



The Catalyst Role of Local Authorities to Accelerate Energy Efficiency Investments

National Conference France
27 September 2016



Climate Alliance

Elise Steyaert

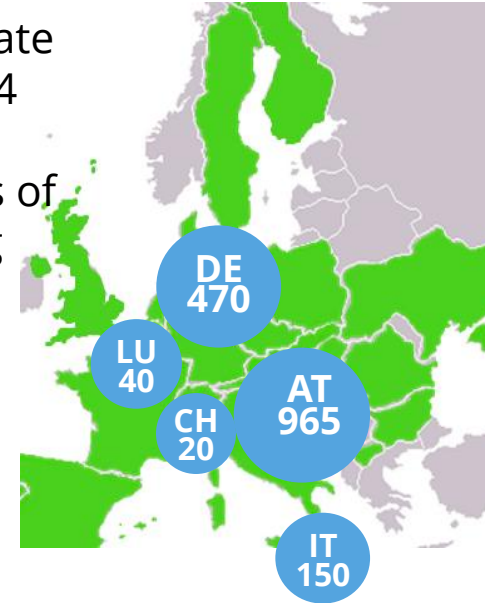
CITYinvest Coordinator



Climate Alliance



- ✓ Largest City Network dedicated to Climate and Energy action: 1,700 members in 24 countries
- ✓ Supporting the voluntary commitments of reducing 10% every 5 years and halving per capita emissions by 2030
- ✓ Working Group on Financing
- ✓ Coordinators Sustainable Energy Investment Forums
- ✓ Horizon2020 project February 2015 – January 2018
- ✓ Innovative financing for EE





Content of Presentation

1. Ultimate objectives and rationale behind our work
2. Innovative financing models
3. Holistic solutions framework: what CITYinvest has to offer
4. Next steps
5. Question and answers

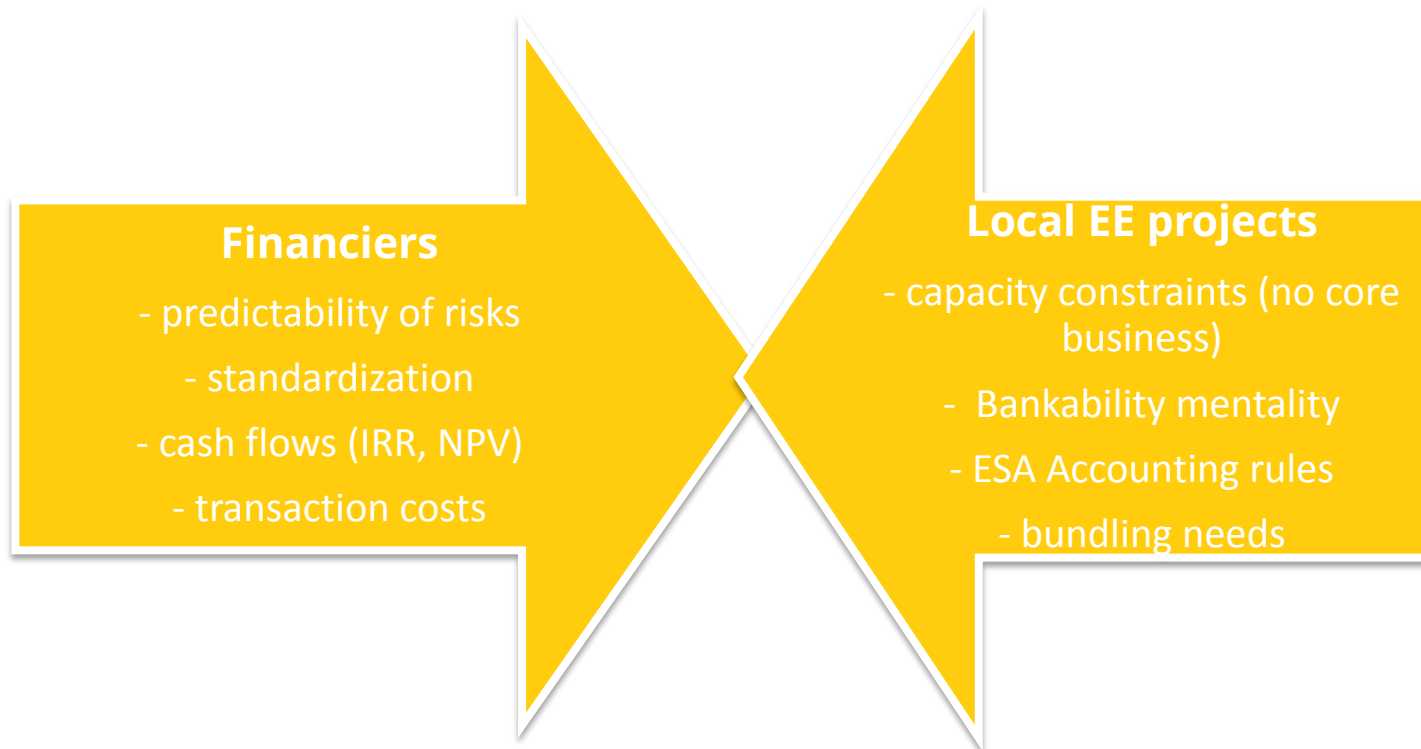


Current reality

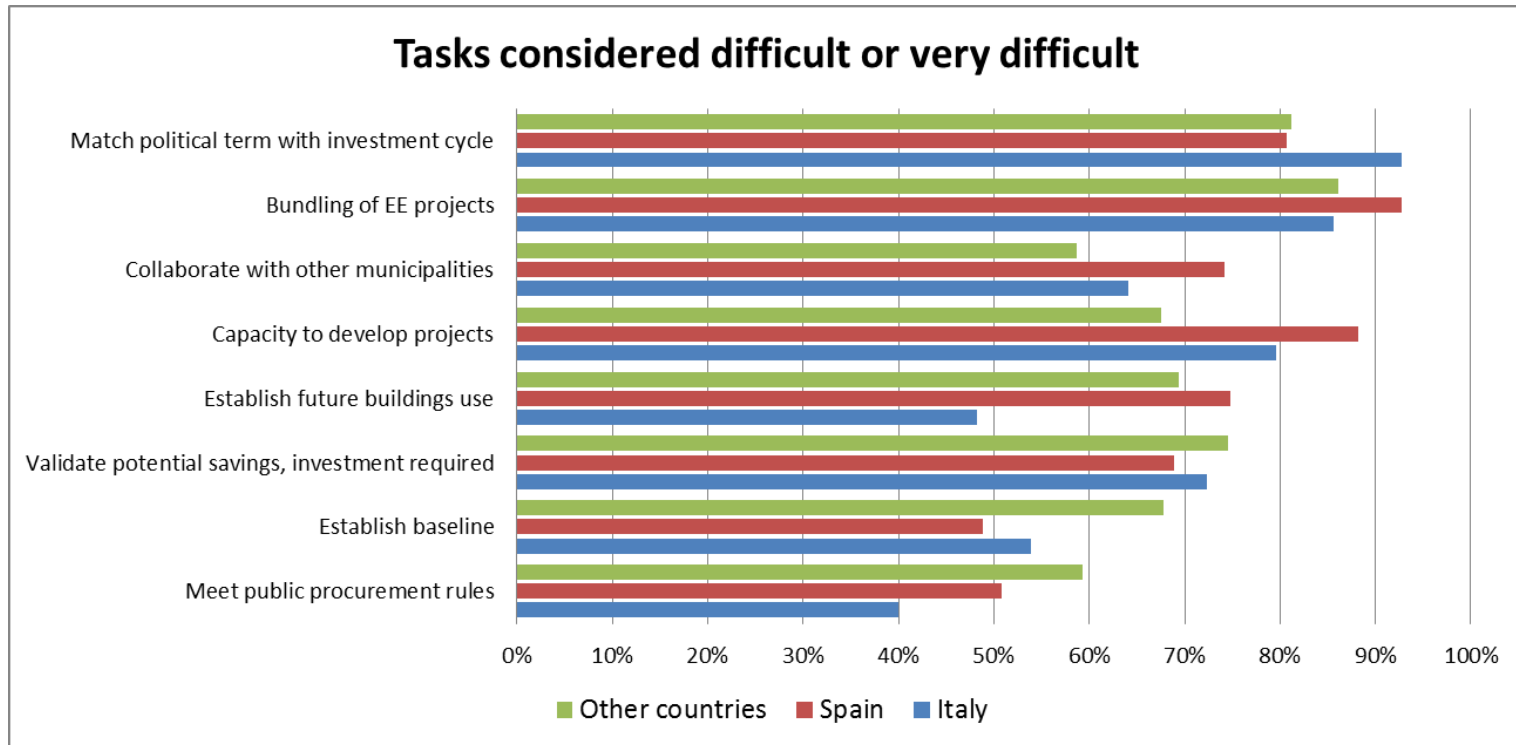
- Multiple benefits of EE for Europe:
 - Decrease energy import (€400 bn annually) dependency and increase security of supply
 - Most cost-effective way of getting the EU on a path towards limited global temperature rise, pursuing efforts for 1,5°C and a decarbonised economy
 - European anchored economic competitiveness boost and local job creation (industries and energy services)
 - Wider societal benefits such as energy poverty
- Buildings represent 40% of final energy consumption
- ¾ of EU building stock built without energy performance codes
- 75-90% will be still in use by 2050
- Substantial investment gap of more than 50% even for 2020 targets (for 2°C scenario by 2035: 1,300 bn USD)
- 2016 is a crucial year for Energy Efficiency (Energy Union Governance EED/EPBD revision, SFSB, SEI Forums)

Our Ultimate Objectives is...

... To empower local and regional authorities to replicate succesful business models to accelerate EE investments by closing this gap:

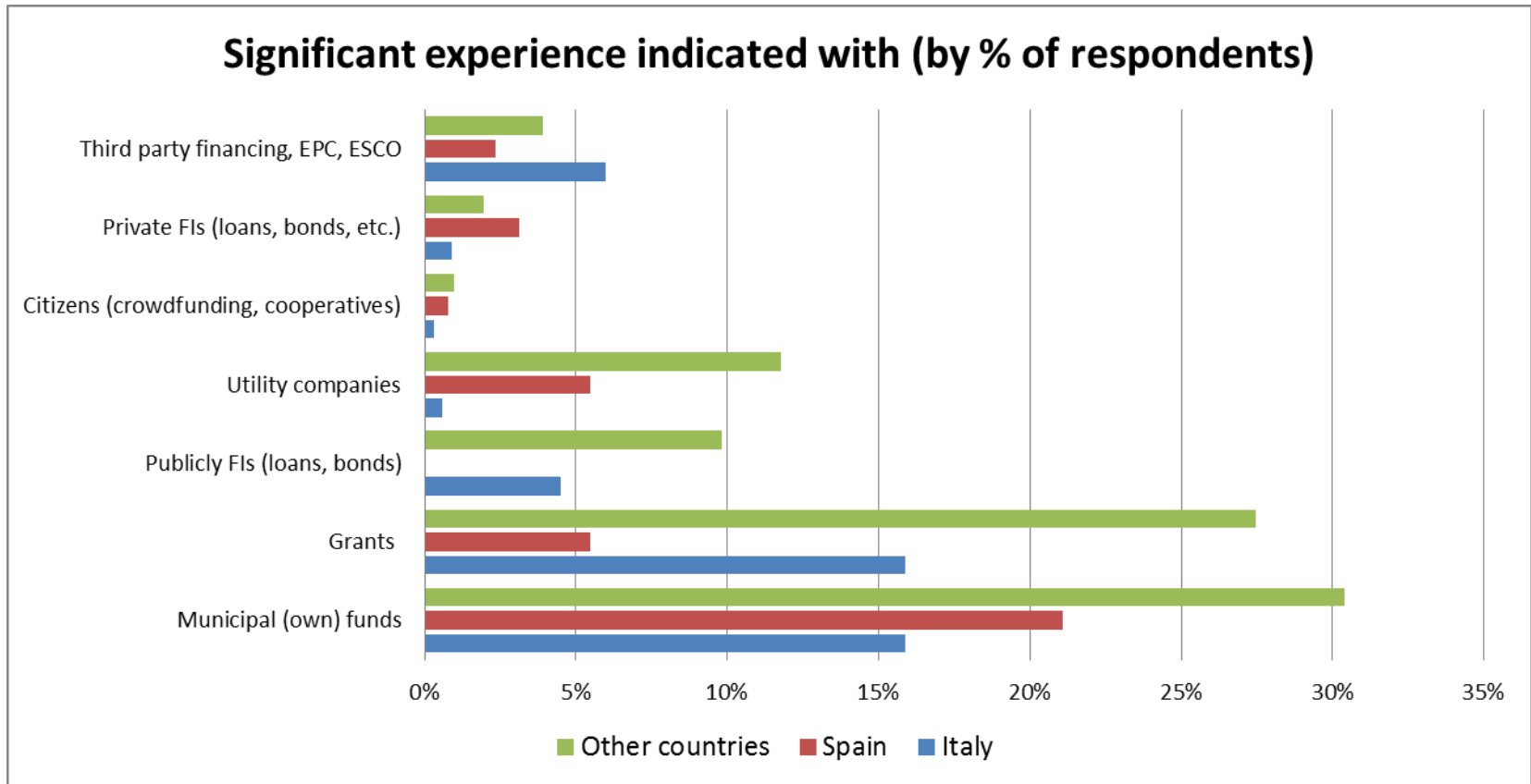


Local authorities' barriers to financing

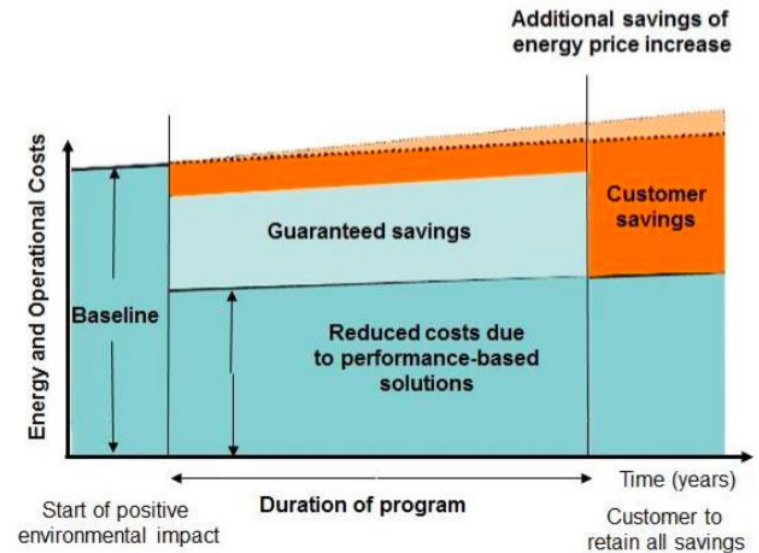
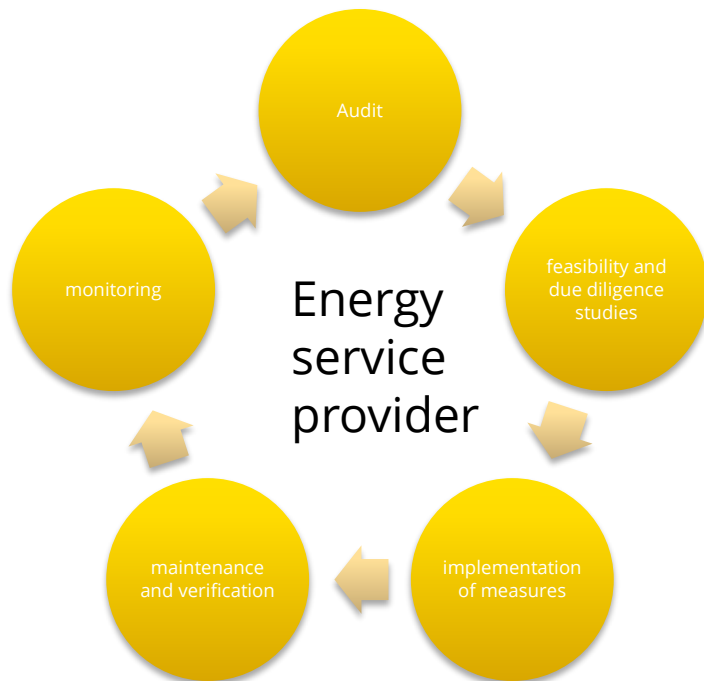


Top three: Matching timing (political/investment cycle), Bundling questions/collaboration with other municipalities and internal capacities

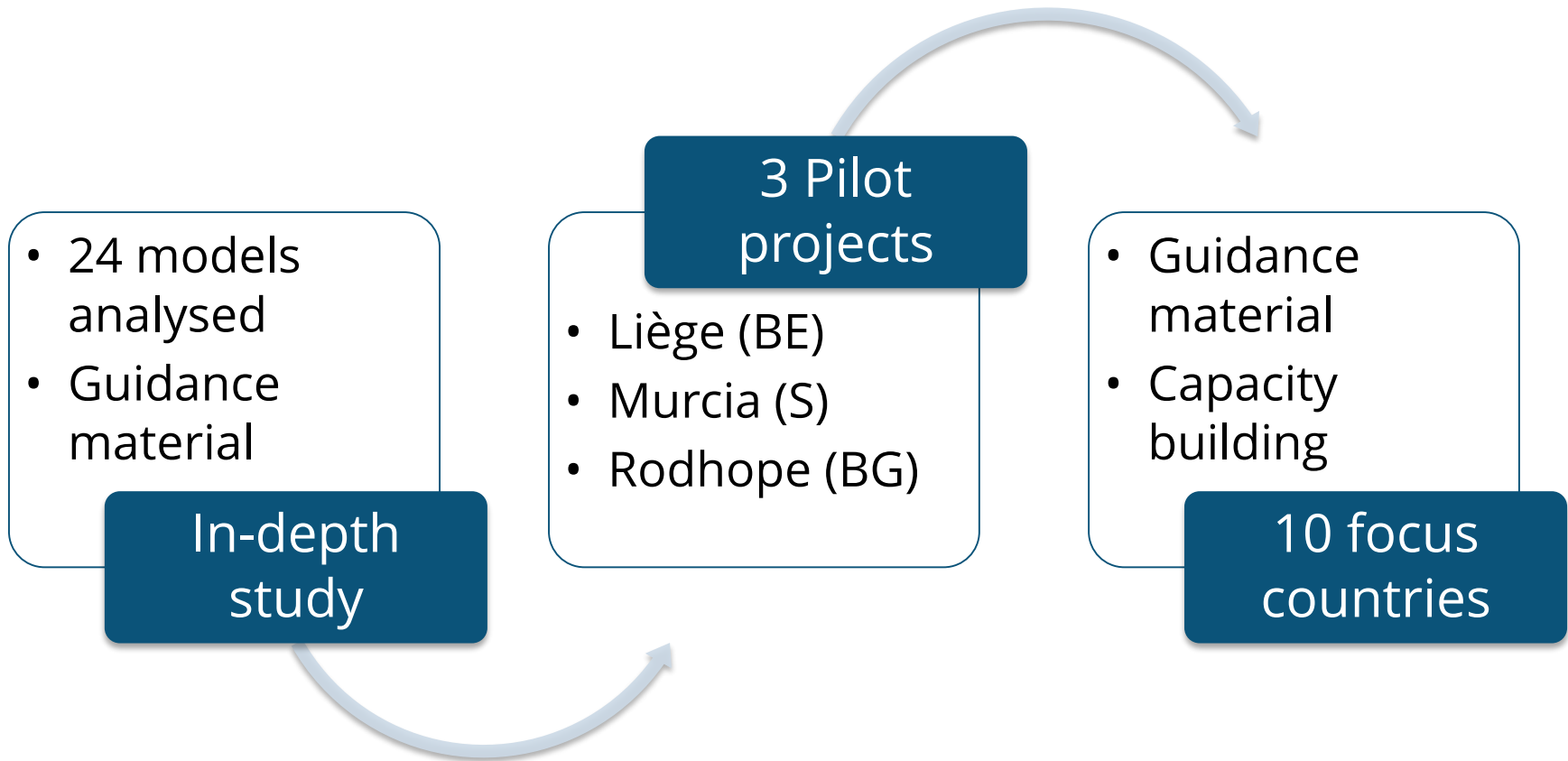
Experience of Local Authorities in innovative financing



Innovative Financing Models



Holistic solutions framework: what CITYinvest has to offer





In-depth study: What have we done?

- ❑ Analysed **24 existing models** addressing large scale and deep energy efficiency retrofit programs (including RES) involving public authorities across Europe (11 countries)
 - Ambition, implementation technology, services to beneficiaries, financing schemes

- ❑ Provided **benchmark/comparison** along such themes as:
 - Operational schemes: Facilitation/Integration /Aggregation
 - Implementation model: Separate Contractor Based (SCB) and EPC/ESC
 - Financial schemes and related attractiveness and risks

- ❑ Provided **guidance material** to support local authorities in their search for financing of their EE and RES programs

Business models: Common practices

Program Authority

- Public entity or organization in charge of the program or that controls the program.
- Define the program including the targeted beneficiaries, the level of ambition, the implementation/operational models and the funding vehicle that is being put in place (political commitment).
- Set-up and fund the Program Delivery Unit (PDU).

Program Delivery Unit

- Public and/or private entity set-up to implement/execute the program.
- Often a separate legal entity, but can also be a department or project team within an existing organization.

Beneficiaries

- The PDU delivers services to the beneficiaries according to the chosen operational and implementation models. Services can include financing of the projects.
- Most of the times, a Contractual framework is concluded between the PA and/or the PDU and the beneficiaries to access the PDU portfolio of services.

Business models: What are the main characteristics?

2 Implementation Models

- Separate contracting based (SCB)
- Energy Performance Contracting/Energy Supply Contracting (EPC/ESC)

3 Operational Models

- Facilitation
- Integration
- Financing only

7 Operating Services

- Marketing
- Assessment
- Financial advice
- Facilitation
- Integration
- Aggregation
- Financing

5 Funding Vehicles

- Financial Institutions
- ESCO's
- Program Delivery Unit (PDU)
- Investment Funds
- Citizens

PDU Operational models: What are the differences?

FACILITATION (16/24)

- Beneficiaries are the tendering and contracting authorities.
- Contracts are signed between beneficiaries and ESCO/Contractors (deliver the retrofit works to the beneficiaries).
- PDU facilitates the projects by assisting the beneficiaries during the preparation, the tendering process and the follow-up of the projects.
- PDU shares no risks.

INTEGRATION (8/24)

- PDU is the tendering and contracting authority.
- Contracts are signed between PDU and the ESCO/Contractors. PDU delivers the retrofit works to the beneficiaries.
- PDU takes on the preparation, the tendering process and the follow-up of the projects. PDU delivers the retrofit works to the beneficiaries.
- PDU takes on the technical risks.

FINANCING ONLY (3/24)

- Beneficiaries are the tendering and contracting authorities.
- Contracts are signed between beneficiaries the ESCO/Contractors (deliver the retrofit works to the beneficiaries).
- PDU assesses the bankability of the projects and provides financing.
- PDU takes on the financial risks.

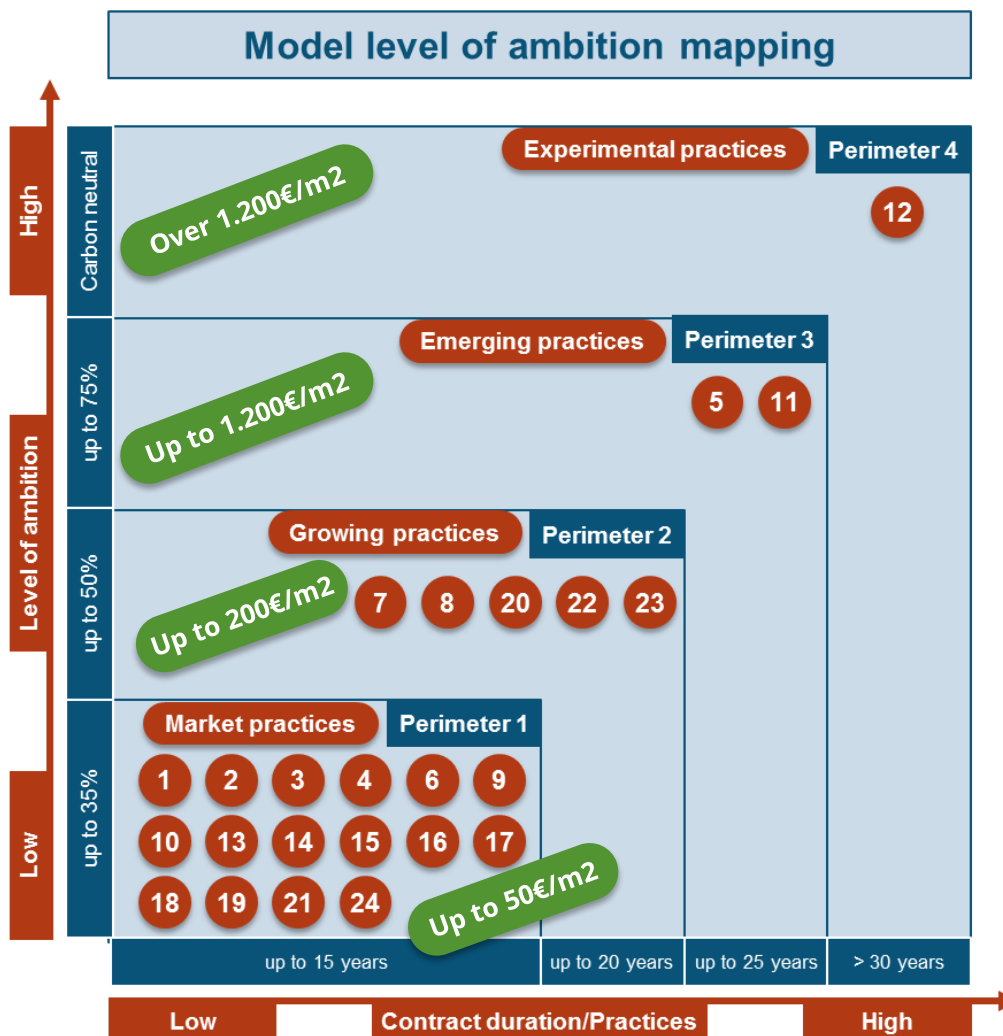
The main difference between the two models is the contractual relationship with the ESCO or contractors and the resulting impact on the risks and public balance sheet of the PDU.

Models positioning: Models involving facilitation are mainly financed via Financial Institutions or ESCOs while models using integration are mainly financed through the Program Delivery Unit (PDU) or an investment fund.

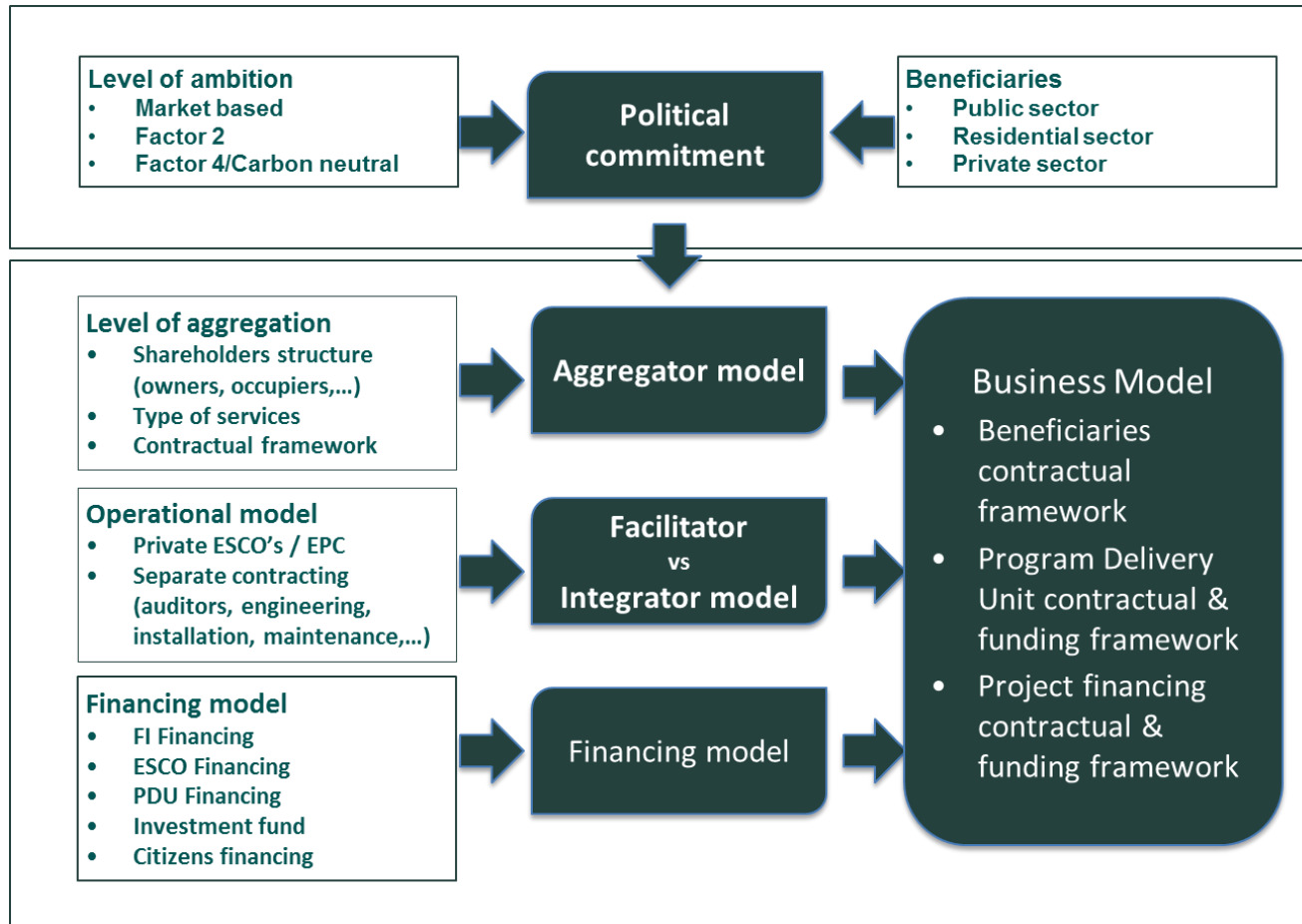
| | Facilitator | | Integrator | | Financing only |
|---------------------------------|---------------------------------|---|----------------|---|--------------------------------|
| | No aggregation | Aggregation | No aggregation | Aggregation | |
| Esco financing | REDIBA Eco'Energies EERFS | Berlin ESP RE:FIT VEB Rotterdam GB EE Milan PadovaFIT! | - | - | N/A |
| Financial institutions | REDIBA Eco'Energies EERFS | Berlin ESP RE:FIT VEB ENSAMB Energie POSIT IF | Warm Up North | - | N/A |
| Program Delivery Unit financing | OSER | Fedesco Ox Futures | OSER | Fedesco Energie POSIT'IF Eandis EDLB EscoLimburg 2020 SPEE Picardie | N/A |
| Investment Fund | EERFS SUNSHINE | - | - | EscoLimburg 2020 Cambridgeshire MLEI | Energy Fund Den Haag KredEx |
| Citizens financing | - | Ox Futures Brixton Energy Co-op | - | - | Climate Community Saerbeck |

Level of Ambition: The great majority of the models target Perimeter 1 or “standard market practice”, though factor 2 (50% savings) models gain in attention, factor 4 (75% savings) remain marginal.

| Models | | | |
|--------|--------------------------|----|----------------------------------|
| 1 | REDIBA | 2 | Berlin Energy Saving Partnership |
| 3 | RE:FIT | 4 | Vlaams Energiebedrijf |
| 5 | OSER | 6 | Fedesco |
| 7 | Eandis EDLB | 8 | ESCOLimburg 2020 |
| 9 | Eco'Energies | 10 | Energy Fund Den Haag |
| 11 | Energies POSIT'IF | 12 | Climate Community Saerbeck |
| 13 | Cambridgeshire MLEI | 14 | Ox Futures |
| 15 | Rotterdam Green Building | 16 | Energy Efficiency Milan |
| 17 | ENSAMB | 18 | Brixton Energy Co-op |
| 19 | EERFS | 20 | SUNSHINE |
| 21 | Warm Up North | 22 | SPEE Picardie |
| 23 | KredEx | 24 | PadovaFIT! |



Decision mapping



1. Read the CITYinvest Comparison report
2. Make use of the tools at your disposal on our website:
 - Recommendation-decision matrix.
 - Strategic action plan template
 - Evaluation toolkit.



Recommendations on European Level

❑ **Data evidence on performance of EE investments**

More clarity on financial benefits and risks

❑ **Standardisation efforts for EE investments**

Lowering transaction costs and risk perception

❑ **Increased Technical Assistance**

TA and PDA is key to support the launch phase of EE programs

❑ **Integrate LRA in Energy Union Governance**

Based on the CoM experience, national reporting and monitoring should integrate local and regional policy planning

❑ **EPC Accounting treatment**

Changing the definition of gross capital formation, which by default leads to increased public debt

❑ **Enforcement of EED legislation beyond 2020**

2030 timeframe necessary for key articles, such as the 1,5% savings obligation beyond 2020 and removing unnecessary exemptions.

❑ **Promote bundling of projects**

EIB and EU funding should support aggregation of smaller scale projects

❑ **Expand renovation requirement to all public buildings**

Currently, the EED art 5 requires a 3% renovation rate annually for central government buildings only. The local level can, with adequate support, foster a wider take-up



Next steps

Visit CITYinvest.eu to stay up-to-date

Many workshops in the pipeline (...)

3 approved action plans in the regions

Monitoring of successes and failures of investments

Building further synergies with initiatives (CoM) and market stakeholders

Channelling recommendations to EU



Questions?

Thank You

Elise Steyaert

Climate Alliance

e.steyaert@climatealliance.org



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 649730.

