Energy Efficiency – the first fuel for the EU Economy

“Activities to De-Risk Energy Efficiency Investments”

Presentation drawn from EEFIG work 2013-2017

Presentation for Lessons from H2020 on Energy Efficiency Finance 30th March 2017, Brussels.

Energy Efficiency
Financial Institutions Group

CLIMATE & STRATEGY
PARTNERS

Presented by

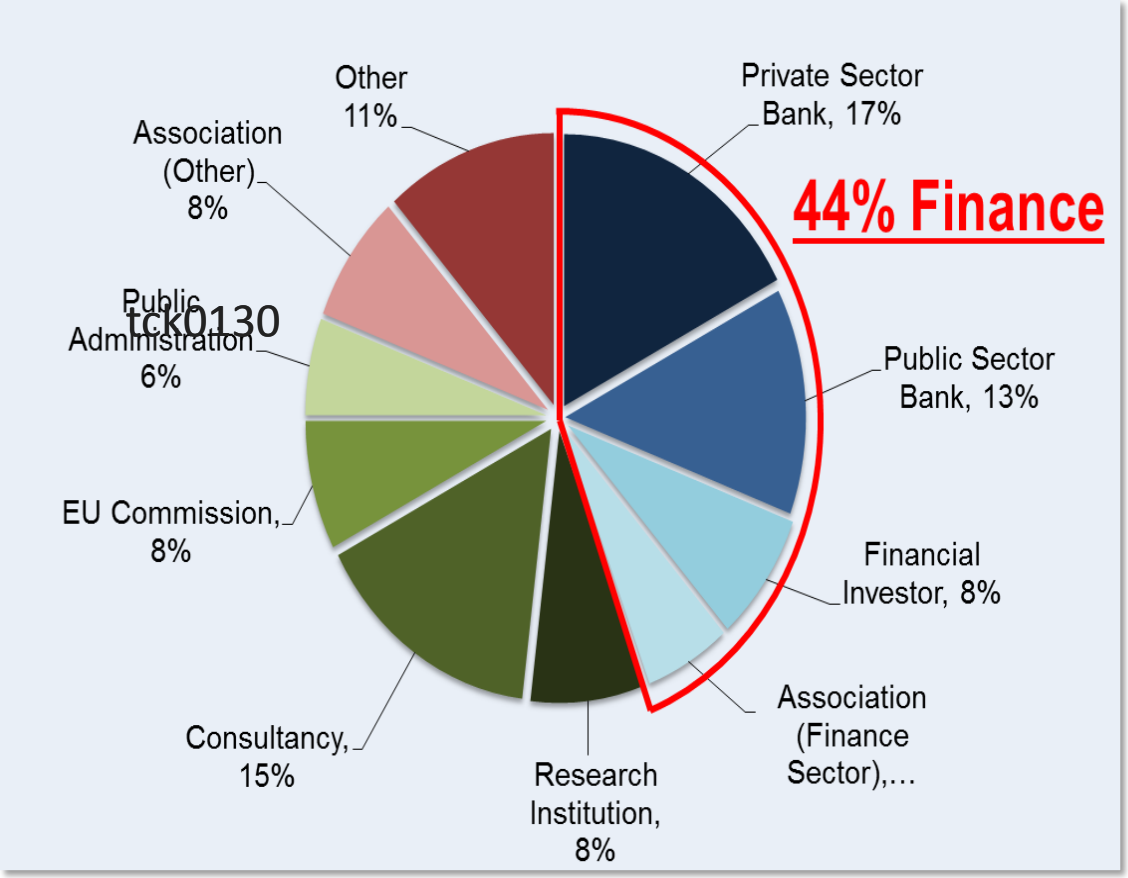
Peter Sweatman, CEO Climate Strategy & EEFIG Rapporteur

Who and What is EEFIG ?

Energy Efficiency
Financial Institutions Group

- Convened in 2013 by EU Commission and UNEP FI
- Voluntary participation of 120 people representing 100 organizations
- Specific mandate
- 18x 1-day meetings over 36 months, 4x surveys, 2x reports, 5x National Processes & 1x Database

Active input of some 120 expert participants (8,000 hours)



Key EEFIG Messages:

Mobilizing Energy Efficiency Investments in Europe

Energy Efficiency
Financial Institutions Group

EE Finance can Enable New Business Models & Unlock Opportunities where Up-front Investment is Hurdle

Energy Efficiency
Financial Institutions Group

Energy Efficiency Investments

Characterized by their **MULTIPLE BENEFITS**

- Direct energy returns
- Additional value streams to private owners and asset operators
- Significant Public Benefits
  - Increased employment
  - Lower emissions
  - Increased energy security and reduced dependence on foreign imports
  - Improvements to a country's fiscal balance

One of the most cost effective ways to enhance the security of its energy supply

One of the most cost effective ways decrease the emissions of greenhouse gases and other pollutants

EE investment is the most cost effective manner to reduce the EU's reliance, and expenditure, on energy imports costing over €400 billion a year

Energy Efficiency has been described as the EU's largest energy resource

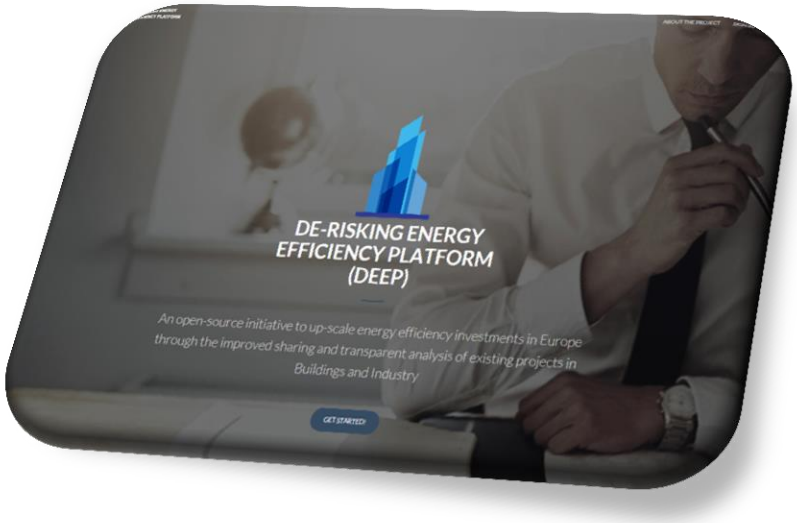
THE DE-RISKING ENERGY EFFICIENCY PLATFORM (DEEP)

DEEP
DE-RISKING ENERGY EFFICIENCY PLATFORM

Energy Efficiency
Financial Institutions Group

The De-risking Energy Efficiency Platform (DEEP) was launched on 30th November 2016 with the Clean Energy for All Europeans package.

Since launch on 30 November **3,400 users** from 73 countries have viewed **13,000 DEEP pages**



#EEFIG's BUILDINGS Recommendations: "*Smart Finance for Smart Buildings*"

Energy Efficiency
Financial Institutions Group

Policy-led Approaches

- **Development of Standards and a Common Investment Language**
- Improvement of Buildings Certification and Energy Performance Certificates
- **Open Source EU Buildings Energy Database**
- Industry and Finance supported National Buildings Renovation Roadmaps
- Optimize Use of EU Structural and Investment Funds for Energy Efficiency Investments in Buildings

Market-led Approaches

- **Common and Standard Underwriting and Investment Procedures**
- Linking impact of building energy performance with investment performance
- More Proactive Engagement and Continuous Improvement and Usage of Energy Performance Certificates (EPCs) from Financial Institutions
- **"Operational" Energy Performance Database**
- Project Ratings
- Life cycle portfolio-wide sustainability programmes

Value and Risk Appraisal Framework:
…to be launched by EEFIG in June 2017

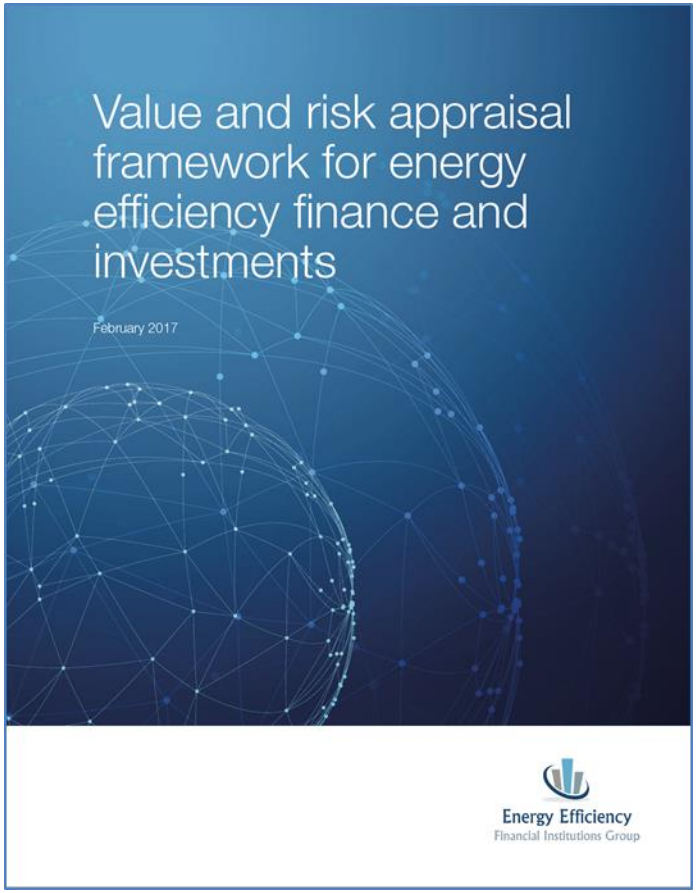
Energy Efficiency
Financial Institutions Group

"The objective is the development of commonly agreed, tested and accepted "standard" rules and practices (framework) related to investment and underwriting procedures for debt and equity financing products for energy efficiency investments."

Framework Structure

- Purpose
- Using the guide
- Financial institutions and energy efficiency
- Energy efficiency basics
- Energy efficiency as a financable asset
- The project life cycle
- Valuation and risk appraisal

Launch in June 2017 in six EU languages.



Industry: EED Art 8, Data (DEEP), Accounting Treatment & Project Development Assistance (H2020, ESIF etc.)

Energy Efficiency
Financial Institutions Group

To Policy Makers

- Policy framework should positively support strong corporate **energy efficiency investment choices at key points in their investment cycle**, using **a "carrot and stick" approach**
- **Public resources and facilitation** should be engaged to establish dynamic and effective **systems for sharing information and technical experience**
- Ensure EU and national policies and resources are working effectively together to **drive R&D and optimal energy efficiency outcomes**
- Support the **clarification of the regulatory, fiscal and accounting treatment and standardisation of Energy Performance Contracts**
- Energy efficiency opportunity identification and investible project pipelines should be supported with **Project Development Assistance facilities for SMEs**

To Market Participants

- **Standards should be developed for the legal terms in and process to negotiate energy performance contracts**
- **Raise energy efficiency opportunities at board-level** and implement appropriate **strategic resource investments** to capture their **multiple benefits** within the **natural company investment cycle**
- **Financial institutions should more widely adopt existing "best practice"** models to stimulate client energy efficiency investments
- Encourage and support collaborative processes and consider **R&D whose objective is to reduce the cost of and improve the up-take of energy efficiency investments**

High-level Findings from EEFIG National Processes

Energy Efficiency
Financial Institutions Group

The following key points of interest from the EEFIG National Processes summarised from inputs from 233 participants in 5 countries:

- **Significant variations between Member States and from MS with the EEFIG original (marked EU)**
- **"Policy-Centric" Drivers tended to be higher in EU-level analysis**
- **"Energy Price" and "Owners' Financial Capacity" both among the strongest drivers of demand in MS**
- **"Tailored Financial Products" have Material Impact on Demand in MS**
- **"Fiscal Support" is a strong signalling factor in the MS**
- **Germany-Poland and France-Spain show certain similarities**

Same Three Keys: Policies to Drive Demand/ Reduce Uncertainty, Simple Financial Instruments and Removing Blocks

Energy Efficiency
Financial Institutions Group

Buildings and Corporate sectors are very different Yet…

EEFIG participants identified cross-cutting themes

which provide a framework to describe challenges facing energy efficiency investing in both EU Buildings and Industry

Imminent Challenges

1. Driving Demand — 1
2. Managing Uncertainty — 1
3. Distribution and Aggregation — 2
4. Blending Grants and Loans — 2
5. Accounting Treatment — 3
6. Horizon Period / Optimal Scope — 3
7. Financial Regulatory Issues — 3

EEFIG Support and Legal Disclaimer ("Thank you")

Energy Efficiency
Financial Institutions Group

EEFIG was supported by Climate Strategy and Partners (www.climatestrategy.com @ClimateSt) which was contracted to support the coordination and drafting of the EEFIG report, and supporting materials, on behalf of EEFIG and whose Chief Executive is group moderator, rapporteur and active participant in the group.

This document is a summary of the EEFIG Final Report prepared for the European Commission by the members and participants of the Energy Efficiency Financial Institutions Group ("EEFIG") as listed herein and represents a group consensus view. The views and opinions expressed herein are wholly those of EEFIG reached by consensus at the time of writing. The consensus view does not necessarily reflect, in its entirety, the individual view of the Commission nor any EEFIG member or participant nor should membership or participation in EEFIG bind any member or participant to the consensus views described here. EEFIG views and opinions are subject to change without notice. Neither EEFIG, the Commission, Climate Strategy or any individual member or participant of EEFIG may individually or collectively be held responsible for any use which may be made of the information contained herein. The examples and case studies described in this document have been provided by specific participants to EEFIG meetings and are based upon information gathered by these individuals; the references used to develop these illustrative examples (which are quoted) should always be considered as the most accurate and complete source of information. EEFIG members and participants note that many are specialists in either buildings or industrial energy efficiency and have therefore only provided input into the sections relevant to their specialist area.