For most governments and agencies that are members of FEDARENE, reducing consumption through savings and improvements in energy efficiency has been and will be the main priority of their strategic plans. Such policies are the key to obtaining significant reductions in greenhouse gas emissions and energy costs for major economies.

Over the coming years, the efforts made in energy efficiency permanently carried out by the industry are a clear way to improve the competitiveness of companies but must also be adopted by other sectors and activities, particularly with regard to building and transport. It is in those spheres where all technologies encompassed under the “SMART technologies” concept must develop as a fundamental tool to realise great potential in savings in those sectors.

As the features and possibilities of new technologies increase to evolve infrastructures towards the SMART concept, integral responses are becoming more necessary and have a wider reach, not just focused on individual buildings or vehicles but on the overall vision of the neighbourhood, population centre or municipality. For example, the introduction of digital or “intelligent” meters, both at new consumption points and in the substitution of existing ones or the deployment of recharging networks for electric vehicles, will require long-term planning and resources to develop the necessary investments. In addition to the technical and logistics challenges that those new systems and technologies will represent, the main obstacle to their rapid deployment is to secure adequate funding to undertake the required investment.

Regional governments and agencies are confronted by those financial barriers and are therefore looking for innovative mechanisms to overcome them. One of the most promising is the so-called “Public-Private-Partnership” (PPP) formula. This usually involves the constitution of companies with the mixed participation of private companies and risk capital funds managed by public bodies. The corporate aim of those companies is to invest, operate and manage equipment and systems that provide “intelligence” to certain installations or assets in order to enable energy efficiency practices.

This public-private shareholder approach is very convenient for fostering collaboration-oriented companies that can contribute to reducing the risks and uncertainties of incipient markets and establish the rules and relationships between stakeholders whenever they are not already defined or consolidated.

The most suitable partners for these initiatives are usually leading companies, well positioned in global energy markets, whose priority in joining the project is not its short-term profitability but such factors as pioneering in a new emerging market, gaining image as a sustainable and socially responsible company and recovering the initial investment in the long-term.

Public leadership is needed in such PPP projects as they represent unique opportunities for governments to support the use and introduction of “smarter” and more efficient technologies in the energy consumption patterns and, in parallel, to become the driving force behind technology and industry in their regions. It is our view and intention that FEDARENE can become an excellent forum for the sharing and improvement of “best practices” in the development of PPP projects.
INTERVIEW

JUAN ALARIO
Associate Director
European Investment Bank

Juan ALARIO is Associate Director at the European Investment Bank. Since July 2005, he has been in charge of the Bank’s energy strategy, and since 1 April 2007 been Head of the Energy Efficiency and Renewable Energy Division. Within the EIB this division is responsible of managing the ELENA facility using funds provided by the European Commission. The success of this facility has been widely recognised, it has provided EUR 35 million to support urban energy efficiency and renewable energy programmes since being launched two and a half years ago. These are expected to mobilise more than EUR 2 billion of investments.

To ensure that international commitments are met, the European Union will have to drastically reduce energy consumption. Regional and local authorities have an important role to play in enabling these goals to be reached. In the current economic climate, how can they contribute and scale up sustainable energy projects?

Regional and local authorities have an important role to play both by promoting energy efficiency (EE) and through supporting increased use of renewable energy (RE), in particular small-scale renewables, such as biomass, rooftop photovoltaic or solar thermal. The public sector needs to ensure that two parallel frameworks are in place. Firstly, to help identify and develop EE/RE projects and secondly to enable these schemes to be financed.

As regional and local authorities already work closely with key actors involved, they are well placed to improve awareness about opportunities, such as the effectiveness of different energy efficiency measures, and can help overcome regulatory, planning and other barriers currently hindering these investments. For instance, one technical barrier comes from split incentives between tenants and the landlords in houses. Regional and local authorities can facilitate access to finance by developing large programmes, including regrouping small projects.

In many cases, the activities developed in these areas by regional or local governments have not been effective in succeeding to develop these projects. The public sector needs to develop new methods of intervention and the ELENA projects demonstrate practical examples of this. In my view the priority focus should be to reduce transaction costs and develop new business models that help a project be financially credible and bankable.

Additionally, at the European level the newly approved Energy Efficiency Directive and increased support for EE/RE from convergence and cohesion funding should substantially boost development of the energy efficiency and local RE potential in the medium term across the EU.

Regional and local authorities cannot go any further into debt. How can investment be encouraged without increasing public debt? Which tools have been used by public authorities that benefit from ELENA funding to invest in sustainable energy projects?

Public sector grants targeting EE and RE projects are being used both to develop public sector schemes and promote the development of similar investment by the private sector, notably individual householders. The effectiveness of these grants is sometimes limited. We have noticed a significant development in grant policies to support energy projects in urban areas often involving the development of specific financial instruments. However, this transition is not easy. One example is EE and RE in public buildings, where some regions and municipalities have moved from financing these projects directly from the public budget to off-balance sheet solutions involving Energy Service Companies (ESCOs). Some financial instruments exist at the EU or national level or can be created to support off-balance sheet solutions.

Nearly two thirds of the investment under the ELENA programme until now has targeted improved energy efficiency or supported better use of renewable energy in public buildings, around a quarter has helped public transport projects, hybrid buses and electrical cars schemes and the rest assisting sustainable district heating networks, EE in street lighting and smart grids. Most of public building projects, street lighting and district heating networks under ELENA are being financed with limited or no recourse to the public budget. In the case of public buildings, and as noted before, they often involve ESCOs and for RE they rely on the existing support frameworks, in particular feed-in tariffs. Public transport projects are normally financed by the public budgets.

One key issue that has benefited ELENA projects has been the creation of a dedicated unit within the municipal administration to implement the project. These units play a fundamental role in the project implementation. They have developed considerable expertise in new approaches, particularly ESCO contracting. They seek to standardise the approach and when possible group small projects covering individual buildings into packages and thus reduce the transaction cost.

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The regional and local authorities that engage in proactive support for sustainable energy development meet a certain reluctance of banks to finance their projects. What role could the EIB play to support these public authorities?

The EIB is supporting both regional and local initiatives to implement EE and RE programmes in urban areas. EIB assistance can take a number of forms, through provision of global or framework loans to finance small projects through financial intermediaries or for large projects direct loans from the EIB. There are several examples of these projects, such a framework loan to support RE and EE in the Midi-Pyrénées in France, financing of the rehabilitation of private buildings in Bucharest, where grants were combined with the EIB loan, or financing of CHP and rehabilitation or extension of district heating networks.

Apart from ELENA, there are two important joint initiatives from the European Commission and the EIB to support the development of urban energy projects. Firstly, the European Energy Efficiency Fund, which supports ELENA type projects by providing adapted financing and technical assistance for small projects. Secondly, JESSICA funds, where they exist, target EE and RE in urban areas by providing dedicated financing instruments that use structural funds.

The campaign consists of targeted capacity buildings seminars which will be organised from now on until the end of next year across the EU. Furthermore, training materials, guidance documents and best practice examples will be made available and shared. The campaign is progressively being rolled out at the national level (in co-operation with EPEC), regional level (through the ManagEnergy Initiative) and local level (via the Covenant of Mayors).

The Regional and local authorities that engage in proactive

**EU CAMPAIGN ON ENERGY PERFORMANCE CONTRACTING**

The new Multiannual Financial Framework for 2014 to 2020 is currently under negotiation and the Commission has proposed to increase the funding available for energy efficiency measures and renewable energy. In addition, the recently agreed Energy Efficiency Directive obliges Member States to renovate public buildings, to introduce energy efficiency obligations and to establish financing facilities for energy efficiency measures. The binding measures contained within the Directive will require considerable investment by Member States at an early stage.

In response to this changing financial and regulatory landscape, DG Energy in cooperation with the EIB’s PPP expertise centre (EPEC), ManagEnergy Initiative and the Covenant of Mayors is launching an EU-Energy Performance Contracting Campaign that to support Member States and market actors with rolling out of functioning energy services market. The aim of campaign is to enable country-specific discussion and capacity building of the core stakeholders, which should enable better understanding of a business model based on investments financed by savings, address issues such as accounting of public deficit and debt, increase the confidence of the core stakeholders towards reliability and effectiveness of the EPC model, and help Member States with establishing an enabling legal and financial framework for the market with energy services.

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**ENGINES POSIT’IF: PARTNERSHIP MODEL IN ILE-DE-FRANCE**

Energies POSIT’IF is a Société d’Economie Mixte – SEM (a public-private mixed status often used by French local authorities to manage urban development projects that is increasingly used to support energy operations). The SEM allows public authorities to keep control on the political objectives while benefiting from private management capabilities and co-funding.

The SEM will focus on three missions. It will be involved as a third-party financier of energy retrofit operations in multiple-unit buildings (condominiums and social housing). It will also act as an investor by acquiring stakes in renewable energy projects. Finally, it will be a service provider that provides comprehensive technical assistance solutions, notably in the case of energy retrofits in public buildings.

Supported by the Ile-de-France region, the creation of the SEM Energies POSIT’IF (a semi-public company) aims to multiply the number of ambitious energy retrofit operations by providing contracting authorities with a comprehensive retrofit solution including design, execution, operations/maintenance, an energy performance guarantee and the financing of all or part of the works. In particular, this tool was chosen to enhance the leverage effect of public shareholding (which must represent no more than 85% of the capital of SEMs or semi-public companies) via the involvement of stakeholders such as the CDC (Deposits and Consignments Fund) and the Caisse d’Epargne d’Ile-de-France.

SEM Energies POSIT’IF will engage directly with the condominium by offering a range of comprehensive energy services that can incorporate design, execution, operations/maintenance, energy performance guarantees and the financing of all or part of the work by calling upon the services of other key players (engineering firms, architects, civil engineering firms, heating system operators, etc.) on a case-by-case basis as co-contractors or sub-contractors. The phasing of operations will be conventional and the SEM will be able to conclude contracts independently with the condominium regarding design, the execution of works, energy performance guarantees, operations/maintenance and pre-financing. The SEM, which operates in the competitive market, will bear the commercial risk. Unlike the key players working within the framework of conventional Energy Performance Contracts (without third-party financing), the SEM will also bear the condominium’s risk of default. That is why it will initially avoid involvement with condominiums that have possible financial or governance difficulties.

The operations financed should, in most cases, achieve an energy savings rate of 40% or more. The target performance objective is the BBC Rénovation label, even if it is not applied strictly in order to take into account components related to buildings and condominiums. On the whole, buildings constructed before 1974 that have never been renovated will be the core target of its action. Energies POSIT’IF starts with a capital of 5.3 million euros.

**Barbara ANGELINI, barbara.angelini@ec.europa.eu**
Energy Performance Contracting (EPC) is highlighted through this project and several private energy service companies (ESCO) are involved together with 8 municipalities. Through the public private partnership, they are partners in concrete energy projects involving more than 100 buildings and several hundred actions have been effected. Many of these large investments would otherwise not have been realised. The project is a true example of a successful public private partnership.

All municipalities involved have already established sustainable energy plans (SEP). Energy efficiency in buildings was an important part of these plans. However, the municipalities were struggling to convert the plans into actions and to manage the projects and run the activities in an efficient manner. Through this project, the focus was to highlight the objectives and solutions for the management level of the municipalities, raise the competence level for the building management staff and to establish fruitful connections between the public bodies and private businesses. By using the established concept of energy performance contracting, the professional private companies were stimulated to perform the actions effectively and at a low cost.

The project involves many partners, in both the public and private sectors. Inland Norway Energy Agency is the facilitator and the project is supported financially by the Norwegian Department of Regions. A professional EPC consultancy with expertise of public procurement and energy efficiency was involved to support the municipalities during preparation of the basic technical information and the running of the public procurement process. Five large service companies submitted tenders for the contracts and the ESCOs are subcontracting more than 20 local and regional companies to deliver services and products. The contracted energy efficiency result was typically 20% reduction of the energy consumption in the public buildings.

SERVE, A RURAL SUSTAINABLE ENERGY COMMUNITY

The SERVE project targets more than 400 buildings, existing and new, for energy efficiency and renewable energy measures. The SERVE region in North Tipperary IE, home to this project, is a rural region, 600 km², 12,000 people, and 6,000 dwellings among which 60% were constructed pre 1981. The project led to the creation of a region in North Tipperary which is a leader in the implementation of sustainable energy actions. In total there was an investment of €8 million, half of which is co-financed by CONCERTO under the FP6 programme.

The project SERVE achieved complete retrofitting actions in more than 350 homes and non-residential buildings which dramatically improved their energy performance with a reduction of energy consumption within existing residential buildings of 3.5 MWh/year and an increase in production of renewable energy in existing dwellings from 660 to 2,300 MWh/year.

More than 50 new Eco-Buildings (average 54 kWh/m²/year) were constructed in the Eco-Village and they are supplied by Ireland first renewable energy district heating system (wood and solar thermal).

More information: http://servecommunity.ie/

EUROPEAN SUSTAINABLE BUILDING ASSESSMENT

“Towards a Common European framework for Sustainable Building Assessment (CESBA)”

The building sector will play a key role in reaching EU Climate protection targets by 2020. The development and implementation of standard practice guidelines, sufficient to facilitate market movement towards a better level of sustainability, will require synergic actions and initiatives from the stakeholders in that sector. Reference standards and tools must be developed to define objectives and target benchmarks and to quantitatively verify their achievement. Building sustainability assessment is a crucial tool in the process of facing up to those challenges.

Six associated EU projects, representing all stakeholders in the building chain, from constructors to regional authorities, strongly support the development of building sustainability assessment tools that should be transparent, open source, mass oriented and operable at low-cost in all European states and their regions.

More information: www.cesba.eu

EU REGIONS MEET CROATIA IN THE EU

North West Croatia Regional Energy Agency is pleased to announce its ‘EU regions meet Croatia in the EU – Sustainable Energy challenge for all’ conference to be held in Brussels on January 22, 2013, co-organised with FEDARENE. Held under the auspices of the Croatian Government, the event will address some of the key issues surrounding the challenges faced by the European regions and Croatia in the context of its accession to EU membership in July 2013. Commission DGs, MEPs and EU Ministers are to attend the event, which will be moderated by Mr William Gillett (EACI).

The views of mayors and presidents of regions will be complemented by a showcase of the projects of 7 renowned energy agencies, members of the FEDARENE network, featuring South-West England, Abruzzo, Upper Austria, Berlin, Basque Country and Ireland. Croatia will be represented by the city of Zagreb and three counties (Zagreb, Krapina-Zagorje and Karlovac) – promoting their most successful projects (awarded by ManageEnergy Award 2011 and the European Solar Prize Award 2012).

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