




The Malta Development Bank

Financing energy efficiency in Malta and Italy
Westin Dragonara Resort, St Julians
22 November 2018

Energy efficiency in industry and SMEs




-  In July 2014, Malta Government set up MDB Working Group to advise on establishment of MDB
-  On 19 April 2016, Eurostat informed National Statistics Office that MDB should be classified outside general government sector
-  On 24 August 2016, European Commission published its decision that MDB is in line with State Aid rules and in conformity with internal market (within State Aid envelope of €255million, subject to review after 3 years)
-  On 5 May 2017, Parliament passed MDB Act (Act XXI 2017) which came into force on 24 November 2017
-  On 11 December 2017, Minister for Finance appointed the Board of Directors and the Supervisory Board of the MDB
-  On 11 December 2017, MDB Board of Directors held its first meeting and MDB commenced operations.

-  To contribute to sustainable socio-economic development in line with public policy
-  To encourage inclusive and environmentally sustainable economic growth
-  To support infrastructural development
-  To link entrepreneurship, investment and economic growth to improved living conditions, a higher quality of life, and better social inclusion.

-  MDB performs a promotional role in line with public policy
-  Supports productive and viable operations where the market is unable or unwilling to accommodate such activities in part or whole (due to higher credit risks, insufficient collateral, size of project, duration of loan requirement, concentration risks, regulatory capital, etc...)
-  Aims to complement commercial banks to bridge any financial gaps in bankable investments, thus enhancing investors' access to bank financing

-  **Private sector development:** SME support, innovative financing, credit enhancement, venture capital, and advisory
-  **Skills and technology:** to sustain competitiveness by investment in innovation, skills, knowledge-generation digitisation, and technology
-  **Infrastructure development:** to support infrastructural projects especially those enhancing competitiveness
-  **Community services:** to support enterprises operating community services in sectors as education, health, sport and housing
-  **Green economy:** to support clean energy and energy efficiency projects, sustainable transport and water resources

Achieving sustainable energy: challenges and gaps (1)

-  Rapid economic growth experienced in the last years – average annual per capita real GDP increased by 3.5% since 2010
-  Increase in population (1.6% p.a.) and tourist arrivals (almost doubled in 2010-2017)
-  Rapid economic growth has given rise to a number of environmental challenges:
 - Water resources - under significant pressure
 - Waste management infrastructure (esp. in the construction sector)
 - Sustainable energy
-  Need to decouple energy demand and economic growth to safeguard our ecosystem and meet Malta's international obligations, including the Paris Agreement

Achieving sustainable energy: challenges and gaps (2)

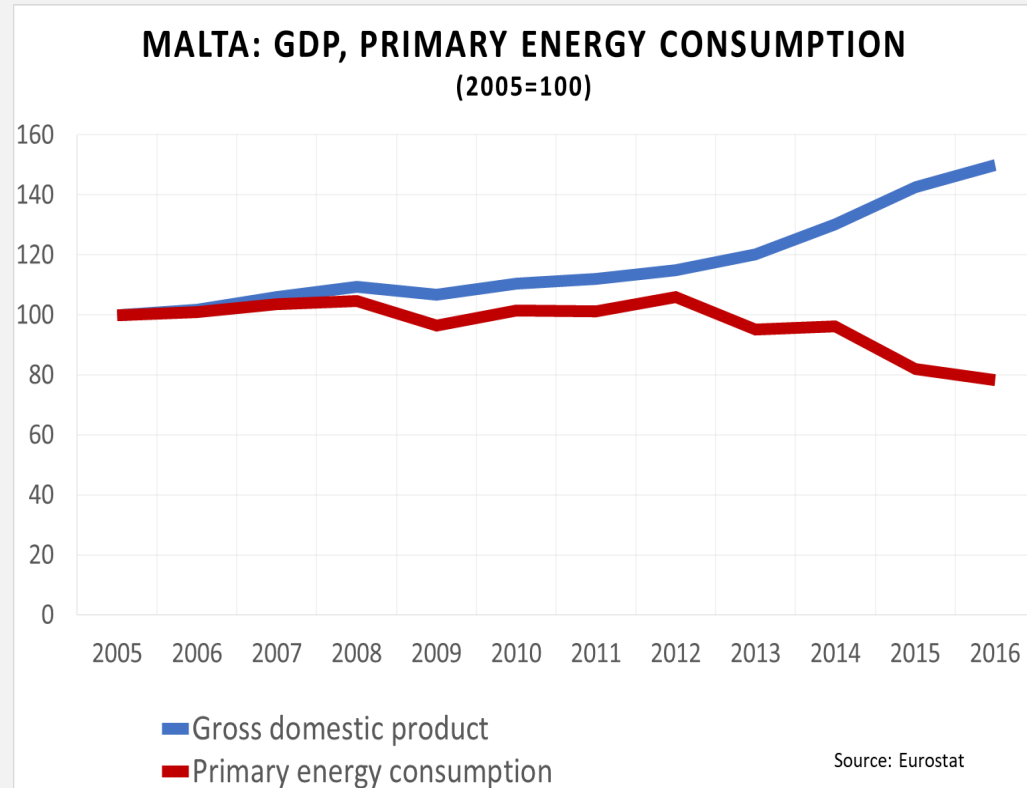
Overall energy efficiency gains averaged around 17% in the 10 years to 2016

Efforts are needed in the twin pillars of sustainable energy i.e. energy efficiency (EE) and renewables (RES)







Malta targets an energy savings of 935 GWH by 2020

Malta's National Energy Efficiency Action Plan 2017 identifies financing schemes/instruments as one of four action areas to achieve the energy savings target

74% of the savings are projected to be achieved with the support of financial instruments








Financing gaps in sustainable energy

-  Uptake of initiatives in Malta relating to renewables has been higher than energy efficiency – reflecting mainly more incentives targeting renewables (e.g. PVs and solar) relative to energy efficiency (e.g. building insulation, double glazing)
-  Hence financing needs in EE are probably much larger than RES
-  According to a survey conducted among energy experts there is a lack of sufficient funding for energy efficiency investments in Malta and that there is ample scope to improve on the national energy efficiency funds
-  Expected demand for EE investments mainly by industry and the commercial sectors - esp. building and equipment
-  Public funds alone cannot finance all the necessary energy efficiency measures
-  MDB's objective is to act as a catalyst, boosting private financing to complement public funds to close the sustainable energy investment gap

Examples of EU financial support targeting energy efficiency

European context - Annual finance gap for achieving the 2030 climate and energy goals in the EU - €150bn per year. The vast majority of this (€133bn) relates to energy efficiency investment needs in buildings

Examples of financial support at EU level:

-  ESIF (grants & FIs) – 2 out of 3 Europe 2020 goals: “Smart Growth” & “Sustainable growth”
-  EFSI 2.0 (European Fund for Strategic Investments) – An EU guarantee aimed to trigger private and public investment of €500 billion over the period until 2020 (Juncker Plan)
-  PF4EE (Private Finance for Energy Efficiency) – consists of a portfolio guarantee funded by the LIFE programme, which is EU’s funding instrument for the environment and climate action
-  Horizon 2020 - it is the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness
-  Equity Fund - Marguerite II - a pan-European equity fund which aims to act as a catalyst for infrastructure investments in renewables, energy, transport and digital infrastructure
-  EEEF (European Energy Efficiency Fund) - offers funding for energy efficiency and small scale renewable energy projects

Possible funding sources:

- Bilateral loans from CEB, EIF, KFW
- Bond issuance
- Other sources

Government Guarantee

MDB financing facilities

SMEs & individuals

(Insufficient collateral, lack of credit history, higher overall risk)

Private & public infrastructure projects

(Long gestation period, large exposure)

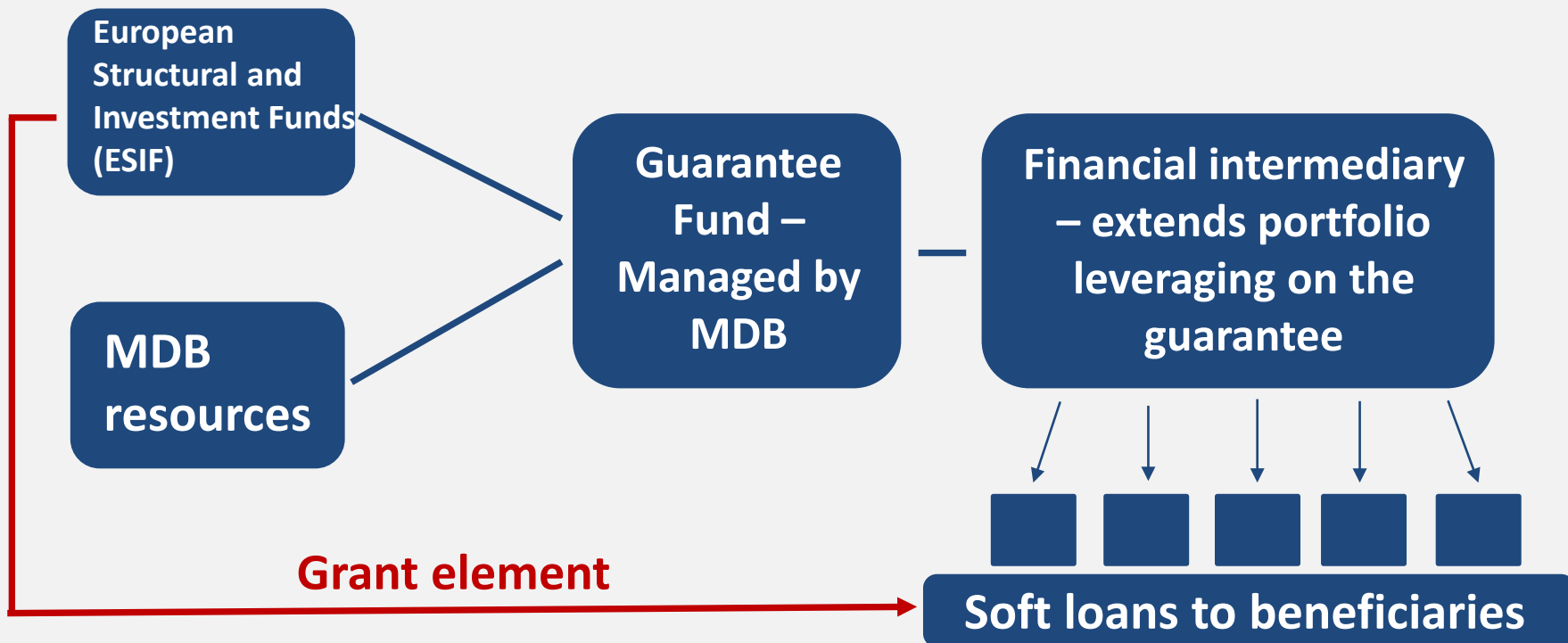
2nd tier approach (e.g. guarantee schemes)


- Non-competitive
- Leaner structure (cost-effective)
- Leveraging (optimal use of resources)
- Crowding-in
- Credit enhancement
- Credit risk reduction & capital relief

Direct lending, co-financing, guarantor

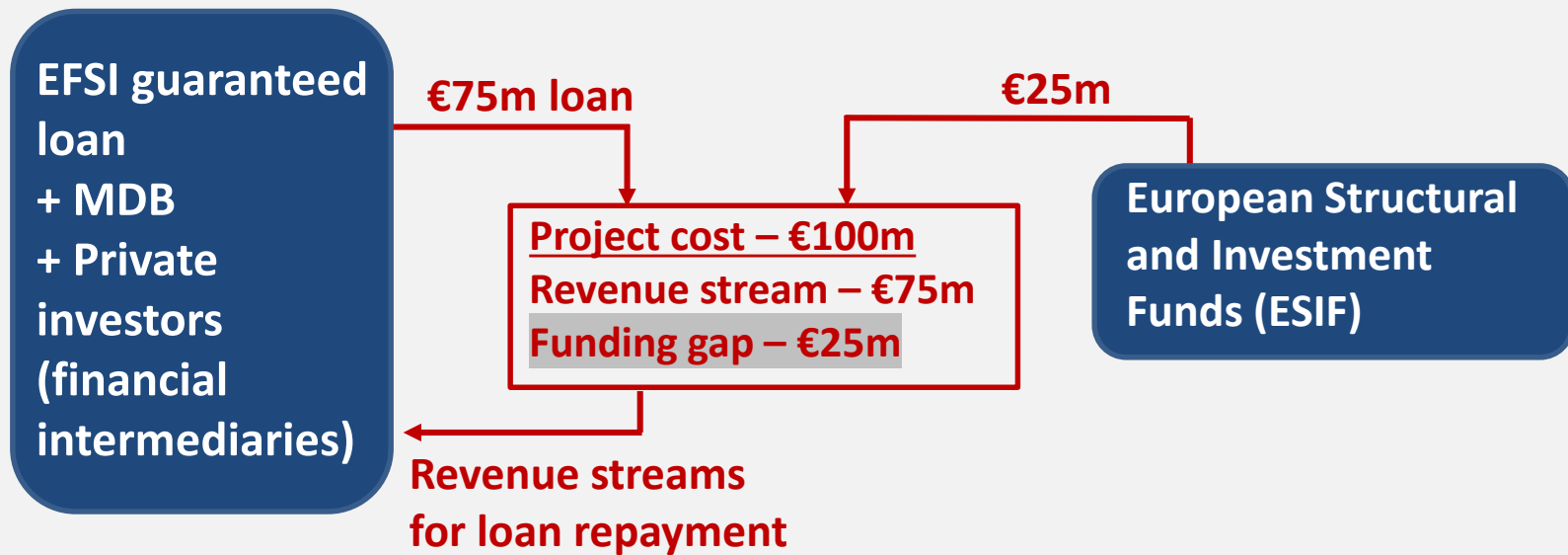
- Access to low funding costs
- Longer loan maturities
- Crowding-in
- Syndicated lending









 **Combination at the Financial instrument level:** MDB looks forward to joint efforts with Managing Authority to develop financial instruments in operational programmes to support priority sectors



 **Investment Platforms:** seek to bring together investors and/or projects; apply to both debt and equity (incl. funds) investments.

- Blending EFSI and Structural Funds at the project level: where the risks would make EFSI support unlikely without the presence of Structural Funds contributions



-  InvestEU – EU’s new investment instrument providing an EU guarantee to mobilise public and private financing (loans, guarantees, equity or other market-based instruments) for strategic investments in the support of EU internal policies (building on the success of EFSI)
-  Focus on the importance of leveraging public money (doing more with less through financial instruments and guarantees)
-  Anchors all centrally managed financial instruments in the EU in a single, streamlined structure, avoiding overlaps and simplifying access
-  Revolving/evergreen nature
-  Combination of ESIF with InvestEU will be possible
-  Possibility for NPBs to have direct access to EU Guarantee (subject to pillar assessment)
-  Non-pillar assessed NPBs can act as intermediaries for EU Guarantee
-  More EIB-NPBs cooperation is envisaged – building on EFSI



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Transport, energy, digital connectivity, supply and processing of raw materials, space, oceans and water, waste, nature and other environment infrastructure, equipment, mobile assets and deployment of innovative technologies that contribute to the environmental or social sustainability objectives of the Union

**EU budget €15.2 billion + Budgetary guarantee €38 billion
= expected to mobilise €650 billion in additional investment across Europe**

InvestEU Fund proposed budget allocation (EUR million)		
Window	Budgetary guarantee	Mobilised investment (estimates)
Sustainable infrastructure	11,500	185,000
Research and innovation	11,250	200,000
Social investment and skills	4,000	50,000
SMEs	11,250	215,000
Total	38,000	650,000

At least 50% to meet EU climate and environment objectives

Thank you for your attention

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