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NATIONAL ROUNDTABLE

FINANCING ENERGY EFFICIENCY IN ROMANIA

11 OCTOBER 2018, BUCHAREST, ROMANIA

ATHENEE PALACE HILTON BUCHAREST

AGENDA AND BACKGROUND PAPER

Organised by the European Commission in partnership with the Ministry of Energy, the Ministry of Regional Development and Public Administration, the Ministry of European Funds of Romania, the Romanian Energy Regulatory Authority and the UN Environment Finance Initiative.

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This event is organised by the Executive Agency for Small and Medium-sized Enterprises (EASME) in the frame of the [Sustainable Energy Investment Forums](#) initiative, funded under the EU Horizon 2020 programme.

Objectives

As part of the "Smart Finance for Smart Buildings" initiative, the European Commission is organising a series of "Sustainable Energy Investment Forums" to enhance the capacity of and co-operation between public and private stakeholders to develop large-scale investment programmes and financing schemes. Information on past and upcoming SEI Forums events can be found on the SEI Forums [webpage](#).

An initial regional conference on Financing Energy Efficiency in Romania, Hungary and Bulgaria, took place in Bucharest on 1 February 2018. This event gathered 182 participants working on energy efficiency finance from the financial sector, national Governments, project developers, the renovation supply chain and local and regional agencies. The presentations and proceedings from that event can be found [here](#), and make useful background reading in preparation for the National Roundtable.

The objective of the National Roundtable is to initiate a dialogue between key Romanian stakeholders on how to improve access to finance for energy efficiency investments, and to identify common objectives and potential improvements to be made in the current policy framework and business practices. The Roundtable will devote a significant amount of time to exchanges and interaction between participants in the form of small working groups.

A second Roundtable will be organised in January or February 2019 in order to follow up on the key recommendations given by this first session.

Participants are asked to read the background paper below for a better understanding of the topics that will be discussed, and to submit their comments and potential written contributions to bucharest@seiforums.eu by 8 October. These comments will be circulated to all participants ahead of the meeting.

Agenda

The national roundtable will be moderated by Gabriel Avăcăriței, Chief Editor, energynomics.ro

The event will be held in Romanian with interpretation.

9:30 Introductory plenary

- **Tudor Constantinescu, Principal Advisor, DG ENERGY, European Commission**
- **Robert Tudorache, Secretary of State, Ministry of Energy**
- **Ciprian Lucian Roșca, Secretary of State, Ministry of Regional Development and Public Administration**
- **Mihaela Virginia Toader, Secretary of State, Ministry of EU Funds**
- **Cornel Brezuiică, President of the Environment Fund Administration**
- **Viorel Alicus, General Director, Energy Efficiency Department, ANRE**
- **Ramona Ivan, Director, CEC Bank, and Chairperson of the Committee on European Funds, Romanian Association of Banks**

11:00 Presentation of the Topic Groups and Working Method for the roundtable

11:15 Questions and Answers

11:30 Coffee break

12:00 Topic groups – 1st session

1. Integrated home renovation services
2. De-risking energy efficiency projects
3. Energy renovation of public buildings
4. Energy efficiency in the SME sector

13:00 Lunch

14:00 Topic groups – 2nd session (same topics, continued)

15:15 Coffee Break

15:45 Closing plenary

- Report from Topic Group Rapporteurs on the key recommendations
- Discussion and next steps

16:45 Concluding remarks by the organisers

17:00 Networking Cocktail

Background paper

During the National Roundtable, participants will be split into 4 working groups on the topics described below. These sessions will draw on the conclusions from the public conference and work to identify concrete solutions on each topic. This paper aims to summarise the key questions that are relevant for each working group, for participants to come prepared and to have an effective working session.

Topic group sessions will include introductory presentation(s) to set the context on the current situation in Romania and may include invited speakers from other European Member States. Discussions will take place in Romanian with interpretation to English for foreign participants. We will ask a rapporteur in each topic group to report on key issues arising from the discussion and to provide the 5 (or more) recommendations of the topic group, which can be addressed to public or private stakeholders.

1. Integrated home renovation services

Speakers: Alice Morcrette, SPEE Picardie (France)
Picardie Pass Renovation initiative

Alexandru Remus Moldoveanu, Romanian Association of Municipalities (AMR)
Experience from thermal rehabilitation of multi-family houses in Bucharest using EIB funds

Moderator: Mihai Tudorancea, TUD Investment Consulting, on behalf of Romanian Association of Municipalities

Rapporteur: Anca Ginavar, Director, Directorate for Technical Affairs, Ministry of Regional Development and Public Administration

This working group will focus on how to support homeowners in the whole journey of home energy renovation, i.e. identification of the energy efficiency measures, selecting construction companies, supervision of the works, structuring the financing plan, etc., based on the idea that an integrated service (one-stop-shop) can simplify to a large extent the renovation process and thus increase renovation rates.

The public conference stressed the need to bring all stakeholders together and favor an integrated approach involving knowledge transfer and capacity building.

Several speakers highlighted the need to more efficiently involve and empower citizens, including assisting Condominiums in attracting funding (e.g. House Owner Associations). Energy poverty was mentioned as a particular problem and EE as a potential mean to mitigate this.

The importance to assist cities/public authorities in their roles as facilitators for EE investments in the private sector was also highlighted. In this context particularly energy agencies drew attention to the fact that Romanian cities and regions can benefit, and should make efforts to benefit more from the ELENA Programme and the money managed under H2020 for Project Development Assistance.

There are many financial and non-financial barriers affecting the residential sector, such as: citizens' low awareness of the multiple benefits of energy retrofits, competing household priorities or a lack of adequate skills to carry out high quality refurbishment. Indeed, most homeowners are 'non-professionals' when it comes to the field of refurbishment, even more so for energy refurbishment. The energy renovation process should be made as easy and attractive as possible for them.

Alice Morcrette will present a concrete example of integrated home renovation service in Picardie, tailored to deal with these challenges. The Public Energy Efficiency Service (Service Public de l'Efficacité Energétique or [SPEE](#)), is an integrated service for the energy renovation of residential buildings, offering advice and financing of thermal retrofit projects of private homeowners. It was created by the Regional Council of Picardie.

Some promising experiences have also emerged to tackle the specific topic of multi-family building renovation. These include projects in Italy with the experience from Padova with the [PadovaFIT](#) project; in France with [Picardie Pass Renovation](#) and [Energies Posit'IF](#) ; and in Latvia with the [SUNSHINE](#) project.

Key questions:

- 1.1. What should be the key components of a one-stop-shop service that is best suited to meet the needs of the residential sector in Romania? Which actors need to be involved in a one-stop-shop (energy agencies, municipalities, regional authorities, banks, ESCOs, others...)?
- 1.2. Which legal changes are needed to improve access to finance for condominiums / detached houses?
- 1.3. How can the willingness of householders to borrow for home renovation be improved? What role could municipalities play in increasing awareness of and confidence in the process?
- 1.4. What kind of capacity building programmes and assistance are needed, and for which actors?

2. De-risking energy efficiency investments

Speakers: Diana Barglazan, Directorate-General for Energy, European Commission
Presentation of the EEFIG underwriting toolkit and the De-risking Energy Efficiency Platform (DEEP).

Monica Ardeleanu, Executive Director, Romanian Green Building Council
Co-presenters: Eliza Gheorghe, Manager, Raiffeisen Bank and Ana Maria Ciortan, Deputy Director, Alpha Bank.
Presentation on the green mortgage scheme launched in Romania

Moderator: Ramona Ivan, Chairperson of the Committee on European Funds, Romanian Association of Banks

Rapporteur: Oana Stamatina, Director Green Certifications, Colliers International

This session will focus on a discussion on the EEFIG propositions (DEEP database and Underwriting toolkit), as well as the emerging practice of green mortgages, looking into how the assessment of the risk profile of energy efficiency investments can be improved in order to make energy efficiency more appealing to the banking sector.

Under current market conditions, energy efficiency projects are not sufficiently attractive for investors. The small size of many such projects and the lack of standardisation are among the factors behind this situation. Banks often make loan agreements based on the credit status of their clients or the property value whereas the benefits arising from the energy efficiency improvements are often not taken into account. The Energy Efficiency Financial Institutions Group (EEFIG) published in 2015 a [report](#) highlighting among others the following problems:

- (1) Lack of evidence on the performance of energy efficiency investments makes the benefits and the financial risk harder to assess.
- (2) Lack of commonly agreed procedures and standards for energy efficiency investment underwriting increase transaction costs.

The need for standardisation was also emphasized at the Romanian public conference in addition to the need to establish a closer connection between all the relevant stakeholders working in the field and the need for more education and training towards EE. In this context EE should be introduced as a lifestyle, a choice for healthy living. And consumers or clients should be pro-actively engaged by banks.

The Public Conference included presentations giving an overview of the work carried out to standardise energy efficiency projects under the [Investor Confidence Project \(ICP-Europe\)](#) and the EEFIG de-risking products, the [Underwriting Toolkit](#) and [DEEP](#).

ICP seeks to standardise the project development process and includes monitoring of the project development process to improve reliability. This certification reduces risk and due diligence costs.

The EEFIG Underwriting Toolkit provides guidance to financial institutions (and to other interested stakeholders) on how to assess the risks and benefits associated to energy efficiency investments, bringing a shared language in evaluating investments and is helping to create projects that are better aligned to need of financial institutions.

In order to address the lack of data available, the European Commission, in collaboration with EEFIG, has developed [The De-risking Energy Efficiency Platform](#) (DEEP). DEEP is an open source database for energy efficiency investment performance monitoring and benchmarking, based on evidence from implemented projects. The main objective of the DEEP is to improve the understanding of the real risks (especially performance risks) and benefits of energy efficiency investments based on market evidence. DEEP is already providing benchmarking information, but still contains limited information. There are over 10 000 projects covered by DEEP, but the geographical coverage is uneven: for Romania, for example, there are only 8 buildings projects and 1 industry project.

A [presentation](#) was also given on recent established EBRD credit lines for the residential sector ([GEFF](#)). GEFF provides financing through local banks who are **Banca Transilvania** and **UniCredit**. Financing is subject to the usual criteria and assessment process of each bank. The banks may use GEFF to set up mortgage products to finance energy-efficient homes, or to improve the energy efficiency of existing homes.

A promising initiative in Romania is the **Green mortgage programme**, which was [presented](#) at the Public Conference by the [Romania Green Building Council](#) (RoGBC). They have co-developed with Raiffeisen Bank this programme based on an innovative Green Homes Certification to assess and recognize top performing residential projects utilizing sustainable construction principles. The preferential financing allows the project developer to invest early in essential green design and other solutions and rewards the homeowner with a better quality home and a lower monthly total cost of ownership. The Green Mortgage applies only for buildings certified by RoGBC within the Green Homes program. The Green Mortgage provides discounted mortgage pricing to suitably-qualified, prospective home buyers interested in buying a high energy performance home, in line with the guidelines established by the Romania Green Building Council related to superior energy efficiency and environmental considerations. There are currently 19 projects including 5.850 apartments or villas certified or in process (as per 1st Feb 2018).

More on Green Mortgage

An **energy efficient mortgage** is one that is used to finance purchase of an energy efficient building or a building that will be refurbished to a higher standard of efficiency. Lower energy bills resulting from high levels of energy efficiency are likely to reduce risk of default while increased property value should allow lenders to offer higher loan amounts and/or lower interest rates.

At present there is no clear definition of a green mortgage as different lenders are offering consumers different options. To address this issue and help grow the market for green mortgages, the European Mortgage Federation and European Covered Bonds Council (EMF-ECBC) have started the [Energy Efficient Mortgages Initiative](#) - EeMAP.

The aim of the EeMAP project, funded by the European Commission through Horizon 2020, is to create a standardised energy efficient mortgage in which building owners are incentivised, by way of preferential financing conditions linked to the mortgage, to improve the energy efficiency of their property, or acquire an already energy efficient property.

The development and the delivery of green mortgage-based national programmes still face different challenges. The pilot phase was launched in June 2018, with 37 banks and several national banking federations, including the Romanian Banking Association.

Key Questions:

- 2.1. How can we improve data availability in Romania? What data might be available for Romania that can be shared through mechanisms such as the DEEP database?
- 2.2. How can the EEFIG [underwriting toolkit](#) best be used within Romania? What kind of support is needed to encourage its dissemination and adoption? Which institutions and individuals could be key advocates?
- 2.3. What role could guarantee funds play in supporting the growth of energy efficiency investments? How can such support mechanisms be best structured to address the needs of the banking sector?
- 2.4. Which bodies can help in setting standards and benchmarks to minimise performance risk?
- 2.5. What regulation could foster the further development of green mortgages? Is there any specific Romanian regulation to be addressed? What kind of data is needed to further support the model? How could the Romanian banking sector support the collection of this data?
- 2.6. How can a continued dialogue between banks and the energy efficiency sector be put in place?

3. Energy renovation of public buildings

Speakers: Dinis Rodrigues, Energy Expert, European Investment Bank
Policy framework for the development of energy performance contracting

Daniela Ionescu, Principal Municipal Infrastructure Specialist, EBRD
ESCO pilot scheme in Romania

Moderator: Viorel Alicus, General Director, Energy Efficiency Department, Romanian Energy Regulatory Authority (ANRE)

Rapporteur: Alexandru Petrovici, Executive Director, Romanian Association of Towns

This working group will look into how to increase the renovation rates for public buildings, which is often limited by the capacity of public building owners to identify and implement energy efficiency projects. Energy performance contracting could be part of the solution but the market needs to be developed and structured.

In principle, energy efficiency investments in public buildings share many of the benefits of commercial buildings (size, energy intensity, concentrated ownership, professionalized facilities managers) but face additional challenges of more cumbersome procurement procedures, potential split incentives between different divisions responsible for procurement and for the energy bills, balance sheet restrictions and limitations under public accounting rules.

The Public Conference included presentations on energy legislation for [EPC in Portugal](#) and examples of energy efficiency renovation through one stop shop facilities exemplified by [Rhodoshop, Bulgaria](#), and the [Bulgarian Energy Efficiency Fund](#).

The Rhodoshop was the result of the H2020 [CITYnvest](#) project, which aimed at promoting innovative financing to boost investment in energy efficiency projects through summarizing the existing financial models across Europe and providing tailor made solutions for the three participating pilot regions – the Belgian Province of Liege, the Bulgarian Rhodope Region and the Spanish Region of Murcia. The [RENOWATT](#) project served as an exemplary model for replications in terms of innovative financing. It is a **one-stop-shop for public building retrofit** created by the province of Liege through the regional development agency (GRE-Liege).

RenoWatt is acting on behalf of public authorities, which undertakes energy retrofits in their existing buildings stock. The main principles of RenoWatt are Setting-up Energy Performance Contracts (EPC), and pooling of buildings, i.e. gathering buildings belonging to different municipalities in order to reach a sufficient size for a bankable project. It allows to ensure the best renovation and maintenance price, as well as diversification of risk. RenoWatt offers various services to the municipalities: Simplification of the tendering process, technical audits, financial analysis, procurement of EPC's (from initial specifications to contract negotiation with the ESCOs), pooling of buildings, identification of funding sources.

Another example of a one-stop-shop for public building retrofit is [InEECo](#), the Initiative for Energy Performance and Energy Supply Contracting in Public Buildings, which is supported by the ELENA programme and coordinated by the KEA Climate Protection and Energy Agency of Baden-Württemberg. With InEECo, it is possible for municipalities, counties and public administrators in Baden-Württemberg to carry out building retrofits at low costs with energy contracting. The initiative ensures an impartial and independent supervision of energy saving projects — from the initial consultation to the organization of contractual bidding and arrangement of the energy saving contract.

The '[Energy Efficiency and Renewable Sources Fund](#)' (EERSF), formerly known as the 'Bulgarian Energy Efficiency Fund' (BEEF), has the combined capacity of a lending institution, a credit guarantee facility and a consulting company. It provides technical assistance to Bulgarian enterprises, municipalities and private individuals in developing energy efficiency investment projects and then assists their financing, co-financing or plays the role of guarantor in front of other financing institutions. The Bulgarian Energy Efficiency Fund is a good role model in light of the fact that they are providing loans and guarantees for ESCOs. They are also refinancing ESCOs. Once the ESCO has a running contract they give them cash against the future receivables of the project enabling the ESCO to develop further projects.

The public event emphasized the need for an adequate **legislative framework for EPC projects**, and a need to adapt the procedures for procurement. Another legal point is related to accounting, and whether such projects go on or off balance sheet. In this context Eurostat and the European Investment Bank (EIB) on 8th May 2018 launched a new Practitioner's Guide on the Statistical Treatment of Energy Performance Contracts. The new Guide follows the [Eurostat Guidance note on the revised treatment of Energy Performance Contracts in government accounts, issued in September 2017](#), and explains its practical application

The public event also highlighted the point of view of the Romanian ESCOs, who are feeling that they are lacking behind in terms of particularly the legal framework and which is the first stepping stone to develop the market for ESCOs. There is clearly, from the Romanian ESCOs point of view, a call for public authorities to develop a proper legal framework.

The Roundtable should explore further the next steps for provinces and regions and energy agencies in delivering further outreach and support to municipalities and other public entities to overcome engagement and procurement barriers. This can take the form of one-stop shops.

Potential solutions to increase renovation in public buildings in Romania can for example be explored by:

- One-stop-shops for EPC/ESCOs market facilitation, including the use of contracting/procurement frameworks.
- Project Development Assistance (with leverage requirements) and aggregation of small municipalities to reduce transaction costs
- Forfeiting energy performance contracts to allow refinancing of ESCOs, which can be implemented through specific vehicles, similar to the [Bulgarian Energy Efficiency Fund](#) for public buildings, or the [Latvian Baltic Energy Efficiency Fund](#) on residential buildings. The Public Conference further included a [presentation](#) of the **Latvian Baltic Energy Efficiency Facility (LABEEF)** which has initiated a promising initiative to foster the development of ESCOs using proceeds from energy savings to de-risk and finance large scale deep renovation. A forfeiting fund has been created, to allow ESCOs re-financing. After having verified energy savings, typically after 1 to 2 years, this forfeiting fund purchases the future receivables from the ESCO, allowing ESCO to take on new loans.

Key Questions:

- 3.1. What are the needs of public building owners in Romania when it comes to supporting them in their energy renovation projects? How could they be assisted? Who could deliver this assistance?
- 3.2. Could public funding be allocated in the form of project development assistance, which has a higher leverage factor than investment grants/public loans? How to improve access to ELENA and H2020 PDA funding?
- 3.3. What is needed to upscale the market for energy performance contracting, including legislative framework? How can access to finance for ESCOs be improved? For example could mechanisms such as standardisation and forfeiting of EPCs be supported?
- 3.4. What is needed in terms of awareness raising and capacity building for public building owners?

4. Energy efficiency in the SME sector

Speakers: Marius Nadolu, Head of Treasury Department, Procredit Bank
Green financing scheme for SMEs

Stefania Racolta, Head of EU Green Financing, EBRD
Experiences from the EU EBRD RoSEFF initiative

Moderator: Razvan Grecu, President, Romanian Association for the Promotion of Energy Efficiency (ARPEE)

Rapporteur: Felix Caprariu, Member of the Board of Directors,
National Council of Small and Medium Sized Private Enterprises (CNIPMMR)

This session will look into the specific issues related to SME's, in particular how to overcome the lack of capacity to identify and implement energy efficiency investments, the low creditworthiness of SME's. It will also explore, and what type of integrated services (one-stop-shop) could be proposed to SME's to increase investments in energy efficiency.

The public conference included a [presentation](#) of The Romanian Energy Efficiency Fund (FREE) as a good example of assisting the industry sector in financing projects on a commercial basis.

Further, the Conference addressed the many problems still to be overcome within the SME sector in Romania (a.o. addressed in [presentation](#) by ARPEE). Some energy efficiency gains have been achieved but the release of the overall large potential will require better access to financing through new financing schemes and new instruments to decrease investments risks.

Large Industry has superior investment power, better credit worthiness and easier access to efficient technologies and technical competences. Market competition forces them to stay cost competitive and provides some incentives for energy efficiency. EE measures with a short payback time (low hanging fruits) are already implemented but current market conditions (competitive pressure) may delay further EE measures.

ALRO was [presented](#) as an example of a large-scale company that has carried out a significant number of energy efficiency projects, aimed amongst other to improve their competitiveness in their markets. Their case stands as a good example of an industry that not only focuses on direct energy benefits but also on non-energy benefits derived from energy efficiency projects.

There is an increasing trend among SMEs to focus on energy efficiency, which amongst other is proven by the activities of [ProCredit Bank](#). As shown by their [presentation](#) at the public event they are actively pursuing the SME potential through its Green Finance Loan portfolio. However, many barriers are still to be overcome to reach out to all SMEs. This was also stressed by the Romanian Association of Banks during the event.

ProCredit Bank is one of the five Romanian banks that have signed up to a SME Initiative in Romania (June 2017), to provide new financing for Small and Medium enterprises (SMEs) across the country. The SME Initiative is managed by the EIB Group (European Investment Bank and European Investment Fund), the Government of Romania and the European Commission. The agreements with the five banks involved aim to facilitate access to finance for Romanian SMEs by providing a 60% guarantee on each loan and by lowering the interest rates charged by banks. These transactions with Raiffeisen Bank, ProCredit Bank Romania, Banca Comerciala Romana, Banca Transilvania and BancPost are expected to benefit around 3,700 SMEs and start-ups in need of finance.

The EU EBRD Romania Sustainable Energy Finance Facility (RoSEFF) financed SMEs Loans to a wide range of private sector SMEs through four participating Romanian banks (BCR, BRD, Banca Transilvania, UniCredit). This included EU grants of 10% or 15% of the loan value, and it was based on a fast-track technical eligibility for small, simple projects using a Technology Selector (list of eligible measures and equipment). This resulted in 341 investments totaling 69 million EUR.

Increase in energy retail prices have made SMEs more aware about the benefits of energy efficiency. However, SMEs typically lack financial power to finance the equity part of investments and have limited internal competences to carry out EE projects. Further, the various sizes of SMEs is a challenge in relation to assisting them. There are various needs and competences across sectors and sizes of SMEs.

Additional instruments can be put in place including instruments to reduce investment risks. Public authorities could play a more active role, including through fiscal policies, in penetration of new and innovative financing schemes and improved education. Knowledge of stakeholders on energy efficiency will be key (information campaigns, roundtables etc).

Key Questions:

- 4.1. How do we ensure linking between energy management schemes, energy audit schemes and access to finance to make sure relevant EE measures are identified and implemented in SMEs?
- 4.2. What kind of financial instruments could be applied to de-risk investments in the SME sector?
- 4.3. What could be the key components of a one-stop-shop service that is best suited to meet the needs of SMEs in Romania regarding energy efficiency investments? Who would be the actors that can provide this service?
- 4.4. What is needed in terms of awareness raising and capacity building for SMEs?