



Smart Finance for Smart Buildings: an investment instrument for energy efficiency

Tom Howes, European Commission, DG Energy,
Acting Head of Economic analysis and financial
instruments unit



Energy Efficiency

- ❖ Current annual EU investment in energy efficiency exceeds €100 billion
 - ❖ EU 2030 energy efficiency objectives expected to boost a building renovation market, with a value of €80-€120 billion in 2030
 - ❖ Annual investment need in energy 2020-2030 exceeds €150bn
 - ❖ Strong EU legislative role; improving regulatory environment, but financial stimulus also needed, particularly for household investment
- **Smart Finance for Smart Building initiative (SFSB) launched in December 2016**

EU Energy Efficiency Financing Schemes - examples

Private Finance for Energy Efficiency (PF4EE): a risk-sharing facility

- EU EUR 80 million; total investments of EUR 54 million 2014-2017.
- **Average leverage effect 10x.**

The European Local Energy Assistance (ELENA): technical assistance

- Already awarded EUR 110 million. Triggered an estimated investments of around EUR 4.4 billion.

European Energy Efficiency Fund

- EC, CdP, EIB, DB investors EUR 264 million; public sector energy efficiency investment

Lessons learnt: FI tended to underestimate the specificities of the EE markets: needs customized approach for each FI

- **Even with money available on the market and a technical support - it is still difficult to build pipeline.**

Smart financing for smart buildings initiative

More effective use of public funds

Deploying Financial Instruments and innovative business models to attract private finance



Assistance and aggregation

Supporting the project pipeline at EU and local level



De-risking

Understanding the risks and benefits for financiers and investors



The model

EIB Debt Financing

=>

- Increase financial intermediaries' lending capacity to EE projects.
- **EFSI** will allow the expansion of EIB's financing volumes
- **EFSI** will allow EIB to reach a wider set of potential FI (higher risk profile)

+

Risk Sharing Facility

=>

- attractive financing conditions to beneficiaries (lower interest rate, longer terms, reduced collateral).
- First-loss pieces could come from ESIF (absorb a higher level of risk and provide more favourable conditions in its deployment.)
- EFSI may be used to reinforce this mechanism

+

Technical Assistance

=>

- To help FI structure and deploy bankable products.
- The **EIAH** and **ESIF** will be the main sources for deploying this facility.
- Should be tailored to the specificities of the supported EE projects

➤ **Sharing different tranches of risk, (Senior, FLP/SLP, EIB/EIF pricing)**

Market Testing Exercise – energy efficiency investment support services in residential buildings

Demand

- Nb of households
- Type of buildings
- Energy performance of existing building stock
- Climatic conditions
- Average cost of energy

Supply

- Energy saving opportunities
- Building best practices
- Available technologies and EE solutions

Financials

- Expected reduction in energy bills
- Expected increase in property value
- Payback period
- Investment amount

Getting Member States on Board

Flexibility



- implementation will be flexible ,to accommodate MS specificities and address the different needs of MS.

State Aid Rules & CPR



- The investment platforms will clarify state aid issues and compliance with Common Provisions Reg'n, as these are important issues affecting MS decisions

EIB Added Value



- The long experience of the EIB group in managing financial instruments
- The EIB continues to build on-going expertise in Energy Efficiency Investment

What's next ?

- **SFSB pilot projects to test the product in several Member States and calibrate it to the market's specificities**
- **Roll out in 2018**