

Model 10

Energy Fund Den Haag - ED

The Hague territory - Netherlands

OWNERSHIP	PUBLIC
Program authority	Municipality of The Hague
Program Delivery unit	Energiefonds Den Haag (ED) C.V.
Implementation Model	N/A
Operating Services	Marketer Assessor Financier
Projects Financed	Renewable Energy Urban Development
Ambition/targets	Create a multiplier effect in investments in renewable energy in the territory of The Hague by the provision of 4M € revolving finance to urban development projects by 31 December 2015 and by attracting complementary private financing.
Beneficiaries	Project developers, housing corporations, businesses, foundations and NGO's and public entities e.g. municipalities, local authorities
Funding Vehicle	Investment Fund Financial Institutions Private investors Project owners
Financial Instruments	Loans Equity Guarantees

Summary

"Energiefonds Den Haag (ED) C.V". is a revolving fund under the form of a limited partnership under Dutch law (*C.V. or Commanditaire Vennootschap*) incorporated by the Municipality of The Hague in 2013 and aims at providing revolving finance to urban development projects concerning renewable energy and energy efficiency.

ED has been created in the light of the European Commission's wish to have an alternative use of the available ERDF (European Regional Development Fund) funds which were mainly used as a grant instrument by the regions. An alternative use is for example the European Commission's policy initiative JESSICA (Joint European Support for Sustainable Investment in City Areas), designed to help Member States in using financial engineering mechanisms to support investment in sustainable urban development in the programming period 2007-2013. JESSICA's mechanism enables public

funds to be invested in a repayable way, thus to be recovered and become available for further reinvestment in other urban development projects.

The municipality of The Hague wanted to have a leadership role in the development of this kind of financial instruments and decided to create a Holding Fund '*Holdingfonds Economische Investerings Den Haag*' (HEID) to support integrated sustainable urban development within the framework of JESSICA. Based on a study in 2011 by the The Hague steering group of framework "Opportunities for West" (the programme framework being the beneficiary of ERDF funds) indicating that there was space and need for a fund for energy efficiency investments and a fund for spatial economic development, and in close cooperation with "Opportunities for West" and under guidance of the EIB, it started in 2012 a pilot for implementation of the JESSICA financial instrument. It created two JESSICA Urban Development Funds: JESSICA '*Energiefonds Den Haag*' (ED) focused on renewable energy and JESSICA '*Fonds Ruimte en Economie Den Haag*' (FRED) focused on the development of small scale business premises and retail, both under the umbrella of the Holding Fund HEID. The three funds went operational on October 1st 2013.

The municipality aims at creating a multiplier effect in investments, through the revolving character of the funds, but also by attracting complementary financing at both the funds and projects level.

Energy Fund ED deploys financial instruments such as provision of equity, (subordinated) loans and guarantees at sub-commercial terms (below market conditions due to market failure) to private or public investors that carry out sustainable urban development projects. Its beneficiaries are, for example, urban development projects aiming at the enlargement of the district-heating network, geothermic drillings, and comprehensive energy supply for clusters of buildings and sustainable power stations feeding the district heating- and cooling network.

ED has received 4M € funding from the Holding Fund and has the obligation to pay out all funds to urban development projects by 31 December 2015.

An evaluation of the pilot project published in April 2015 based on results through the end of December 2014 revealed that, though no assurance could be given, the Energy Fund was on its way to achieve its loan granting target by the end of 2015. Though only one project of 72K € had materialised, there were 4 other projects for a total loan amount of 3,8M € that were in the process of being granted. In July 2015 it was announced that a second project, Green Well Westland, of 2M € had been granted a loan of 0,6M € and that the Holding Fund HEID had requested additional funding from its funding partners in order to assure the availability of necessary additional funding in the ED and FRED funds as a result of their success.

How does it work?

Initially the Municipality has created one Holding Fund and two Urban Development Funds:

- Holding Fund '*Holdingfonds Economische Investerings Den Haag*' (HEID)
 - JESSICA Urban Development Fund '*Energiefonds Den Haag*' (ED)
 - JESSICA Urban Development Fund '*Fonds Ruimte en Economie Den Haag*' (FRED)

- The Holding Fund HEID forms a separate legal entity (Limited Partnership) and is governed by the Municipality of The Hague. It got initial funding of 8,9M € from the following sources:
 - ERDF funding through Regional Operational Programme West Netherlands 'Opportunities for West' for an amount of 3,7M€
 - Municipality of The Hague's Urban Development budget for an amount of 2,9M€
 - Municipality of The Hague's Cofinancing Fund for an amount of 2,0M€
 - National earmarked Cofinancing through 'Opportunities for West' for an amount of 0,3M€.

The Holding Fund defines the investment strategy and functions as an intermediary vehicle for the transfer of the funds to the Urban Development Funds and acts as controller and co-ordinator on behalf of Programme Authority The Hague. It controls the fund manager of the underlying funds, reports on the progress of the implementation of the investment strategy and performs risk and treasury management activities.

HEID has an Independent Investment Committee who is responsible for the strategic and performance review and who overviews the implementation of the investment strategy.

- The Urban Development Fund ED, which is an underlying fund of HEID, forms also a separate legal entity (Limited Partnership) and is being governed by an external Fund Manager (*Stimuleringsfonds Volkshuisvesting Nedeland - SVn*) who has been appointed by HEID based on a public tendering process. ED aims at providing revolving finance to urban development projects related to renewable energy and energy efficiency within the territory of The Hague. The investment aid is being provided in the form of equity, (subordinated) loans and guarantees. ED got initial funding of 4,0M€ through HEID from the following sources:
 - ERDF funding for an amount of 1,7M€
 - Municipality of The Hague's Urban Development budget for an amount of 1,0M€
 - Municipality of The Hague's Cofinancing Fund for an amount of 1,0M€
 - National earmarked Cofinancing through 'Opportunities for West' for an amount of 0,3M€.

ED's Investment Committee supervises the performance and functioning of ED and advises and decides on the investment strategy.

ED has also an Advisory Committee, representing private and public investors. It advises the Fund Manager SVn on the allocation of funds to UDPs, so its prime task is to independently review the proposed investments.

ED is open to private funding i.e. investors following purely profit-oriented goals with market logic in the form of investment at risk. Private investors are invited by a transparent public procedure in order to address and attract as many investors as possible. Both private and public investment in ED are being made at the same conditions

ED strives to reach minimum 50% private co-investment at risk. To this end, it is SVn's responsibility to attract sufficient strictly private investment at project level.

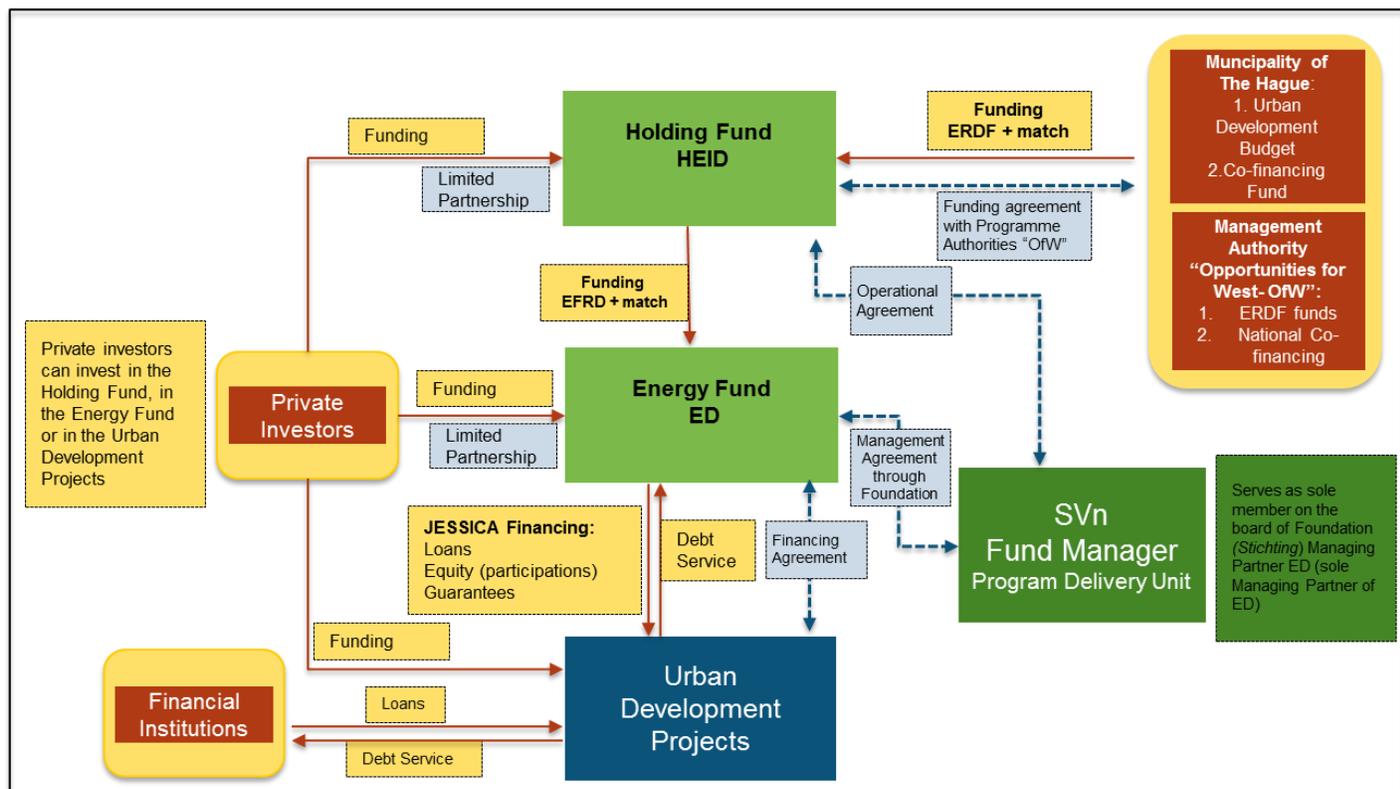
- Fund Manager (*Stichting Stimuleringsfonds Volkshuisvesting Nedelandse gemeenten - SVn*) make their investment decisions within the agreed investment strategy. They carry out the due diligence and financial appraisal in the project structuring phase, price the loan, establish the guarantee conditions, negotiate equity profit-sharing arrangements with other equity holders, and monitor project performance until the exit. SVn is also responsible for all monitoring and reporting requirements of ED.
- Urban Development Projects or Beneficiaries requesting aid from ED have to fit within the eligibility criteria set forth in the programme frameworks “Opportunities for West” and “Opportunities for The Hague” and need to contribute to the achievement of the investment strategy objectives. Projects will furthermore be appraised on the basis of other criteria like:
 - having an economically and technically sound business model and have a minimum prospect of financial viability
 - presenting a realistic business plan, soundness in terms of business model and financial sustainability
 - demonstrating a financial viability gap to justify the need for sub-commercial investments by ED
 - the existence of positive cash flow to prove the ability to be able to at least reimburse the investments increased by the inflation or interest rate

Prior to applying for sub-commercial conditions, beneficiaries need to demonstrate that reasonable efforts were taken to secure the maximum level of private finance under market conditions.

Possible beneficiaries of ED are project developers, housing corporations, entrepreneurs, foundations and non-governmental organisations (NGO's). Public entities such as municipalities may also be the beneficiaries of investment in urban development projects.

- SVn and the candidate beneficiaries follow a fixed credit application process with standard documents for credit application and credit agreements including 5 phases:
 - Phase 1: Negotiation phase
 - Phase 2: Credit analysis, preparation and submit advice request to Advisory Committee
 - Phase 3: Issue offer and offer accepted by beneficiary
 - Phase 4: Credit application refused or withdrawn
 - Phase 5: Credit application approved
- Amounts reimbursed by the beneficiaries will be used by ED to fund other urban projects.

Fig 1. Operational and funding model of Energiefonds Den Haag – ED



The program delivery unit

SVn, in its capacity as Fund Manager of ED, is the programme delivery unit of the Municipality of The Hague’s energy fund programme. It acts as marketer, assessor and financier. It operates in accordance with the business plan which includes the fund’s investment strategy as well as an indicative list of eligible projects. The Fund Manager has been appointed for a period of 10 years.

SVn is a professional fund management organisation of about 100 people, including supporting services and external associates. It specialises in fund management for the public sector.

Its main responsibilities and tasks include:

- Serve as managing partner of the Limited Partnership ED (as the sole member of the board of the Foundation Managing Partner ED/FRED).
- Unlimited responsibility for all obligations of the Limited Partnership
- The daily management and the financial management of ED.
- To consider the pipeline of possible investment projects and initiatives identified by the cities and other public and private sector stakeholders
- To take investment decisions regarding projects of final beneficiaries;
- To develop or increase awareness of the Energy Fund with a view of identifying potential investment proposals.
- To attract sufficient private investment at project level to match the initial public investment in order to leverage substantial additional private sector funding

- To encourage private investor contributions to the Energy Fund’s capital to ensure that the initial investment in the Energy Fund is leveraged.
- To provide regular feedback on the management and the performance of the fund and the individual projects.
- To handle all required administrative formalities of the project application process up to the drafting and signing of the credit or investment agreement with the final beneficiary.
- To provide advice on the investment strategy to the municipality of The Hague and to the Programme and Management Authorities of ‘Opportunities for West’.

SVn’s fund management fees are capped at 2,9% per annum of the capital contributed to ED.

Legal structure	<i>Commanditaire Vennootschap</i> (Limited Partnership)
Shareholder description	N/A
Equity	N/A
Shareholders	N/A
Program dedicated staff	Low
Program operational costs	Low

Organization and partnerships

Municipality of The Hague : program owner and political initiator, 50% funding partner of ED through Holding Fund

ERDF (European Regional Development Fund): aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. ERDF funding in ED through Holding Fund HEID of funds made available to Management Authority “Opportunities for West”.

JESSICA (Joint European Support for Sustainable Investment in City Areas): Uses the European Union Structural Funds’ resources and national match-funding to support urban development projects that have a potential to contribute to sustainable urban development, but have an Internal Rate of Return (IRR) that is not sufficient to attract financing on a purely commercial basis. The support takes the form of repayable financing at sub-commercial terms.

Management Authority “Opportunities for West” (City of Rotterdam): Receives funds from ERDF for the provinces Zuid-Holland, Noord-Holland, Utrecht and Flevoland. Provides information on the programme, selects projects and monitors implementation. Has sub delegated the execution of the programme for the The Hague region to the Programme Authority The Hague.

Programme Authority The Hague: Is responsible for the implementation of the ERDF programme in the The Hague region. Is also responsible for the implementation of the JESSICA financial instrument and has final responsibility for Holding Fund HEID and the underlying Urban Development Funds.

SVn (Stichting Stimuleringsfonds Volkshuisvesting Nedelandse gemeenten): Fund Manager of Energy Fund ED and acts as the programme delivery unit. Offers the program delivery unit services: marketer, assessor and financier.

Energy Fund “Energiefonds Den Haag” - ED: Is the JESSICA Urban Development Fund underlying the Holding Fund HEID. Provides revolving finance to urban development projects related to renewable energy and energy efficiency within the territory of The Hague.

Holding Fund “Holdingfonds Economische Investerings Den Haag” - HEID: Holding Fund above ED and other Urban development Funds. Acts as pass through of funds received from funding partners to individual urban development funds, defines the investment strategy and acts as controller and co-ordinator on behalf of Programme Authority The Hague.

Stichting Holdingfonds Economische Investerings Den Haag: Foundation incorporated and managed by the Municipality of The Hague. Legal entity responsible for the requesting of funds from e.g. ERDF and Cofinancing Fund to be put in the Holding Fund.

Stichting Managing partner ED/FRED: Foundation established and managed by the Fund Manager. The foundation act as the sole managing partner of ED and is responsible for its management.

Beneficiaries

Beneficiaries	Project developers, housing corporations, businesses, foundations and NGO's and public entities e.g. municipalities, local authorities
Type of projects	Renewable Energy Urban Development
Operational support	No operational support
Financial support	Financing of the projects

Funding mechanism

Program delivery unit funding	SVn has been appointed as Fund Manager and receives a fund management fee capped at 2,9% of contribution capital of the fund
Projects Funding	Projects are being funded by the beneficiaries own funds or by their financial institutions, by private investors and by ED.
Funding Vehicle	Investment Fund Financial Institutions Private investors Project owners
Fund size	4M €
Fund type	Revolving fund
Fund sources	Municipality of The Hague, EFRD, Programme Authority “Opportunities for West”
Financial Instruments	Loans Equity (Participations)

Results

SVn shows the following results as of 1 December 2014:

One project for an amount of 72K € has been approved and paid out to the “The Hague Football Club Laakkwartier”. This project relates to the installation of solar panels on the roof of their club house.

Two projects for a total amount of 2,0M € were in credit analysis and approval process.

Two projects for a total amount of 1,8M € were in the negotiation phase. One additional project for which no details were available was also in negotiation phase.

Based on the most recent forecast as of 31/03/2015 the Fund manager was expecting 8 projects to be financed needing a funding volume of 7,7M €.

In July 2015 a second project for an amount of 600K € has been approved and paid out to Green Well Westland. This project relates to necessary bypass drilling works related to the beneficiary's geothermal project.

Project details are shown hereafter:

Date	Total investment	Private investment	Requested ED investment	Phase	Beneficiary
27/11/2013	1.100.000	0	500.000	1	FC Laakkwartier
20/12/2013	1.052.700	500.000	500.000	2	
06/02/2014	885.000	0	72.000	5	
15/05/2014	23.162.000	1.500.000	1.500.000	2	
30/05/2014	4.000.000	0	1.300.000	1	
	30.199.700	2.000.000	3.872.000		
?????	2.000.000		600.000	5	Green Well Westland

Contact details

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Factsheet

General Info

Country	Netherlands
Model Name	Energy Fund Den Haag -ED
Date of creation	2013

Model Description

Ownership	Public, open to private
Program authority	Municipality of The Hague
Program delivery unit	SVn (<i>Stichting Stimuleringsfonds Volkshuisvesting Nederlandse gemeenten</i>)
Operating services	Marketer Assessor Financier
Implementation model	N/A
Types of projects financed	Renewable Energy Urban Development
Beneficiaries	Project developers, housing corporations, businesses, foundations and NGO's and public entities e.g. municipalities, local authorities
Geographical coverage	Local (0,5M inhabitants - municipality)

Financial Mode Description

Project funding	Public, Private
Project funding vehicle	Investment Fund Financial Institutions Private investors Project owners Property owners Financial institutions
Financial instruments	Loans Equity Guarantees
Repayment model	

Project risk Profile

Performance risk	N/A
Recourse	Unknown
Financial risk	Investment Fund

	Project Owners Private investors Financial institutions
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Model Requirements

Staff Requirements	Low Less than 5 FTE
Equity or funding Requirements	Moderate Less than 5M €

Model Key indicators

Investment volume since creation	+/- 4M €
Size of project (or project portfolio)	0,8M € to +23M€
Level of average energy savings	Unknown

Development maturity

Development/implementation stage	Growth
Operational development maturity	Growth
Financial development maturity	Growth

Model Qualification

Level of establishment	Few examples
Growth of potential	Large
Scalability of the model	High
Replicability of the model	High
Impact on public balance sheet	Moderate

Sources

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