significant non-technical barriers still exist
  • Standardisation including “deep refurbishment”
  • Financial performance of EE investments
  • Recognising “negative money flows” = cost savings
  • Investment decision path paved with “obstacles”
THANK YOU!

Any questions?

- For more information
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