

NATIONAL ROUNDTABLE ON FINANCING ENERGY RENOVATION OF BUILDINGS IN ITALY



24 May
2018

Rome

Event organised in the frame of the Sustainable Energy Investment Forums funded by the Horizon 2020 programme of the European Union

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EXECUTIVE SUMMARY

The European Commission, in partnership with the Ministry of Economic Development, the Italian National Agency for New Technologies, Energy and Sustainable Economic Development, the Italian Banking Association and the UN Environment Finance Initiative, organised a round table in Rome on 24 May 2018 on financing energy renovation of buildings in Italy. The event was attended by 46 experts from Italy who are engaged in financing energy efficiency from national government, the financial sector, project developers, the renovation supply chain and local and regional government.

The objective of the National Roundtable was to initiate a dialogue between key Italian 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 outputs from the four in depth topic groups were summarized as:

Topic Group 1 - Private Home Renovation

This thematic group focused on the one-stop-shop concept, which aims to provide integrated support to homeowners during the renovation process.

- Investigate the use of trigger points (planning energy renovation when other key works are to be undertaken)
- Engage key-decision makers especially for condominiums
- Vary contract models according to the needs of building owners
- Undertake benchmarking and standardise projects where possible to develop the market and provide aggregation opportunities
- Examine the use of incentives and grants as promotional tools

Topic Group 2 - De-risking Energy Efficiency

This thematic group examined what can be done to reduce the risk profile of energy efficiency investments for the financial sector.

- Develop indicators - Identification of specific indicators deriving from historic energy efficiency projects would be helpful for banks in their assessment of the projects
- Public intervention is necessary to kickstart the market, including the development of risk sharing instruments such as guarantee funds and support for SMEs to prepare loan applications
- Methods of transferring credit on tax deductions should be reviewed, to also enable access for banks.
- A permanent panel for discussion between key actors should be established, including assessment of regulatory impact

Topic Group 3 - Energy Efficient Mortgages

This thematic group focused on the implementation in Italy of the Energy Efficient Mortgage Initiative, building on previous meetings organised at national level.

- A Panel of all significant stakeholders should be established

- A national quality mark/label (and supporting databases) should be established, to help define the green mortgage concept and certify interventions at a technical and financial level
- Consumer facing awareness initiatives should be developed

Topic Group 4 - Public Buildings

This thematic group focused on how to support public bodies in initiating and financing renovation projects, in particular through energy performance contracting.

- Establish Territorial Support Centres and one-stop-shops (at regional level) funded by structural funds
- Make energy audits mandatory for energy-intensive public buildings
- Develop standardised and replicable energy performance contracts, procedures and Monitoring and Verification systems and procedures.
- Explore opportunities for energy services approaches in public housing as a key potential energy saving market
- Simplify credit access procedures and enhance the underwriting role of guarantee funds

BACKGROUND TO THE EVENT

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. The SEI Forums will consist of more than 30 events in up to 15 Member States in 2016-2019; information on past and upcoming events can be found on the SEI Forums [webpage](#).

An initial regional conference on Financing Energy Renovation of buildings in Italy, Croatia and Slovenia, took place in Milan on 16 November 2017. This event gathered about 125 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](#).

INTRODUCTORY PLENARY

INTRODUCTION AND UPDATE FROM THE EUROPEAN COMMISSION

Claudia Canevari, Deputy Head of Unit, Energy Efficiency, DG Energy, European Commission

Presentation [here](#).

The legislative framework is extensive and is still being developed. This process has been underway since the 2016 [Clean Energy for all Europeans package](#). The [Energy Performance of Buildings Directive](#) has been revised and the process for its adoption by Member States is underway. Important changes in the revisions to the Directive include the addition of 2030 and 2040 targets for building renovation and a goal to completely decarbonise the building stock before 2050.

The supporting [Smart Finance for Smart Buildings](#) initiative aims to overcome some key barriers to financing energy efficiency. It is made up of three pillars on more efficient use of public funding, project aggregation and technical assistance and risk perception and reduction. On the first pillar, flexible financing platforms are being developed to distribute funds to Member States. On Energy Performance Contracting (EPC), there have been issues for public administrations, but the European Investment Bank and Eurostat have now published [updated guidance](#) on the treatment of EPC in national public accounts. Under the aggregation pillar, SEI Forums webinars are relevant, some have been held already and some are planned in the coming months (details can be found [here](#)). Further support for one stop shops to help local authorities to prepare projects to be aggregated is also planned. Under the risk perception and reduction pillar, the Energy Efficiency Financial Institutions Group have produced their [Underwriting toolkit](#) and the De-risking Energy Efficiency Performance ([DEEP](#)) database has been established.

INTRODUCTORY REMARKS

Mauro Mallone, Director, Energy Efficiency Unit, Ministry of Economic Development (MISE), Italy

Italy's [national energy strategy](#) was approved in 2017 and defines 2030 goals, energy and environmental. Energy reduction targets of 2 MTOE by 2020 and 10 by 2030 are proposed, so 1 MTOE reduction is needed per year in order to reach goals. Currently, the reduction rate is around 0.7-0.8 MTOE per year. Transport, and industry schemes already underway and there is now a need to concentrate on public and private buildings.

Italy has seven key support instruments for energy efficiency in buildings, which have performed quite well. These include tax allowances, energy efficiency obligations (white certificates), and action on public building renovation. These three tools represent investment of €4 billion per year. 60% of this reduction has come from the civil sector. €80 billion of investment over ten years is needed, so there is a need to bring investment up to €8 billion per year from the current roughly €4 billion per year.

From €1 of public funding, it is possible to get €2 of investment. To get to the required amount, it is not possible to double public expenditure. There is a need to increase the leverage. Italian

national government want to find measures and tools to mobilise investment in energy efficiency. The Ministry of Economic Development have been working in this area for some years now. They have developed tools, a National Decree has been published and there has been work on EU funding Operational Programmes to try and improve access to these.

Alessandro Federici, Head of Energy Efficiency Policies Monitoring and Support Service, Energy Efficiency Unit, Italian National Agency for New Technologies, Energy and Sustainable Economic Development (ENEA)

Presentation [here](#).

There is a need to mobilise investment in buildings, especially in the residential sector. However, there are some investment barriers. Incentive mechanisms are being developed to drive investment. One of the main obstacles encountered is that in multi-family buildings, possible renovation solutions never get to be discussed by the building owners. ENEA have spoken to a number of managers of apartment buildings. It is recognized that the Ecobonus support scheme can support up to 35-40% of renovation costs, but that the remaining renovation costs may still be too high for many. There is also a need to better understand and to better present the multiple benefits of renovation. A pilot project has been completed and a decision making tool developed to support apartment owners during meetings, so that concepts such as Energy Service Companies (ESCOs) can be understood.

Pierfrancesco Gaggi, Head of International Relations ABI and President of ABI Lab

The banking sector has a role to play in promoting energy efficiency and understanding it. The Italian Banking Association (ABI) are analysing this subject area to better support energy efficiency action through financial instruments, analysis of investment and funds and risk management. They also undertake technical analysis for banks. Banks are users of energy efficiency equipment themselves and a section of ABI Lab is working with banks on their own premises, in conjunction with ENEA. This is not common among all European banking associations. Banks are concerned with this topic. Banks are already developing different tools for business, SMEs and families to incentivise action on energy efficiency.

ABI are supporting the development of green mortgages through the EEMAP project, are members of the European Banking Federation and have expressed support to the European Commission's action plan on energy efficiency. There are also two Italian representatives in the European Commission High Level Expert Group on sustainable finance.

Italy had strongly promoted credit lines for SMEs. ABI is involved in new work looking into capital/equity mechanisms and SMEs. ABI wanted to develop a green economy approach on this basis, to help define what is green and agree a common definition.

The banking sector largely stands ready to adopt such credit criteria. Criteria that ease energy efficiency investment send an important advocacy signal. Investment in energy efficiency and renewable energy are a fundamental part of growth in general. Real estate should be a focus. In general, the population perceive the value offered by energy savings. This can be supported by additional finance to activate the available energy savings.

ABI want to start a chain reaction and joint work on behalf of all actors in the banking sector is important.

TOPIC GROUP 1

PRIVATE HOME RENOVATION

RAPPORTEUR: Enrico Bonacci, Ministry of Economic Development

Scope

Although there is high potential for achieving energy savings and CO₂ reduction from private homes, this is not the easiest sector to deal with as public authorities have little or no control over it.

There is a very complex set of non-financial barriers, which include: citizens' low awareness of the benefits of energy retrofits; competing household priorities; and a lack of 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. In the case of condominiums, joint decision-making and the interdependence of the financial capabilities of homeowners further complicate the whole process. The energy renovation process should be as easy and attractive as possible for them. This is not yet the case.

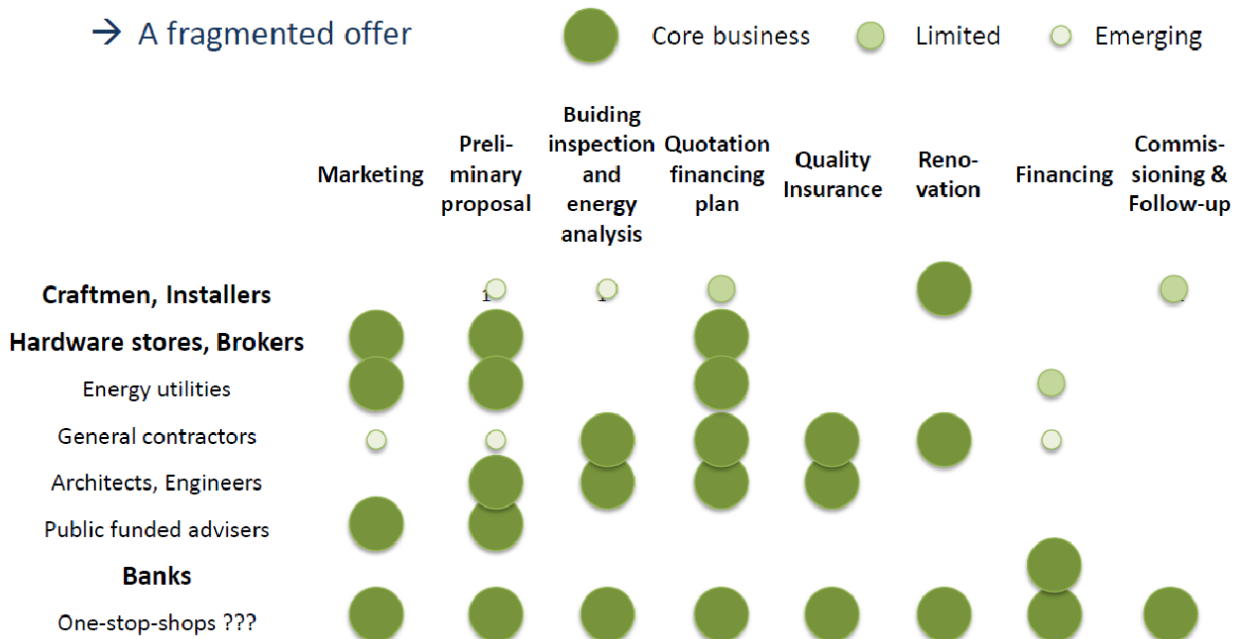
Another point is that the investment horizon goes beyond the decision horizon of private homeowners, as many of them expect to sell their property in the short to medium term.

The Public Conference included [presentations on experience with concessional loans in Parma](#), which showed the difficulties faced by local authorities in setting up such instruments, which [from the banking point of view](#) are not very attractive due to low uptake. Both presentations concluded that a stronger endorsement for and implementation of the local authority role was important and that stronger incentive mechanisms could help boost renovation rates.

Experience from Padova through the [PadovaFIT](#) project emphasised the importance of stakeholder engagement and outreach in convincing apartment owners and occupiers and condominium management organisations of the need renovation, as well as the ability to deliver fast initial energy audits. The project was also clear on the role of public authorities in undertaking necessary public procurement exercises. There were also presentations on successful experiences from outside of Italy, including from France with the [Picardie Pass](#) and [Energies Posit'if](#) projects. The [review presented](#) noted that home renovation offers were often fragmented and that they were serving a very fragmented end-user market – and a clear role for one stop shops to bring together aggregated demand and linked supply-side offers was identified (see diagram below).

Consensus on findings regarding private housing refurbishment market

→ A fragmented offer



Source: *Integrated Home Renovation Services Presentation, Francoise Réfabert, Milan Public Conference, Sustainable Energy Investment Forums.*

[GNE finance](#) also presented on the [EuroPACE project](#), which aims to replicate a well-established US funding mechanism in Europe.

This on-tax financing overcomes certain barriers to traditional energy efficiency financing by being highly scalable, standardised, offering a secure repayment mechanism and being able to be securitised and offered as green bonds.

The availability of finance does not seem to be a key barrier in Italy, but there are issues around the balance between grants and loans and the ability of individual schemes to combine these different types of funding.

Specific actions are needed to foster the willingness of householders to borrow for home renovation and to increase confidence in the outcomes of the renovation process.

This raises the question of which services can be provided to facilitate the renovation process for householders that encompass all steps from the identification of potential savings to the implementation of the works, including structuring the financing plan based on grants, loans and other available funding sources. The concept of the 'one-stop-shop' aims to address the customer journey as a whole and thus to both foster demand for renovation and supply appropriate financial solutions.

1: AM I SPENDING TOO MUCH ON ENERGY?
COMPARE AND TEST YOUR ENERGY CONSUMPTION!
 Paying the electricity bill or going on a holiday? The gas bill or a new couch? Which of these do you prefer to spend your money on? With the help of several free energy checks on our website you can quickly discover exactly how much gas or electricity you consume. Or how much energy you can generate yourself. Consuming less means paying less. Isn't that what everybody wants?

2: HOW CAN I SAVE MONEY?
PUT YOUR HOUSE UNDER A MICROSCOPE WITH THE HELP OF THE ENERGY SAVING SCAN
 Every house and every household is different. Get an energy efficiency scan for your house and receive tailor made advice.
 The scan results in a comprehensible report, which includes the costs and benefits of several measures. With the help of this report you can easily decide what your next step will be.

3: WHO DO I CONTRACT FOR ENERGY EFFICIENCY MEASURES?
CHOOSE FOR THE QUALITY OF LOCAL CONTRACTORS
 If you know which measures you want to take, you can start your search for a reliable company to implement these measures. On the internet you can quickly get lost in the enormous amount of companies, who all promise they can offer you the best. Do not worry! With our help of you can quickly and easily find the quality of local companies.

4: HOW WILL I PAY FOR THIS?
DISCOVER SUBSIDIES AND FINANCING OPTIONS
 If you want to renovate your house or to put solar panels on your roof, the best option is to use your savings. Energy efficiency saving are much higher than the interest you receive from the bank. Not enough money to invest? With a sustainability loan you enjoy attractive interest and conditions.

5: IS EVERYTHING GOING WELL?
APPLY FOR A CHECKLIST
 You have found a SMART company that matches your demands and work starts. What do you need to pay attention to? Apply for our checklist. With this handy list you can check if the renovation and installation are really going according to plan.

6: HOW DO I GET AN ENERGY LABEL?
ASK FOR A PROOF OF QUALITY
 The job is done! After this, all you want is proof that the energy efficiency of your house has actually improved. We can tell you how to obtain an official energy label. Will it be label C, B or maybe even A?

7: SATISFIED? SHARE YOUR EXPERIENCE!
BECOME A SMART-AMBASSADOR AND INSPIRE OTHER CITIZENS
 Are you happy with your improved house or your solar panels and do you want to show other people that taking energy efficiency measures is not difficult? Become a SMART-ambassador and share your experience!

Source: Reimarkt Concept, Marco van Daltsen presentation to Sustainable Energy Investment Forums Webinar on Financing Home Renovation

There is increasing recognition and marketing tailored to the fact that homeowners don't only invest in home renovation for the financial return, but in many cases for other factors associated with renovation, including comfort, health and increased home value.

These should become better integrated in the marketing of home renovation schemes in order to foster demand from households.

In this regard, the [Reimarkt project](#) is highly promising. Also through the [INNOVATE](#) project, integrated energy efficiency service packages are being developed and rolled out in 11 territories (targeting cities and regions).

Further information about innovative initiatives in Europe was presented as part of [this webinar](#), organised as part of the Sustainable Energy Investment Forums series of events. Presenters included the Reimarkt project noted above, as well as the pan European review of home renovation offers also described above. The need for joined up services and the potential for one stop shop services emerged as a key area for further development in future.

The Reimarkt project is aiming to develop consumer facing one stop shops that bring together information and advice, project planning and installation, financing and after sales care and product warranty support. The linking of these different steps in the householders renovation journey should overcome several well-identified barriers to home renovation.

Key questions

The working group focused on the following questions:

1. What should be the essential features of a one-stop shop service best suited to meet the needs of the home renovation market in Italy? Which organisations might be best placed to implement such a service? What would be the role of each organisation? How could the service be funded?
2. How can the inclination of owners/occupiers to apply for renovation loans be improved? What role would the municipalities have in increasing awareness of and confidence in this process?
3. How could these schemes be developed and funded? What level of technical support would be required to ensure a sufficient project pipeline?
4. What role could large condominium administrators play as promoters or facilitators in the decision-making process?

Summary of discussion

The following 5 key points provide a summary of the principal elements that arose from the topic group discussion.

The report follows the decision-making process timeline followed by owners/condominium members through the energy renovation of their building.

Key point 1 – knowledge

Often, the drivers of decisions to renovate are not solely financial. There is a requirement to promote knowledge on the renovation works among owners regarding the type of intervention, the associated financial benefits, improvements to quality of life and increased property value. Given this situation, it is important to disseminate the concept of *windows of opportunity*, i.e. intervening to improve efficiency at the same time as other works scheduled on buildings or systems, to reduce the associated costs.

This aim can be facilitated by an entity acting as an intermediary between the owner and the suppliers of the services. In condominiums for example, that would be the building administrator, therefore requiring specific training.

Key point 2 – Decision-making process

Scepticism towards innovative or unknown interventions and the technical/financial operators (ESCos – Energy Service Companies – for example), is perceived as a factor that blocks the decision to go ahead. In addition, with condominiums there is resistance to getting into debt, in the case of loans or Energy Performance Contracts (EPCs), caused by concerns about unexpected situations (defaulting condominium members, failure to achieve the expected savings, sales, rentals). Furthermore, the dynamics of condominium meetings do not always favour positive decisions being made.

These critical issues may be overcome by targeted training of the condominium administrator, who acts as a trusted person for the owners and can resolve their doubts. Moreover, it is important to increase the reliability and credibility of instruments such as energy audits and APEs (Energy Performance Certificates), such as through promotion by public authorities. A review of the condominium regulations would also be helpful for promoting decisions on energy renovation interventions taken by the body of owners (by reducing the majorities required, as was prescribed by Italian Law 10/1991, for example). Introducing at the decision-making phase

benchmarking and standardisation of the related interventions would be beneficial for increasing confidence in their success.

Key point 3 – Contract models

It has been demonstrated how the ESCo model and more generally, third-party funding is not always ideal and is not chosen easily by owners. It is therefore important to involve and stimulate market operators to devise differentiated and tailor-made contract models according to the needs of owners. Public authorities would have an important role in providing promotional tools and removing the barriers (bureaucratic, for example) that limit the range of what is available.

Key point 4 – Aggregation

Energy renovation interventions are often costly and involve long return on investment timescales. To stimulate and increase the number of and appetite for renovations it is therefore important to promote aggregation of products by market operators (scale effect). The development of the market and aggregation can also be enhanced by benchmarking and standardising projects, which become replicable and highly reliable. The role of organisations such as the energy utilities with both technical and financial expertise would become significant in this scenario.

Key point 5 – Promotional instruments

As well as the above, there is now an overarchingly significant role for instruments for promoting interventions (incentives and grants). If well constructed, these instruments can significantly reduce the risk of unexpected events affecting the owner and thereby even offset the uncertainty. Instruments for guaranteeing loans and incentives are important as they reduce investor risk. Such instruments must also stimulate the availability of soft loans from lending institutions for energy renovations. And, benchmarking and standardisation of projects also forms an essential element for promoting the granting of loans, guarantees and incentives.

TOPIC GROUP 2

DE-RISKING ENERGY EFFICIENCY

Rapporteurs: **Giorgio Recanati, Francesca Rosati, Abilab**

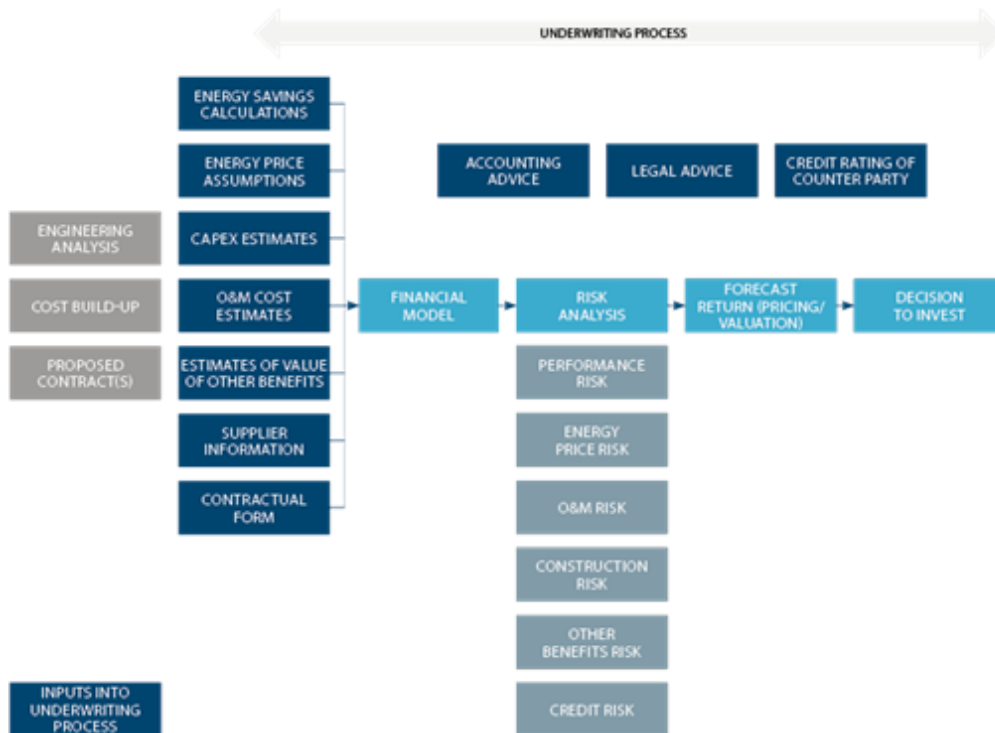
Scope

Under current market conditions, investors are not attracted by energy efficiency. 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 may not be taken into account. [The EEFIG 2015 report](#) (the Energy Efficiency Financial Institutions Group) highlighted among others the following problems:

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

In this regard, the Public Conference included presentations giving an overview of the work of the [Financial Stability Board](#) on climate related financial disclosure. This is looking at common metrics for the banking sector to understand green ratings of business and enterprise, to increase understanding of risk when rating investments. There are many indicators in use and ABI are involved in discussions on these with the European Commission and others.

It also presented the work carried out to standardise energy efficiency projects under the [Investor Confidence Project \(ICP-Europe\)](#) and the [Energy Efficiency Risk Valuation and Underwriting Toolkit](#) for financial institutions published recently by [EEFIG](#). ICP seeks to standardise the project development process and includes monitoring of the project development process to improve reliability. It is hoped that the ICP Investor Ready Energy Efficiency ([IREE](#)) standard will become the standard in future for energy efficiency projects. This certification reduces risk and due diligence costs. The EEFIG Toolkit is helping financial institutions to evaluate and understand risks, bringing a shared language in evaluating investments and is helping to create projects that are better aligned to need of financial institutions. The Roundtable should explore how the Toolkit could be adopted widely by all relevant institutions in Italy.

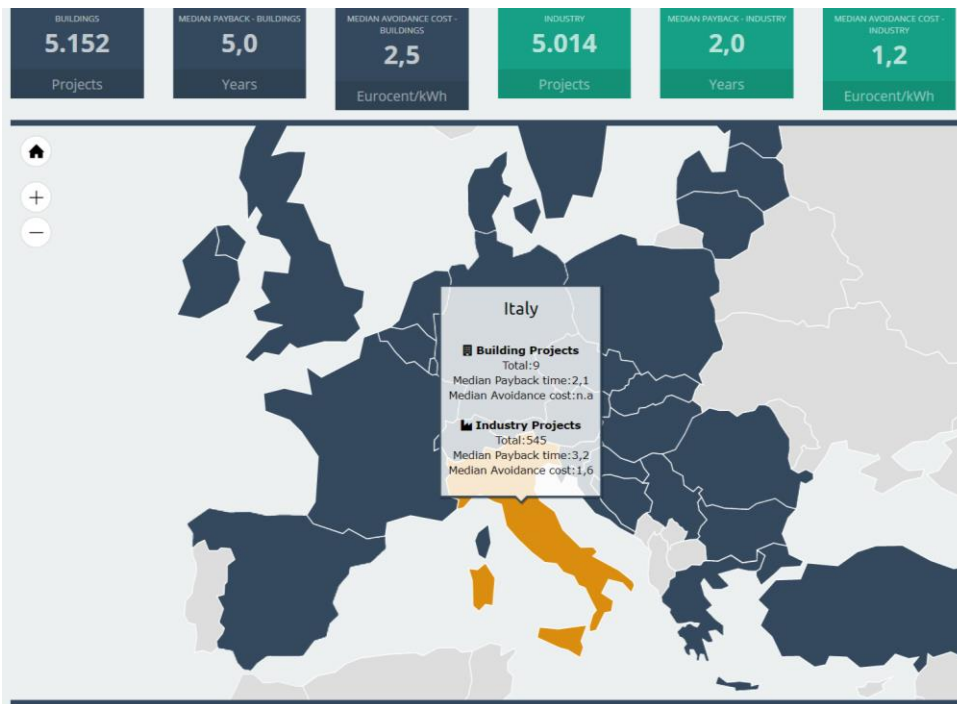


A [presentation](#) was also given on the EU funded [BUILDINTEREST](#) project, which aims to structurally reduce uncertainty and increase trust in investments in sustainable energy in buildings. BuildLab is working as part of the project to reduce uncertainty and risk by standardising renovation procedures and quality marks and understanding technical assumptions developed on the basis of building typologies.

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 starting to provide openly available benchmarking information, but still does not contain much data on ongoing in-use performance of energy efficiency measures. A screenshot of DEEP data, highlighting entries for Italy is shown below. While there are a high number of industry projects within the database, only 9 Italian building projects are included currently. In order to assist with benchmarking and de-risking, further data submission is encouraged.

NATIONAL ROUNDTABLE ON FINANCING ENERGY RENOVATION OF BUILDINGS IN ITALY



Alongside standardisation, a major challenge is the perceived risk profile of energy efficiency which leads to higher capital costs. A solution to this could be the development of risk sharing instruments such as guarantees, which can be provided from the EU level through the European Fund for Strategic Investments ([EFSI](#)) and Private Finance for Energy Efficiency ([PF4EE](#)) guarantee schemes, alongside existing national initiatives.

In Italy, the Ministerial Decree (MD) of 22 December 2017 launched the National Fund for Energy Efficiency, which prescribes a proportion of guarantee.

In this context, to further mobilise and unlock private investment, the European Commission has launched the [Smart Finance for Smart Buildings facility](#), which aims at unlocking an additional € 10 billion of public and private funds until 2020 by:

- encouraging more effective use of public funds including through the development of flexible energy efficiency and renewable financing platforms to boost the combination of the European Fund for Strategic Investment and other public funds, including European Structural Investment Funds;
- helping project developers bring good project ideas to maturity with more project development assistance and aggregation mechanisms;
- making energy efficiency investments more trusted and attractive for project promoters, financiers and investors.

Key questions

The working group focused on the following questions:

1. What data might be available in Italy that can be shared through platforms such as the DEEP database? Which bodies could help in setting standards and benchmarks to minimise the risk?

2. Now that the EEFIG-developed Toolkit has been launched, how can it best be used in Italy? What support might be required to encourage dissemination and adoption? Which individuals and institutions could be its main supporters?
3. What role could guarantee funds play in supporting the growth of energy efficiency investment? How can such mechanisms be structured to address the needs of the banking sector?
4. How can a continued dialogue between banks and organisations in the energy efficiency sector be maintained? Is there a need for additional support mechanisms?

Summary of discussion

The following 6 key points provide a summary of the principal elements that arose from the topic group discussion.

Key point 1 - Problem areas

Key problem areas:

- Need for banks to be able to acquire objective data to correctly assess project risk;
- The difficulty of communication between the finance standards and the technical standards used in projects. Project assessment criteria therefore need to be shared between the bank and the supplier;
- The main difficulties appear in the case of retail loans (project finance already involves technical assessments by advisors).

Key point 2 - Indicators

Identification of specific indicators deriving from historic energy efficiency projects would be helpful for banks in their assessment of the projects. These could potentially be divided between the higher performing and the less well performing projects. Indicators that evaluate the two types of project could then be compared to provide predictions for assessing future projects.

A number of possible indicators to consider, whether technical or financial, were discussed (possibly for forming a matrix for identifying costs and potential).

- Technical:
 - Reduction in energy consumption;
 - Overall saving;
 - CO₂ reduction;
 - Minimum equity amount;
 - Age of building (or potential for improvement);
 - Climatic band of building (for potential for improvement);
 - Revaluation of the building (especially for major energy efficiency interventions);
 - The level of arrears for condominium members.
- Financial:

- Internal investment yield rate;
- Return on investment time.

The following sources of data could be used for assessing such indicators to populate the benchmark platforms:

- Energy audits;
- Energy performance certificates;
- Tax incentives.

Energy efficiency interventions need to be standardised to be able to link indicators with them for protecting their efficacy. There are already projects with this aim and it will be interesting to coordinate their activities.

Key point 3 - Public intervention

Public intervention is necessary to kickstart the market, supporting in particular:

- the development of standardisation methodologies and the identification of shared indicators;
- assessment of projects to be financed;
- SMEs in the collection of technical documentation for the loan application, such as energy audits;
- definition of guarantee funds or other instruments able to mitigate the credit risk for banks (mechanism for reducing the LGD (Loss-Given Default) component to reduce absorption of capital for banks that provide green mortgages);
- promotion of risk sharing instruments by the regions that prescribe grants for entities that invest in energy efficiency, matched with bank loans at market conditions.

Key point 4 - Risk mitigation

Risk mitigation instruments should be identified.

Guarantee Fund for Energy Efficiency:

- The existing fund has an imbalance between the percentage set aside for direct loans and the proportion for guarantees. A higher percentage dedicated to guarantees would be helpful for providing greater leverage for investments.
- The current guarantee percentage, providing hypothetical leverage from 1 to 10, would activate around €500 million of investment, not sufficient for national energy efficiency targets.
- It should be borne in mind in setting up the fund that the reference audience are ESCo start-ups. Therefore accessing the fund would be the same as for innovative start-ups accessing the National Guarantee Fund.
- The guarantee issued by the National Fund for Energy Efficiency must be acknowledged by the Bank of Italy as a guarantee with zero weighting towards the banks. The procedures for activating the guarantee should be aligned with those prescribed for the Central Guarantee Fund to avoid additional investment by banks.

Other risk mitigation instruments:

- Risk Sharing instruments for providing additional public support. As an example, how the projects initiated by EIB were brought forward (instruments of the European Commission such as PF4EE)
- The role of insurers in guaranteeing the project's operating risk and performance (still do not seem to be place in Italy).

Key point 5 - Tax deductions

As regards tax deductions, the methods of transferring credit should be reviewed, to also enable access to the banks.

Key point 6 - Permanent panel

It would be helpful to establish a permanent panel for discussion between the various actors, including for assessing the regulatory impact.

TOPIC GROUP 3

ENERGY EFFICIENT MORTGAGES

Rapporteur: Simone Grillo, Banca Etica

Scope

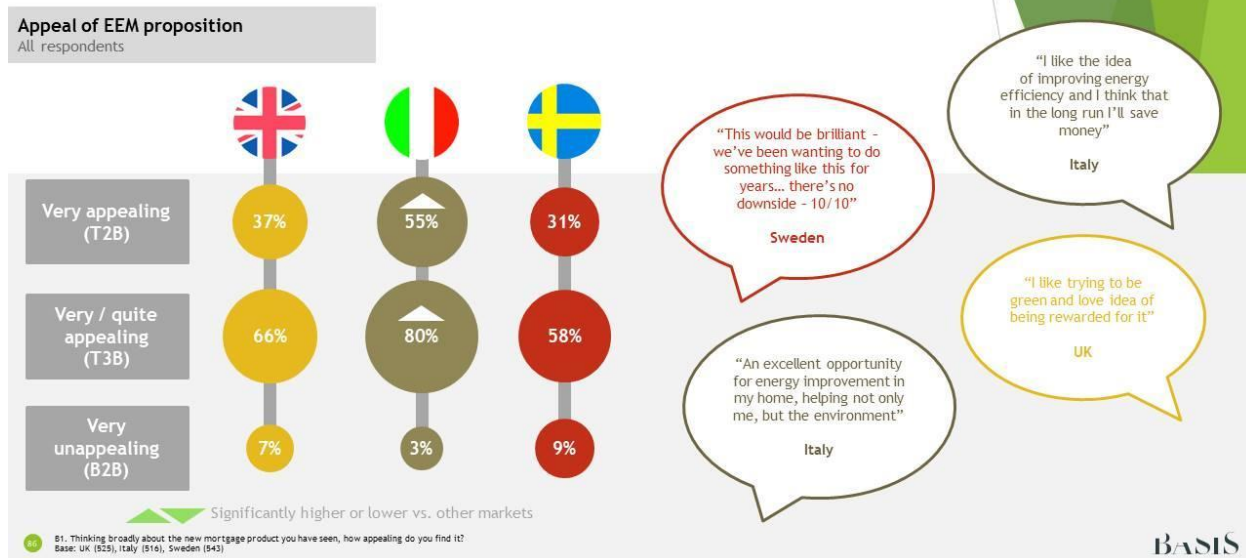
An energy efficient mortgage is one that is used to finance purchase of an energy efficient building or refurbish a building to a higher standard of efficiency. Lower energy bills resulting from high levels of energy efficiency should reduce risk of default while increased property value should allow 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](#), as [presented](#) during the Public Conference.

The aim of this project, co-funded by the European Commission, is to create a standardised energy efficient mortgage in which building owners are incentivised to improve the energy efficiency of their property, or acquire an already energy efficient property, by way of preferential financing conditions linked to the mortgage. The project will identify and summarise market best practices, define energy performance, identify the pre-requisites for the assessment of “green value”, substantiate the correlation between energy efficiency and the probability of default, and define and design an energy efficient mortgage based on preferential financial conditions. There are ongoing processes as part of EEMAP within Italy and discussions being held within the banking sector about adoption of definitions and principles to foster the green mortgage market.

The EEMAP project has published a [Building Assessment Brief](#) for Italy and their [associated consumer research](#) has shown that of four Member States surveyed, that acceptance of the green mortgage proposition is highest in Italy.

The Energy Efficient Mortgage holds greatest appeal to the Italian market, and outright rejection of the proposition is minimal...



Source: *Financing Home Renovation from the User Perspective*, Marco Marijewycz presentation, Sustainable Energy Investment Forums Webinar

The Public Conference also included a presentation from the [CRIF representative](#) shedding light on the importance of developing evidence of green value in the property market in order to better understand and measure the potential of green mortgages.

The development and the delivery of a green mortgage-based national programme still face different challenges such as the lack of compliant banking regulations, the lack of consistent data supporting the hypothetical model developed by the EEMAP team and the lack of a proper definition of a green mortgage.

Key questions

The working group focused on the following questions:

1. What is the role of public sector? How do we manage interaction between the public sector and banks on green mortgages?
2. What regulation could foster the development of green mortgages? Is there any specific Italian regulation to be addressed?
3. What kind of data is needed to support the model? How could the Italian banking sector support the collection of this data? What is the role of IT platforms in managing and understanding the green mortgage market?
4. Which actors could contribute to defining green mortgages?
5. What form would a green mortgage-based national programme take in Italy? Will training be provided? How, by whom, and for whom?
6. What would be the potential of such a programme, given the Italian situation? How can the development of this market be supported and monitored? How could it be promoted through the dissemination of information?

Summary of discussion

The development of a green mortgage market requires a concept that can overcome the obstacles and seize opportunities, acting on aspects such as:

- Increased consumer confidence (currently very low, especially in condominiums) by increasing awareness
- Effective inclusion of all stakeholders interested in energy efficiency improvements
- Adaptation of technical processes (studies) and banking processes (*Energy-safe* lending) via appropriate training
- Suitable market regulation including measures for public support (conditions for a scalable model)

A strategic market needs to be fully developed both for enhancing the sustainable development model (40% of energy consumption is by buildings) and for the business strategies of banks and market operators (the energy efficiency business grows at 2-2.5% annually).

The following 3 key points provide a summary of the principal elements that arose from the topic group discussion.

Key point 1 - National plan for energy efficiency improvement

The creation of a Panel of all significant stakeholders: Competent ministries, ABI (the Italian Banking Association), consumer associations, bodies representing professionals and the businesses involved, real estate agencies, energy providers, local authorities.

Definition of the parameters for defining the energy efficiency intervention (defining the energy class to achieve for the level of energy improvement, bearing in mind the differences in the EU between the various energy classes and the assessment benchmark models applied throughout Europe today).

Dissemination of good EU practices and exchange of good local practices.

Key point 2 - Technical and financial measures for a green mortgage market

Establishment of a national quality mark/label which defines the green mortgage concept and certifies interventions at a technical and financial level.

Creation of a shared public-private database (combining CRIF, OMI, Rating Casa data) certified by authorities, able to set the level of risk associated with the individual type of loan and the intervention's technical and financial criteria.

Definition of financial support measures (capital requirements for banks that offer green mortgages; guarantee fund; grants; tax deductions; credit transfers; local authority/Sustainable Energy Action Plan interventions; "green" bills of exchange/warrants; covered bonds) and/or disincentives for non-eco-compatible initiatives ("brown building" tax).

Measures for reducing bureaucracy.

Bank of Italy intervention in monitoring role.

Key point 3 - Cultural measures

Awareness initiatives for the consumer (including via consumer associations).

Dissemination of knowledge of the availability of EU funding.

Cultural initiatives in partnership with private entities.

Involvement of schools/universities and professional training centres.

The project concept should be defined for enhancing the European projects already in place, starting from EEMAP (“green mortgage” model) and EeDAP (database).

TOPIC GROUP 4

PUBLIC BUILDINGS

Rapporteur: Giulia Centi, ENEA

Scope

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 efficiency renovation through energy performance contracting (EPC) in Italy at [national level](#), in the [Piemonte](#) region, in the [Marches](#) region and on similar programmes in Slovenia and Croatia; as well as a [presentation](#) given on the new [Eurostat rules on EPC accounting](#) and its implications.

The [2020TOGETHER](#) project in Piemonte aims to start a coordinated action involving regional, provincial and local authorities, financial institutions and local industries/investors and to launch an investment programme based on Public Private Partnerships and Third Party Investment. The Marche Region Technical assistance for healthcare buildings Energy retrofit ([MARTE](#)) project has a main objective to create innovative financing models and strategies to support energy efficiency investments combining EU technical assistance with structural funds (ERDF).

The Marche Region intends to promote a regional discussion with the ESCos and increase the capacity building of the stakeholders and expects to replicate the initiative in the social housing and waste management sectors, Provinces and Local Authorities.

The full implications of the revised Eurostat accounting guidance are still being worked through. Practitioners guidance is in preparation by the European Investment Bank, and there is ongoing joint work between ENEA and ABI in Italy on the topic. The role of banks and the public sector in implementing the revised guidance most appropriately is to be explored further.

Potential solutions to increase renovation rates can be explored in:

- Project Development Assistance (with leverage requirements) and aggregation of small municipalities to reduce transaction costs
- One-stop-shops for EPC/EPC market facilitation, including the use of contracting/procurement frameworks. On this point, the [KEA model](#) with local facilitators and the [Re:Fit model](#) with a pre-procured framework of ESCo contractors are highly promising.
- Forfeiting energy performance contracts to allow refinancing of ESCos, which can be implemented through specific vehicles such as the [Bulgarian Energy Efficiency Fund](#) for public buildings, or the [Latvian Baltic Energy Efficiency Fund](#) on residential buildings.

The implications of the revised Eurostat guidance should be explored (in addition to their guidance, an implementation note is in preparation by the European Investment Bank), as well as defining 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.

Key questions

The working group focused on the following questions:

1. Could public funding be allocated in the form of project development assistance, which has a higher leverage factor than investment grants/public loans? How would this work in practice? What has the experience been in seeking to use or applying for ELENA funding?
2. What is needed to upscale the market for energy performance contracting? How can mechanisms such as forfeiting for EPCs be supported?
3. In what other ways can access to finance for ESCOs be improved?
4. What is needed in terms of awareness raising and capacity building for the owners of public buildings?

Summary of discussion

The following 6 key points provide a summary of the principal elements that arose from the topic group discussion.

Key point 1 - Competences

One of the principal barriers to implementing the energy efficiency targets was identified as scepticism about the instruments available and in the limited competences of the parties involved. Possible actions to be undertaken could be:

- Establishment of Territorial Support Centres funded by structural funds and not, as currently happens, funds linked to the individual initiative or project.
- Development within territories of one-stop shops, to provide institutional structure for local coordination activity. European-level scheduling post H2020 would be helpful.
- Implementation of information and training programmes and the creation of databases of good practices for sharing and promotion of successful actions.
- Reliance on Energy Managers to increase the competences of public authorities from within.

Key point 2 - Energy audits

The energy audit plays a fundamental role. It is important to promote the development of energy audits but essential above all to identify methods of funding that allow public authorities to give this initial step of the planning activity substance, even in the absence of funds. It could be helpful, where permitted by public budget constraints, to link the grant to the effective realisation of the energy efficiency improvement intervention.

Making energy audits mandatory for energy-intensive public buildings could promote implementation of the funding plans.

Lastly, encouraging a significant change of culture to regard the energy audits as not only a project step, but also a way of public communication for the institution.

Key point 3 - Standardisation

The regulatory uncertainty and the absence of standardised procedures and documents also form significant barriers to be overcome. The rules currently in force for contractors do not

favour the application and development of energy performance contracts. There is a strong need for:

- Greater regulatory certainty and clarity, both nationally and at the European level.
- Standardisation and replicability of energy performance contracts, procedures and M&V system and procedures.
- Creation of a database of energy/financial indicators which the public authorities can refer to when assessing proposed projects.

Key point 4 - Public housing

Public housing is certainly one of the areas of greater interest through its high potential for improvement of energy efficiency. The principal barriers are the risk of arrears of the tenants and the split incentives dilemma. Business solutions need to be defined that can be binding for all parties involved (owner, lessee and ESCo). The actors concerned must be engaged and made aware, emphasising all of the benefits that energy renovation intervention can bring, not only financial (improvement of comfort, health etc).

These agreements could be linked to the energy class of the property or, alternatively, over availability of funding could be directed towards the implementation of additional efficiency improvement measures.

Key point 5 - Credit

This key point is subdivided into:

- Enhancement of Guarantee Funds. The presence of guarantee funds (hoped to be increased by future provisions) is important for lenders. Their availability certainly increases the audience of potential borrowers, but for successful lending, the applicant's creditworthiness and the quality of the project remain determining factors. Another important aspect is scale: aggregation of the demand would be desirable. It is also a significant factor for lenders for the project also to be assessed by the public authority providing the guarantee.
- Synergistic use of funds, especially for technical support
- Possibility of resorting to granting credit with certain clear rules and especially via a simple and inexpensive application (standardisation and aggregation would also be a useful factor here)
- The creditworthiness of ESCos increases via capitalisation, temporary aggregation and optimisation of the standard UNI CEI 11352:2014 for certification of ESCos
- Insurance products facilitate access to credit, but at present they are costly and tailor-made. They need to be standardised and disseminated.

Key point 6 - Reward mechanisms

This additional key point emerged during the discussion and is also envisaged by the Energy Strategy.

It may be beneficial to act on the cultural and social side to stimulate users to adopt positive behaviour, not only by adopting penalties but more particularly by the establishment of a system for rewarding virtuous users. One scenario could be integrating these motivational actions

within the company's code of ethics, implementing at the same time a training and information programme that leads to cultural changes by motivating users to act beneficially. Therefore rewarding good behaviour more than punishing bad.

CONCLUDING REMARKS

Mauro Mallone, Director, Energy Efficiency Unit, Ministry of Economic Development (MISE), Italy

MISE can identify actions to take in the short, medium and long term, but in some cases may need to change EU and national legislation, which may take longer. The National Energy Efficiency Fund was mentioned several times and further details will be forthcoming. It is expected that the fund will support the establishment of new guarantees for eco scheme loans, so banks can finance individuals or organisations responsible for blocks of flats. One of the topic groups talked about a lack of trust between neighbours in housing and issues of debt – some of this can be mitigated by loans from available funds.

Awareness raising of the opportunities for and benefits of energy efficiency emerged as a trend in all topic groups. Building owners have a particularly important role to play in the promotion of energy efficiency renovation. New opportunities are emerging, including through lower interest rate green mortgages and maximizing effective use of energy efficiency obligation funds. It is important to bring incentives together and to present combined offers to building owners.

On non-domestic buildings, MISE would like to simplify energy performance contracting rules.

MISE see a strong willingness to move forward in the coming months and would like to reconvene in a similar forum again through the available EU support.

Alessandro Federici, Head of Energy Efficiency Policies Monitoring and Support Service, Energy Efficiency Unit, Italian National Agency for New Technologies, Energy and Sustainable Economic Development (ENEA)

ENEA have a three year training plan, which is important for their activity. They have also developed a database on Eurobonds, as well as a range of indicators. This has allowed them to make an evaluation of the performance of energy efficiency measures.

In Italy, 14,000 surveys in the industry sector have also been completed based on the Energy Efficiency Directive requirements. These can serve as a reference point and there is now a need to move to implementation. This has to be done together with end users, taking account of awareness raising and engagement barriers. Further roundtables can underpin this work.

Angelo Peppetti, Directorate for Financial Strategy and Markets, ABI

ABI has working groups on a number of these topics and is working with its members as well as through the Italian Mortgage Federation. In future Roundtables, it would be good to involve the Ministry of Economy and others could be brought in to enlarge participation and bring forward the most appropriate financial measures.

This work is not business as usual. A stock of knowledge has been developed and should be enlarged.

Claudia Canevari, Deputy Head of Unit, Energy Efficiency, DG Energy, European Commission

The importance of these topics in Italy is particularly strong. The Commission will take the ideas discussed at the event and look at how these can be turned into concrete proposals. It will also be interesting to pursue more specific themes and to try and engage increasing numbers of stakeholders. Political will and technical will are needed.

ANNEX 1 – DETAILED POINTS AND FLIPCHARTS FROM THE TOPIC GROUPS

Topic Group 1 – Home Renovation

List of possible actions

Points marked * have general scope, while the majority of points relate to the concept of one-stop shops.

Actors:

- The one-stop shop should be impartial, i.e. from public entities or associations. Renovation and funding interventions are typically services provided by the private sector. One-stop shops could take on the role of facilitator of the relationship between a condominium and the private sector.
- Owners' trust is an essential factor for the concept of the one-stop shop. It must act as a trusted third party.
- Administrators are in a good position to promote suitable interventions.
- Energy agencies could be the appropriate vehicle for a one-stop shop.
- Utilities could be involved through their capacity to aggregate the demand and thus reduce costs.
- The ESCOs and the regulated private sector would not necessarily need to intervene.

Instruments

- De-risking instruments are required for reducing cautiousness against condominium indebtedness, which intimidates the individual owners. For example, guarantee funds (The National Energy Efficiency Fund is not ideal) and credit transfer funds*

One-stop shop services:

- Key components for the safety of investment: credibility (minimum criteria requirement) and guarantee of quality (requirement for monitoring of savings)
- A light audit could be provided with quality guaranteed by the local authority, or managed by a one-stop shop with the administrators; it would need to be evaluated whether the costs were charged to the public coffers
- For more complex interventions, the one-stop shop would eliminate all types of risk for the condominium
- Simple, low-cost interventions (change of an individual component, e.g. boiler) are too low-volume to be able to develop comprehensive services for the owner. For these, the one-stop shop could provide benchmarking activity, i.e. giving comparison to certain elements for the owners during the audit phase
- The contract model must be flexible for adapting to various solutions from one condominium to another.
- Energy Performance Contracting is suitable for buildings with centralised systems, however, it requires user behaviour monitoring, which can be complicated.

- Control over the quality of interventions, qualification / preselection of operators

Territorial scope and type of investments for a one-stop shop:

- The right territorial scale for a one-stop shop is at least the province, and preferably the region, for reaching a critical mass of investment to justify the outlay
- To develop a financial service, it makes sense to focus on renovation works with a lower consumption because of the greater volume
- A one-stop shop could start with simpler, individual houses because there would be no collective decisions, even if condominiums form the majority of residences

Changes needed in the property market

- Definition of an energy passport for the dwelling with the deadline indicated for interventions for achieving low consumption *
- Incentivising the market to create a new tenancy offer, which will allow improved services to be offered *
- Standardising the methods of intervention to facilitate assessments by banks *
- Creating a more virtuous scale of sustainability *

Training

- Quality certification is needed for demonstrating the benefits of the renovation and the one-stop shop over time.
- Training of building trades to help them create groupings of all the skills for carrying out total renovation projects of a good quality (coordination between trades for low consumption renovation is essential)
- Specific training for administrators, to be included within the periodic training that they receive; involving the ANACI Confederation *
- The entire chain requires training, from the municipality to home owners *

Communication:

- Communication about the one-stop shop via the actors already in contact with owners: trades, banks, real estate agencies, sites
- Institutional communication to create confidence of condominiums in the one-stop shop services
- Increasing the public's demand for the one-stop shop's services
- Involving the suppliers of materials in the promotion and training of builders *
- Communicating to owners the improvement in comfort and increased value associated with the renovation, and not only the financial savings or the ecological impact *
- Combining the energy renovation with anti-seismic aspects *

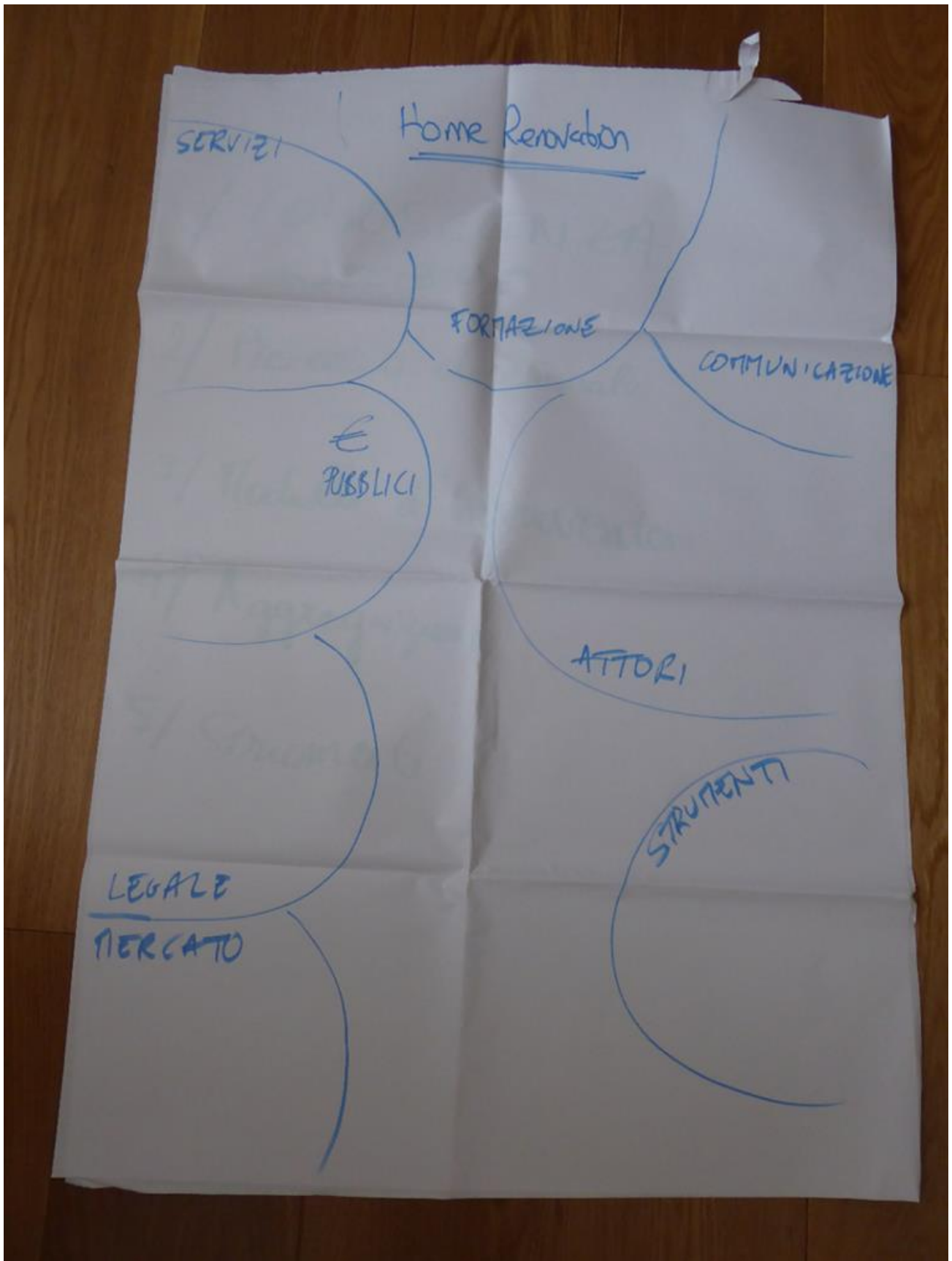
Use of public funds

- It would be appropriate for public funds (and EU funds) to promote the one-stop shop as an integrated service, and support the start-up phase in particular

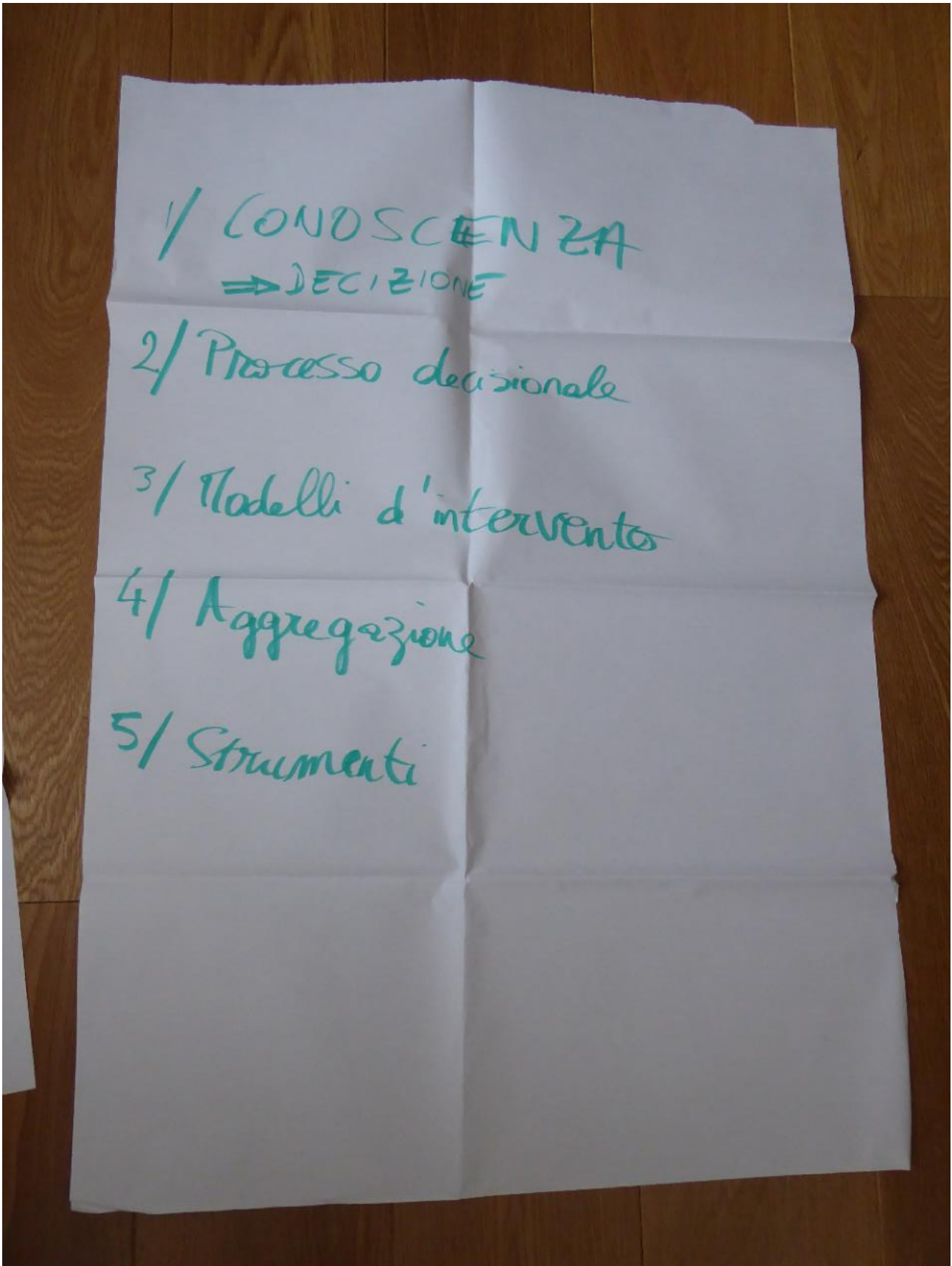
- Effective incentives can be designed to disincentivise inertia, for example balancing the IMU (Single Municipal Tax) based on efficiency improvement interventions for a limited period *
- Tax relief for reducing the use of fossil fuels and CO2 *
- Incentives are necessary because the energy saving alone is not enough to repay the investment *
- Make the use of public funds conditional on complying with the right order of intervention: 1) shell; 2) system; 3) renewable energy source *

Legal aspects:

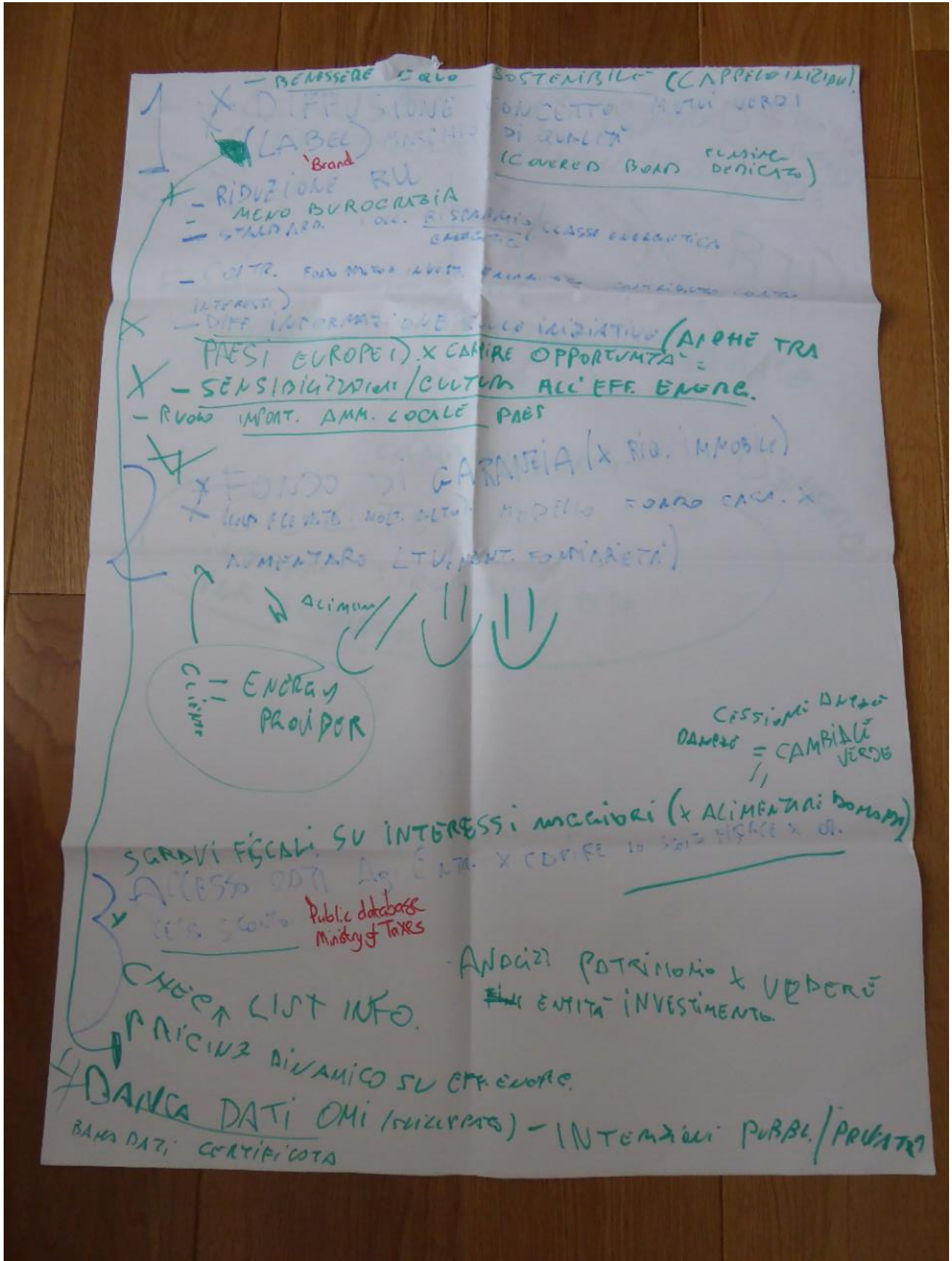
- Increase the possibility of condominium members making claims against other condominium members who do not pay, to reduce the cautiousness against collective investment *
- Review of the rules of majorities for energy renovation. A specific legal category could be created for works in the *private sector but of common interest*, as was established in France *
- Requirement to intervene on the building in case of significant renovation *
- Allow the municipality to create an energy renovation obligation when intervening on the facade, thereby incorporating renovation within the building's normal life cycle. *



Topic Group 2 – De-risking energy efficiency



Topic Group 3 – Energy efficient mortgages



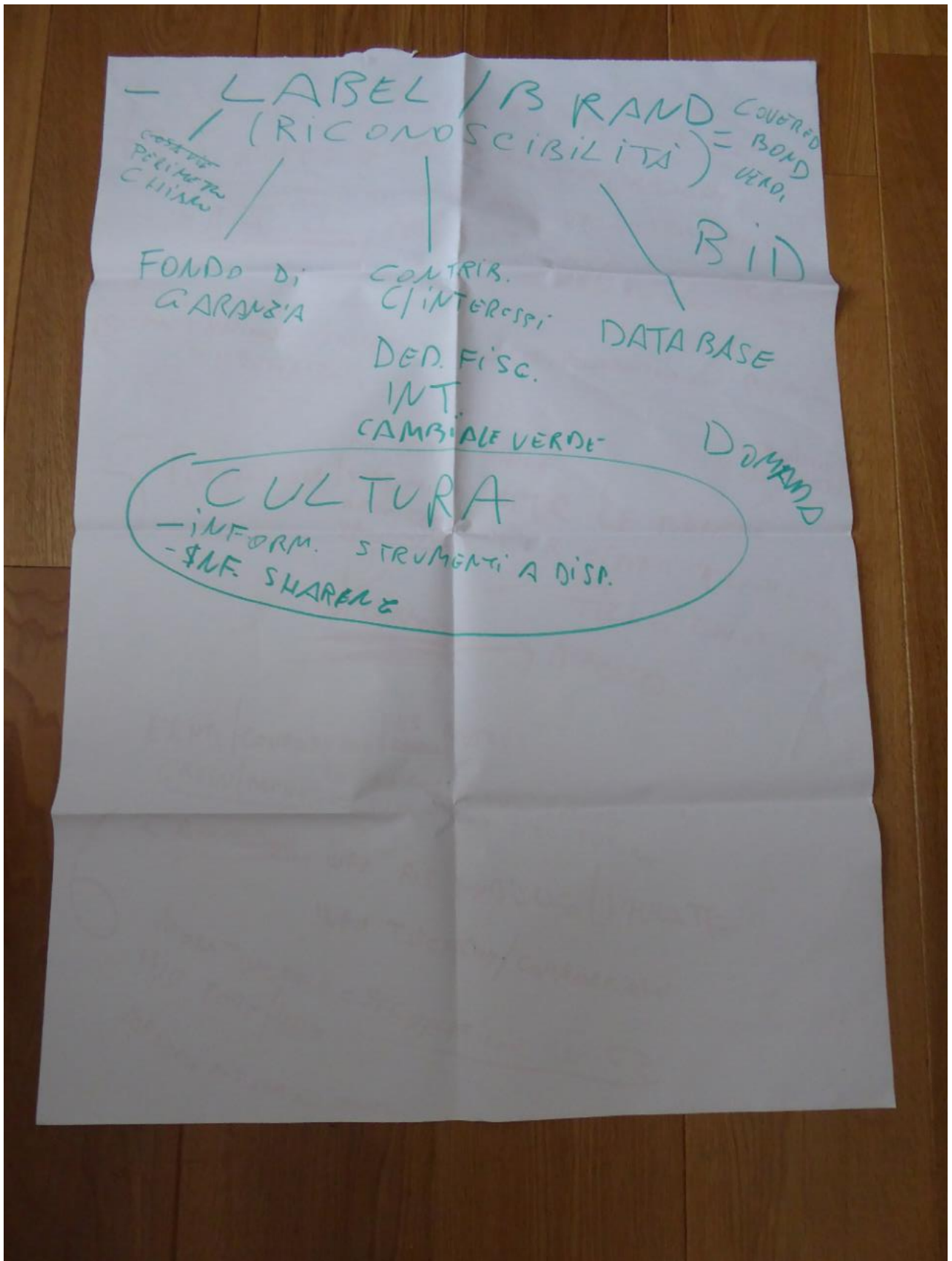
4 ENEA, AREA BUILDING COUNCIL,
 GRUPPO INTERDISCIPLINARE (BANKIT, ACC, TECNICI (x VALUTAZIONE IMM.), VALUTATORI/PERITI)
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PROGRAMMI NAZIONALI PARTENDO DAL LABEL, SOSTENIBILITÀ, PERFORMANCE
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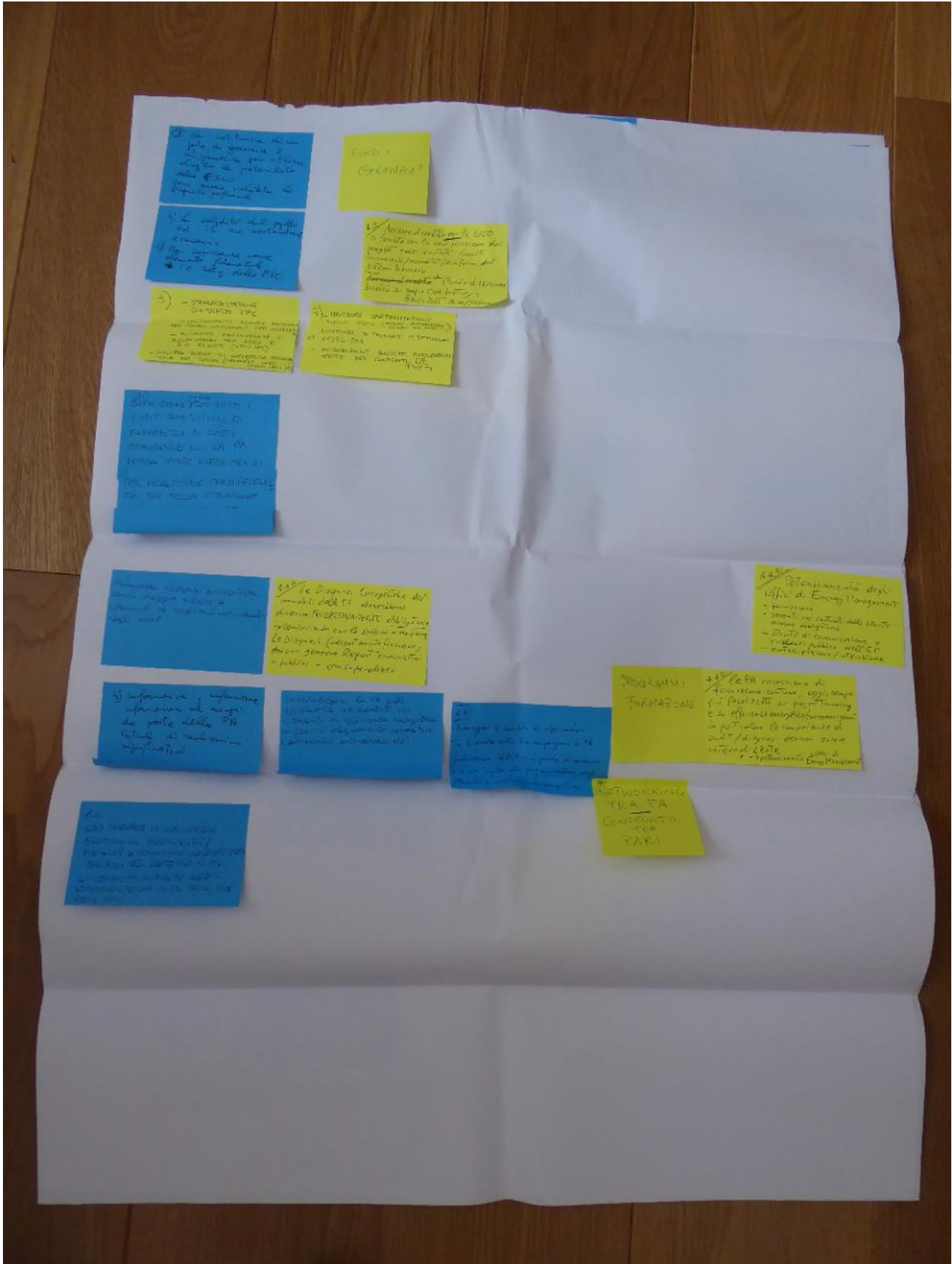
5 FORMAZIONE (DA PARTE FEDUE) SPORTELLI DEDICATI
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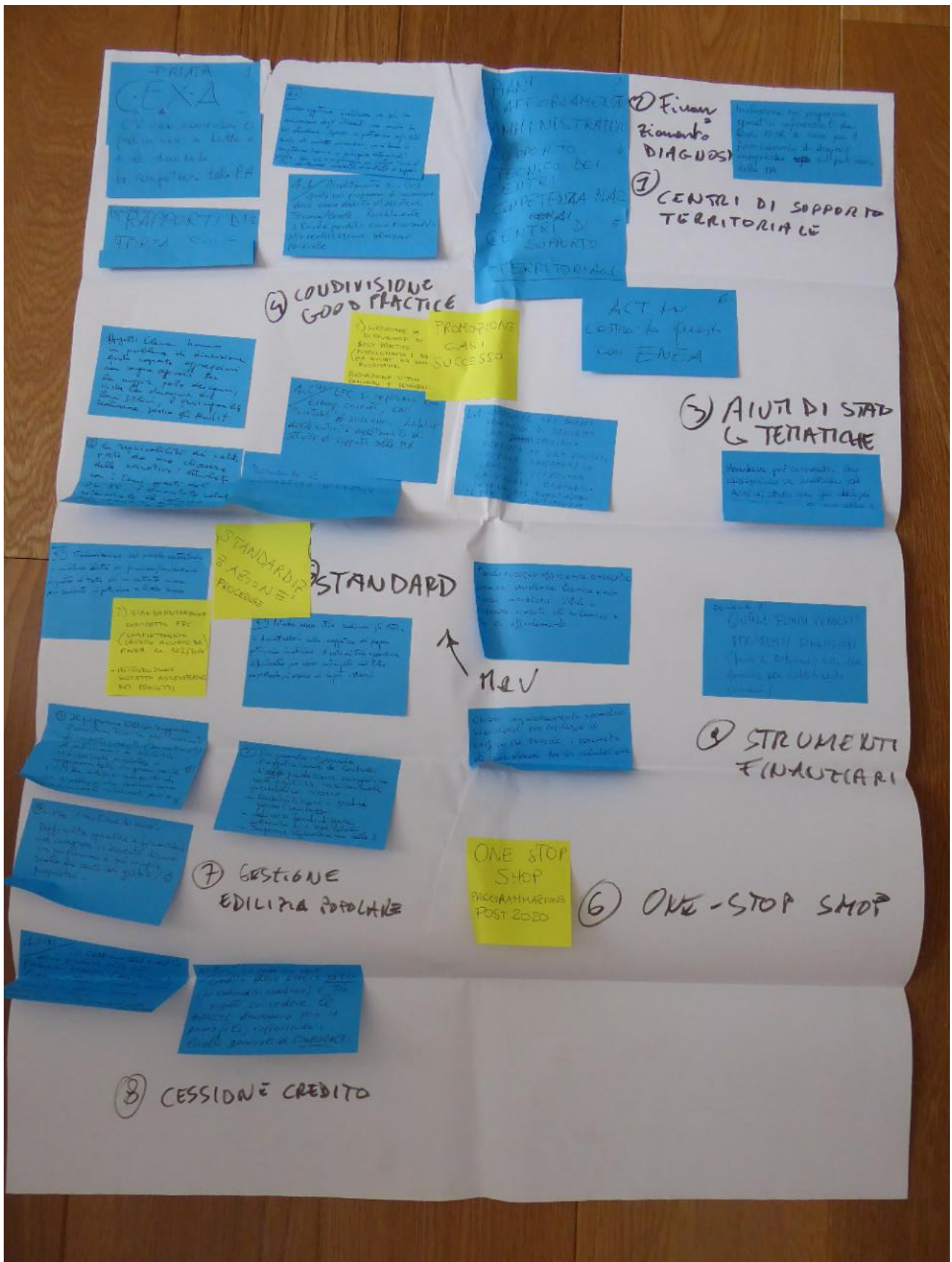
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6 CAMPAGNA INFO RIS. PUBBLICO / PRIVATE
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Topic Group 4 – Public Buildings





ANNEX 2 - LIST OF PARTICIPANTS