



EU sustainable finance tools and policy context

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Paris Agreement: a global goal

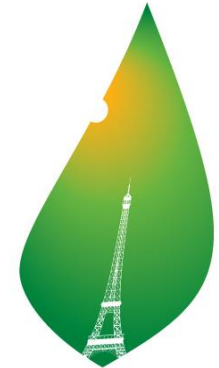
Well below 2° C
+ Efforts to stay below 1.5° C

Pathway to low-emission future

- **Global peaking as soon as possible**
- **Rapid reductions**
- **Balance between emissions and sinks after 2050 - based on science**
- **Parties to formulate long-term (2050) low emissions strategies by 2020**

Global pathway means
international transport is included

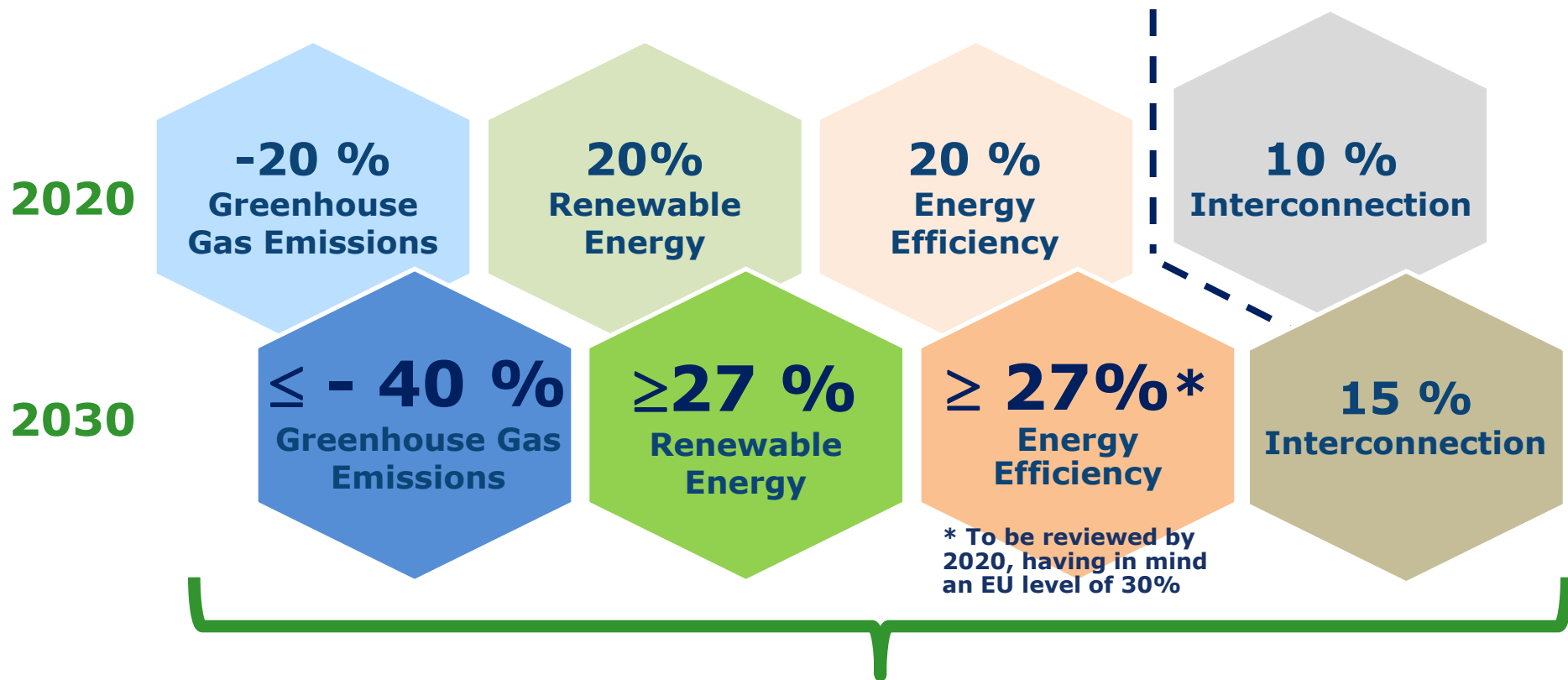
Fairness aspects



PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21·CMP11

2030 Framework: Agreed headline targets

2030 Framework for Climate and Energy



New governance system + indicators

Significant investment needs*

- Reference baseline scenario. Three projections selected: GHG40, GHG40/EE, GHG40/EE/RES30
- Additional Investments needs compared to reference scenario: From + € 38 Bn to + € 63 Bn per year (2011 – 2030)
- Energy security: Fuel imports savings from 9 to 22 Bn € per year
- Limited but positive impact to EU GDP: from +0.15% to +0.54%

*** Source: Impact assessment to the policy framework for climate and energy in the period from 2020 up to 2030 - COM(2014) 15 final**

Implementing the Paris agreement: ETS revision proposal

- ***Environmental aspects***
 - **Targets:** At least **40%** domestic emission reductions; **ETS: 43%**
 - **Cap** to decrease by **2.2 %** from 2021 onwards (1.74% now)
 - **Auction share** shall not decline → **57%**
- ***Economic aspects***
 - **Free allocation** to continue. Allocation based on benchmarks taking into account the emissions of the most efficient installations. Thus, the **system rewards efficient installations**
 - Benchmark values reduced by 1% every year, as a default value
 - Roughly **50 sectors in new carbon leakage list**
- ***Financing aspects: Low-carbon funding mechanisms***
 - **Innovation fund** - 450 million allowances (EC proposal)
 - **Modernisation fund** - around 310 million allowances

Sustainable Finance (1): ETS as an innovation driver: NER 300

- A programme for innovative low-carbon, first-of-a-kind, commercial-scale projects, funded by 300 million allowances from the new entrants' reserve (NER) of the ETS
- Two calls for proposals: December 2012 and July 2014
- 38 projects in 19 EU Member States: 37 RES and 1 CCS. 3 projects are already operational
- €2.1 billion NER 300 grants, coming from the sale of 300 million ETS allowances
- Almost 80% of the NER 300 awards went to highly innovative or even potentially game changing projects

Sustainable Finance (2), EU 2021 - 2030: Innovation + Modernisation Funds

Coverage	Innovation Fund	Modernisation Fund
Sector	Innovative RES, CCS / CCU Low-carbon innovation in energy intensive industries Low-carbon innovation in small scale projects	Energy systems, mainly infrastructures (including utilities & networks) and energy efficiency
Geography	EU-28	10 Eastern Europe MS
Innovation level	First of a kind/demonstration	Deployment
Endowment	From 450 to 600 million allowances	Around 310 million allowances (2% of EUAs)
Starting date	From 2021 at the latest	

Roundtable consultations Series for IF

- ✓ Innovation perspective & Financial needs from Industry
- ✓ Involvement of finance providers
- ✓ Starting date : 20 January

Sustainable Finance (3): European Fund for Strategic Investments (EFSI)

A successful start:

- EUR 115.7 bn approved in 26 MS, benefitting more than 200,000 SMEs
- On track to deliver the objective of EUR 315 bn in additional investments in the real economy by mid-2018.

The proposed extension

- EUR 500bn by end-2020, limited budgetary impact
- 40% climate target

The main changes

- Enhanced additionality (MS contribution) & transparency,
- Reinforced geographic & sectorial coverage (incl. via facilitation of ESIF-EFSI combination),
- Focus on climate action

Sustainable Finance (4): **Financial Instruments** from EU budget 2014 – 2020 (3): Innovfin EDP



Sustainable Finance (5): Private Finance for Energy Efficiency (PF4EE)

Objective:

- To make energy efficiency lending a more sustainable activity across European financial institutions (FIs)

Three components:

- Risk Sharing Facility by means of a cash collateral for each agreement (covering up to 80% of first losses)
- EIB Loan for Energy Efficiency: €50 – 100m per deal, maturity up to 25 years
- Expert Support Facility to financial intermediaries to build up market knowledge, if needed

Pilot phase (2015-2017):

- Maximum one deal per Member State
- Financing target: €430m from EIB; €570m from FIs
- Leverage as of 2016: 9.8 (measured as EIB/EC contribution)

Sustainable Finance (6): **Natural Capital Financing Facility (NCFF)**

Objective:

- Encourages investments in revenue-generating or cost-saving projects promoting the conservation of natural capital

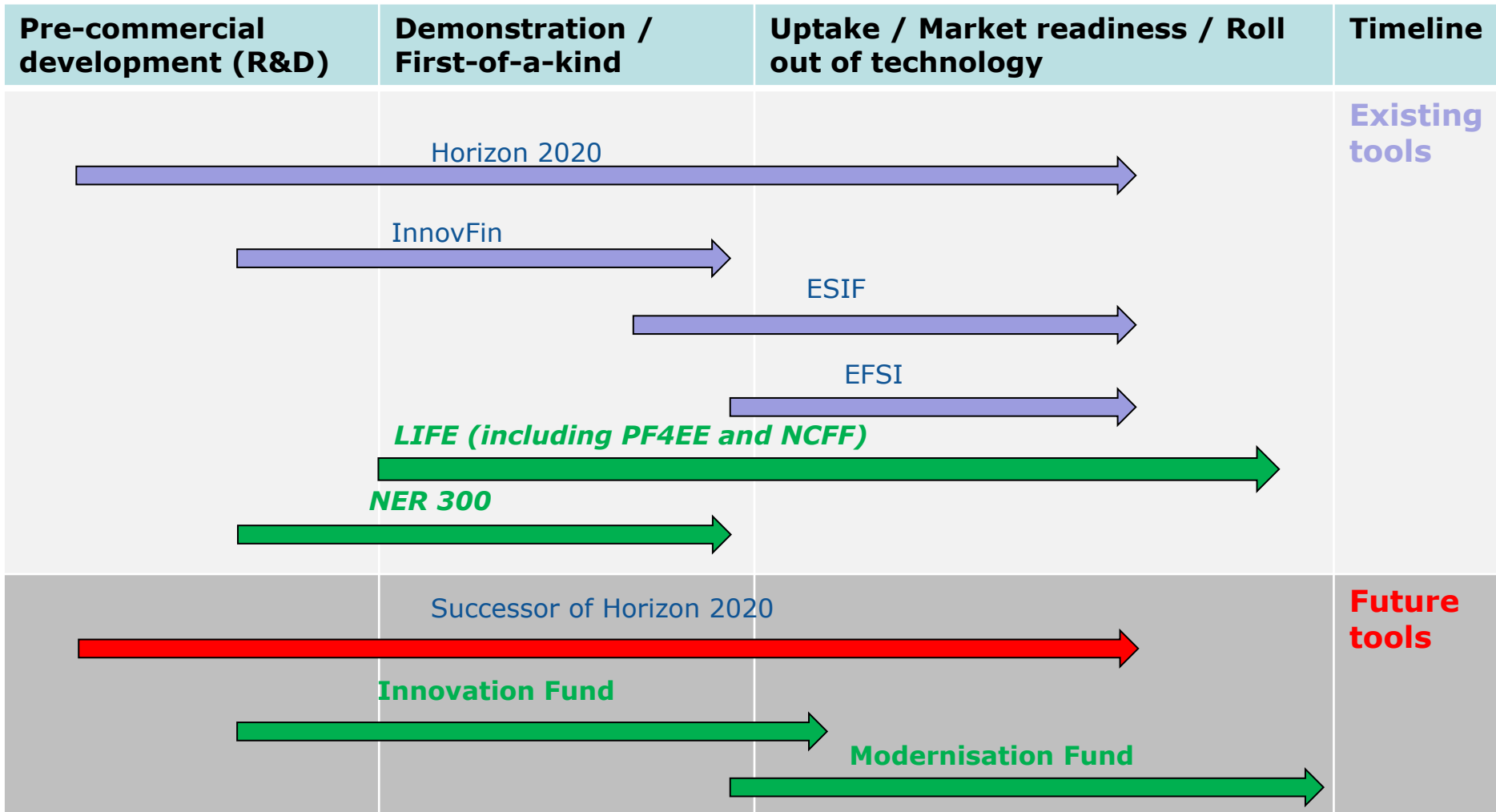
Actions:

- Green infrastructure (e.g. green roofs, green walls, ecosystem-based rainwater collection/water reuse systems)
- Payment for ecosystem services (e.g. enhance forestry, biodiversity, to reduce water or soil pollution).
- Biodiversity offsets / compensation beyond legal requirements (e.g. compensation pools for on-site and off-site compensation projects).
- Pro-biodiversity and adaptation businesses (e.g. sustainable forestry, agriculture, aquaculture, eco-tourism).

Budget:

- € 100-125 million Investment facility 2015-2019 (9-12 projects expected)
- EU contribution to the EIB: € 60 million

EU programmes for low-carbon innovation





Thank you!

PF4EE: Structure

