

**INTESA SANPAOLO RESPONSE TO THE EUROPEAN COMMISSION**

**PUBLIC CONSULTATION ON**

**'Financial support for energy efficiency in buildings'**

**May 2012**

REGISTERED ORGANIZATION N° 24037141789-48

**Intesa Sanpaolo S.p.A.** is the leading banking group in Italy and one of the largest European banking groups, with a strong international presence focused in Central-Eastern Europe and the Mediterranean basin.

Intesa Sanpaolo shares the European Commission's opinion that considers energy efficiency and renewable sources a fundamental pillar for an efficient economy based on sustainable growth.

The Intesa Sanpaolo Group, as a financial stakeholder, is fully committed to support private and public investments in the areas of eco-innovation, renewable energies and energy efficiency, through the following entities:

- **Divisione Banca dei Territori:** the retail Division of Intesa Sanpaolo provides financial support to individuals, professionals, small businesses and local authorities willing to implement projects in the fields of renewable sources and energy efficiency. Since 2006, it has been offering a wealth of financial products and services called '*Ecocredito*' line which includes a range of solutions like *Prestito Ecologico*, *Energia business*, *Finanziamento Fotovoltaico* and *Energia Imprese*. These lending facilities are targeted to individuals and small businesses, cover up to 100% of the investment with a loan period of up to 15 years, and aim at supporting investments in eco-efficient systems, such as designing and installing photovoltaic plants and solar/ thermal panels, insulation interventions to reduce heat dispersion in buildings; installing energy efficient boilers and co-generation units.  
Within this division:
  - **Mediocredito Italiano S.p.A.**, the Intesa Sanpaolo Group's bank devoted to finance medium-long term investments of SMEs, has set up an 'Energy Desk', a highly specialized office dedicated to the technical and financial assessment of investment projects in the field of renewable energies and energy efficiency. Mediocredito Italiano is also expanding its scope of activities by setting up innovative financing solutions for ESCOs (Energy Service Companies).
- **Divisione Corporate and Investment Banking:** the corporate banking Division of Intesa Sanpaolo works to provide financial support to the balanced and sustainable development of mid and large corporates in Italy and abroad. Within this division:
  - **Atlante Ventures**, the Venture Capital fund of Intesa Sanpaolo, invests in small innovative companies with high growth potential, including the cleantech and energy efficiency fields. Atlante Venture provides to the selected SMEs the needed capital for growth, business and managerial expertise and the networking opportunities granted by being part of the Intesa Sanpaolo Group.
  - The **Intesa Sanpaolo Start-Up Initiative**, a training and promotion programme for emerging high-tech start ups was launched, with a special focus on the Clean Tech sector, including renewable energy, energy efficiency, water and environment.

- **Leasint S.p.A.**, the leasing company of the Intesa Sanpaolo Group, has developed a dedicated product for renewable energy, called Leasenergy, which can be used in a wide range of plants such as photovoltaic, wind-power, hydroelectric, waste-to-energy and to cogeneration/trigeneration units.
- **Divisione Banche Estere:** the International Subsidiaries Network Division of Intesa Sanpaolo has a selected and strategic presence in Central-Eastern Europe and Middle Eastern and North African countries with a network of subsidiary banks operating in retail and corporate banking in 13 Countries. Several foreign subsidiary banks provide green financial products, such as:
  - **Banca Intesa Beograd** has signed an agreement with the European Bank of Reconstruction and Development (EBRD) to finance corporate projects aiming to increase energy efficiency and produce energy from renewable sources.
  - **Banka Koper** offers financing for photovoltaic plants and has signed a cooperation agreement with the Slovenian Environmental Public Fund under which the Bank finances environmental investments (households and companies) on behalf of the fund.
  - **Banca CIB** is involved in the Hungarian national program for the promotion of environmental projects (Széchenyi Plan), by anticipating the financial contribution that afterwards will be earmarked by the national competent authorities.
  - The Slovak **Banca VUB** offers co-financing for the development of renewable energy in cooperation with the European Investment Bank (EIB) and EBRD, as well as financing for energy efficiency in buildings.
  - The Croatian **PBZ** offers co-financing in the environmental field for SMEs and municipalities in collaboration with development banks such as the EIB, EBRD and Croatian Bank for Reconstruction and Development.
  - The Ukrainian **PRAVEX Bank** offers loans to individuals for the purchase of eco-friendly cars at favorable conditions.
  - From 2011, **Intesa Sanpaolo Romania Bank** started to offer financing for renewable energy investment projects.
- **Intesa Sanpaolo Eurodesk S.p.r.l.:** a consulting company - fully owned by the Intesa Sanpaolo Group - with the mission of promoting the participation of companies to the European funding opportunities and of providing institutional consultancy services in dealing with EU Institutions and in monitoring business opportunities stemming from EU Programmes. Intesa Sanpaolo Eurodesk is member of the *European Energy Efficient Buildings Initiative (E2BA)* and is partner in several EU funded research projects in the field of energy efficiency applied to buildings<sup>1</sup>.

Intesa Sanpaolo was supported by its International Regulatory and Antitrust Affairs Office and by Intesa Sanpaolo Eurodesk S.p.r.l. in coordinating and drafting its responses, with the contribution of the above mentioned structures and of the Intesa Sanpaolo Corporate and Social Responsibility Unit.

---

<sup>1</sup> For additional information: <http://www.fc-district.eu/>; <http://www.verychool.eu/>; <http://www.e-hub.org/About.html> .

## **INTRODUCTION**

The Intesa Sanpaolo Group welcomes the opportunity of commenting on financial support to energy efficiency in buildings.

The Group agrees with the European Commission that energy efficiency technologies and services can be a powerful driver of growth and employment, and, if properly developed, they can positively affect the European competitiveness. The cost-effective energy savings potential in the building sector is huge and it can generate significant opportunities for European companies, especially for SMEs. To be effective in exploiting this opportunity, several barriers at market, financial and regulatory level still need to be addressed.

As a banking group, Intesa Sanpaolo has a strong interest in understanding the reasons of these barriers and in contributing to the debate on how to overcome them. This will allow the Group to be ready in supporting its clients (individuals, businesses and public entities) and in becoming a truly partner in their investment projects in the fields of energy efficiency and renewable energies.

Apart from its experience as a financial player, Intesa Sanpaolo can also provide its point of view and outlook as enterprise that manages offices and branches and owns several real estate assets. Therefore like a “normal” company has frequently to deal with the need of selecting and adopting energy efficient equipment and services, to reduce costs while maintaining the highest quality possible.

This consultation represents for Intesa Sanpaolo an important opportunity to promote a stronger dialogue among European Institutions, financial stakeholders, governments, companies, and regulatory interest groups about the energy efficiency issues. Since there is a high degree of interdependency and complexity in financing climate change and environmental technologies, public private partnerships involving institutional, technical, financial and social stakeholders are probably one of the best available ways to deal with this issue.

## **RESPONSES**

### **Addressing market failures**

- a. Are the barriers identified in this document the most important ones? If not, which barriers are missing and why are they important?
- b. Which market failures would be most urgent to address? At what level (i.e. EU, national/regional/local) would these failures be best addressed?
- c. How could these failures be best addressed? For example; how could behavioural change needed for quicker uptake of energy efficiency measures by society be triggered at the national level? How could the development of an energy services market for households be further stimulated? What could be done to increase awareness raising and promotion of energy efficiency in buildings? How could the business community (e.g. building sector, ESCOs, local banks, etc.) be better supported in delivering energy efficiency in buildings? How could the split incentive problem be best tackled?

### **a) and b)**

We totally share the opinion expressed in the support document about the market failures. We consider of particular relevance the following aspects:

- o First of all, several energy efficiency measures require high upfront investments. Moreover the pay-back time is often too long and the complexity of installation of

certain energy efficient solutions (such as, for example, interventions on buildings' insulation, replacement of heating systems and refrigeration units...) discourage potential customers.

- The lack of predictability in energy efficiency savings that still characterizes the majority of energy efficient technologies and the lack of common and standardized methods to measure the achieved energy savings.
- The high fragmentation and complexity of the energy and building value chain, which involves multiple stakeholders, namely local authorities, capital providers, developers, agents, materials and equipment suppliers, contractors, engineers, designer, owners and users
- The information and awareness gap: consumers need more detailed and accurate information in order to make the best value for money choice and to be aware of the products and services by means of which they can reduce energy consumption.

Building upon the experience of Intesa Sanpaolo Group's VC fund, Atlante Ventures, which recently invested on small firms devoted to innovative Smart Energy Solutions, we can add some additional remarks. Even if these companies show a very promising growth potential, there are still some barriers to a successful market take off:

- The current economic downturn makes it difficult for the final end users (mainly owners of industrial and commercial buildings) to invest in the purchase and installation of innovative technologies;
- In the industrial and tertiary sector, there is still a widespread reluctance to make new investments in solutions, such as energy efficiency technologies, that do not generate immediate visible earnings on the profit and loss account. A change of perspective in this regard is strongly needed, together with a clearer explanation of the cost advantages resulting from the adoption of energy efficient solutions;
- A small company which provides an innovative energy efficiency technology generally has not enough financial resources to cover the installation and maintenance phase and the related services. In this context, the presence of specialised energy service companies (ESCO or similar) acting as an intermediary between the technology provider and the final customer would ease the process of adoption of turnkey innovative energy efficiency technologies.

### c)

In order to stimulate the market development and successful adoption of innovative technologies for a more intelligent use of energy, a stronger public support to demonstration and pilot projects should be provided. This support could be particularly helpful in the building sector, where the fragmented and highly competitive market structure and the small size of most building companies discourage private R&D, on both individual components and the interactive performance of components in whole buildings.

Regarding the issue of how to trigger an energy services market, we share the view of the European Commission that the public sector should lead by example. Local authorities are the ideal candidate to structure and implement large and integrated energy efficiency programs, involving and coordinating other relevant stakeholders such as energy efficiency companies, ESCO, financial institutions, and academia. They can also benefit from the current regulation (amendment to Art 7 of the regulation No 1080/2006 on the European Regional Development Fund<sup>2</sup>) which allows each Member state to spend on energy-efficient housing up to 4% of their ERDF allocations.

---

<sup>2</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32009R0397:EN:NOT>

We particularly believe in the potential of Green Public Procurement. Governments can represent an attractive market segment for commercial equipment and service providers, given their large purchasing requirements: if they systematically include energy efficiency criteria in their tender procedures for works, supplies and services, a shift in the market could be reached. Harmonized energy efficiency procurement policies at EU level as well as common methodologies would help to boost the public market for sustainable products and services.

Strengthening the role of energy audits could represent another way to boost the market of energy efficiency equipment in buildings. Public incentives to offer free energy audits and project design assistance for energy efficiency retrofits, as well as to replace the traditional metering systems with smart alternatives, could stimulate customers in overcome their reluctance towards this kind of solutions.

An effort to incorporate energy efficiency and renewable energy considerations into real estate property evaluation techniques would contribute to raise awareness about the value of undertaking energy efficient refurbishments amongst prospective buyers, vendors, lenders and investors. Experts in charge of evaluation often do not have sufficient knowledge about the economic impact of refurbishment in general and about cost-effective/cost-optimal refurbishment solutions and Energy Performance Certificate recommendation reports only provide limited information on these aspects.

Regarding the market of ESCOs, we find it still very fragmented and we observe a proliferation of small, not structured and undercapitalized companies, which often lack the needed technical competences and do not have plausible business plans. We consider essential to establish a common, independent, and officially recognized mechanism to define the ESCOs' role, to certify their competences and to establish minimum technical and financial requirements. A suggestion could be to make compulsory the obtainment of an ad hoc certification issued by an independent body (e.g. public organization, chamber of commerce), such as the UNI CEI 11352 standard adopted in Italy in 2010, that sets out specific ESCO requirements at organizational, financial, management and technical level. This kind of certification could be very useful in boosting the energy services market, because it would allow ensuring transparent comparison between ESCOs, to qualify their services and, last but not least, to facilitate an adequate assessment of risk profile by the financial institutions.

Ad hoc incentive schemes, such as White Certificates, can also represent an effective mechanism to boost the market of ESCOs. In Italy, for example, white certificate schemes allow ESCOs to certify their energy saving projects and sell them in the certificate market. By selling white certificates, ESCOs can increase their revenues and, consequently, strengthen their business plans and their position towards financial institutions.

Rules for accessing white certificate mechanisms should be simplified as much as possible, and a long term approach should be applied in order to avoid penalizing energy efficient technologies and projects with a longer lifetime.

In our opinion, further legislative work should be done on the Energy Performance Contract (EPC), where an energy service provider offers to an energy consumer a range of services related to the adoption of energy efficient products, technologies and equipment, and the compensation is contingent on energy efficiency improvements achieved, thereby creating a system where the services and equipment can be paid from the energy cost savings.

More specifically, a standard contract for EPC officially recognized at EU level and adapted to the specific needs of each Member State by authorised entities (such as National Energy Agencies) would enhance the application of such a model.

Given the frequently experienced lack of knowledge of the customers we strongly believe in the importance of training activities geared to the awareness increase. In this framework, we see a role



not only for schools and public authorities, but also for private companies within their Corporate and Social Responsibility policies. As an example, we can mention our initiative “AMBIENTIAMO”, a permanent e-learning training platform launched in 2009 and addressed to Intesa Sanpaolo’s employees in order to increase their awareness about energy efficiency measures and environmental sustainability. Over 47,000 employees have so far completed at least one of the available modules of Ambientiamo.

On-line and social networking tools could also represent an effective solution to facilitate the match between demand and offer of energy efficiency products and services and to allow private and business customers in understanding what is available on the market. To respond to this need, Intesa Sanpaolo launched at the end of 2011 “IMPRES@MBIENTE”<sup>3</sup>, a dedicated website where companies providing services and technologies in the energy efficiency and environmental sustainability field can register and present their offer while end users, both private and businesses, can find the product or service that best suit them. After one year of activity more than 200 companies have already registered to the website, proving that initiatives able to reduce the distance between suppliers and potential customers are very much appreciated.

#### **Improving access to financing**

- a. Are the current EU-level financial tools for energy efficiency in buildings effective? How could the uptake of EU-level funding for energy efficiency (including cohesion policy funding) be improved? As a complement to tailor-made national or regional financial instruments (e.g. set up with a contribution from cohesion policy funds), what could be the future role of centrally-managed financial instruments at EU level in this context?
- b. How could more private financing (both from institutional investors as well as building owners) for energy efficiency projects be mobilised? What would be the role of public funding (both at EU and national level) in this context? Is access to (project development) technical assistance an issue and how could it be provided most efficiently at the national, regional and local level? How could both national and EU financing schemes be improved to best cover all segments of the market (residential, commercial, public buildings, etc.)?
- c. Is there a need for guarantee systems related to building efficiency investments? If so, what guarantee systems for efficiency investments would be necessary and how should they be designed? Is there a need for other enabling mechanisms (e.g. risk-sharing, investment vehicles)?
- d. How could the capacity, knowledge and risk perception regarding energy efficiency investments be improved, both at financial institutions as well as with private investors and administrations at all levels?
- e. Are there examples of good practice at national or regional level (with data on costs and benefits) that could be applied more widely?

**a)**

With regard to centrally-managed financial instruments at EU level, we acknowledge that Programmes such as FP7 and CIP have offered a significant contribution to research and development projects in the field of smart energy solutions applied to buildings. Nevertheless we

<sup>3</sup> [http://www.impresambiente.intesasanpaolo.com/scriptWeb20/vetrina/runtime\\_wcm/include/jsp/impresambiente/home/index.jsp](http://www.impresambiente.intesasanpaolo.com/scriptWeb20/vetrina/runtime_wcm/include/jsp/impresambiente/home/index.jsp)

see still a gap in terms of support for pre-commercial deployment and technology transfer projects: the early stage energy technologies often fail in commercialization as they enter the cash flow “valley of death”, characterized by heavy investment requirements before the growth of sales. It would be important to allocate increased resources to technology transfer initiatives able to make research results available to companies, especially SMEs, and ESCOs. Similar attention should be paid to research on innovative business and financing models, which are of the utmost importance if we want to address the complexity of the energy and building value chain and to integrate and repay all the involved stakeholders. We wish that such aspects will be taken in due consideration under the ‘Secure, clean and efficient energy’ priority of the coming Horizon 2020.

In this perspective, we praise the Public-Private Partnerships approach, adopted by the EC through within the European Economic Recovery Plan. Through IntesaSanpaolo Eurodesk, the Intesa Sanpaolo Group is member of the European Energy Efficient Buildings Initiative<sup>4</sup>, which is proving to be very effective in enhancing large research and demonstration projects in the field of energy efficiency in buildings. We judge this initiative very useful, because it allows a deeper interaction between the stakeholders involved in the innovation process, stimulating the dialogue among academia, industry and financial institutions. Nevertheless, we envisage a more systematic involvement of the financial sector in such a kind of PPP: if Banks are involved in the early stage of these industrial innovation and pilot programmes, it will be easier for them to understand the risk/value distribution across the value chain and to be ready to finance the following commercialization phase.

Likewise, we welcome the new European Initiative on Smart Cities and we share its aim of demonstrating the feasibility of pioneer energy efficient and low carbon technologies at local level, proving to citizens their benefits. This will help to unlock the market for these technologies and to enhance a systemic and holistic problem-solving approach, integrating key products and services and key stakeholders (industry, academia, private and public entities). We believe that the same approach should be replicated at national level, via ad hoc calls for proposals<sup>5</sup> funded through Structural Funds.

**b)**

Concerning the mobilisation of more private financing from institutional investors for energy efficiency projects, a number of barriers still exist and need to be addressed:

- Regarding the bankability assessment, energy efficiency solutions, and more in general the overall cleantech sector, still suffer a scarce predictability in future cash flows, except for some technologies such as photovoltaic cells where returns are totally predictable and risk is nearly zero. The traditional investment analysis is based on expected cash flows and normally performed without a risk management model able to take into account the implications derived by new energy / construction approaches. Financiers are available to support projects where risk management is transparent and credible, no unproven concepts.
- Since the majority of energy efficiency investment projects are of small or medium size, transaction costs to assess their technical reliability and performance (such as costs associated to due diligence, legal and engineering advisory, feasibility studies) are disproportionately high to be borne by investors.
- Energy efficiency technologies and solutions are very much diversified and many of them are not yet standardized. Therefore, investors intending to assess their

<sup>4</sup> <http://www.e2b-ei.eu/default.php>

<sup>5</sup> The Italian Ministry for Research and Education has recently issued a call for proposal open to individuals, companies, research centres and universities located in Southern Italy to support the development of ambitious and pioneer measures in buildings, energy networks and transport at urban level. The budget available for the call for proposal (about 200 mln Euro) is drawn from Structural Fund resources. <http://www.istruzione.it/web/ricerca/dettaglio-news/-/dettaglioNews/viewDettaglio/19115/11213>

- technical viability and reliability need an ad-hoc evaluation, which entails additional costs and technical skills not internally available.
- Traditional financial intermediaries often lack specialized internal skills to understand and properly evaluate the market potential of innovative technical solutions in the energy efficiency field.
  - Since companies providing energy efficiency technologies are often young and under-capitalized, investors perceive them as high risk counterparts and assign low credit ratings.
  - The possibility of achieving returns in the field of energy efficiency is strictly dependent on the presence of public incentives. If these public incentives are not enough stable and long term oriented, private investments are discouraged.

We believe the European Investment Bank can have a crucial role in leveraging private investments in energy efficiency. Since investments in energy efficiency at building level are often individually small, a deeper cooperation between EIB and commercial banks should be developed in order to implement a framework loan structure for small-scale energy efficiency investments, including risk-sharing instruments, blending loans with grants and the provision of technical support, such as energy audits, to the financial intermediaries or the final beneficiaries.

In this regard, we praised the ELENA (European Local Energy Assistance) initiative, a technical assistance facility managed by the EIB, which aims to accelerate the preparation and implementation of energy efficiency and renewable energy projects developed by municipalities, regions and other local authorities so they are facilitated in attracting finance from local banks or other sources.

We also appreciated the proposal of the European Parliament and of the Council of using the uncommitted funds under Chapter II of the EEFPR Regulation (amounting at 114 mln Euro) to create the European Energy Efficiency Fund (EEE-F), a dedicated financial instrument to support investments able to contribute significantly towards energy savings. EEE-F is focused on the public sector, which offers an enormous potential, but where projects are often hindered due to budget restrictions and lack of experience. The new facility has an innovative public-private partnership shareholder structure open to investments from donor agencies, governments, international financial institutions, and professional private investors. This model of mixed partnership exploiting uncommitted EU funds could be replicated at national level to sustain small investment projects in the field of energy efficiency applied to buildings.

We also believe in the importance of supporting the Public Administration in designing sustainable and long term national/regional financing mechanisms to boost public investments in energy efficiency equipment. In this perspective, Revolving Energy Fund (REF) schemes, already widely implemented in the United States but still to be exploited in the EU, represent an interesting experience to be replicated and adapted to local needs. REFs rely on identifying energy cost savings and, in future budgets, allocating these savings to a revolving fund so that the money can be reinvested in future energy efficiency projects. Through this process a REF can grow and allow the Public Administration to pursue energy saving projects that might not be funded through standard budget processes. REFs usually do not have to start out big to be effective: even if a local government does not have access to a large amount of capital, a small revolving fund will continue to grow as financial savings from reduced energy use are added to the original capital.

#### **c)**

Concerning guarantee systems and enabling mechanisms (risk sharing, investment vehicles,...), we would recommend the establishment of public-private guarantee schemes specifically conceived for ESCOs, according to their average risk profile and expected probability of default. The public contribution could make use of uncommitted European Structural Funds, and it would enable commercial banks to provide guaranteed loans.



In this regard, it could also be worthwhile to adapt already existing instruments to the distinctive features of energy efficiency and sustainability. For instance, JEREMIE<sup>6</sup>, the joint initiative launched by the European Commission, the European Investment Bank and the European Investment Fund, enables EU Member States and Regions to use part of their structural funds to obtain a set of financial instruments that are specifically designed to support micro, small and medium enterprises. These financial instruments include Advisory and technical assistance, Equity and venture capital and Guarantees (both for microcredit loans and SME loans). This programme could envisage a specific strand for small and micro-companies working as Energy services providers.

In addition to the guarantee schemes, we would like to stress the importance of appropriate and specific insurance products, able to handle and mitigate risks in the downstream phase.

d)

To overcome the existing financial barriers, it would be important to build confidence among investors by explaining and discussing the real risks and opportunities related to the financing of energy efficiency at building level. Accurate and standardized information on failure rates and operating costs could contribute to reduce the tendency to overestimate risks and transition costs.

Likewise, the certainty and the stability of the regulatory framework is another crucial aspect to enhance the financial institutions' commitment towards energy efficiency investments. Public support in terms of incentives must not necessarily be huge, but stable, accurately quantifiable and with a long term perspective. Uncertainty is the antithesis of bankability.

e)

As good practice, we present some financial schemes that the Intesa Sanpaolo Group is implementing to finance energy efficiency interventions in buildings. We believe these schemes could be further improved and replicated at a larger scale.

- **AEDIFICA BIOEDILIZIA: a financial product specially devoted to sustainable buildings**

Intesa Sanpaolo was the first banking group at international level to conceive and offer a financial solution specifically addressed to building companies being compliant with green and energy efficiency criteria. 'Aedifica Bioedilizia' was launched in 2005 to finance at favourable rates and conditions the building companies that, from the design phase, met the environmental sustainability criteria put forth in the "ITACA Protocol"<sup>7</sup>. The ITACA Protocol, "Standards for Sustainable Building", is an energy-environmental certification tool to evaluate and certificate the level of environmental sustainability of buildings.

The choice of supporting the 'green building' sector was done in the belief that obtaining energy/environmental certification can improve the overall competitiveness of the construction sector. The ITACA certification gives both builders and buyers a competitive edge: builders have the opportunity to access fiscal incentives (for example a reduction in secondary urbanisation costs), while buyers can count on some Regional or Municipal tax relief (for example a reduction of property taxes). Moreover, obtaining a green certification contributes to increase the building's value, which is crucial in contexts where the real estate market is close to the saturation.

Despite the innovative nature of AEDIFICA BIOEDILIZIA, and the favourable conditions offered in terms of interest rate, this product is not yet extensively applied because the

<sup>6</sup> Joint European Resources for Micro to Medium Enterprises

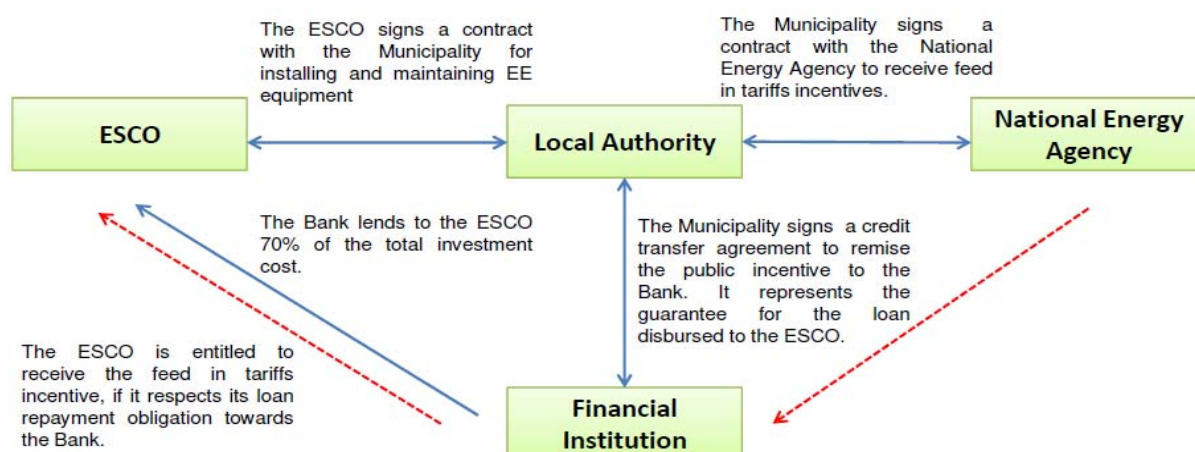
<sup>7</sup> More information on ITACA Protocol is available at <http://www.itaca.org/>.

ITACA Protocol sets very tight requirements both at energy and environmental level, that building companies are often unable to meet due to lack of technical skills. Moreover, the builders have still trouble incorporating the added value of the certification in the final selling price, as well as the final customers are not yet enough aware of the benefits deriving from the purchase of an energy / environmentally certified building.

### • Third Party Financing for Efficiency Improvements in Public Buildings

Intesa Sanpaolo started in 2010 to apply innovative schemes to finance energy efficiency in public buildings based on third party financing. Typically the deal structure involves four categories of stakeholders: an ESCO, a public Local Authority, a National Energy Agency which grants incentives for renewables energies generation and distribution, a financial institution.

- The ESCO signs a multiannual contract with the Local Authority for installing and maintaining the energy efficiency equipment and obtains from the Bank a loan covering max. 70% of the total investment cost (the remaining 30% must be provided by the ESCO via equity). The ESCO is also entitled to receive the feed in tariffs granted by the National Energy Agency for the whole period covered by the contract with the Local Municipality.
- The Local Authority signs a covenant with the National Energy Agency (in Italy GSE – Gestore Servizi Energetici) that states the eligibility of the installed equipment to feed in tariffs or to other public incentives. It also signs a credit transfer agreement to remise this public incentive to the Bank if the ESCO is insolvent in reimbursing the loan to the Bank. At the end of the contract, the Local Authority becomes owner of the equipment/plant.
- The financial institution gives to the ESCO the loan covering up to a certain percentage of the total investment cost and is guaranteed by the credit transfer agreement signed with the Local Authority. It evaluates the economic sustainability of the project by analyzing: the track record of the key players; the service contract between ESCO and Local Authority; the credit risk of the ESCO and/or of the local municipality; the amount of equity invested in the project by the ESCO or by the local authority.



**Strengthening the regulatory framework**

- a. Is there any need for further EU-level regulation to stimulate energy efficiency investments in buildings beyond the Commission proposal for a new Energy Efficiency Directive? If so, what should these measures entail?
- b. What could be specific measures to be taken at national level to implement and complement most effectively the EU-level regulatory framework for energy efficiency?
- c. What are the specific needs for policy guidance and awareness rising among different stakeholder groups?

**a)**

As a banking Group we strongly suggest to avoid further too strict regulations and instead to add to the proposal for a new Energy Efficiency directive a set of pilot projects covering many application areas, able to involve different players with the aim of implementing feasible solutions from a financial, fiscal and technical point of view.

**b)**

Italy has been on the cutting edge in terms of setting up legislative principles in the field of energy efficiency in buildings, but still has troubles in converting them into concrete actions.

In 1976, Italy was the first country to introduce the concept of minimum thermal insulation and in 1991 (three years before the European Directive 1993/76/CE) the Italian Parliament adopted a law<sup>8</sup> regarding "Regulations for the Implementation of the National Energy Plan with Regard to the Rational Use of Energy, Energy Savings and the Development of Renewable Energy Sources".

This law envisaged a framework for setting up energy efficiency measures such as building standards, rules for the design, installation and operation of thermal systems in buildings and technical and construction criteria for new public and private buildings, as well as retrofitting. It also assigned a preferential role to Public Administration in increasing the use of renewable energies and introduced an obligation for the public sector to apply energy efficient solutions in proprietary or rented buildings.

However, only 18 years later, in 2009, national Guidelines for Energy Certification of Buildings were adopted, introducing a mandatory energy certification scheme called ACE (Attestazione di Certificazione Energetica). Despite the presence of these national Guidelines, there is still a wide heterogeneity in their application: only four Regions conform with the Guidelines, whilst others recommend their own schemes or have not yet started to handle this issue. Moreover, the guidelines still give the possibility of providing a self-certification stating that the building is under the worst energy class (G): this easy way-out reduces the perceived value of the ACE.

A better harmonisation among the different Italian Regions is needed, as well as the setting up of a list of specific qualifications and requirements that the Italian energy certifiers should possess. The adoption of these measures will be particularly important in the light of being compliant with the 'Energy Performance Building Directive 2'<sup>9</sup> which establishes the obligation for Member States of setting minimum energy performance requirements and ensuring that by 31 December 2020 all new buildings are nearly zero-energy buildings.

---

<sup>8</sup> Law 10/1991

<sup>9</sup> EU Directive 2010/31/CE

For any further comments or questions, please contact Intesa Sanpaolo's International Regulatory and Antitrust Affairs Office:

Mrs Alessandra Perrazzelli  
Head of International Regulatory and Antitrust Affairs  
[alessandra.perrazzelli@intesasanpaolo.com](mailto:alessandra.perrazzelli@intesasanpaolo.com)

Mrs Cristina Piai  
Policy Advisor - Intesa Sanpaolo Eurodesk S.p.r.l. – International Regulatory and Antitrust Affairs  
[cristina.piai@intesasanpaolo.com](mailto:cristina.piai@intesasanpaolo.com)

Intesa Sanpaolo S.p.A.  
International Regulatory and Antitrust Affairs  
Square de Meeûs, 35 - B - 1000 – Bruxelles - Tel. + 32 2 640 00 80  
Via Monte di Pietà, 8 - I - 20121 Milano - Tel. + 39 02 87962258