Finance solutions for energy efficiency at the municipal level
Irina Stamo, 05.07.2018

Funding sources

1. European funds, banks and assistance
2. National public financing sources
3. Private sector funding
Funding sources map

European Structural and Investment Funds (ESIF)
- European Regional Development Fund (ERDF)
- Cohesion Fund (CF)
- ESIF Financial Instruments

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- European Investment Bank (EIB)
- European Fund for Strategic Investments (EFSI)
- Private Finance for Energy Efficiency (PF4EE)
- European Energy Efficiency Fund
- European Bank for Reconstruction and Development

Technical assistance in project development
- European Local Energy Assistance (ELENA)
- Horizon 2020 (Call EE22)
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- European Investment Advisory Hub (EIAH)
- Fi-Compass

National public sources and co-financing

Financial intermediaries

Private sector
- ESCOs & Installers
- Intuitional & other private investors
- Citizens
- Utilities

Projects for energy efficiency upgrade
1. European funds, banks and assistance
European Structural and Investment Funds (ESIF)

- European Regional Development Fund (ERDF)
- Cohesion Fund (CF)
- ESIF Financial Instruments
European Regional Development Fund (ERDF)

**Objectives:** To promote economic and social cohesion between regions.

| Financial instruments: | • Grant funding: grants up 75% of eligible costs. |
|                       | • Non-grant funding: equity, low-interest loans, guarantees, microcredit. |
|                       | • Specific financial instruments and amounts are listed in programmes of each EU MS. |

| Beneficiaries: | • In EU-28: public bodies, local, regional, and national authorities, social, cultural and educational institutions, companies, small and medium-sized enterprises (SMEs), associations, non-governmental organisations. |
|               | • Foreign firms based in the region also may apply. |

**Timeline:** 2014-2020

**How to apply to the ERDF:**

- If you are a small business, you may consult the Enterprise Europe Network.
### Cohesion Fund (CF)

**Objectives:** Promoting economic and social cohesion in countries with low Gross National Income.

<table>
<thead>
<tr>
<th>Financial instruments:</th>
<th>Loans.</th>
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<tbody>
<tr>
<td></td>
<td>Guarantees.</td>
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<td></td>
<td>Equity.</td>
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</tbody>
</table>

→ offered in combination with technical support, interest rate subsidies or guarantee fee subsidies.

Funding can cover up to 85% of eligible costs.

**Beneficiaries:** Local and regional authorities.

**Timeline:** 2014-2020

**How to apply to the CF:**


If you are a small business, you may consult the Enterprise Europe Network.
### ESIF Financial Instruments (FI) - technical assistance for ESIF use (formerly JESSICA)

<table>
<thead>
<tr>
<th><strong>Objective:</strong></th>
<th>Enhancing the efficient use of EU funds.</th>
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<tbody>
<tr>
<td><strong>Financial Instruments:</strong></td>
<td>Grants for technical assistance to cover up to 90% of eligible costs for necessary preparation of investment projects.</td>
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<tr>
<td><strong>Beneficiaries:</strong></td>
<td>Public authorities.</td>
</tr>
<tr>
<td><strong>Timeline:</strong></td>
<td>2014 - 2020</td>
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</tbody>
</table>

**How to apply:**

## INTERREG Central Europe

### Objectives:
To strengthen regional development capacity in Central Europe.

### Financial instruments:
- Grants (covering up to 85% of eligible project costs).
- There is no minimum project size.

### Beneficiaries:
- Public authorities, regional development and innovation agencies,
- Enterprises, chambers of commerce and associations,
- Financial institutions, energy supplies and management institutions,
- Education and training organisations, NGOs.

### Timeline:

### How to apply:
- Register and send your application through the online platform at:
  https://ems.interreg-central.eu/app/main?execution=e1s1
- Check and submit documents at:
## European Banks and Funds

<table>
<thead>
<tr>
<th>European banks and funds</th>
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<tbody>
<tr>
<td>European Investment Bank (EIB)</td>
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<td>European Fund for Strategic Investments (EFSI)</td>
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<tr>
<td>Private Finance for Energy Efficiency (PF4EE)</td>
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<tr>
<td>European Energy Efficiency Fund</td>
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<tr>
<td>European Bank for Reconstruction and Development</td>
</tr>
</tbody>
</table>
European Investment Bank (EIB)

**Objectives:**
To support EU policy goals in Europe and beyond.

**Financial instruments:**
- Loans and Municipal framework.
- Guarantees.
- Microfinance.
- Equity investment.

Funding available for up to 50% of eligible costs.

**Beneficiaries:**
Public authorities for investment mobilisation and implementation of their SEAPs.
Public and private project promoters, including municipalities, regions, public/private infrastructure or transport operators, energy service companies, retail chains, estate managers, SMEs, and industry.

**How to apply to the EIB:**

Contact the financial intermediary in your country for projects under EUR 25 million:

For projects above EUR 25 million, please confirm mutual interest at:

Once the confirmation is obtained, please submit the application at:
### European Fund for Strategic Investments (EFSI)

**Objectives:**
To decrease the investment gap in the EU by mobilising private finance for strategic investment projects and promote growth and job creation.

**Financial instruments:**
The eligibility to apply for a specific financial instrument depends on the beneficiary. The following instruments are available:
- Grants.
- Loans.
- Guarantees.
- Equity.
- Venture capital.

**Beneficiaries:**
- Private sector entities - large corporations, special purpose vehicles or mid-cap companies and SMEs.
- Public sector entities - local authorities, public sector companies or other government-related entities.
- Banks, national promotional banks or other financial institutions.
- Funds and any other form of collective investment vehicles.

**How to apply to the EFSI:**
- Submit your request for financing to the EIB or to an EIF partner institution in your country at: [http://www.eib.org/projects/cycle/applying_loan/index.htm](http://www.eib.org/projects/cycle/applying_loan/index.htm)
# Private Finance for Energy Efficiency (PF4EE) Instrument

<table>
<thead>
<tr>
<th><strong>Objectives:</strong></th>
<th>To provide access to affordable debt financing in the area of energy efficiency</th>
</tr>
</thead>
</table>
| **Financial instruments:** | Loans (EIB Loans for Energy Efficiency).  
|                  | • A portfolio-based credit risk protection (PF4EE Risk Sharing Facility).  
|                  | • Expert support services for financial intermediaries to support the implementation of the PF4EE Instrument (PF4EE Expert Support Facility). |
| **Beneficiaries:** | Public sector and private sector financial institutions. |

## How to apply to the PF4EE:

- Financial institutions that function as one legal entity may submit a joint application.
- Express preliminary interest, ask questions and apply at: [PF4EE_Instrument@eib.org](mailto:PF4EE_Instrument@eib.org)
European Energy Efficiency Fund (eeef)

Objectives: To foster 20-20-20 goals, promoting a sustainable energy market and climate protection.

Financial instruments:
- Senior debt.
- Subordinated debt.
- Guarantees.
- Mezzanine instruments.
- Leasing structures.
- Forfaiting loans.

Beneficiaries: Municipal, local and regional authorities, as well as entities acting on behalf of those authorities, public transportation providers, social housing associations, energy service companies.

How to apply to the eeef:
- Find out whether your project is eligible: [http://www.eeef.lu/eligibility-check.html](http://www.eeef.lu/eligibility-check.html)
- Contact investments@eeef.eu or technical_assistance@eeef.eu for technical assistance (eeef is always open for TA project proposals: no deadline)
European Bank for Reconstruction and Development (EBRD)

Objectives: To develop a sound investment and promote environmentally and socially sustainable development.

Financial instruments:
- Loans of EUR 5 - 250 million.
- Equity investments of EUR 2 - 100 million.
- Guarantees to promote trade.

Beneficiaries: Public and private project promoters, including municipalities, regions, public/private infrastructure or transport operators, energy service companies, retail chains, estate managers, SMEs, and industry.

How to apply:
- Use the eligibility checker to find out whether your project is eligible or not: [http://www.ebrd.com/work-with-us/project-finance/funding-adviser.html](http://www.ebrd.com/work-with-us/project-finance/funding-adviser.html)
- For assistance, potential applicants for street lighting projects may contact Mr. Toivo Miller

*EBRD, June 2018*
Technical Assistance in Project Development

- European Local Energy Assistance (ELENA)
- Horizon 2020 (Call EE22)
- Joint Assistance to Support Projects in European Regions (JASPERS)
- European Investment Advisory Hub (EIAH)
- Fi-Compass
## European Local Energy Assistance (ELENA)

<table>
<thead>
<tr>
<th>Objectives:</th>
<th>To strengthen the technical expertise and organisational capacity of beneficiaries.</th>
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</thead>
<tbody>
<tr>
<td>Financial instruments:</td>
<td>Grants to cover up to 90% of technical assistance or/and project development costs for projects of at least EUR 30 million.</td>
</tr>
<tr>
<td>Beneficiaries:</td>
<td>Public and private project promoters, including municipalities, regions, public/private infrastructure or transport operators, energy service companies, estate managers, SMEs.</td>
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<tr>
<td>In particular, public authorities for the mobilisation of investments and implementation of their sustainable energy action plans (SEAPs).</td>
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<tr>
<td>Timeline:</td>
<td>Updates will be posted on the ELENA webpage.</td>
</tr>
</tbody>
</table>

### How to apply to the ELENA:

Contact ELENA staff directly by email at elena@eib.org. Attach the following to your email:

- A brief description of the applicant and the planned investment programme/project
- A brief description of the need for technical assistance and the amount requested for it.
# Horizon 2020 (Project Development Assistance)

<table>
<thead>
<tr>
<th><strong>Objectives:</strong></th>
<th>Build the technical, economic and legal expertise that is needed to develop projects and stimulate concrete investments.</th>
</tr>
</thead>
</table>
| **Financial instruments:** | • Grants covering 100% of eligible costs for project development assistance in the range of EUR 0.5 - 1.5 million.  
• Submission of proposals requesting other amounts is allowed.  
• The call focusses on small and medium-sized investment projects of EUR 7.5 - 50 million. |
| **Beneficiaries:** | Public authorities or their groupings, public/private infrastructure operators and bodies, energy service companies, retail chains, estate managers and services/industry. |
| **Timeline:** | A few deadlines per year |

## How to apply:
Joint Assistance to Support Projects in European Regions (JASPERS)

Objectives: Improve the quality of investment allocated by ESIF.

Financial instruments: Free-of-charge technical assistance in the form of project preparation and capacity-building support and quality review.

Beneficiaries: Public authorities.

Timeline: Since 2006.

How to apply to JASPERS:

- Managing Authorities can contact the JASPERS staff directly by email.
European Investment Advisory Hub (EIAH)

Objectives: To encourage investment in the environment by addressing the main financial and non-financial obstacles.

Financial instruments: Free-of-charge advisory and technical assistance programmes and initiatives, including technical project support, project structuring, financial advice, capacity building and policy advice.

Beneficiaries: Public and private sector; managing, procuring authorities; national promotional banks and institutions.

How to contact the EIAH:

- Fill out the contact form here: [http://www.eib.org/eiah/contact/index.htm](http://www.eib.org/eiah/contact/index.htm)
## Financial Instruments Advisory Service (Fi-Compass)

**Objectives:** To provide practical know-how and learning tools on ESIF FIs.

**Financial instruments:** Technical assistance.

**Beneficiaries:** ESIF managing authorities, EaSI microfinance providers, other stakeholders.
## 2. National Public Financing Sources

<table>
<thead>
<tr>
<th>Country</th>
<th>Austria</th>
<th>Croatia</th>
<th>Czechia</th>
<th>Germany</th>
<th>Hungary</th>
<th>Italy</th>
<th>Poland</th>
<th>Slovakia</th>
<th>Slovenia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Climate and Energy Funds, state funding</td>
<td>Fund for the Environmental Protection and Energy Efficiency</td>
<td>EFEKT Programme</td>
<td>KfW Programmes</td>
<td>Only European sources available</td>
<td>White Certificates Scheme</td>
<td>National Environmental Programme</td>
<td>Slovak Rural Development Programme</td>
<td>Slovenian Environmental Public Fund (Eco Fund)</td>
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<td></td>
<td>„Energie-Contracting-Programme“</td>
<td>Regional Energy Efficiency Programme for the Western Balkans (REEPWB)</td>
<td>Operational Programmes of ERDF</td>
<td>National Climate Initiative (NKI) Programme („Förderprogramm Kommunalrichtlinien“)</td>
<td></td>
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<td>SlovSEFF</td>
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<tr>
<td></td>
<td>Federal Programmes: „Klimaschutz in Gemeinden“ and „Energiesparen in Betrieben“</td>
<td>Green for Growth Fund Southeast Europe (GGF)</td>
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</tbody>
</table>
3. Financial intermediaries

- Much stress is put on actions aimed at ensuring loan repayment – projects should be financially sustainable.

- Some of the considerations made by commercial banks during the appraisal of a project are:
  - Level of commitment of the sponsors
  - Completion and technical targets of the project’s budget
  - Experience and capabilities of the project management
  - Degree of confidence in the project’s cost and revenue targets will be determined by the reliability of the assumptions on which the inputs supplies and demand projections are based
  - Strength of government support
4. Private Sources

<table>
<thead>
<tr>
<th>Private sector</th>
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<tbody>
<tr>
<td>ESCOs &amp; Installers</td>
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<tr>
<td>Intuitional &amp; other</td>
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<tr>
<td>private investors</td>
</tr>
<tr>
<td>Citizens</td>
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<tr>
<td>Utilities</td>
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</tbody>
</table>
Financing by private contractor (ESCOs)

ESCOs may be privately-owned companies, state-owned, non-profits, joint ventures, manufacturers or manufacturers' subsidiaries.

ESCOs are fundamentally different from consulting engineers and equipment contractors because they bear the project risks:

- Auditing, designing, and implementing energy efficiency projects
- Sometimes also provide energy supply, financing and risk management

Financing capabilities vary with the financial situation of the ESCO:

- Some have large parent companies, which allows them to self-finance projects
- All ESCOs rely to some extent on third-party financing
Financing through utilities

Energy efficiency obligations (white certificates):
- 16 EU Member States decided to adopt energy efficiency obligation schemes\(^1\)
- Schemes oblige energy distributors or retail energy sales companies to achieve specific energy savings goals through EE measures, incl. street lighting

On-bill financing:
- a utility provides a loan to a municipality to cover the upfront investment, and the municipality repays the cost through its energy bills
- More common in the United States than in Europe.

\(^1\)Bulgaria, Denmark, Luxembourg, Poland, Austria, Croatia, Estonia, France, Ireland, Italy, Latvia, Lithuania, Malta, Slovenia, Spain and the United Kingdom.
Crowdfunding platforms allow people jointly invest in energy efficiency projects of established enterprises, NGOs and local authorities.

Crowdfunding

- Make your research on how to do crowdfunding
- Prepare your business plan and financial offer
- Contact the platform(s) and submit your application
- Create the pitch, by telling your story in a compelling way
- The fundraising period: motivate the crowd
- Post-campaign activities

Citizenergy8 is the European portal which provides links to sustainable energy crowdfunding platforms across Europe.
Institutional Investors

- Non-bank financial institutions such as Insurance companies, pension funds, mutual funds and sovereign wealth funds
- Rather small share in overall climate / energy efficiency investment
- In contrast to commercial banks, mobilize long-term contractual savings as opposed to short-term deposits
- Long-term orientated and risk-averse
- Important source of long-term funds for large-scale bankable projects.
Energy Communities

- **Cooperative energy funding** - community-financed solution for project investment in the energy market:
  - Individuals, households, customers and businesses form a development finance institution that provides financial and credit services to markets run by local banks
  - **Denmark**: the Danish government has invested financially in the development of local communities by funding energy projects
  - **Germany**: more than 600 energy communities
  - Facing local opposition in other countries
Q & A

Contact details:

Irina Stamo
irina.stamo@ikem.de

Magazinstr. 15-16,
10179 Berlin