EIB’s technical and financial services for local energy efficiency projects

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Energy Efficiency Division
European Investment Bank

European Committee of the Regions
ENVE Commission
Brussels
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The EIB - 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 2016: signed EUR 74.5 bn

Investing in Europe’s growth
Signatures 2012-2016: EUR 62.7 bn

EIB Energy Lending 2012-2016

COP objectives

Security of Supply
Energy Networks
Energy Efficiency
Renewable Energy

EIB EE Lending 2012-2016

EE Lending Breakdown per year

- Overall EE-lending increased by 3x since 2012
- 75% of EE-lending volume to Buildings
Needs and challenges of EE investments

- Poor information
- High transaction costs: **fragmentation** EE projects are combinations of multiple small size sub-projects
- **Split incentives** (e.g. tenants gain from lower bills while landlords pay for investment)
- **Subsidised** tariffs, reducing incentives to invest.
- Poor incentives for local banks to expand into a relatively new area of lending (**capital constraints**)
- Public authorities lack of **technical capacity**, incentives and frequently balance sheet to implement EE programmes
## EIB products available

<table>
<thead>
<tr>
<th>LENDING</th>
<th>BLENDING</th>
<th>ADVISING</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Long term debt</td>
<td>✓ Combining EIB finance with EU budget</td>
<td>✓ EIAH (European Investment Advisory Hub)</td>
</tr>
<tr>
<td>- Subordinated loans</td>
<td>✓ (Project Bond Initiative)</td>
<td>✓ ELENA (European Local Energy Assistance)</td>
</tr>
<tr>
<td>- Project finance</td>
<td>✓ Higher risk projects for innovation (InnovFin)</td>
<td>✓ JASPERS (Structural Funds assistance)</td>
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<tr>
<td>- Equity type</td>
<td></td>
<td>✓ fi-compass (support for managing authorities)</td>
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<td>- Guarantee</td>
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<tr>
<td>- Securitisation</td>
<td></td>
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<td>- Venture capital</td>
<td></td>
<td></td>
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<tr>
<td>- Growth finance</td>
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### Specific tools:
- EFSI
- PF4EE
- SFSB

Attracting FUNDING for long-term growth
## Example of Investment Loan

### Energy Efficiency in Bucharest Residential Buildings (Romania)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of buildings</th>
<th>Total cost (MEUR)</th>
<th>EIB loan (MEUR)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector 1</td>
<td>399</td>
<td>190</td>
<td>125</td>
<td>Completed</td>
</tr>
<tr>
<td>Sector 1 II</td>
<td>376</td>
<td>182</td>
<td>136.5</td>
<td>On-going</td>
</tr>
<tr>
<td>Sector 2</td>
<td>246</td>
<td>80</td>
<td>60</td>
<td>On-going</td>
</tr>
<tr>
<td>Sector 2 II</td>
<td>95</td>
<td>29.5</td>
<td>22</td>
<td>On-going</td>
</tr>
<tr>
<td>Sector 4</td>
<td>116</td>
<td>36</td>
<td>27</td>
<td>Completed</td>
</tr>
<tr>
<td>Sector 4 II</td>
<td>140</td>
<td>56</td>
<td>42</td>
<td>On-going</td>
</tr>
<tr>
<td>Sector 6</td>
<td>256</td>
<td>147</td>
<td>70</td>
<td>Completed</td>
</tr>
<tr>
<td>Sector 6 II</td>
<td>112</td>
<td>54.5</td>
<td>40</td>
<td>On-going</td>
</tr>
</tbody>
</table>

Total: 1740 buildings, Total cost: 775 MEUR, EIB loan: 522.5 MEUR
Example Intermediated Loan: EE Walloon Social Housing

- EE refurbishment and upgrade of 12,000 - 14,000 flats in social housing in Wallonia BE, including also RE where appropriate Total investment: EUR 400m (EIB co-financing: EUR 200m)
- Partner: regional social housing company supporting local social housing companies
- EE refurbishment level: low energy consumption
Example: Equity Fund – EFSI project

- Infrastructure fund targeting the refurbishment of UK commercial buildings
- Renovation of 8 to 12 properties, increasing EPC ratings in at least 2 levels (30-50% energy reduction)
- Total project cost (renovation) GBP 150m
- EIB investment 25m, under EFSI

Barrier: Split incentives  Solution: Aggregation
EIB’s technical and financial support for project development
What is the Advisory Hub (EIAH)?

A joint initiative

A single access point to a comprehensive offer of advisory and technical assistance services

An instrument to assess and address needs for advisory support

A cooperation platform to leverage and exchange expertise (National Points of Information, Managing Authorities for structural funds)

A tool to strengthen Europe’s investment environment and improve the quality of investment projects
Advisory Hub support available for (e.g.):

- Upstream project identification
  - Providing guidance in technical feasibility and bankability of future investments, business plans etc.

- Project preparation
  - Support to promoter on structuring and preparing bankable projects and designing investment platforms for aggregating projects

- Project implementation
  - Support Project Implementation Units through consultants etc.
ELENA in short

European Local Energy Assistance

- EC-EIB cooperation to support public authorities and private entities to reach 20-20-20 targets

- Technical Assistance facility: managed by EIB; funded by EU budget (H2020 Programme)

- Project development support for energy efficiency; building integrated renewables; clean urban transport

- Market replication focus (min. investment EUR 30 m)

- Investment leverage required (ratio 20 for sustainable energy; 10 for clean urban transport; claw back possibility)

- 90% funding rate (grant)

- Budget allocation: still available; average EUR 15m per year

- First come, first served rule
European Local Energy Assistance - ELENA

**ELENA Technical Assistance**

Support for Local, regional or national entities for:

- **Additional personnel**
- **Technical studies**
- **Preparation of calls for tender**
- **Financial structuring**

**INVESTMENT PROGRAMME EE and RE**

- in public and private buildings;
- public lighting and traffic light network;
- photovoltaics,
- heating/cooling systems;

**Efficient urban transport**

- clean and energy-efficient road transport vehicles,
- trams, trolleybuses, metros, and trains;
- investments to improve public transport;

**Local energy facilities** that support EE/RE

- smart grids;
- infrastructure for recharging electrically powered vehicles;
- information and communications technologies.
ELENA Project Example

European Commission

ELENA funds

European Investment Bank

ELENA funds

ELENA funded assistance

Municipality Project Implementation Unit

External expert Consultants

Project Development Support

Project

Project

Project

EE and PV in public buildings, EE in public lighting
Case study: Picardie Pass Renovation
EFSI plus ELENA

- Beneficiary: Regional Public Service Company for Energy Efficiency in Picardie, France
- Objective: energy efficiency renovations of private houses (as of December 2016, 290 ongoing building sites provide work to more than 400 local craftsmen and companies, at a cost of EUR 26.3m)
- Estimated investment programme cost: EUR 52m
- ELENA grant budget: EUR 1.8m
- EIB loan: EUR 23.5m

ELENA support requested:
- Development of a public service company for EE implementing an investment programme with private home owners
- External assistance to support each homeowner in the works implementation phase
- Cooperation with partners in view of promoting the service, identifying potential homeowners and preparing contracts
Supporting Energy Efficiency investments with Guarantee Instruments:
‘Smart Finance for Smart Buildings’ initiative
SFSB
SFSB initiative: background information

- Launched on Nov. 30th, 2016 by the European Commission;
- Developed in cooperation with EIB Group (EIB/EIF);
- Part of the “Clean Energy for all Europeans” package”;
- Aims to unlock EUR 10bn of public and private funds by 2020 for energy efficiency (“EE”) in buildings for households and housing associations;
- Consists mainly in an unfunded credit risk protection fronted by EIB Group (European Investment Fund);
- Relies heavily on MS Contribution to the First Loss Piece (most likely ESIF – ERDF);
- Contains reasonable eligibility criteria to ensure consistency with policy objectives
- May be combined with an EIB Global Loan
Preferred set up of SFSB financial instrument
Finding the right sweet spot for SFSB initiative

Increase volumes of existing Energy Efficiency lending product(s)

Fill the gap between the consumer loan and the mortgage loan markets

Improve access to debt financing for homeowners associations when legal frameworks allow it

Improve access to debt financing for low-income households

Avoid overlap with existing regional/national schemes benefiting from sufficient resources and addressing similar needs

Existing scheme(s) at national/regional level

Adequate product positioning to fill existing market gap

Technical assistance foreseen to support product design and demand
Current status of the SFSB initiative

Nov. ’16, Launch of SFSB initiative

Feb. ’17
Creation of EE Working Group

March – May ’17
EEWG meetings to refine scope

June ’17
Start of the Market Sounding Exercise to assess appetite of stakeholders for the instrument (IMAs and FIs)

Sept. ’17
Review of the results of the Market Sounding Exercise

Q4 ’17 / Q1 ’18
Advanced product structuring work
Discussions with Managing Authorities showing interest
Summary

- Energy efficiency investments are a priority for EIB
- Technical Assistance is still available to develop large scale EE programmes (e.g. 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 and SFSB)
- 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 for your attention

Further information

EIB www.eib.org

Advisory Hub www.eib.org/eiah

ELENA facility www.eib.org/elena
What is fi – compass?

- fi-compass unique platform for advisory services:
  - financial instruments under the European Structural and Investment funds (ESIF) and
  - microfinance under the Programme for Employment and Social Innovation (EaSI)

- fi-compass is designed to support
  - ESIF managing authorities, 
  - EaSI microfinance providers and other interested parties

- fi-compass provides
  - practical know-how
  - learning tools on financial instruments
  - “how-to” manuals, factsheets for quick reference, e-learning modules, face-to-face training seminars and networking events

- fi-compass is provided by the European Commission in partnership with the European Investment Bank

- https://www.fi-compass.eu/
Ministries of Finance and of Environment
contribution of circa **EUR 175m** from Operational Programme « Promotion of Cohesion 2007-2013 » and
collection of **EUR 150m** from 2014-2020 ESIF Operational Programme

**PROJECTS:**
Eligible energy efficiency projects in multi-apartment buildings

**BORROWERS:**
Individual owners of apartments in multi-apartment buildings / administrators of commonly used premises of multi-apartment buildings / municipal administrators

Contingent loans

2007-2013 JESSICA Holding Fund

2007-2013 and 2014-2020

Swedbank EUR 20m

SEB EUR 50m

viPA

2014-2020 Jessica II Fund of Funds

Repayments

Long term subsidised renovation loans

Repayments

**Investment Boards**

Oversee activity of funds

**Housing and Energy Saving Agency (BETA)**

Grant & Technical assistance

**ESIF – EFSI project: Lithuanian case study**
Example of Investment Loan

Energy Efficiency Private Housing (France)

Solution:

• Refurbishment of residential buildings to reduce energy consumption by up to 75%
• One-stop shop, technical assistance, implementation and monitoring. Financial assistance provided directly by the promoters (tiers-financement) or through financial intermediaries
• Total project cost of EUR 800m. Average investment of EUR 20,000
Preferred set up of SFSB financial instrument

Eligible Debt Financing (consumer loans, mortgages loans, guarantees)

Risk retained by
Financial Intermediary

Part guaranteed by
the EIF

Guarantee
Guarantor
Counter-guarantee

*NPBs: National Promotional Banks
MA: Managing Authority
MS: Member State

Senior Risk Cover
EIB Group
(and potentially a NPB)

Second Loss Piece
EFSI IIW

First Loss Piece
MS Contribution

Guarantee scheme

Technical Assistance component (FIs etc.)

Grant Component (depending on the MA)