



European
Commission



II OKRĄGŁY STÓŁ DOTYCZĄCY FINANSOWANIA EFEKTYWNOŚCI ENERGETYCZNEJ W POLSCE

Sesja tematyczna 3: Wsparcie dla poprawy efektywności energetycznej w budynkach

Inteligentne finansowanie na rzecz inteligentnych budynków

27 March 2019

Policy and regulatory context

Clean Energy for ALL Europeans Package – regulatory framework for post- 2020

Energy efficiency first principle:
Energy Efficiency is the most cost-effective way of achieving Energy Union objectives.



Energy Union Governance



Energy Efficiency
(Energy Efficiency Directive, European Performance of Buildings Directive)



Renewables
(Revised Renewable Energy Directive)



New Electricity Market Design



Energy prices and costs report

Buildings – Key policy priority for European Commission



❖ investments in energy efficiency have to triple (increase by €70 bn per year) to reach EE goals



❖ Buildings consume 40% of energy and generate 36% of EU GHG emissions;
❖ 75% of housing stock is energy inefficient;



❖ Over 70% of the additional investment needed to reach Europe's 2030 objectives (around €130bn out of €177bn) in improving the energy performance of buildings

ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE

ENERGY EFFICIENCY DIRECTIVE

- New EE target for 2030 -> 32.5%
- Real annual saving rates set at 0.80%
- Clear requirements on metering and billing thermal energy

Focus on **SUSTAINABLE FINANCE**



Energy Efficient Mortgages Initiative



Energy Efficiency Financial Institutions Group

2050 Long-term Strategy





7 Building Blocks

1. Energy efficiency
2. Deployments of renewables
3. Clean, safe & connected mobility
4. Competitive industry and circular economy
5. Infrastructure and inter-connections
6. Bio-economy and natural carbon sinks
7. Tackle remaining emissions with carbon capture and storage



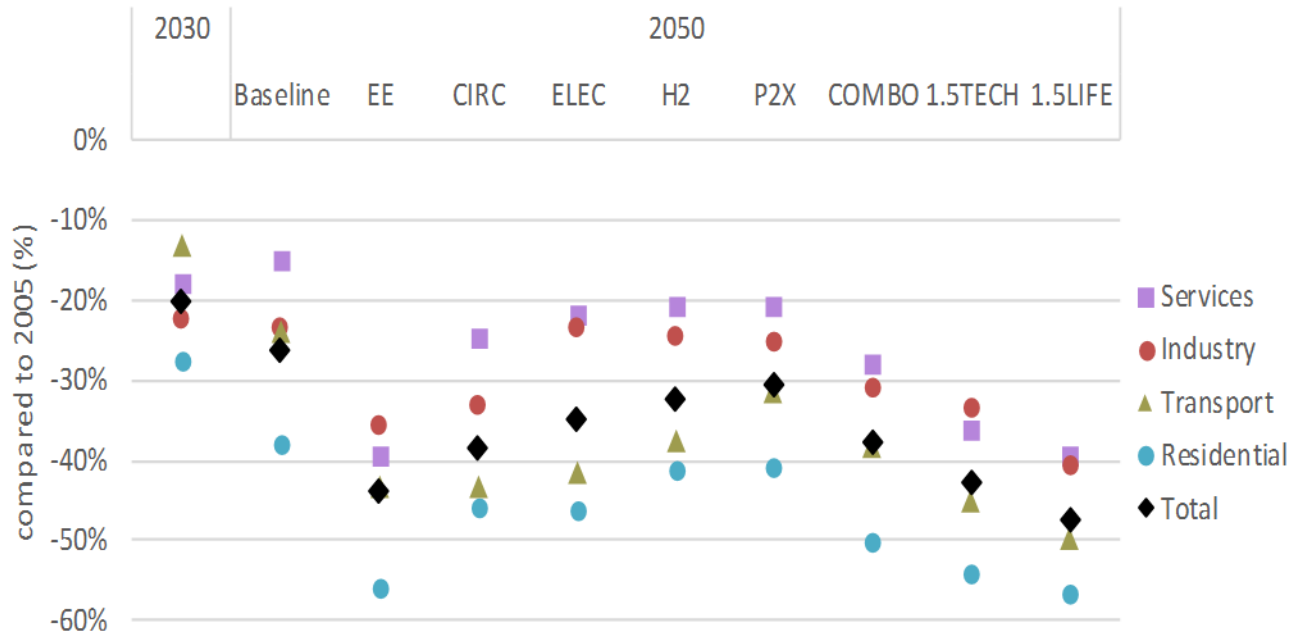
Building Block 1 Energy efficiency

Central role, energy consumption reduced by as much as half in 2050 compared to 2005

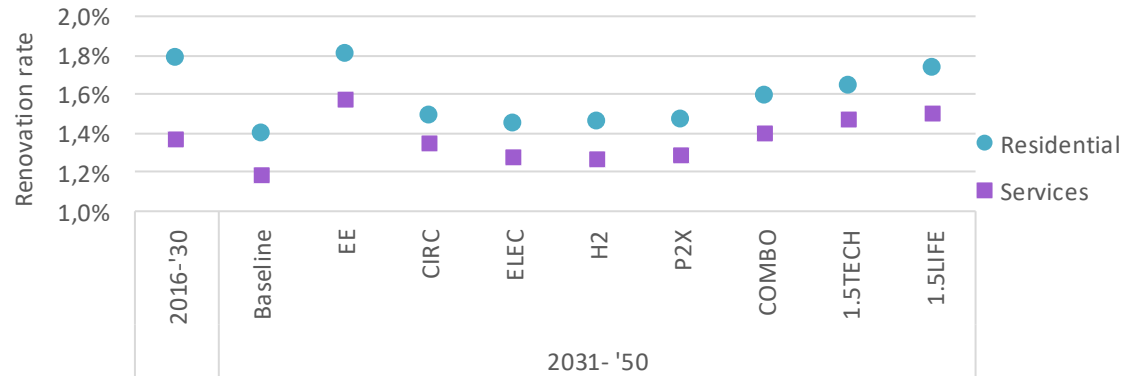
Buildings key, most of the housing stock of 2050 existing already today, higher renovation rates, fuel switching

Requires adequate financial instruments and skilled workforce, integrated policy approach and consumer engagement to sustain higher renovation rates

Changes in final energy consumption (2050 compared to 2005)



Renovation rate in buildings



- Energy use - up to half reduction between 2005 and 2050
- New buildings only 10-25% 2050 stock
- Energy performance largely determined by renovation rate
- Renovation rate (less than 1% today) will more than double

The "SMART FINANCE FOR SMART BUILDINGS" initiative

MAJOR GOALS

More effective use of public funds

- Deploying Financial Instruments and flexible energy efficiency and renewable financing platforms
- Guarantee Facility built on:
1) EFSI blending with ESIF funds, EIB own resources and possible NBP's contribution; 2) capital grants; 3) TA



Assistance and aggregation

- Supporting the project pipeline at EU and local level
- Project Development Assistance facilities
- "One-stop-shops"



De-risking

- Understanding the risks and benefits for financiers and investors
- The De-risking Energy Efficiency Platform
- Commonly accepted underwriting framework



"Smart Finance for Smart Buildings" Guarantee Facility

European Commission > News >

NEWS | 7 February 2018 | Brussels | Energy

Smart finance for smart buildings: investing in energy efficiency in buildings

At its meeting yesterday (6 February), the Board of the European Investment Bank (EIB) approved the creation of a brand new financial instrument, the Smart Finance for Smart Buildings initiative. The aim is to make investments in energy efficiency projects in residential buildings more attractive to private investors, through the intelligent use of EU grants as a guarantee.

https://ec.europa.eu/info/news/smart-finance-smart-buildings-investing-energy-efficiency-buildings-2018-feb-07_en?pk_campaign=ENERNewsletterFebruary2018



Objective of SFSB Guarantee Facility:

- to expand EE lending activities by financial institutions,
- to intensify EE investments in buildings:
 - primarily residential buildings, HoA, and
 - secondarily (indicatively up to 30% of projects' value of the whole scheme): SMEs, local authorities, public and private partnerships, others.

Scalability is crucial to reach volumes

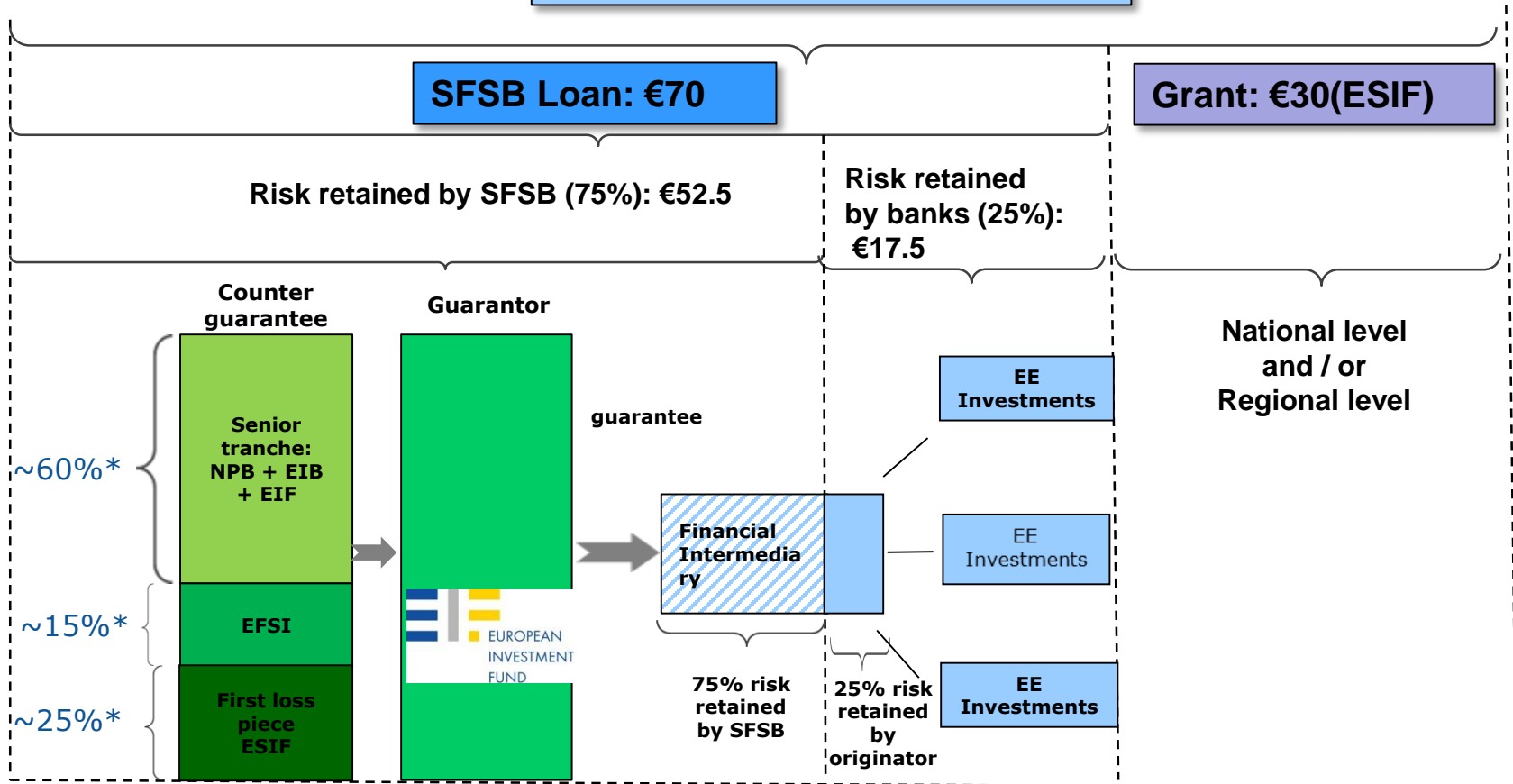
Components of SFSB:

- guarantee facility (e.g. ESIF+EFSD+ other: EIB, EIF, NBP – if interested);
- Technical Assistance;
- capital grant.

Smart Finance for Smart Buildings

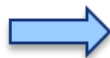
Exemplary guarantee structure

Total EE Investment: €100



* estimations are indicative

**SFPSB
Guarantee
Facility**



- ❖ SFPSB Loan: Financial intermediaries will have to retain at least 20% exposure to the principal amount of each transaction included in the Portfolio. Up to 80% exposure is retained by SFPSB. ESIF component (FLP): 20-25% of the guarantee.
- ❖ Grant component: volume assessed project-by-project.
- ❖ Leverage: 4-7 (dynamic: at later stage FLP might be reduced making the leverage higher)

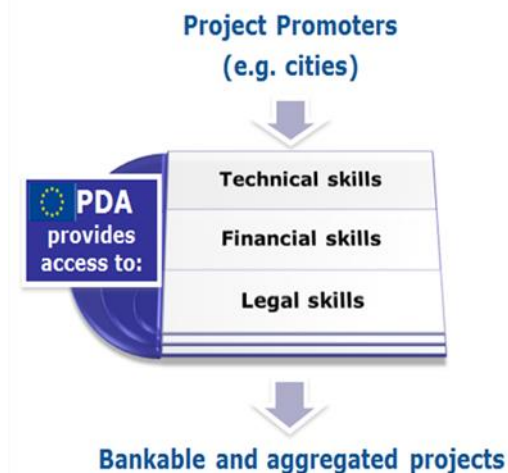
EIB managed TA support could be co-funded from different sources, incl. i.e. the European Investment Advisory Hub ("EIAH") and the European Local Energy Assistance ("ELENA") facility.

ELENA:

- Reinforced in 2017 with € 97 million to support SFSB guarantee facility;
- Main objective: to help eligible entities to prepare and implement initiatives for EE renovations of existing buildings;
- Minimum leverage factor: 10 (for buildings);
- Residentials: typically 80% or more of the total PDA costs, i.e.: awareness raising, pre-assessment checks, energy audits, EPCs, support access to financing from loans and grants, project monitoring.
- Financial intermediaries and public authorities: eligible costs, i.e.: develop IT tools to standardise EE investments, capacity building, monitoring and reporting tools, assistance in pipeline screening, identification of projects, awareness raising.

ELENA can cover up to 90% of the eligible TA costs.

➤ EU Project Development Assistance (PDA)



Grant component co-financed by ESIF

ONE operation
(financial instrument)

- As a part of the same operation as the financial instrument;
- Managed by the body implementing the financial instrument;
- For benefits of final recipients e.g. through an interest rate subsidy or to finance TA (i.e. energy audit);
- No capital rebates.

TWO operations
(financial instrument + grant)

Separate operations
implemented by
the same
financial
intermediary

Separate operations
implemented by
body other than
financial
intermediary
implementing the
financial instrument
(it may be still a
single application
process)

Main Advantages of SFSB Guarantee Facility (1)

a) Effective use of public money:

- combination of funds in different risk tranches to provide more risk protection to commercial banks and increase attractiveness of the product to final recipients,
- combining ESIF and EFSI – possibility to finance significant levels of investments in Member States and regions;
- high leverage level: trigger additional financing from private sources (from 4 upwards).
- Co-financing rate of up to 100% in FIs.

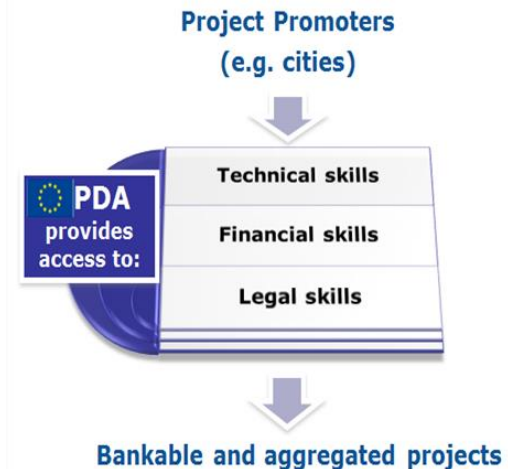
b) Cutting red tape:

- no need for a new or revised ex ante assessments by the national authorities;
- if ESIF contributes to existing instrument (e.g. EFSI): no need to select new fund managers and with the application for payments in accordance with the agreed schedule;

c) access to technical assistance from ELENA;



➤ EU Project Development Assistance (PDA)



Main Advantages of SFSB Guarantee Facility (2)

d) Enabling and supporting banks' transition to *sustainable finance providers*:

- banks can benefit from EIB triple-A rating by having access to attractive financing conditions;
- tailor made solutions: renovation loans combined with capital grant at the level linked with risk portfolio for particular market;
- Sustainable financing providers' label: growing importance for institutional investors e.g. pension funds and insurance companies;



e) unlocking private financing on the long term:

- know-how to financial institutions;
- Establishing a fully functional financial market ready to trigger sufficient private capital to reach EU and national energy/climate objectives;

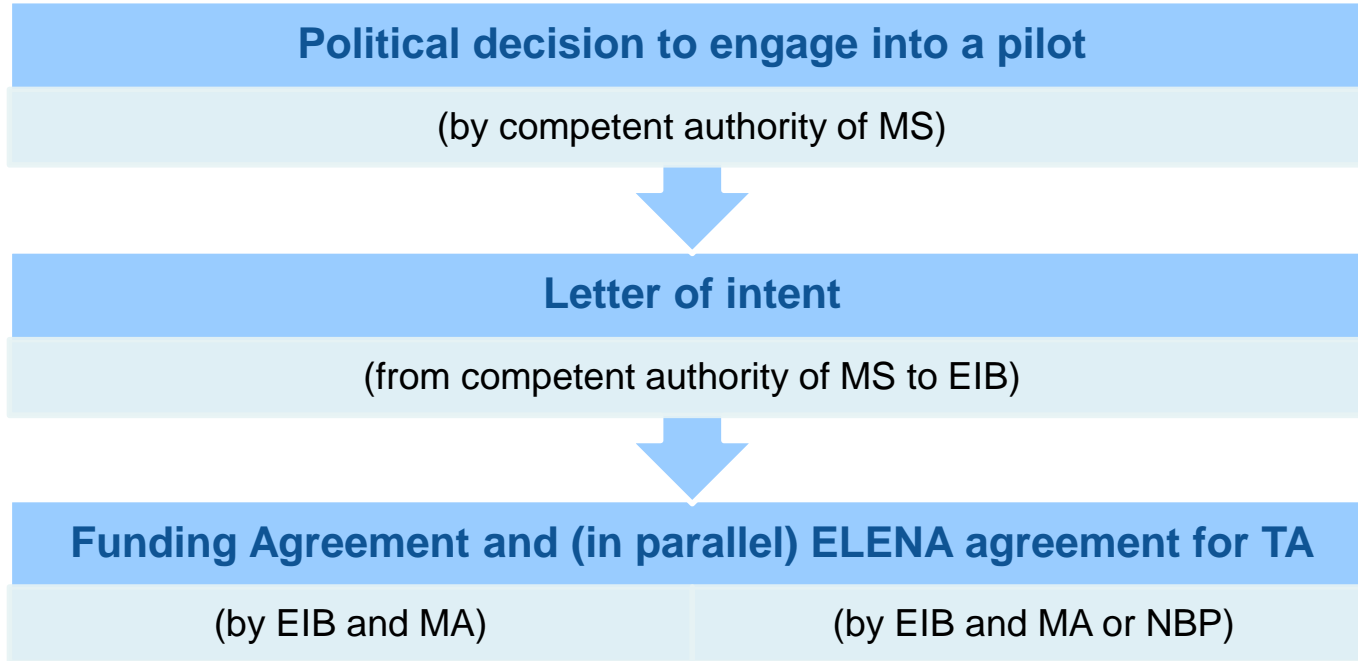


g) Non-financial sector impact:

- local jobs, growth, reduced costs, security of supply and decrease of pollution.



Pilot project



Investment Platform (IP) could be set up as a parallel process to the pilot project.
Main goal of **IP**: to catch demand in longer perspective



SFSB Pilot phase current implementation experience

- The SFSB Pilot Phase is being tested in 5 main EU markets: Malta, France, Spain, Netherlands and Portugal, in addition preliminary discussion are starting in Poland and Ireland. A summary of the structures being tested are presented below (EUR volumes are indicative targets):

SFSB Programme (2018-2023) 5 transactions under discussion

EU countries	EUR (m) volume programme	Product Type	Main markets covered	Implementation stage
1 SFSB Malta	100	Capped Guarantee	Consumer, Mortgage and SMEs	Under negotiation expected FC end 2018
2 SFSB Spain	400	Uncapped Guarantee	Consumer, HOA	Uncapped guarantee FC expected in Q1 2019
3 SFSB France	400	Uncapped Guarantee	HOA	Uncapped guarantee FC expected in Q1 2019
4 SFSB NL	350	Loan Fund	Consumer, HOA	Deployment expected in Q1 2019
5 SFSB Portugal	200	Casa Eficiente	Consumer	Loan deployed + Uncapped Guarantee under discussion

Total estimated volume EURm

1,450

HOA stands for Home Owner Associations

- The market feedback from banks and Managing Authorities is positive. The first guarantee product was signed in December 2018. Next are planned for first/second quarter 2019

Conclusion: a golden opportunity to improve financing for urgently needed energy efficiency investments in buildings

- EU regulatory and policy clarity is provided;
- National schemes will soon become fully operational and robust;
- New instruments emerge;
- Huge potential and demand (around €130 billion per year) for EE in buildings;
- HLEG on Sustainable Finance report: growing momentum in favour of EE financing among banks and investors.
- Positive side-effects on employment from EE investments
- SFSB guarantee facility might be merged with new and on-going initiatives

Next Step:
SFSB guarantee facility pilot projects in Member States





The Initiative: Energy Efficient Mortgages

Energy Efficient Mortgages Initiative is aimed at delivering a standardised European framework and data collection process for energy efficient mortgages, with favourable financing conditions for energy efficient buildings and energy saving renovations.

It consists of two parallel projects:

- the “Energy efficient Mortgages Action Plan” (EeMAP) and
- the “Energy efficiency Data Protocol and Portal” (EeDaPP),

The Initiative is funded via the European Commission’s Horizon2020 Programme.



The EeMAP and EeDaPP projects have received funding from the European Union’s Horizon 2020 research and innovation programme under grant agreements No 746205 and 784979

www.energyefficientmortgages.eu

The **ultimate objective** is a pan-European private bank financing mechanism, based on a standardised approach, to encourage energy efficient improvement by households of the EU’s housing stock by way of financial incentives linked to the mortgage, and in this way support the EU in meeting its energy savings targets. Independent from, but complementary to, public funds or tax incentives.

Energy Efficient Mortgages Pilot Scheme

Under the **Energy Efficient Mortgages Pilot scheme** (launched in mid-2018), Pilot Scheme Banks have the opportunity to analyse the feasibility and voluntarily implement the Energy Efficient Mortgage Product Framework into existing product lines and processes.

On 14 June 2018 at the Energy Efficient Mortgages event in Windsor, Pilot Scheme Banks were invited into take part in **7 subgroups** to identify the opportunities and risks in various areas (i.e. *Origination/retail; risk management; marketing; funding & investor relations; partnerships; IT solutions & Data; development of technical expertise*), taking as the starting point the Energy Efficient Mortgage Product Framework, and highlighting potential operational solutions.

Key figures of the pilot:

- 42 lending institutions representing 55% of mortgages outstanding in the EU;
- 27 supporting institutions;
- Advisory Council: i.e. EC, EIB, EBRD, WB.

Country	total number	only banks	total outstanding mortgage market*	mortgage loan portfolio of participants**	coverage in %
BE	10	8	233,224	233,224	100.00
CY	0	0	11,123		0.00
DE	6	4	1,378,810	1,378,810	100.00
DK	2	1	248,776	248,776	100.00
ES	8	3	497,711	497,711	100.00
FI	4	3	96,129	42,380	44.09
FR	5	4	954,226	412,900	43.27
HR	1	0			
IE	1	0			
IT	10	8	375,398	375,398	100.00
NL	4	3	672,235	470,300	69.96
NO	1	1	270,151	25,800	9.55
PL	1	0			
PT	1	1	94,093	28,400	30.18
RO	4	2	14,262	14,262	100.00
SE	1	1	402,250	42,500	10.57
UK	4	2	1,539,979	89,509	5.81
EU/international	5	0			
Total EEA			7,295,903	3,859,971	52.91
Total EU			7,013,738	3,834,171	54.67
Total euro area			4,638,134	3,413,323	73.59

Source: www.energyefficientmortgages.eu

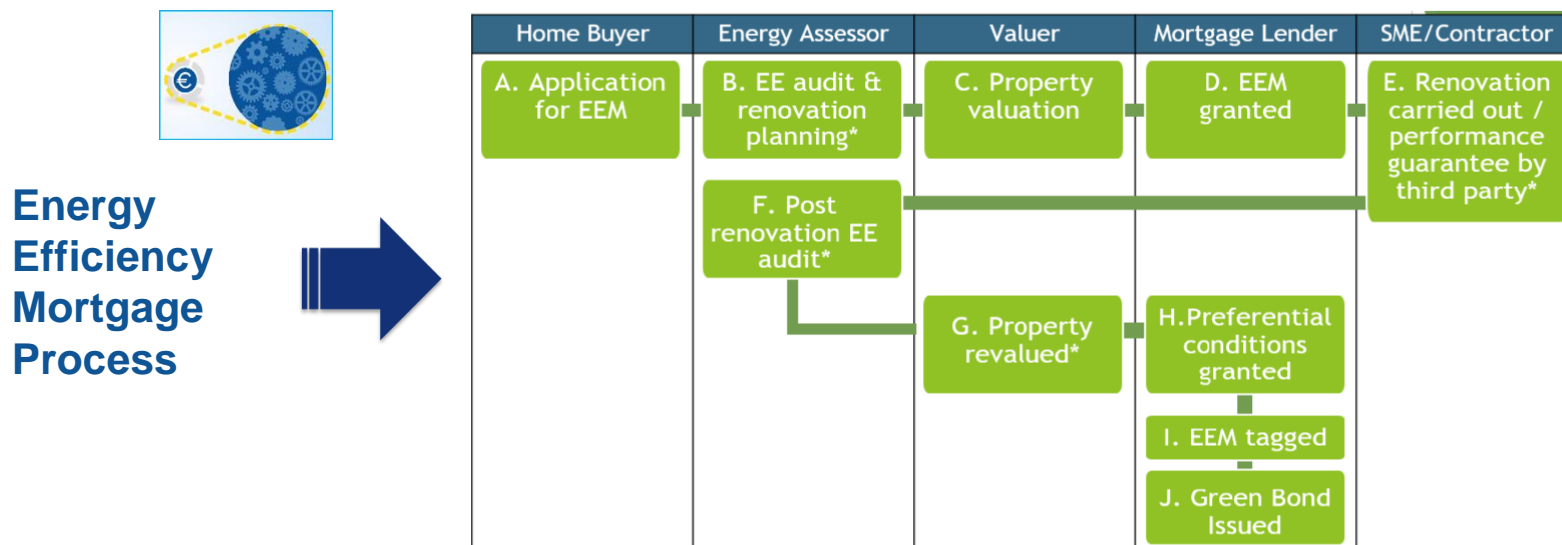
Energy Efficient Mortgages Pilot Scheme

The Pilot Scheme will test the **Product Framework*** in an operational environment. The future feedback received from participants will contribute to the guidelines which would review and adjust the Product Framework over time in a way to respond to the market needs.

* The **Product Framework** consist of:

1. Implementation principles for lending institutions;
2. Building Performance Assessment Criteria and
3. Valuation Guidance and energy efficiency checklist

<https://eemap.energyefficientmortgages.eu/wp-content/uploads/2018/06/EEM-Pilot-Scheme-Implementation-Product-Framework-1.pdf>



Definition of Energy Efficient Mortgages

Energy Efficient Mortgages (EEMs) are intended to finance the purchase/construction and/or renovation of both residential (single family & multi-family) and commercial buildings where there is evidence of: (1) energy performance which meets or exceeds relevant market best practice standards in line with current EU legislative requirements and/or (2) an improvement in energy performance of at least 30%.

This evidence should be provided by way of a recent EPC rating or score, complemented by an estimation of the value of the property according to the standards required under existing EU legislation. It should specifically detail the existing energy efficiency measures in line with the [EEM Valuation & Energy Efficiency Checklist](#).

“I believe the EEM Initiative will bring a positive change in the market, providing more accessible financing for energy efficiency in buildings. It will facilitate the implementation of energy efficiency investments where they are most needed, in the buildings sector. Having agreed on a definition is an important step, opening the way for a quick roll-out of energy efficiency mortgages. The definition agreed upon is operational and easy to use, and can be strengthened in time, to match the high level of ambition of the EEM Initiative, and to make better use of the tools provided by the European legislative framework.”

Gerassimos Thomas, European Commission, Deputy Director-General for Energy



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Thank you!