

eeef - European Energy Efficiency Fund

Financing Energy Efficiency in the Baltic States

Riga, November 2016



Advancing Sustainable Energy for Europe

Agenda

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eeef at a glance

2

Financing of energy efficiency measures

3

Case study – Region Rhône-Alpes Project, France

eeef at a glance



Objective

- eeef is an innovative public-private partnership dedicated to mitigating climate change through market based financing in the member states of the European Union

Beneficiaries

- Municipal, local and regional authorities or public and private entities acting on behalf of those authorities such as utilities, public transportation providers, social housing associations, ESCOs etc.

eeef's capital

- Initial capitalization of the fund amounting to €265m provided by the European Commission, the European Investment Bank, Cassa Depositi e Prestiti and Deutsche Bank

Investments

- Fund's investments are split into three project categories:
 - Energy Efficiency (EE)
 - Renewable Energy (RE)
 - Clean Urban Transport

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Financing of Energy Efficiency Measures

Key challenges to consider

Initial development	<ul style="list-style-type: none">▪ Insufficient data about energy consumption and other project relevant information▪ Upfront development costs/ limited capacity and staff resources▪ Long-term commitment by the municipality
Tender requirements	<ul style="list-style-type: none">▪ Know how of tender procedures taking national and EU tender requirements into account▪ Design knowledge and technical know how required▪ Procurement linked to energy performance and financing solution
Obligations/guarantees	<ul style="list-style-type: none">▪ Quality of the guarantee provided by the ESCO / EPC / O&M▪ Uncertainty of savings, interface risk and perception of risk▪ Obligations under existing O&M structure
Financing	<ul style="list-style-type: none">▪ Financial situation of the municipality and legal requirements/ limitations with regard to increase of public debt level▪ Limited capital available▪ Impact on rating (if any)

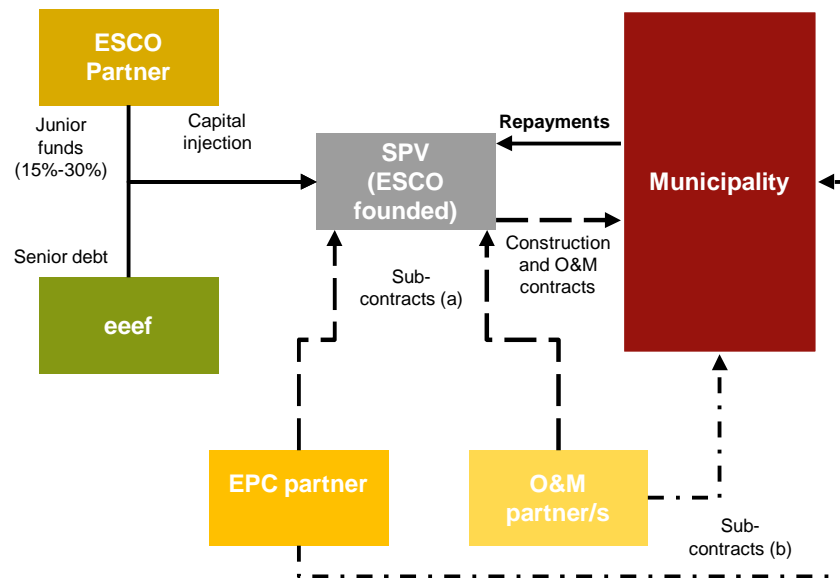
eeef is a financing instrument with flexibility to structure funding according to projects' needs



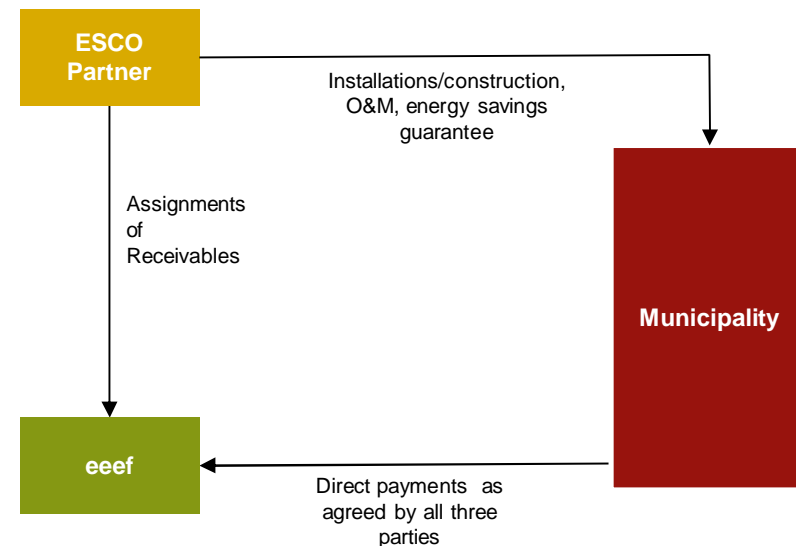
Various financing instruments

- The Fund offers various financing instruments including senior debt, mezzanine, equity, leasing structures and forfeiting loans. In addition to direct lending, two tailored funding structures are illustrated below
- Fund can operate as part of a lending group or as the sole investor in projects to simplify implementation and lower execution costs

Classic project finance structure



Purchase of receivables



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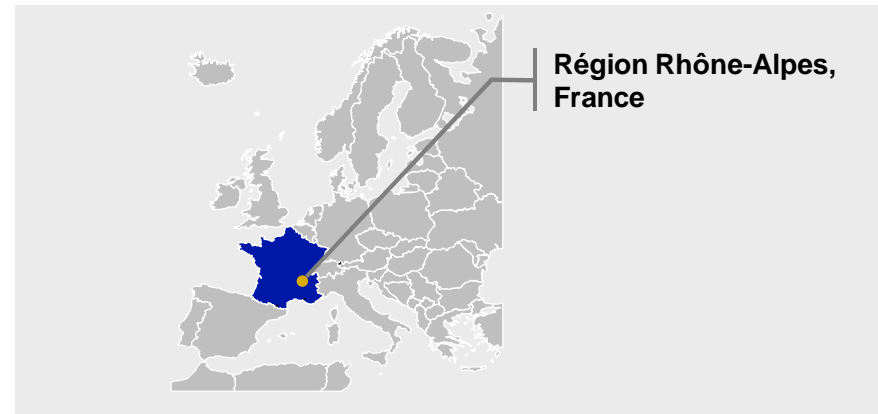
Energy efficient renovation of public buildings - Région Rhône-Alpes, France (1/2)



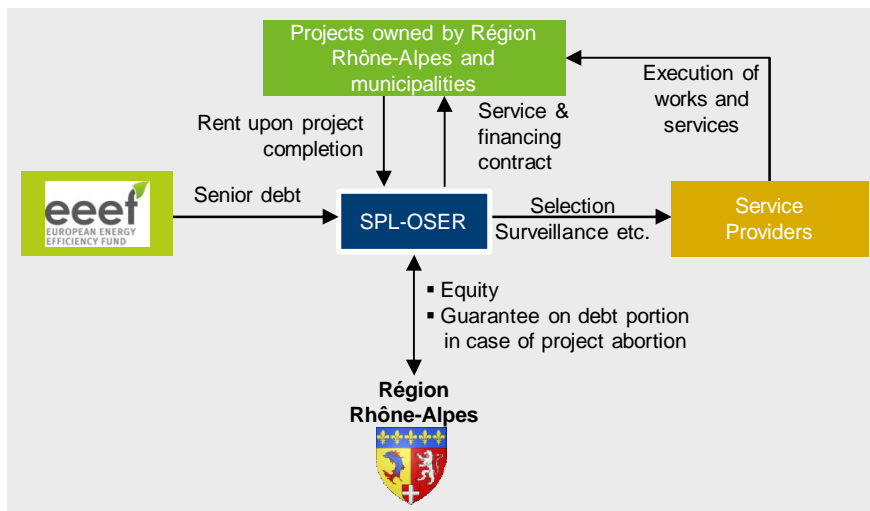
Project description

Partner:	– Région Rhône-Alpes, OSER
Measures: Public buildings retrofit	<ul style="list-style-type: none"> – Rhône-Alpes region is committed to the Territorial Climate and Energy Plan – Objective: Reduction of GHG emissions by 40% until 2020 – Start of public buildings retrofit in some of the 271 public senior high schools
Current status:	<ul style="list-style-type: none"> – Successful tender for the renovation of 8 schools in the Rhône-Alpes region with total investment volume of €20m – Ongoing tender for a library and a city hall with additional investment volume of more than €5m

Location



Project structure



Investment characteristics

Key data:

- Construction facility/ senior debt: €5m
- Duration of financing: 5 years

Highlights:

- Providing construction financing to attract additional commercial lenders for the Project after end of construction phase
- Bridge financing enables total investments of more than €25m
- First construction bridge loan structure provided by eeef
- Project benefitted from an European Commission Technical Assistance Facility by the eeef

Energy efficient renovation of public buildings - Région Rhône-Alpes, France (2/2)



Key challenges		Solutions	
Industry attention	<ul style="list-style-type: none"> – Small average size of each project 	Industry attention	<ul style="list-style-type: none"> – Due to the pooling of small projects, the project SPV, founded by the participating municipalities and the Région Rhône-Alpes, could present an attractive pipeline
Complex upgrades	<ul style="list-style-type: none"> – Renovation of buildings is complex and requires proper preparation works – High complexity difficult to handle for municipalities 	Complex upgrades	<ul style="list-style-type: none"> – Project SPV benefitted from technical assistance support provided by the European Commission via eeef, to do the required preparation works (technical, legal, tender) – Project SPV and the external advisors gained efficiency gains due to repeating procedures
Attract financing	<ul style="list-style-type: none"> – Non-recourse financing solutions need a certain loan volume to be implemented due to complexity and due diligence costs 	Attract financing	<ul style="list-style-type: none"> – Single financing of all projects on SPV level – High interest from regional and international financing institutions due to the increased funding volume

Lessons learned

- The Région Rhône-Alpes project is a good example how benefits of scale along the value chain of the project can be realised:
 - Reduced project development costs via build-up of in-house know how, knowledge transfer and better quotes from external advisors
 - Increased competition for the tendered projects from ESCOs and financing institutions due to attractive project pipeline / increased funding volume
 - Realisation of a non-recourse financing structure due to increased funding volume

Contacts

European Energy Efficiency Fund (eeef)

Lada Strelnikova

+49 (69) 910 46444

lada.strelnikova@db.com

Matthias Benz

+49 (69) 910 46449

matthias.benz@db.com

Iñigo Prior

+49 (69) 910 48603

inigo.prior@db.com

Paola Rusconi

+49 (69) 910 84768

paola.rusconi@db.com

Zarpana Signor

+49 (69) 910 49858

zarpana.signor@db.com

www.eeef.eu

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