



European  
Commission

# NATIONAL ROUNDTABLE ON FINANCING ENERGY EFFICIENCY IN FINLAND

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Helsinki - Finland

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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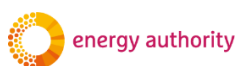
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*This event was organised by the European Commission in partnership with the Finnish Energy Authority, the Ministry of Economic Affairs and Employment of Finland, the Ministry of the Environment Finland and Finance Finland, and with the support of Motiva Oy.*



### EXECUTIVE SUMMARY

The European Commission, in partnership with Motiva Oy and co-hosted with the Energy Authority, the Ministry of Economic Affairs and Employment, the Ministry of the Environment of Finland, and Finance Finland organised a National Roundtable on financing energy efficiency in Finland, which took place online on Tuesday 29 September 2020. The event was attended by more than 70 experts who are engaged in financing energy efficiency from national government, the financial sector, project developers, the renovation supply chain and local and regional government.

Arranged as a webinar with two sessions – introductory plenary session in the morning and thematic parallel sessions in the afternoon. Sessions were 2-2,5 hours long, with breaks in between.

The plenary session in the morning set the scene of the state of Energy Efficiency investments in Finland, whereas the parallel sessions in the afternoon had three different focusses:

1. Financing energy efficiency in industries/SMEs
2. Financing energy efficiency in the buildings sector and municipalities
3. Financing energy efficiency in the buildings sector and municipalities in rural/declining areas

The outputs from the three in-depth topic groups was summarized as:

#### TOPIC GROUP 1

##### FINANCING ENERGY EFFICIENCY IN INDUSTRIES/SMEs

- The most comments made pointed to the need for financial instruments: public funding is needed, and there is also need for better guidance in using both public and private financial instruments. Advice and communications are seen as important factors in mobilising investments especially in the SMEs.
- Persistent regulation and legislation is also needed especially if more ambitious energy efficiency targets are set (for example, regulation to make energy efficiency measures that have less than three or five-year payback period mandatory).
- The need for an information hub on financing energy efficiency was mentioned several times, as was the need for continued cross-sectoral discussion on energy efficiency investments.

#### TOPIC GROUP 2

##### FINANCING ENERGY EFFICIENCY IN THE BUILDING SECTOR AND MUNICIPALITIES

- Communications, advice and guides on financing energy efficiency are needed, but also regulation and financial instruments (both public and private). The EU taxonomy is seen as a good start for common ground rules for green financing. The calculations for energy efficiency / carbon neutrality should be developed to take into account compensation of CO2 emissions.
- The building sector also has need for new types of energy services – these should be developed together with the energy sector – e.g. renewable energy as service should be

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offered to building owners, to mitigate the need of single buildings to make hefty investments into renewables.

- Best practices and examples of implemented measures are also needed, as is capacity building in procuring energy efficiency – especially in the residential sector.

## TOPIC GROUP 3

### FINANCING ENERGY EFFICIENCY IN THE BUILDING SECTOR AND MUNICIPALITIES

- The emphasis of the comments was in financial instruments and especially financial support for the municipalities and buildings in the rural/declining areas. There is also definite need for capacity building in procuring financing for energy efficiency measures, as well as need for more advice and communications on both existing financial instruments, examples and best practices, but also on the new, upcoming financial aid and financing mechanisms.
- The one financial mechanism mentioned was the possibility for a municipality to guarantee a loan for a private sector actor, which was banned by the EU (market support regulation prohibits public sector guarantees for private sector actors, as they are seen as financial aid/support measures). New financial support as well as financial instruments are needed in for the municipal sector. The upcoming recovery funds could be seen as a way to support the municipalities in vitalising the energy efficiency market by making measures viable even in the rural/declining areas.
- Especially the private residential sector will need help from the public sector to be able to implement energy efficiency measures in areas where the value of the building does not meet the demand of private financing for loan collateral.

## 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](#)" (SEI Forums) to enhance the capacity of and co-operation between public and private stakeholders to develop large-scale investment programmes and financing schemes.

Since 2016, SEI Forums has organised over 30 events covering many EU Member States. These included public conferences which are open, often with a regional scope, national roundtables (upon invitation) that focus on national or regional circumstances and followup events according to identified needs and opportunities.

The objective of the first SEI Forums National Roundtable in Finland was to foster a dialogue between key stakeholders on how to improve access to finance for energy efficiency investments, and to identify common objectives and potential improvements to be made in the current policy framework and business practices. The Roundtable devoted a significant amount of time to exchanges and interaction between participants in the form of parallel thematic sessions. Presentations and materials from the sessions were made available to all participants, as will be the results of the thematic sessions.

## MORNING PLENARY – INTRODUCTORY PLENARY SESSION

### Opening Remarks

Heikki Väisänen, Moderator, Energy Authority

Mr. Väisänen welcomed the close to 100 registered participants from different sectors (industries, SMEs, building sector, municipalities and finance sector) to the first Sustainable Energy Investment Forum in Finland and gave a short introduction to the morning plenary agenda and first speakers.

### Current status of energy efficiency and financing from ministries point of view - with regards to climate and energy and renovation strategies as well as recovery activities

Riku Huttunen, Director General for Energy, Ministry of Economic Affairs and Employment

- This National Roundtable in Finland is a great opportunity to foster a dialogue between key stakeholders on how to improve access to finance for energy efficiency investments.
- Promoting energy efficiency has a long tradition in Finland. The Finnish Energy Efficiency Agreement scheme, launched already in the 90's, is an example of this. It is a system where companies and communities involved make an agreement with the Government to save energy or promote energy efficiency. These companies then have an opportunity for public energy aid to accelerate their investments.
- Investments are the key to cutting emissions. Energy efficiency investments are a crucial part of long-term energy and climate policy. They are also a good way to smoothen economic crisis, such as the one caused by Covid-19 pandemic.
- The public sector must play its role in promoting counter-cyclical activities in the economy. National budget contributions and EU's Recovery and Resilience Facility are necessary for that. Energy efficiency projects are good candidates for financing: they are often relatively fast to implement, and they do have a positive short run effect on the economy.
- In this exceptional situation, we have to be wise in defining what kind of projects we finance. Ideally, they are cost-effective clean technology projects promoting also long-term climate neutrality. How to invest optimally to boost productivity and demand, really building grounds for the sustainable recovery and reaching climate neutrality.
- Regarding the Regulation on EU taxonomy for sustainable financing agreed last autumn, several critical details are still on the drawing board for the moment. While the idea itself is an excellent one, we have to be careful with the details to avoid unwanted consequences affecting our climate neutrality objectives. My message is that sustainable financing taxonomy should be based on existing legislation and objective criteria, be it concerning bioenergy or nuclear power or whatever form of sustainable investment.
- What we need for climate neutrality is a wide set of low-carbon technologies and a huge amount of high-quality investments.

Teppo Lehtinen, Director General, Ministry of the Environment

Presentation [here](#).

Finnish government objectives and actions:

- Carbon neutrality by 2035, to be world's first fossil-free welfare society, climate change act as guiding instrument (actions include for e.g. phasing out fossil fuel oil in heating by 2030, in properties owned by central and local governments by 2024).
- Reducing the carbon footprint of construction and housing (by for e.g. adopting an energy subsidy scheme designed especially for housing companies to support energy efficiency improvements, continuing subsidies for building charging infrastructure for electric cars, enhancing circular economy and recycling of materials in the construction sector, promoting wood construction).
- Reforming the Land Use and Building Act with the objectives to create a carbon neutral society, strengthen biodiversity, improve the quality of construction and advance digitalisation (for e.g. establishing a national digital register and data platform for the built environment that will be used in decision-making and processes related to land use and building, leading to a digital twin of the built environment).
- Subsidies and aids for renovation and energy efficiency of buildings in Finland are aimed more at publicly owned buildings, private housing companies and single-family homes, with new instruments available in 2020 especially for energy efficiency improvements.
- Green recovery under construction: enables kickstart for European renovation wave, building charging infrastructure for electric cars, European circular economy with carbon neutral production, European digital transition and new design of low carbon buildings.

## EU Green Deal and Green Wave - EU policies in the field of energy efficiency financing

Claudia Canevari, Head of the Energy Efficiency, Policy and Financing Unit  
Claudia Canevari, Directorate General for Energy, European Commission

- The aim of the [Sustainable Energy Investment Forums](#) is to narrow the investment gap in sustainable energy by increasing the dialogue amongst the entities bringing together public and private stakeholders both in the energy efficiency sector and in the finance sector. They also intend to enhance the overall capacity and sector cooperation, and to foster team work. It is better to work as a team, as member states are doing in relation to the EED (i.e. [EED concerted action](#)).
- There are various elements and various bottlenecks linked to financing for energy efficiency that are specific for each and every member state. It is therefore better to have dedicated national events, such as this roundtable, to discuss specific challenges, identify various obstacles and, more importantly, look for suitable solutions.
- One important aspect of today's event is the situation of rural and declining areas in Finland, and the challenge to make energy efficiency investments viable there.
- The challenge of reaching EU's objectives for 2030 and 2050 is very much linked with investments. There is a need to mobilise over 100 billion Euro of additional investments per year. Though there are substantial amount of public funds available, there is a need to use also private funds. The recovery package adopted in July as well as the recovery and resilience facility are a unique opportunity to make private investments economically viable.
- In the [Renovation wave](#), which will be adopted by mid-October, the idea is to have an instrument that allows addressing barriers to building renovation, to have on one side the funds and on the other side the instruments that will allow for the funds to be used in the



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best possible way. In the Finnish context, it is important to mention that Finland has available more than 2 billion Euro in grants through the recovery and resilience facility.

- Energy efficiency renovations mean reducing energy bills for citizens, but they also mean creating jobs at local level, and also allowing the local economy to grow. It is important to focus to the local communities and allow them to thrive, as that will then have a kind of multiplying effect for the economy of each member state and of the EU as whole.
- Existing instruments play an important role, as for instance ELENA has proved very successful. We are supporting the idea to replicate the ELENA model at national level because the technical assistance is indeed something which is lacking.

## Financing structures & instruments and implementation concepts

Elina Kamenitzer, Head of Climate Office Operations, European Investment Bank

Presentation [here](#).

- The European Investment Bank is Europe's climate bank, with 1 trillion Euro for climate action and environment unlocked by 2030 (50% of total financing to climate action and environment by 2025, current level 30%.)
- In 2019 EIB made climate action investments of 19,3 billion Euro (most investments to lower carbon transport, energy efficiency and renewable energy). In the coming decades, EIB will support carbon neutrality in many sectors, with transport, industry and power being the largest, and non-CO2 agriculture, residential sectors following).
- The EIB's energy lending policy supports decarbonisations pathways: energy efficiency, decarbonising energy supply, innovative technologies, and new types of energy infrastructures, as well as securing the enabling infrastructure.
- The European Initiative for Building Renovation (EIB-R): aggregation (building renovation projects developed as portfolios), supporting new ways to attract finance for building rehabilitation, new markets (EE mortgage-based or securitization), EE renovation programmes (cities, housing companies, corporations, funds and financial intermediaries), financial products linked with dedicated technical assistance support (ELENA, Eligible investment programmes in ELENA are energy efficiency and urban transport and mobility).
- EIB offers technical and financial advice: policy and programme advice, preliminary project assesment, preparation phase technical advice prior to appraisal and advice on financial structuring, to implementation with advice on project implementation and enhance monitoring.

## EU programmes to support in energy efficiency instruments

Anette Jahn, Head of Sector for Public Authorities, Energy Services and finance, EASME

Presentation [here](#).

EU support to Energy Efficiency finance

- The objectives of the H2020 Energy Efficiency call are to create innovative approaches for reaching EU's targets and policy on energy transition, improving governance and capacities at all levels, mobilising investment and improving access to finance.

- H2020 Energy Efficiency 2019 call results: 57 projects funded in total in different areas of intervention: buildings (23 projects, 49 million Euro), consumers and services (10 projects, 24 million Euro), innovative financing (11 projects, 16 million Euro), public authorities and policy support (8 projects, 13 million Euro), industry (5 projects, 10 million Euro).
- Some of the funded actions aim at implementing the [Smart finance for smart buildings initiative](#): more effective use of public funds (attracting private finance through financial instruments, innovative business models), project development assistance, advisory tools, aggregation of small-scale projects, and de-risking perception of energy efficiency investments (understanding real risks and benefits of EE investments).
- H2020 support to sustainable energy finance, includes new elements, amongst which the [European City Facility](#), home renovation services, and [Sustainable Energy Investment \(SEI\) Forums](#).
- After the end of H2020: market uptake actions will continue to be funded under the new LIFE Clean Energy Transition Programme (2021-2027), in two multi-annual work programmes (2021-2024 and 2025-2027). The objectives remain the same – foster the creation of market and regulatory enabling frameworks to push the clean energy transition.
- Wider support for the energy transition (2021-2027): direct financing (e.g. cohesion funds and [Connecting Europe Facility](#)), reducing investment risks and supporting investment development (e.g. InvestEU, ELENA), supporting policy implementation and capacity building on energy transition (e.g. LIFE CET), as well as supporting R&I and technological development (e.g. Horizon Europe – Climate, Energy and Mobility cluster).

## MORNING PLENARY – NATIONAL PRESENTATIONS

### The Finnish steps for post-pandemic economic recovery and links to sustainable and carbon neutral economy to be included in remarks

Piia-Noora Kauppi, Managing Director, Finance Finland

Presentation [here](#).

- The Finnish Financial sector has progressed in climate action: Finance Finland (FFI) members take climate change into account in investments (95% in 2019), and in business operations (90%). Climate awareness has been included in business strategy (85%), own risk management (80%), board-level discussion (80%), setting concrete climate goals (70%).
- Taxonomy should be the basis for EU Green Bond Standard (GBS): GBS should be admitted to green bonds which are aligned with the taxonomy, but to ensure predictability subsequent changes to taxonomy should not apply to existing EU Green Bonds.
- Finance Finland proposes legislative change to the Ministry of the Environment of Finland: Energy certificates of detached and semi-detached houses are currently not electronically available to banks. This slows down green development in mortgage lending as better availability of certificates would encourage energy efficiency construction and renovation, which in turn helps to curb climate change.
  - Proposed actions: Mortgage lenders should have access to energy certificates for lending purposes: Requires legislative amendment.

Kati Ruohomäki, Chief Policy Adviser, Confederation of Finnish Industries

- The industry sector is more and more involved in the Finnish voluntary energy efficiency agreements, which brings very positive advantages also in access to financing. There is a lot

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of support for SMEs and for the bigger companies in Finland within this framework. Hopefully this continues until 2030 beyond its natural end, and even in case of revision of the EED.

- Energy efficiency investments are competing with other investments in industry. However, at the same time energy efficiency is an important part of any investment (more efficient equipment, better systems, etc.). Notwithstanding the type of investment made by companies, energy consumption appears to decrease.
- The Confederation of Finnish Industries supports both the Finnish 2035 and the EU 2050 carbon-neutrality goals, including the the 55% target for 2030. We see that this will demand massive investments both in terms of energy savings and renewable energy sources in this sector. The recovery fund – both at EU and national level –will hopefully be used wisely, as experience shows that investing in energy efficiency is never a waste of money.
- Access to private capital is not a problem for Finnish companies: if the project is good , it will be financed. A more prominent problem is that Energy efficiency is only a one factor in evaluating the investment proposals.
- The situation is a bit different for SMEs, as they are quite eager to have financial support already for traditional energy efficiency improvements in their buildings. The support system is functioning quite well. SMEs, however, also need other types of support, such as know how, and exchanges with peers on best opportunities in EE investments.

Jukka Leskelä, Managing Director, Finnish Energy

Presentation [here](#).

### Achieving a carbon neutral energy system

- The energy sector made its low-carbon roadmap to pave the way to carbon-neutral energy. The roadmap focuses on new energy systems (system integration, cooperation with customers, enabling energy networks, developing expertise), cleaner energy (emission-free electricity, integrating district heat, circular economy, domestic bioeconomy, cleaner gas) and energy as a solution (electrifying industry, cleaner traffic, sustainable heating solutions).
- Electrification: clean generation of power and heat (needs to be scaled up), system and sector integration (needs to be developed as a system to ensure reaching climate goals and resource-wise circular economy).
- New energy system: emission-free, cost-effective and secure energy system, based on smart integration of different sectors and on innovative solutions (interconnection of industry, transport and heating via electricity, district heat and gas networks). The energy transition is under way, the challenge is to achieve it in a way which can also be profitable. There is a huge need for investments in the necessary technology (research, development, and piloting).
- Key messages: the main target is a carbon neutral energy system (pricing of carbon is a decisive driver for investment). This requires huge investments, but both money and time are limited. Deep decarbonisation is more than just change in production or reduction in consumption: energy investments should support system transformation. Customer investments will increase, engagement and empowerment are therefore utterly important. The role of energy grids will increase. Public funding and public support are needed specifically in the development and commercialisation of new technologies (fuel-free heating, power-to-X, green gases including hydrogen, electrification of industries, storage, etc.). Generation investments can be financed and will be done at the pace of demand.

Mikko Somersalmi, Technical Director, RAKLI ry

Presentation [here](#).

RAKLI (Professional property owners and construction clients) - low carbon roadmap: a carbon-neutral, productive and resilient built environment.

- Energy efficiency agreements for property and building sector. EED targets are ambitious but its implementation in Finland has started very well, clear trend that energy efficiency measures demand more and more investments. Agreements and their linkage to energy efficiency subsidies offer ready-made investments to stimulate green investments for economic recovery and stimulate innovations.
- Financing energy efficiency: renovations (including energy efficiency improvements) provide efficient and sustainable way to stimulate economy (e.g. in the current Covid19 crisis). The most important thing when improving energy efficiency in buildings is ensuring a future usage for them.
- Subsidies for energy efficiency connected to voluntary agreements stimulate investments in the long term, market driven activities can produce rapid results.
- Open data and platforms related to buildings and energy consumption offer possibilities to calculate and offer solutions (cities lead the way).
- Overcoming split incentives - rental contract models with shared benefits – is a priority.
- Green finance: connecting supply and demand in terms of investments offers the chance to boost energy efficiency. However, seen the number of instruments with different criteria, common rules would enhance transparency, EU taxonomy can be the answer.
- Reducing risk of energy efficiency investments is an important objective, i.e. through combating the mistakes in estimates, risks in execution, technology and changing regulations.

Vesa Peltola, Energy Adviser, Association of Finnish Local and Regional Authorities  
Presentation [here](#).

- There are 310 municipalities in Finland in 2020 (294 in the mainland). Two thirds of these have less than 10,000 inhabitants. 80% of Finnish municipalities had negative net migration in 2019. In them, there are more than 38,000 municipal buildings, of which 10,000 are residential. The main source of heating are district heating, electricity and oil. Two thirds of all municipal buildings have been constructed before 1990 - mainly built in the 80's (with schools mainly from 50's and 60's).
- Remote areas present a difficult combination: high income tax rate and low tax income. The annual contribution margin is usually positive but too low (2019). Cumulative deficit is alarming, increasing municipal phenomenon.
- Aspects of improving energy efficiency in municipal buildings of remote areas:
  - The economic situation has deteriorated during last years (Covid-19 as an additional burden).
  - The value of buildings is decreasing as they are old, and their future is often unclear.
  - There are management problems which hinder energy efficiency investments (lack of resources, know-how on energy investments).
  - Loans are not a significant problem in the municipal sector (municipality cannot go bankrupt).
  - To avoid cumulative deficit, annual contribution margin should cover depreciations in the long run.
- Overall: In remote areas economic resources, know-how and unclear future prospects set limits to municipal energy investments.

## TOPIC GROUP 1 - FINANCING ENERGY EFFICIENCY IN INDUSTRIES/SMES

### State of play and scope:

MODERATOR: Marja Oja, Kaupan litto (Finnish Commerce Federation)

Presentation [here](#).

Financing is not generally seen as the challenge in launching energy efficiency measures within industry or the SME sectors. The challenges lie more in the fact that mostly only the measures with short payback periods (less than one year) are implemented readily but measures with longer payback periods are not moved forward. This even though national energy aid is calculated to support profitable measures with payback periods of less than three years. Energy efficiency measures compete for financing internally within companies as more emphasis is being put on increasing production or enhancing quality.

Some major industrial companies have developed internal energy efficiency funds to ensure that funding for needed measures is available, and they use the available public energy aid to supplement their own financing. In the SME sector challenges lie more in the lack of know-how and resources when it comes to finding and acquiring financing, but also in recognising and developing energy efficiency measures and projects also due to lacking resources. Industry and SME sectors are using ESCOs to lessen the burden on their own resources, but the market could be bigger.

Knowledge and know-how on both recognising relevant and profitable energy efficiency measures and projects and finding suitable financing, is needed. For major industrial companies this is being developed internally but for SMEs the need is more service based with good examples on energy efficiency measures and their results as well as information on forms and means of financing and subsidies involved. New innovations in both energy efficiency and financing are welcome, as the need to move towards carbon neutrality is growing. The importance of boosting energy efficiency investments is a major factor in the national decarbonisation roadmaps published in June 2020<sup>1</sup>, that set the target for a carbon neutral Finland by 2035.

RAPPORTEURS: Erja Saarivirta and Päivi Laitila, Motiva Oy

### Energy Efficiency in financing and SMEs – Mika Kuismanen, Suomen Yrittäjät (Entrepreneurs in Finland)

Presentation [here](#).

Entrepreneurs in Finland, SME climate barometer 2020: Actions of businesses to reduce climate emissions focus mainly on business and production efficiency, logistics efficiency and uptake of new production technologies and processes (31% have not conducted any measures).

Energy efficiency investments in SMEs: Energy efficiency (direct investments to energy savings or as part of other efficiency investments, mainly productions, logistics). Factors: Cost savings / process benefits (pay back periods); personnel resources (capacity, know-how/available time), and subsidy policies (energy aid / other investment subsidies).

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<sup>1</sup> Decarbonisation Roadmaps 2035, Ministry of Economic Affairs and Employment, 06-2020, <https://tem.fi/tiekartat>

Energy efficiency investments compete with other investment needs: working capital, human resources and competence, financing export).

The more resources the more potential to improve energy efficiency / make EE investments: larger companies with more for e.g. personnel have made more improvements, investments. Energy aid for companies is limited: most investments are done without energy aid. The impact of available financing or terms of financing in actualising an EE investment is mainly seen as small or non-existent (over 80% of companies).

Reasons for not applying for financing: stringent terms for collateral, high demand of own equity, high "price" of money (nearly 40%: other reasons).

Sources of outside financing: banks (62%), Business Finland (26%), and other finance companies (23%).

### Private energy efficiency funds in companies - Pirita Mikkanen, Metsä Group

Presentation [here](#).

Metsä Group is a large forest industry company with a turnover of 5,5 billion euro (2019), 9,300 employees. The company is very invested in achieving its sustainable development goals set for 2030:

- Fossil free factories by 2030: no fossil fuels used. Major part of fuels used in production are biobased, and most are production by-products.
- Resource efficient production: 1) all production by-products to be used 100% (at the moment 92% of by-products used as materials or as fuel for renewable energy production), 2) use of water in production reduced by 25% (comparison to 2018): need for investments and optimisation of production processes.

### Energy aid and investment subsidies in Finland - Erkki Väisänen, Business Finland

Presentation [here](#).

Financing energy efficiency in industries / SMEs

- Challenges: resources in SMEs, limited knowledge of effects, profitability and financing of efficiency investments, motivation, involvement in energy efficiency agreements problem in smaller projects.

Energy aid in Finland:

- 20%, 40 million Euro, for large demonstration projects. For ESCO projects the aid is 25%, when the project included savings guarantees.

Other subsidies, aid programmes:

- Rural development programme (for agricultural companies and farms).
- Residential (Housing finance and development authority ARA).
- Municipalities: Municipal Finance, leasing and loans from banks.

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Investors and private funds "love" renewable energy.

Motiva report on financing energy efficiency in Finland (2018):

- Various financial instruments available on the EU level
- IEA Energy Efficiency -report: Investments growing, 58% aimed at buildings sector
- EU Commission Smart Finance for Smart Buildings Initiative
- European Energy Efficiency Financial Institutions Group (EEFIG)
- Companies have limited knowledge of the many financing instruments and possibilities

New developments and possibilities in 2020 (EU Green Deal, Recovery and resilience funds): what will these mean to Finland.

How to get help to the SME sector? How to make private funding interested in energy efficiency.

- Energy efficiency fund: public money to attract private money.

### Key questions

1. In your opinion, how could we boost energy efficiency investments most effectively?
2. What is needed? (Tools, best practices, examples, competence, training, communications, more incentives?)
3. What should be done next? Who should act?
4. What else would you like to mention?

### Discussion Points

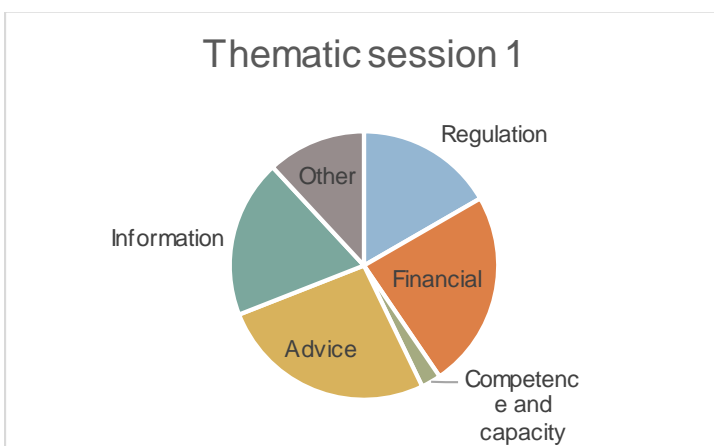


Figure 1: Discussion points categories in thematic session 1.

## NATIONAL ROUNDTABLE ON FINANCING ENERGY EFFICIENCY IN FINLAND

- In Belgium: mandatory requirement to implement energy efficiency projects when pay back period is less than 5 years. Possibly similar for Finland: 3-year pay back period?
- Energy efficiency projects are not prioritised like they are in many other countries.
- Energy is still very cheap in Finland
- Advice is fragmented, should be more centralised.
- Regulation of finance market should be lighter.
- Public guarantees.
- Mandatory investments do not lead to good outcomes. Companies should be allowed to decide themselves when and how much they invest. Functions well in current energy efficiency agreement scheme.
- EU Green Deal to be utilised to emphasize the importance of energy efficiency.
- Energy efficiency and emission reduction calculations as part of all investments.
- SME sector needs clear instructions, aid and support. Need to look at the big picture and not buy partial solutions or sub-optimization. Savings in one area can lead to increase in energy use in another.
- Clear and concise information on financial instruments.
- Practical training on financing: what, where, when, and how?
- Networking in Finland is needed. Energy efficiency should be kept in the fore front continuously.
- Energy and climate financing hub is needed - this has been discussed before.
- Companies will investment when it is profitable. Do not believe in mandatory investments, will create a "grey" market.
- Exchange of views and cooperation (such as this forum) is important.



## TOPIC GROUP 2 - FINANCING ENERGY EFFICIENCY IN THE BUILDING SECTOR AND MUNICIPALITIES

### State of play and scope:

Moderator: Mikko Somersalmi, RAKLI (The Finnish Association of Property Owners and Construction Clients)

Finland has 1,4 million buildings, of which 1,2 million are residential buildings, most of which are single-family homes (1,1 million)<sup>2</sup>. The Finnish Building Stock is worth 500 billion Euros<sup>3</sup>.

The aim of the Finnish Long-term renovation strategy of 2020 is to lower the heating energy consumption (gross) by 50% by the year 2050. The expected consumption of delivered energy is reduced by 60% during the same timeframe. The building stocks share of CO<sub>2</sub> emissions caused by the heating energy consumption is 17% (7,8 MtCO<sub>2</sub>) of Finnish current CO<sub>2</sub> emissions (46 MtCO<sub>2</sub>). The aim is to reduce the CO<sub>2</sub> emissions from the building stock heating energy consumption by 92% by 2050.

The renovation strategy calls for concentrated efforts in renovation of the building stock and moving to low carbon heat sources as well as better efficiency of space utilisation and sensible decommissioning of buildings. To reach the targets the need for continues renovation is dire. This calls for investments in energy efficiency in sectors and in all parts of the country.

The financing for good energy efficiency projects is in general easy to acquire. Problems arise mostly when the expected costs outweigh the value of the building, or when attempting to finance the renovation with more affordable means (such as environmental and EU funds), but the scale of the project is too small to interest larger financiers such as for eg. the EIB. There is also a lack of knowledge about the various means to finance renovation and how to bundle renovation projects to attract more investments. Good examples of both financing and successful methods of renovation are needed to launch renovation projects and to attract financiers. Investing in buildings in the future should be a secure investment, with positive outcomes to the building owner, inhabitants/users as well as the investor.

Rapporteur: Harri Heinaro, Motiva Oy

### View from the financial market - Esko Kivisaari, Finanssialan keskusliitto (Finance Finland)

Finance Finland is an advocacy organisation of the finance sector in Finland, who have committed to the Paris agreement, and will exceed their set climate goals. Indicators for climate and sustainability have been published in September 2020. Sustainability reporting of the for e.g. pension insurance companies have been ranked high even internationally.

In municipalities the role of private financing is relatively small, the main financier is Municipal Finance (MuniFin).

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<sup>2</sup> Finnish Long-term renovation strategy, 10.3.2020

<sup>3</sup> ROTI2019

The logic in sustainable financing is clear and criteria compliant:

- Projects must be good investments: energy efficient, sustainable and economically sound buildings are a smaller risk. The challenge lies in presenting evidence on energy efficiency and lesser risks. How could these be used in support of financing decisions? Can they have an effect on lending periods or lending terms?
- Collected data and research shows that this can be done, and it is very important to use for e.g. data generated in the buildings. Discussions on data sources and platforms is needed.
- Taxonomy will provide a good basis, but the definitions are still underdevelopment and there is always the need for flexibility.
- More experience and more information are needed, for e.g. there are some examples of financing that take into account sustainability, but more are needed.

Finance sector is also interested in municipalities and infrastructure: buildings are a part of the infrastructure and built environment. This interests banks and insurance companies in light of the changing climate and its effects. The dialogue between municipal, public and private sectors is important, to for e.g. ensure functioning infrastructure.

### **Financing energy efficiency – environmental bonds Ari-Pekka Lassila, Suomen Yliopistokiinteistöt Oy**

Presentation [here](#).

#### Financing energy efficiency - environmental bonds

The University properties of Finland has operations in 12 cities around Finland on 16 campuses, it has 225 buildings with combined floor area of 1.3 million gross square metres.

University properties launched a Green bond programme to seek funding for renovations and energy efficiency improvements in their properties. The programme targets private financiers that are interested in sustainability. The benefits of the programme: promote sustainability internationally, long term competitiveness, strengthening the brand. Challenges: needs for reporting etc. are greater, but the challenges were deemed manageable.

The Green bond was used for project categories such as newbuilds and major renovations (BREEAM at least very good, energy consumption 15% less than the minimum requirement set in Finnish Building code); existing buildings with BREEAM-in-use -certification at least very good; energy efficiency projects that lead to at least 25% smaller energy consumption; technical solutions that use renewable energy (solar, geothermal, wind power) in buildings, and mobility infrastructure. (For more information: <https://sykoy.fi/en/investors/>)

The Green Bond worth 100 million Euro was issued in 2018. The Green Bonds cover 14% of the companies' loans, with bank loans still covering over 50%, the plan is to expand the Green Bond to cover 30% of loans, with investment and bank loans covering 35% each.

## ELENA funding for large scale renovation (Helsinki ELENA-project) - Marika Nyyssönen, Heka Oy (Helsinki City Housing Company)

Presentation [here](#).

### ELENA-funding for large-scale renovation

Helsingin kaupungin asunnot oy (Helsinki city apartments) has more than 2,500 residential buildings with over 50 000 apartments (and over 90 000 inhabitants) all around Helsinki City: the oldest was built in 1906 and newest are from recent years. The companies apartments have over 90,000 inhabitants. The company renovates more than 1,000 apartments, and builds 750 new apartments per year.

Helsinki has launched a carbon neutrality programme that aims to carbon neutrality by 2035 (HNP2035 action plan). In the programme Helsinki has set targets to for e.g. pilot plusenergy construction, to utilize heat recovery in both exhaust air and waste water systems, implement high energy efficiency targets in renovation projects and to implement efficiency measures with profitable lifecyclecosts. The renovations will be done according to long term planning for each building that take into account energy efficiency measures (targets for renovations: 25% improvement in building energy efficiency (e-value), buildingground and sea-base heat pumps, solar pv installed always when technically viable), separate projects: exhaust-air heat pumps installments (three per year), solar pv installments (five per year), ledification of outside and joint areas in buildngs by 2025, every site connected to building automation by 2023). For new buildings the target is to build only energy class A buildings.

Helsinki was granted 1,8 million Euro of ELENA funding to make better calculations of energy efficiency investments. The plan is to conduct multi-objective optimization calculations for 177 buildings, with the target of upto 40% improvement in energy efficiency of renovated buildings.

### Key questions

1. In your opinion, how could we boost energy efficiency investments most effectively?
2. What is needed? (Tools, best practices, examples, competence, training, communications, more incentives?)
3. What should be done next? Who should act?
4. What else would you like to mention?

Discussion Points

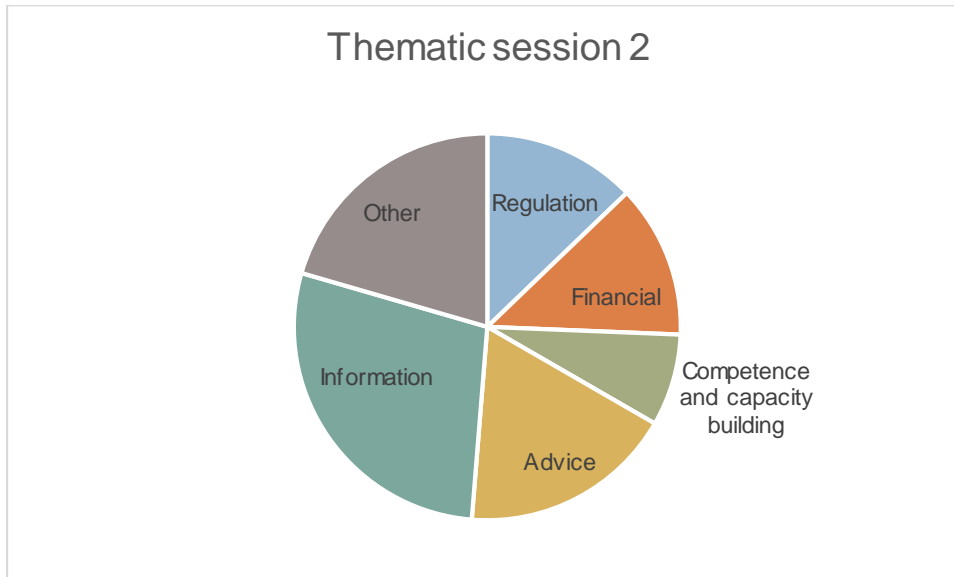


Figure 2: Discussion point categories in thematic session 2.

- Regulation to lead profitable investments.
- Investment subsidies; criteria need to be clear and application process easy.
- Building carbon footprint calculation needs a common standard.
- Investment net present value needs to be taken into account in investments decisions. Decisions would be easier if the monetary value of the investments was better known.
- Along with energy efficiency the source of energy should be considered.
- Instructions how to utilise circular economy in construction projects.
- Emissions compensation makes the profitability of energy efficiency a little better.
- Large solar power project could be built on wasteland outside the metropolitan area, but transmission fees eat the profitability of the projects.
- Making the benefits of energy efficiency investments more concrete to building owners.
- Competence and capacity to make procurements, especially if quality criteria are used alongside pricing.
- Dissemination of good examples and best practices. Learning from forerunners as examples to others.
- Guide on energy efficiency investments and training.
- Renewable energy as service. Energy companies should move to for example geothermal energy.
- Criteria to include recycleability and sustainable development in investment decisions.
- The ledification of cities should be supported with either legislation/regulation or investments subsidies.
- A project launched to make the content that is needed.
- Cities should encourage their energy companies to uptake new measures: Offering indoor quality and renewable energy as services. No more selling megawatts. Property owners wouldn't need to invest.
- Net present value calculation in the municipal sector: Research available, will be made public soon.
- Emissions as a cost - energy efficiency will become more profitable.

## TOPIC GROUP 3 - FINANCING ENERGY EFFICIENCY IN THE BUILDING SECTOR AND MUNICIPALITIES IN RURAL AND DECLINING AREAS

### State of play and scope of the session

Moderator: Vesa Peltola, Suomen Kuntaliitto (Association of Finnish Local and Regional Authorities)

Finland has 1,4 million buildings, of which 1,2 million are residential buildings, most of which are single-family homes (1,1 million)<sup>4</sup>. The Finnish Building Stock is worth 500 billion Euros<sup>5</sup>.

The aim of the Finnish Long-term renovation strategy of 2020 is to lower the heating energy consumption (gross) by 50% by the year 2050. The expected consumption of delivered energy is reduced by 60% during the same timeframe. Finland is aiming for carbon neutrality by 2035.

Regional and Municipal sector consists of 310 municipalities within 19 regions (regional authorities). Recent studies show that instead of a dichotomous growth-decline regression, the regional structure has several shades, resulting in more even activity in the regions. Looking at regional development in terms of statistical population, jobs and seasonal population changes with business travel development variables, seasonally growing areas are more common than declining areas, and the network of growth areas extends through the country. In view of this the regional structure is more fragmented than previously assumed. Considering the seasonal statistically “unseen” population, only a quarter of the country is classified as a completely declining area. This affects the need for supporting the maintenance and renovation of buildings also in areas which are affected by seasonal changes (growth and decline), as this development does not correlate into property values<sup>6</sup>. This results in situations where inadequate guarantees make it difficult or impossible to obtain financing for energy efficiency renovation, as the property is of no value.

The lack of know-how and experience in procuring finance (specially in municipalities) hinders the use of especially the more innovative financing instruments. Information about the implemented investment projects, their benefits, risks and outcomes/results are also difficult to find. The information on different financial instruments is available but it is scattered. The energy efficiency financing sector is developing rapidly and there is heightened interest in energy efficiency financing. While a positive trend, it makes following the development of the market difficult, and requires resources and know-how from all involved. The EU financing tools (for e.g. ELENA) are not best suited for the Finnish energy efficiency projects as the projects are small. To qualify for funding through for eg. ELENA and ERDF, the smaller projects should be bundled into larger ones, which requires different know-how and more resources than the average municipality has.

Rapporteur: Kirsi-Maaria Forssell, Motiva Oy

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<sup>4</sup> [Finnish Long-term renovation strategy, 10.3.2020](#)

<sup>5</sup> [ROTI2019](#)

<sup>6</sup> [Monipaikkaisuuden tunnistaminen muuttaa väestö- ja aluekehityksen kuvan Suomessa, VNK 7/2020](#)

## Presentations

Growing vs declining areas - Terttu Vainio, VTT (VTT Technical Research Centre of Finland Ltd)

Presentation [here](#).

To reach the targets set in the Finnish Long-term renovation strategy, the need is to halve the energy consumption of the existing building stock (if the energy consumption in older apartment buildings is approx. 300 kWh/m<sup>2</sup>, the need is to halve that to below 150 kWh/m<sup>2</sup>).

Energy efficiency improvements can be combined to other renovation measures. The need for renovations of residential buildings is ca. 10 billion Euro per year in 2020-2024, and more than 11,5 billion Euro per year in 2025-2029.

The need to renovate is dire especially in buildings built in 1970's and 1980's. In their original state their energy consumption is over double compared to buildings built according to modern standards.

The most efficient way is to combine energy efficiency measures to other needed renovations. The challenge is to find the optimal costefficiency level: how much should be invested to renovation if the sales prices of apartments in the area are less than 1000 euro/m<sup>2</sup>.

The working age population is declining in the majority of finnish municipalities: there is a decided risk in 224 municipalities that some part of apartments will be with out regular use and the buildings will not be renovated. The population is also growing older in the declining areas. This means that there will an excess of especially single-family homes that will be vacant.

Challenges in financing energy efficiency outside growth areas - Tytti Määttä, City of Kuhmo

Presentation [here](#).

Declining - rural areas: Smart shrinking (right-sizing)

- What is the right size for a municipality: how to balance the needs of permanent inhabitants and leisure residents and tourists.
- Accepting the fact that population is shrinking and putting the emphasis on quality of living, welfare and activity to boost new vigor based on not the population growth but other factors. Vigor can be sourced from experience economy and giving up fossil fuels. The aim is to maintain the quality of living and make committed decisions to develop the areas. This requires both public and private financing.

To provide welfare and living quality without a growing population base, challenges the funding base of the welfare society. The need is for visions for renewal, not doomsday scenarios. The need is also for bold moves in city planning that anticipates changes in population, the use of empty spaces and enables business to grow. This calls for regulation that allows to offer services in new ways: the need is for experimentation and innovation. Municipalities need to form partnerships with the government that take into account the fact that people will have more than one place to live.

Smart shrinking and finance:

- how can we ensure the ability to invest in building energy efficiency?

## NATIONAL ROUNDTABLE ON FINANCING ENERGY EFFICIENCY IN FINLAND

- how do we manage the dilemma on empty spaces, that need to be managed (using energy, accumulate costs, etc)?
- how do we take into account the plural residency issues in planning, using and construction?
- the declining areas need reinvestments: how will the investments be financed without running the public-sector debt too high?

### Financing municipalities with green bonds Rami Erkkilä, Kuntarahoitus (MuniFin – municipality finance)

Presentation [here](#).

Municipal Finance (MuniFin) is owned by the municipalities (53%), Keva (Finland's largest pension provider that administers the pensions of local government, State, Evangelical Lutheran Church and Kela employees) (31%), and the Finnish government (16%). MuniFin caters to municipalities, to municipal companies, consortiums of municipalities and non-profit housing providers. MuniFin offers various services from loans and leasing products to green financing.

Green financing is ca 1.5 billion euro (2019) of the MuniFin financing portfolio. There are over 100 projects with funding from MuniFin in green financing: majority are sustainable building and construction projects (75), with energy efficiency, water and waste management, renewable energy and sustainable public transportation being the other categories.

The criteria for projects for e.g. sustainable construction and renovation include: Energy (for new builds requirement is energy class A, for renovation at least 30% improvement in energy efficiency), materials (recyclable materials in use, long use cycle of materials, effective recycling and waste management during buildings use), innovations (all measures that show passion to implement measures better, more environmentally friendly and efficient than before, or what the minimum requirements are).

### Key questions

1. In your opinion, how could we boost energy efficiency investments most effectively – especially in areas where property values are low (not enough for loan collateral)?
2. What is needed? (Tools, best practices, examples, competence, training, communications, more incentives?)
3. What should be done next? Who should act?
4. What else would you like to mention?

Discussion Points



Figure 3: Discussion point categories in thematic session 3.

- Very difficult question in private sector, municipalities can no longer give guarantees for private investments. Municipal investments are not eligible for ERDF funding. Some type of guarantee mechanism should be created.
- Subsidies are needed.
- Energy efficiency can be improved with small investments without major changes: For eg. changing heating source is expensive and does not necessarily improve energy efficiency. In oil-heated buildings possible to change to renewable fuels (distribution requirement to start in 2021).
- Economic reasons should not be reasons not to invest but to invest, because economically projects can be justified through profit. Equity is not needed if projects are conducted as ESCOs, where investments are paid through savings during the contract period.
- Government support needed to accelerate investments.
- Properties should have value through use alone: If use is foreseen long term, this should hold value (not only location).
- The guarantees for renovation of private housing companies need to be fixed.
- Combining public and private financing to achieve energy efficiency goals: No separate instruments, applications but systematic control and coordination of the financial ecosystem.
- Results from innovative trials are needed: How to succeed, what should be avoided, etc. In proper places/situations correct subsidies interest property owners. Advice and training is very important.
- Meaning of communication. Do people know about all possible financing opportunities, and can they prepare for them in their own operations. Changing application times and places for financing means, that applications are put together very quickly: time and resources available?
- Better competence and example calculations are needed.
- Could the savings made from energy efficiency investments be ear-marked for new energy efficiency projects? Is it at all possible in municipal economy, and would it have an impact on energy efficiency measures?
- Incentives and aids are good. They drive the change in practices. If the model/practice is not innovative/different from usual, incentive/aid is not granted.



## NATIONAL ROUNDTABLE ON FINANCING ENERGY EFFICIENCY IN FINLAND

- Flexibility and interpretation of subsidies. Can the applicants recognize suitable projects for subsidies (giving up oil-heating, demand side, energy networks)?
- Power of examples. Coordination of and training on the various support and subsidy channels; will become more important in the coming years through sustainable recovery.
- Many small municipalities do not have sufficient resources for energy efficiency projects. Could one solution for them be to share a resource (person) that would have the competence and time needed to develop energy efficiency projects?
- Development of new financial instruments for municipality are needed.
- Government could support new investments in municipalities and set terms for investments. EU recovery funds could be used for this.
- Training for municipal officials should be offered more, to increase competence and capacity for energy efficiency. Motiva?
- Maintaining vitality is important. For whole of Finland, it is almost necessary that we do not have create completely deserted areas. This has many implications to internal security and even national security policy. It would be even more foolish for us to succumb to a confrontation: "Growth cities vs. the rest of Finland". Tytti Määttä's presentation had certain elements for a new way of thinking. In addition to the bad effects of Covid19, good have also emerged, ie the demand for holiday homes and second homes has increased. Would it be possible to put more "oxygen" into such small trends? There may be some contradiction in terms of energy efficiency goals (where perhaps some prefer demolition options).
- Well-being should be raised as the most important point of views. Energy efficiency is one way to not only enhance the quality but also sustainability of housing, but it should be looked at more broadly when talking about housing and buildings. Well being is something that we all are trying to achieve. Good indoor air-quality, functionality of buildings, costeffective housing, need to be taken into account. Could impact investments be used to improve energy efficiency?

## ANNEX 1 – PRESENTED EXAMPLES FROM OTHER MEMBER STATES:

### **PROSPECT project (Horizon2020)**

Regional and local perspective: [the PROSPECT project](#) has been running for 3 years now aiming to engage local and regional authorities in a peer-to-peer learning programme to exchange knowledge about innovative financing mechanisms for sustainable energy and climate actions.

The PROSPECT learning program draws up guidance on financing within public buildings (with a focus on ESCO, internal contracting and revolving funds), private buildings (guarantee funds, soft loans, revolving funds), lighting (ESCO and financing), transport (green bonds) and a cross-cutting theme (ESCO, guarantee funds, revolving funds, green bonds, crowdfunding). This is supplemented with good practice examples. The PROSPECT consortium includes leading EU networks such as Energy Cities and Fedarene, the latter is also a partner of SEI Forums.

### **Energy Efficiency Market Place (Covenant of Mayors)**

Under SEI Forums in the beginning of the year the [Covenant of Mayors Investment Forum - Energy Efficiency Finance Market Place](#) was organised in coordination with Covenant of Mayors. In the [proceedings](#) you can read about a lot of interesting examples from around Europe, for example the LIFE EconomisE initiative showing how to involve institutional investors in the funding of a resilient and environmentally friendly building stock in Finland.

[Finance Denmark](#) (FIDA) has made [20 recommendations](#) for making the Danish financing sector more sustainable. (More on FIDA work: [SEI Forums roundtable in Copenhagen](#), May 2019. FIDA works closely with the Finnish banking association Finance Finland, especially when it comes to influencing the development at EU level like taxonomy.

**Denmark:** With a new Danish National Climate Act, followed by a Climate Law and a Renewable Energy Plan, both from June 2020, the Danish Parliament has emphasized the national ambition to enter binding targets to reduce greenhouse gas emissions with 70% by 2030, and thus committing to a pioneering leadership on European/global scale. There are currently initiatives how to transform these policies into practice, incl. that Finance Denmark and the DK pension fund sector take part in a finance partnership under the Government. Part of that is to find out how to finance energy renovations in areas of Denmark where the property value tends to be low and it can be difficult to finance investments in conventional ways, cf. the intended discussion under the third topic session at the Finnish roundtable.

## ANNEX 2 – LIST OF PARTICIPATING ORGANISATIONS

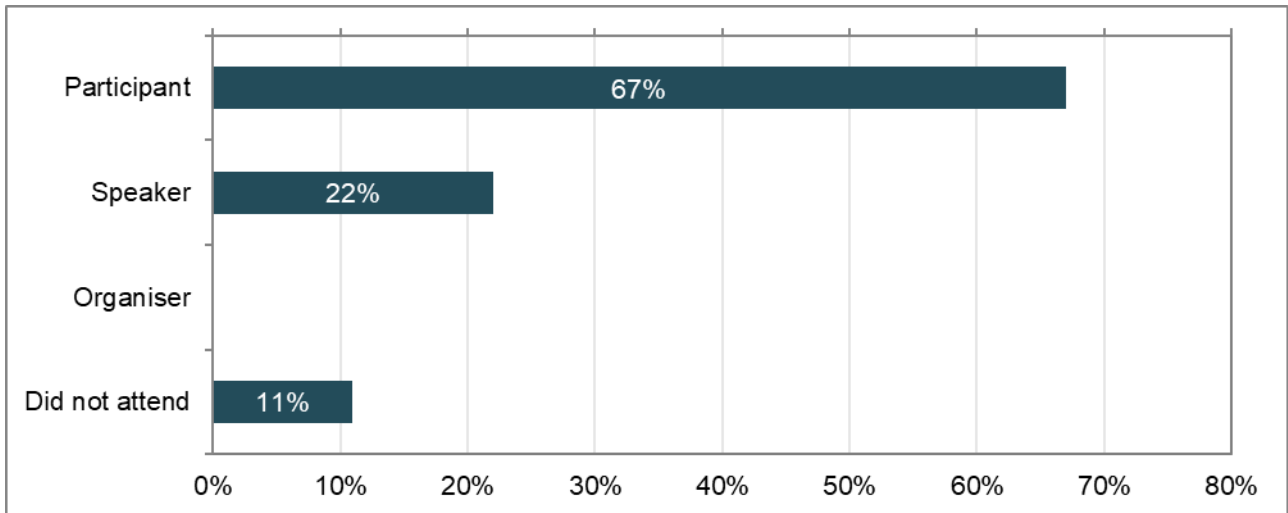
### Organisations of the registered participants:

Are Oy  
Assemblin Oy  
Business Finland  
Calefa Oy  
Centre of Expertise for Impact Investing, Ministry of Economic Affairs and Employment of Finland  
City of Helsinki  
City of Joensuu  
City of Kuhmo  
City of Lappeenranta  
City of Pori  
City of Tampere  
City of Turku  
City of Vantaa  
DG Energy  
EcoReal Oy  
Ekokumppanit Oy  
Energy Authority  
Entrepreneurs in Finland  
European Commission, DG ENER  
European Commission, EASME  
European Investment Bank  
Federation of Finnish Enterprises  
Finance Finland  
Finess Energy Oy  
Finnish Commerce Federation  
Finnish Energy (ET)  
Finnish environment institute SYKE  
Finnish Forest Industries Federation  
Granlund Consulting Oy  
Grannenfelt Finance  
Helsingin kaupungin asunnot Oy (City of Helsinki housing company)  
Independent Market Advisors Oy  
Lämmitysenergia Yhdistys ry (Heating energy association)  
Metsä Group  
Micropolis Ltd  
Ministry of Economic Affairs and Employment of Finland  
Ministry of Finance of Finland  
Ministry of the Environment of Finland  
Motiva Oy  
Municipality Finance plc

nollaE Oy  
Nordea Bank Abp  
OP Corporate Bank plc  
OP Financial Group  
OP Group  
Rejlers Finland Oy  
Saint-Gobain Finland Oy  
Siemens Finland  
Signify Finland Oy  
Sitra  
Sponda Oy  
SSAB Europe Oy  
Stockmann Oyj Abp  
SYKLI Environmental School of Finland  
Technology Industries of Finland  
The Association of Finnish Local and Regional Authorities  
The Chemical Industry Federation of Finland  
The Finnish Real Estate Federation  
The HVAC Association of Finland, SuLVI  
University Properties of Finland Ltd  
UPM Oyj  
VTT Technical Research Centre of Finland  
WWF Finland  
Ålandsbanken

### ANNEX 3 – RESULTS OF FEEDBACK SURVEY

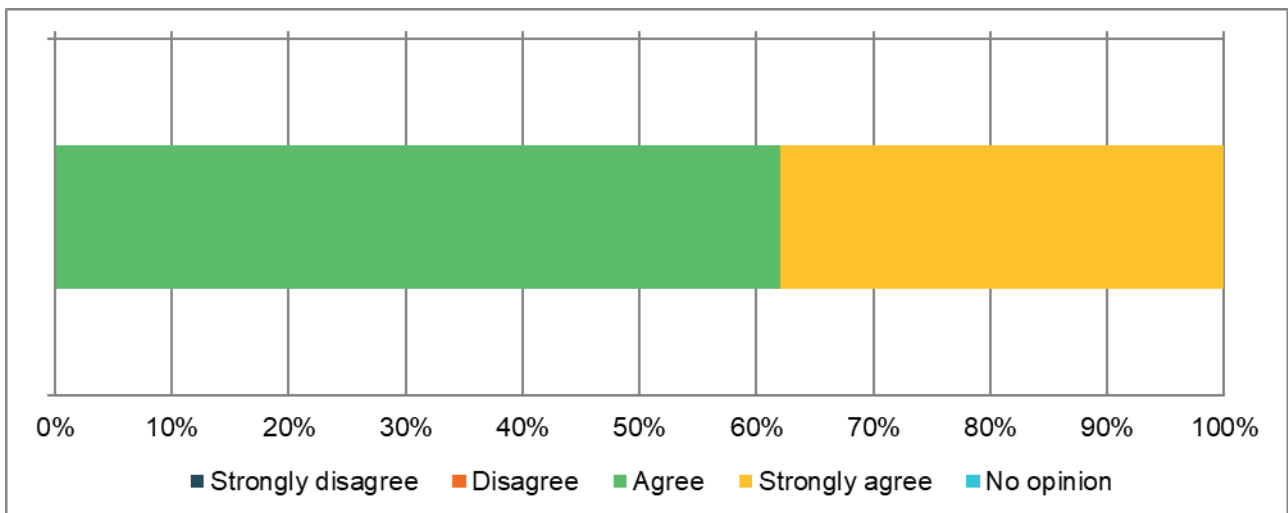
Please let us know in which role you attended the Forum:



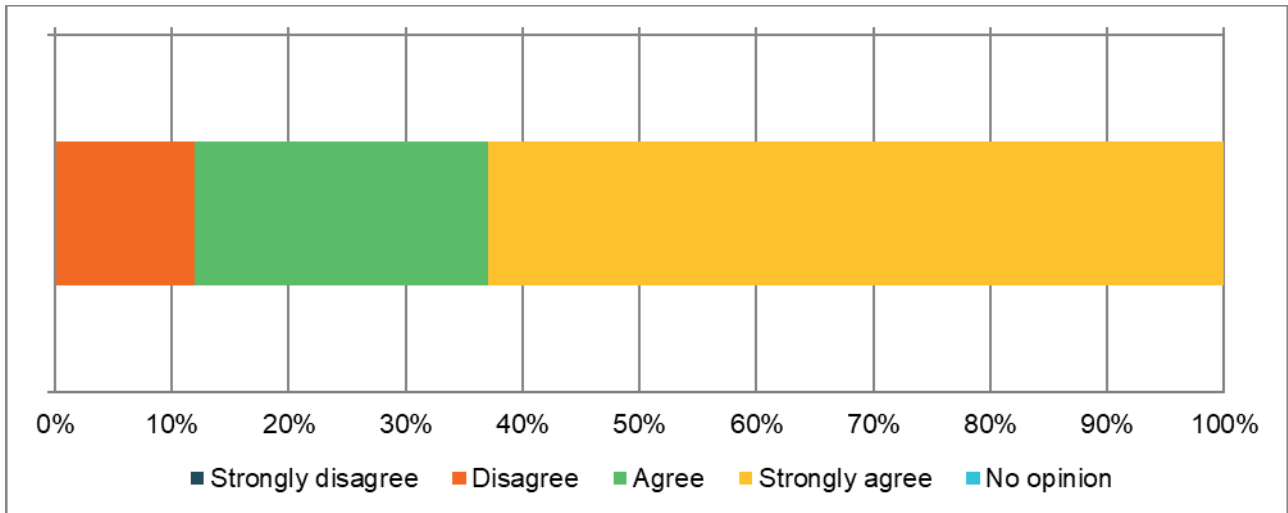
#### Question 1 Objective of the Sustainable Energy Investment Forum in Finland:

The objective of the SEI Forum was to foster dialogue between 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.

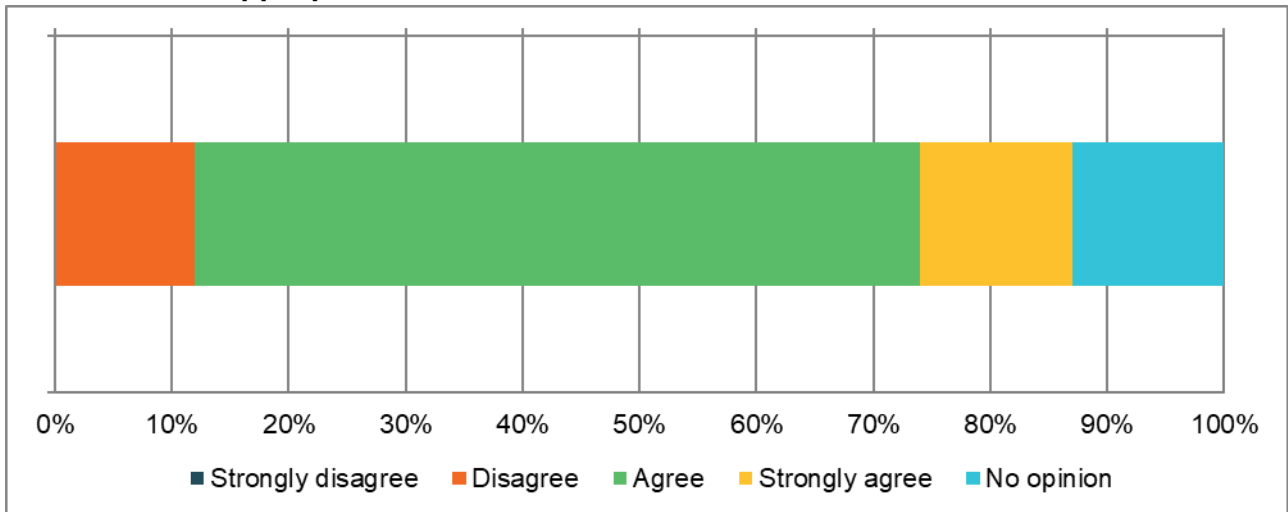
In your opinion, did we reach our objective?



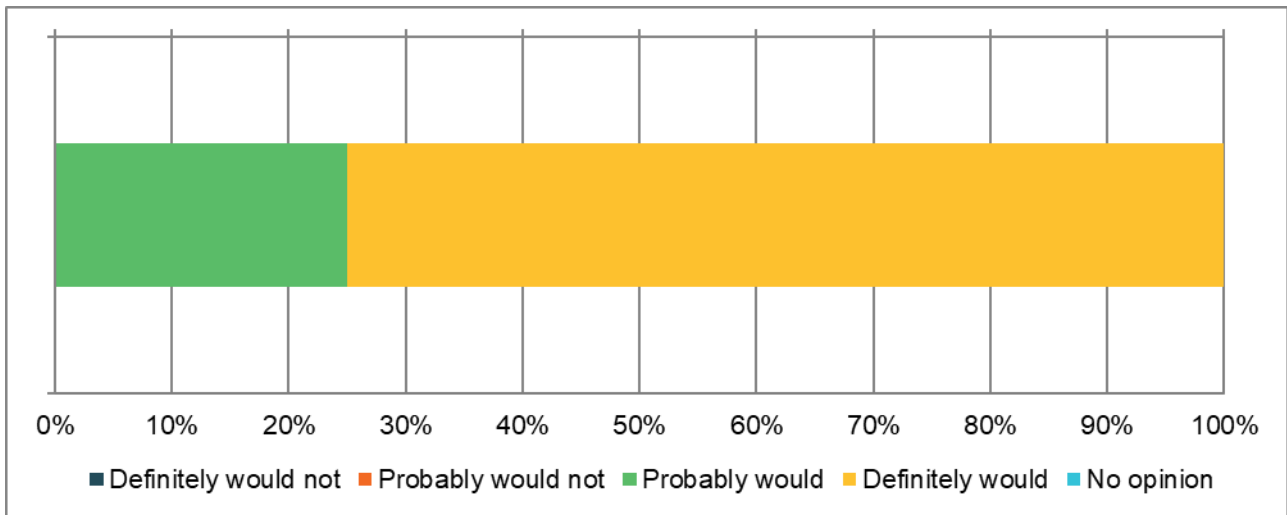
**Question 2: The webinar provided me with new insights on the topic**



**Question 3: An appropriate amount of time was dedicated to interaction with the audience**



**Question 4 Would you recommend this and future SEI Forums events to friends or colleagues?**



**Question 5 How was your meeting experience on the web conferencing platform (GoToMeeting)?**

