



# NATIONAL ROUNDTABLE ON FINANCING ENERGY EFFICIENCY IN IRELAND

**11 OCTOBER 2018**

**VENUE: THE MORRISON HOTEL, DUBLIN**

Organised by the European Commission in partnership with the Sustainable Energy Authority of Ireland and the UN Environment Finance Initiative.

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*Event organised based on the service contract with EASME, and funded by Horizon 2020 programme. The opinions expressed in this document do not represent the official position of the European Commission, EASME, or the European Union.*

# Objectives

Accelerating investment in sustainable energy is key to meeting the objectives of the Energy Union and supporting the transition to a clean energy system. As such the “Sustainable Energy Investment” (SEI) Forums were introduced as part of the "Smart Finance for Smart Buildings" initiative by the European Commission. Under this initiative, a series of stakeholder engagement events are being run with the objective of enhancing the capacity of and co-operation between public and private stakeholders to develop large-scale renewable energy and energy efficiency investment programmes and financing schemes (further information [here](#)).

This event in Ireland aims to engage policymakers, stakeholders and end-users in an informed discussion on ways to upscale energy efficiency investments. This includes sharing best practice on how to reach out to and engage small and medium-sized enterprises (SMEs) in thinking about energy efficiency investments and presentation of the opportunities for unlocking the potential for energy efficiency investments.

The objective of the Irish national roundtable is to foster a discussion on:

1. How to set the right policy framework and support instruments for SME participation in energy efficiency investment - Energy Efficiency for SMEs: Creating a Policy Framework Responding to Needs
2. How to improve support for SME action and investment on energy efficiency, and address market barriers to such investment - Overcoming SME Market Barriers to Making Energy Efficiency Investable
3. How to expand energy efficiency investment by public authorities following the publication of Eurostat on statistical treatment of energy performance contracts (EPCs) - EPCs as a Financing Model for Energy Efficiency

During the roundtable, participants will be split into three groups, each dedicated to one of the topics described above. These topic groups will try to identify the relevant barriers and the ways to address them.

Topic group sessions will start with short presentations to set the context and to share best practice from across Europe. A rapporteur in each topic group will report on (i) key issues arising from the discussion and (ii) a summary of the emerging recommendations.

These sessions will draw on the conclusions from the SEI Forums regional conference held in October 2017 in Dublin, and work to identify solutions on each topic.

The roundtable format will allow time for exchanges between participants in small working groups and will hear from best practice examples.

This background paper outlines some of the key questions and main facts that will guide each topic group discussion.

To allow open discussion, discussion points will not be attributed to any individual or organisation. We are not aiming for one universal consensus view, but to generate as many ideas as possible on the way forward on financing sustainable energy projects in Ireland.

# Draft Agenda

## 9:30 Morning Plenary

Welcome and introductory remarks from the Sustainable Energy Authority of Ireland

- *Jim Gannon, CEO SEAI*

Latest state of play on energy efficiency policy and financing

- *Paul Hodson, Head of Energy Efficiency, European Commission DG Energy*

Support for Energy Efficiency Financing from the European Investment Bank

- *Andrew McDowell, Vice-President, European Investment Bank*

Department of Communications, Climate Action and Environment perspective

- *Michael Manley, Assistant Secretary Energy Department of Communications, Climate Action and Environment*

The role of state supported finance in addressing energy efficiency

- *Nick Ashmore, CEO Strategic Banking Corporation of Ireland*

## 11:00 Presentation of the Topic Groups and Working Method for the day

- *Kevin O'Rourke, Moderator, Marchena Energy Management Services*
- *Andy Deacon, Sustainable Energy Investment Forums team*

## 11:15 Coffee break

## 11:45 Topic groups – 1st session: Speakers and Discussion

### Topic Group 1 - Energy Efficiency for SMEs: Creating a Policy Framework Responding to Needs

Invited Speakers:

- Alessandro Federici, ENEA (Italy)
- Kati Ruohomäki, Confederation of Finnish Industries EK (Finland)

### Topic Group 2 - Overcoming SME Market Barriers to Making Energy Efficiency Investable

Invited Speakers:

- Caroline Milne, Joule Assets Europe
- Kamila Paquel, European Commission, EASME

### Topic Group 3 - EPCs as a Financing Model for Energy Efficiency

Invited Speakers:

- Robert Pernetta, European Investment Bank

- Eavan Crehan, NewERA, National Treasury Management Agency

**13:00 Lunch**

**14:00 Topic groups – 2nd session (same topics, continued):**

Roundtable Discussion

**15:30 Coffee Break**

**15:45 Closing plenary**

Moderated by Kevin O'Rourke, Marchena Energy Management Services

Report from Topic Group Rapporteurs on key recommendations

Discussion and next steps

**16:30 Concluding remarks by the organisers**

**16:45 Networking Cocktail**

## 2017 Regional Conference

The Roundtable builds on an initial SEI Forums regional conference on “Promoting and Financing Energy Efficiency in Ireland and the United Kingdom”, which took place in Dublin on 28 September 2017. This event gathered participants working on energy efficiency finance from the financial sector, national government, project developers, the renovation supply chain, and local and regional agencies. The presentations and proceedings from that event can be found [on the event webpage](#) and make useful background reading in preparation for the national roundtable.

One of the conference findings was that generally, beyond just SME instruments, the potential of standardisation to alleviate the perceived risks of energy efficiency investments could be further exploited in Ireland. The conference also demonstrated the resource input needed to support large scale SME energy efficiency programmes (i.e. high transaction costs) and that access to low cost finance is a key enabler of action.

Under current market conditions however, investors are not attracted by energy efficiency. Banks make loan agreements based on the credit status of their clients or the property value whereas the benefits arising from energy efficiency improvements are often not taken into account. These issues have been also highlighted by the Energy Efficiency Financial Institutions Group (EEFIG) established by the European Commission. [The EEFIG 2015 report](#) highlighted among others the following problems:

- i. Lack of systematic evidence on the performance of energy efficiency investments makes the benefits and the financial risk harder to assess
- ii. Lack of commonly agreed procedures and standards for energy efficiency investment underwriting increases transaction costs

The public conference presented the work carried out to standardise energy efficiency projects under the [Investor Confidence Project \(ICP-Europe\)](#) and the [Energy Efficiency Risk Valuation and Underwriting Toolkit](#) for financial institutions published recently by [EEFIG](#).

## 2017 Results and Challenges

In summary, the key points emerging from the public conference identified that:

- i. Standardisation and replication have an important role in de-risking energy efficiency investments.
- ii. Energy efficiency adds a real demonstrable, bankable value to renovation projects, but the benefits need to be communicated clearly.
- iii. The Eurostat guidance on accounting for energy performance shows great progress on this issue at a high level.
- iv. There is significant disparity in the SME sector, making it challenging and expensive to intervene.
- v. Awareness raising, training and peer-to-peer support are needed to assist this sector.
- vi. The barriers identified are usually: access to low or zero cost finance, grants and loans, lack of available time, technical skills, management support and funding. Finance is not enough on its own, the other enablers of action need to be addressed too.

Public investment in energy efficiency can also bring these benefits (including stimuli to SMEs competitiveness on the energy service market), while also carrying a promise of better health and well-being in wider society.

The national roundtable is an opportunity for all stakeholders to identify opportunities to support the commercial and public sectors in improving energy efficiency and in ensuring energy savings for Ireland as a whole to meet the energy targets, reduce our energy demand and provide financial savings.

# Topic Group 1: Energy Efficiency for SMEs: Creating a Policy Framework Responding to Needs

## Invited Speakers

Alessandro Federici, ENEA (Italy)

Kati Ruohomäki, Confederation of Finnish Industries EK (Finland)

## Objective

This session will discuss how to develop policy and financial support for improved energy efficiency in the SME sector, from both the demand and supply sides.

## Presentations

The Confederation of Finnish Industries represents the entire private sector and companies of all sizes, with 16,000 member companies, 96% of which are SMEs. Since 1992, the Finnish industry sector voluntary energy efficiency agreement has been in place. This enables companies to access public support for investment in energy efficient solutions and through regular reporting by business, provides state-of-the-art monitoring of the state of energy efficiency improvements and reporting of these results to meet national targets under the European Energy Efficiency Directive. From 2008-2016, the scheme had supported €580 million in investment, delivering an annual CO<sub>2</sub> saving of 3.2 million tonnes. The presentation will give an overview of the membership of the scheme, the financial support available for energy audits and for the implementation of improvement measures. Further information on the Agreements can be found at: <http://www.energiatehokkuussopimukset2017-2025.fi/en/>

In Italy, a legislative decree from 2015 allocated €15 million per year until 2020 to co-finance regional programmes aiming at delivering energy audits for SMEs, or for the adoption by SMEs of an energy management system in compliance with ISO 50001 standards. Beneficiaries of the incentive have to realise the identified energy efficiency measures or obtain the ISO 50001 certification. 2016 data reveals potential savings between 0,8 Mtoe and 1,1 Mtoe could be achieved with a payback period equal or less than three to five years respectively. ENEA, the Italian National Agency for New Technologies, Energy and Sustainable Economic Development, has also led an information and awareness raising campaign targeted at SMEs. The main objective is to encourage companies to perform energy audits and to take advantage of other existing subsidies for the installation of efficient technologies. The three-year campaign was launched by ENEA in November 2016. The presentation will describe these and other activities to support SMEs in Italy.

## Discussion

The previous conference recognised that public funds would be needed to encourage sustainable energy investment in the SME sector and that resilience and job protection were key for SMEs. Other consistently identified barriers to action were access to low or zero cost finance, grants and the lack of available time, technical skills, management support and funding. In other words, addressing finance needs is not enough, as other enabling factors are also required for a successful sustainable energy investment in the SME sector.

Current energy efficiency policy in Ireland encourages the commercial sector to improve energy efficiency with incentives including, advice and other support, as well as some grants. The leaders in the area tend to be larger industry as opposed to SMEs. However, with increased regulation and pressure to include all players, the policy environment needs to take account of the barriers and challenges faced by SMEs in order to ensure that they play their part in addressing energy efficiency for the benefit of their organisation and for the wider benefits.

**Key questions:**

- i. What policy structures most effectively support SME development and growth, with particular reference to energy efficiency?
- ii. Which policy barriers are most significant for energy efficiency investment in the SME sector in Ireland?
- iii. How can the gaps in existing support schemes be addressed to encourage investment in energy efficiency in the SME sector?

# Topic Group 2: Overcoming SME Market Barriers to Making Energy Efficiency Investable

## Invited Speakers

Caroline Milne, Joule Assets Europe  
Second financial sector speaker (tbc)

## Objective

The objective of this session is to discuss and investigate how to make energy efficiency projects attractive to investors, with a focus on the commercial/SME sector.

The elements for discussion will include distribution and uptake of financing to deliver more energy efficiency projects and the use of financial instruments for the SME sector.

## Presentations

Building on the methodology developed through the [Investor Confidence Project](#), Joule Assets Europe has coordinated an EU funded project called Sustainable Energy Asset Framework ([SEAF](#)). This project aims to bridge the gap between contractors and investors through an IT Platform. The SEAF Platform (called [eQuad](#)) provides financial analysis, project performance insurance, project certification, due diligence, and introductions to pre-qualified capital sources. This in turn empowers SMEs and other companies to receive financing and implement energy efficiency technologies. As one example, the eQuad platform recently enabled Proven Lighting, a Belfast-based LED Lighting firm, to successfully secure a £5 million deal with a regional financial fund, allowing them to launch their Lighting as a Service model through Lumenstream – a Belfast-based company, whose commercial presence spans the UK and Ireland.

## Discussion

SEAI and other local and national agencies support businesses to shift to more sustainable energy use. Advice, mentoring, training, standards development and financial support is provided to a broad range of energy users. This support aims to deliver continuing financial savings through energy efficiency, together with many important co-benefits. Energy assessments, advice and mentoring provided to SEAI's SME programme participants lead routinely to 10% energy savings in the first year of interaction. The value of energy, CO<sub>2</sub> and other pollutant savings significantly outweighs the cost of investments to achieve them, leading to a strong net return to participants and society over time.

It is well established that many investments in energy efficiency improvements save more than they cost as a result of reduced energy usage. It is also evident that many such investments are not being taken by SMEs despite the opportunity for good (often short-term) economic returns. Many reasons exist for this lack of action: time constraints, financial barriers, lack of knowledge, inadequate human resources, etc.

## **Key Questions**

- i. How can we scale and increase the penetration of energy efficiency projects in Ireland, using existing or new financial models?
- ii. What solutions are there and what key factors from successful projects from overseas could best be implemented in Ireland?
- iii. In what form should an appropriate financial instrument be provided to encourage action in this sector? Who should own next steps and actions?

# Topic Group 3: EPCs as a Financing Model for Energy Efficiency

## Outline

Robert Pernetta, European Investment Bank

Eavan Crehan, NewERA, NTMA

## Objective

This session will investigate and discuss the opportunities for the deployment of Energy Performance Contracting in Ireland with a focus on the public sector. The new context for this topic is set by the revised [Eurostat guidelines](#) and new Eurostat and EIB [Practitioner's Guide](#) on the Statistical Treatment of Energy Performance Contracts.

## Presentations

The Eurostat Guidance note from 2017 opened the way for 'off-balance sheet' treatment of Energy Performance Contracting (EPC) in the public sector. The practitioner's guide translates a set of general rules into concrete provisions and covers typical contract provisions and structures. The Guide is official Eurostat guidance and the reference point for Eurostat advice and decision on EPCs. Eurostat rules relate to statistical treatment in government accounts and are based on the principle of 'economic ownership'. These are not to be confused with legal ownership, accounting rules/practices and budgeting and the Guide does not deal with value for money or bankability. In addition to the Guide, the European Investment Bank can provide support for lending, blending and advising, for example on combining EIB finance with EU budget and other sources and through the European Investment Advisory Hub ([EIAH](#)) and [FI-compass](#). The presentation will explain the Guidance in further detail and explain more about support available from EIB.

## Discussion

The EPC market in Ireland is relatively small, but new guidance from Eurostat along with existing frameworks and new innovative financial instruments have the potential to drive investment and deployment of EPC projects.

Ireland has a well-developed energy services framework, and in this session the participants will look at how this could be affected by (i) the Eurostat guidance, (ii) support available to develop the pipeline of EE projects in public buildings (ELENA, Horizon 2020 PDA projects), (iii) the legal framework needed to support ESCOs, and (iv) capacity building for local authorities.

In Ireland, the National Energy Services Framework (NESF) developed by SEAI for public bodies sets out the roadmap through which energy efficiency projects and an energy contracting process is developed. The frameworks help bring projects to be investment ready for the energy performance contracting market. It focuses on providing best practice guidance to both public and private organisations for procuring energy services and the engagement of ESCOs. The applicability of NESF have proven challenging however, and the session can focus on how to overcome the barriers standing in the way of successful investment by public authorities through EPC.

## Key Questions

- i. Given the new statistical guidance issued by Eurostat, how can energy performance contracts best be structured to serve the needs of public authorities?
- ii. What support (technical or project development) is needed to increase deployment of EPCs?
- iii. What is the view of the financial sector, and what role can they play in providing low cost capital for public projects?
- iv. What is the view of the ESCO companies/sector of Eurostat guidance and the role of the Practitioners Guide and what is needed next to catalyse the sector?

## European Policy Context

Accelerating investment in sustainable energy can bring significant benefits for all European citizens and companies in terms of jobs and sustainable growth, lower energy bills, health, well-being, and security of energy supply. The European Commission's 2016 proposals under the "[Clean Energy for All Europeans](#)" package highlight the Energy Efficiency First principle and established the [Smart Finance for Smart Buildings](#) initiative, which includes practical solutions to further unlock private financing for energy efficiency and renewables in buildings.

The Smart Finance for Smart Buildings initiative is structured under three main pillars, which will be addressed also in the roundtable event:

- i. More effective use of public funding:  
the roundtable will present successful experiences of innovative financing schemes using public funds to leverage private finance for energy efficiency.
- ii. Aggregation and assistance for project development:  
the roundtable will feature projects developing an investment pipeline at local and regional levels, supported by EU fund.
- iii. De-risking energy efficiency investments:  
the event will present some key initiatives in Europe which contribute to better understanding of the risks and benefits linked to energy efficiency, reduce transaction costs and standardise assets in order to facilitate access to the capital markets.

The Clean Energy for All Europeans package proposes a new policy and legislative framework for the EU, setting the current climate and energy goals even higher, in line with the international commitments, namely the Paris Agreement and the UN 2030 Agenda and Sustainable Development Goals. In order to reflect the higher ambition at EU and national levels, all EU Member States will have to step up their action in sustainable energy field.

By 2020 Ireland is committed to (i) achieving a 20% reduction in energy demand by 2020 (vs 2005)<sup>1</sup>, and (ii) delivering a 20% reduction in non-ETS greenhouse gas emissions<sup>2</sup>, a significant proportion of which relate to energy demand in the commercial sector. The latest data show that achievement of both targets is at risk, despite significant efforts made under climate and energy policy so far. A dynamic growth of the Irish economy is driving energy consumption higher than predicted which requires increased energy efficiency investment<sup>3</sup>. Existing policy and regulatory measures will not suffice; especially in the commercial and public sectors. The event will focus on how to catalyse additional energy efficiency investment in the SME sector, while exploring the ways to trigger also investment by public authorities.

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<sup>1</sup> Energy Efficiency Directive: [Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency](#)

<sup>2</sup> Effort Sharing Decision, establishes binding annual GHG emission targets for EU countries for the period 2013-20. These targets concern emissions from most sectors not included in the EU Emissions Trading System (EU ETS), such as transport, buildings, agriculture and waste. [Decision No 406/2009/EC of the European Parliament and of the Council of 23 April 2009 on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020](#)

<sup>3</sup> EC (2018) Commission Staff Working Document, [Country Report Ireland 2018 Including an In-Depth Review on the prevention and correction of macroeconomic imbalances](#), 2018 European Semester, COM(2018) 120 final

## **SME Sector**

In Ireland, there are over 185,000 organisations in the SME category, contributing over €42 billion to the Irish economy annually. SMEs are particularly important for the labour market in Ireland, generating more than 70 % of all jobs in the non-financial business economy.

A review of SME sector lending found that: While debt repayments are still dominant, new SME credit is growing. Total new lending to nonfinancial SMEs in the second quarter of 2017 increased by 4.3% year on year and by 34.7% compared to mid-2015. When borrowing, Irish companies remain mostly reliant on internal funds and on banks. Close to 75% of their investment is financed using own funds, substantially above the EU average of 60%. The share of SMEs applying for any banking product, decreasing since 2015, currently stands at 20%, with larger SMEs tending to make greater use of banking products. As bank products account for about 85 % of total external financing for Irish companies, there is significant scope for a more intensive use of non-bank financing.

## About Sustainable Energy Investment Forums

Sustainable Energy Investment Forums is an initiative launched by the European Commission – Executive Agency for Small and Medium-sized Enterprises (EASME) in 2015 and funded through the Horizon 2020 initiative. Its aim is to work with national stakeholders in order to boost large-scale investment and financing for sustainable energy.

Through a series of national and EU-level public conferences and national roundtable discussions, SEI Forums engages representatives of the financial sector, public authorities, and other stakeholders involved in delivering investments in sustainable energy. SEI Forums also provides also open access to in-depth information on specific topics through a series of interactive webinars, featuring top experts in the field of sustainable energy finance.

You can learn more about the activities from:

- The [website](#)
- Social media – follow on Twitter with #SEIforums
- LinkedIn - join the “Sustainable Energy Investment Forums” group