

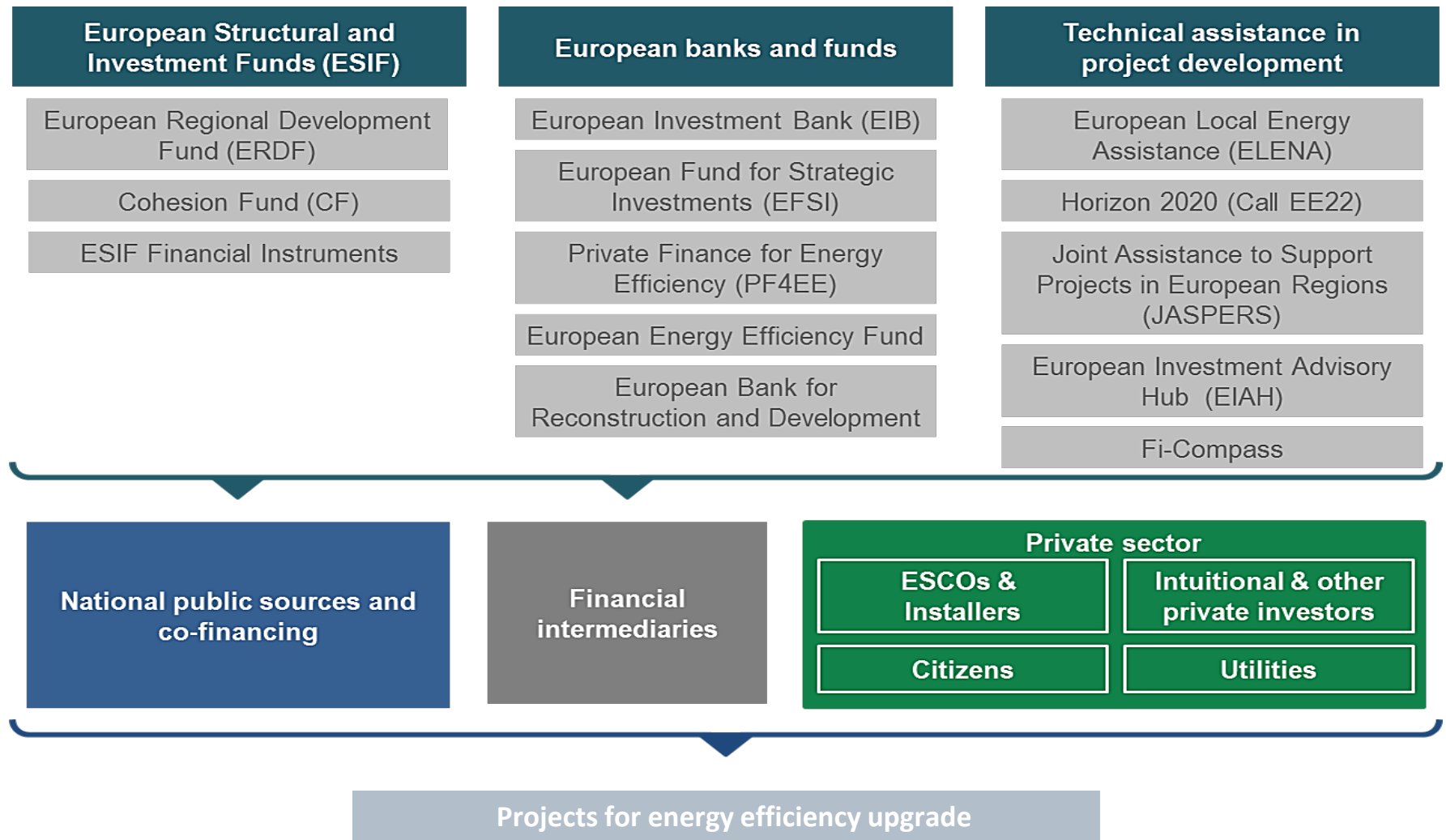
# Finance solutions for energy efficiency at the municipal level

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



# 1. European funds, banks and assistance

# European Structural and Investment Funds (ESIF)

## European Structural and Investment Funds (ESIF)

European Regional Development Fund (ERDF)

Cohesion Fund (CF)

ESIF Financial Instruments

# European Regional Development Fund (ERDF)

<b>Objectives:</b>	To promote economic and social cohesion between regions.
<b>Financial instruments:</b>	<ul style="list-style-type: none"><li>• Grant funding: grants up 75% of eligible costs.</li><li>• Non-grant funding: equity, low-interest loans, guarantees, microcredit.</li><li>• Specific financial instruments and amounts are listed in programmes of each EU MS.</li></ul>
<b>Beneficiaries:</b>	<ul style="list-style-type: none"><li>• 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.</li><li>• Foreign firms based in the region also may apply.</li></ul>
<b>Timeline:</b>	2014-2020

## How to apply to the ERDF:

- Find ERDF Operational Programmes available in your country:  
[http://ec.europa.eu/regional\\_policy/en/atlas/programmes/](http://ec.europa.eu/regional_policy/en/atlas/programmes/)
- Find your managing authority, which will evaluate your proposal:  
[http://ec.europa.eu/regional\\_policy/en/atlas/managing-authorities/](http://ec.europa.eu/regional_policy/en/atlas/managing-authorities/)
- If you are a small business, you may consult the Enterprise Europe Network.

# Cohesion Fund (CF)

<b>Objectives:</b>	Promoting economic and social cohesion in countries with low Gross National Income.
<b>Financial instruments:</b>	<ul style="list-style-type: none"><li>• Loans.</li><li>• Guarantees.</li><li>• Equity.</li></ul> <p>→ offered in combination with technical support, interest rate subsidies or guarantee fee subsidies.</p> <p>Funding can cover up to 85% of eligible costs.</p>
<b>Beneficiaries:</b>	Local and regional authorities.
<b>Timeline:</b>	2014-2020

## How to apply to the CF:

Find CF Operational Programmes available in your country:

[http://ec.europa.eu/regional\\_policy/en/atlas/programmes/](http://ec.europa.eu/regional_policy/en/atlas/programmes/)

Find your managing authority, which will evaluate your proposal:

[http://ec.europa.eu/regional\\_policy/en/atlas/managing-authorities/](http://ec.europa.eu/regional_policy/en/atlas/managing-authorities/)

If you are a small business, you may consult the Enterprise Europe Network.

# ESIF Financial Instruments (FI) - technical assistance for ESIF use (formerly JESSICA)

**Objective:** Enhancing the efficient use of EU funds.

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**Financial Instruments:** Grants for technical assistance to cover up to 90% of eligible costs for necessary preparation of investment projects.

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**Beneficiaries:** Public authorities.

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**Timeline:** 2014 - 2020

## How to apply:

- Find and contact the responsible managing authority in your country:  
[http://ec.europa.eu/regional\\_policy/en/atlas/managing-authorities/](http://ec.europa.eu/regional_policy/en/atlas/managing-authorities/)

# INTERREG Central Europe

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

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

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**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.

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**Timeline:** 2014-2020.

## 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:  
<http://www.interreg-central.eu/Content.Node/apply/documents.html>



# European Banks and Funds

## European banks and funds

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

# European Investment Bank (EIB)

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

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**Financial instruments:**

- Loans and Municipal framework.
- Guarantees.
- Microfinance.
- Equity investment.

Funding available for up to 50% of eligible costs.

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**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:

<http://www.eib.org/products/lending/intermediated/list/index.htm>

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

[http://www.eib.org/projects/cycle/applying\\_loan/index.htm](http://www.eib.org/projects/cycle/applying_loan/index.htm)

Once the confirmation is obtained, please submit the application at:

<http://www.eib.org/infocentre/publications/all/application-document-for-an-eib-loan.htm>

# 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.

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**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.

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**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

Objectives:	To provide access to affordable debt financing in the area of energy efficiency
Financial instruments:	<p>Loans (EIB Loans for Energy Efficiency).</p> <ul style="list-style-type: none"><li>• A portfolio-based credit risk protection (PF4EE Risk Sharing Facility).</li><li>• Expert support services for financial intermediaries to support the implementation of the PF4EE Instrument (PF4EE Expert Support Facility).</li></ul>
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.

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**Financial instruments:**

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

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**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.

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## How to apply to the eeef:

- Find out whether your project is eligible: <http://www.eeef.lu/eligibility-check.html>
- Contact [investments@eeef.eu](mailto:investments@eeef.eu) or [technical\\_assistance@eeef.eu](mailto:technical_assistance@eeef.eu) for technical assistance (eeef is always open for TA project proposals: no deadline)

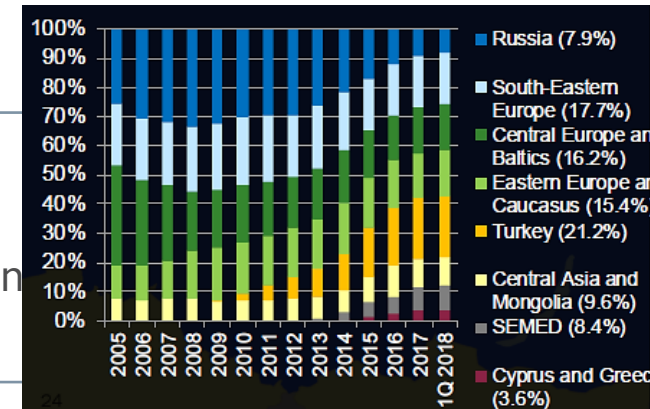
# European Bank for Reconstruction and Development (EBRD)

## 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>
- For assistance, potential applicants for street lighting projects may contact [Mr. Toivo Miller](#)

# Technical Assistance in Project Development

## 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)

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

## How to apply to the ELENA:

Contact ELENA staff directly by email at [elena@eib.org](mailto: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)

Objectives:	Build the technical, economic and legal expertise that is needed to develop projects and stimulate concrete investments.
Financial instruments:	<ul style="list-style-type: none"><li>• Grants covering 100% of eligible costs for project development assistance in the range of EUR 0.5 - 1.5 million.</li><li>• Submission of proposals requesting other amounts is allowed.</li><li>• The call focusses on small and medium-sized investment projects of EUR 7.5 - 50 million.</li></ul>
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:

- Online guide outlining procedures: from proposal submission to managing your grant:  
<http://ec.europa.eu/research/participants/portal4/desktop/en/funding/guide.html>

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

**Objectives:** Improve the quality of investment allocated by ESIF.

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

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**Beneficiaries:** Public authorities.

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**Timeline:** Since 2006.

## How to apply to JASPERS:

- Identify the national authority in your country:  
[http://ec.europa.eu/regional\\_policy/en/atlas/managing-authorities/](http://ec.europa.eu/regional_policy/en/atlas/managing-authorities/)
- 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.

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**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.

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**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>

# Financial Instruments Advisory Service (Fi-Compass)

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

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**Financial instruments:** Technical assistance.

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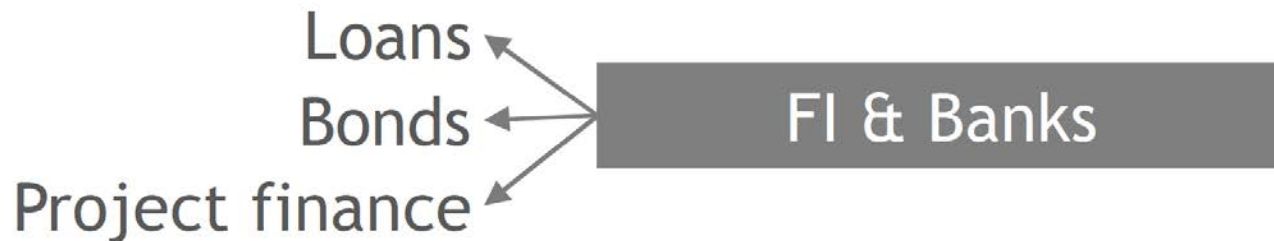
**Beneficiaries:** ESIF managing authorities, EaSI microfinance providers, other stakeholders.

## 2. National Public Financing Sources

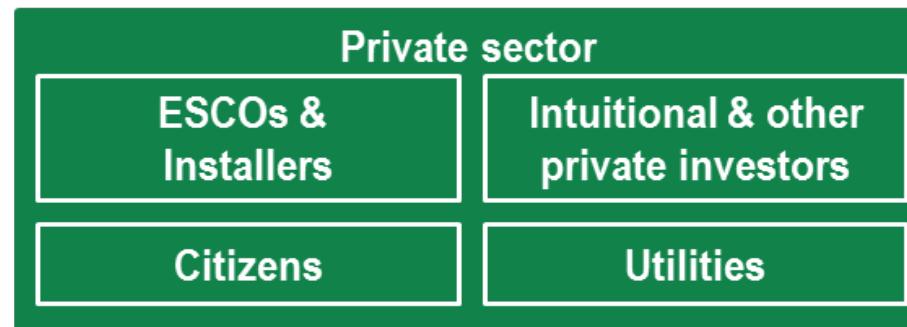
Austria	<ul style="list-style-type: none"><li>Climate and Energy Funds, state funding</li><li>„Energie-Contracting-Programme“</li></ul>	<ul style="list-style-type: none"><li>Federal Programmes: „Klimaschutz in Gemeinden“ and „Energiesparen in Betrieben“</li></ul>
Croatia	<ul style="list-style-type: none"><li>Fund for the Environmental Protection and Energy Efficiency</li><li>Regional Energy Efficiency Programme for the Western Balkans (REEPWB)</li><li>Green for Growth Fund Southeast Europe (GGF)</li></ul>	
Czechia	<ul style="list-style-type: none"><li>EFEKT Programme</li><li>Operational Programmes of ERDF</li></ul>	<ul style="list-style-type: none"><li>National Environmental Programme</li></ul>
Germany	<ul style="list-style-type: none"><li>KfW Programmes</li><li>National Climate Initiative (NKI) Programme („Förderprogramm Kommunalrichtlinien“)</li></ul>	
Hungary	<ul style="list-style-type: none"><li>Only European sources available</li></ul>	
Italy	<ul style="list-style-type: none"><li>White Certificates Scheme</li></ul>	
Poland	<ul style="list-style-type: none"><li>National Fund for Environmental Protection and Water Management</li></ul>	
Slovakia	<ul style="list-style-type: none"><li>Slovak Rural Development Programme</li></ul>	<ul style="list-style-type: none"><li>SlovSEFF</li></ul>
Slovenia	<ul style="list-style-type: none"><li>Slovenian Environmental Public Fund (Eco Fund)</li><li>Energy Efficiency Obligation Scheme</li><li>Slovene Export and Development Bank (SID)</li></ul>	

### 3. Financial intermediaries

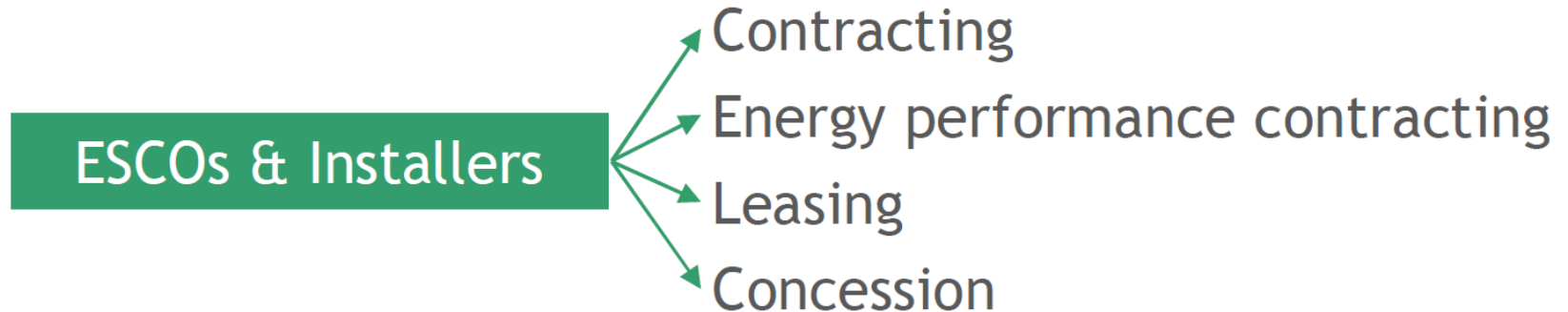
- Much stress is put on actions aimed at ensuring loan repayment – projects should be financially sustainable
- Some of the considerations made by commercial banks during the appraisal of a project are:
  - Level of commitment of the sponsors
  - Completion and technical targets of the project's budget
  - 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



# 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 obligation (white certificates):**

- 16 EU Member States decided to adopt energy efficiency obligation schemes<sup>1</sup>
- Schemes oblige energy distributors or retail energy sales companies to achieve specific energy savings goals through EE measures, incl. street lighting

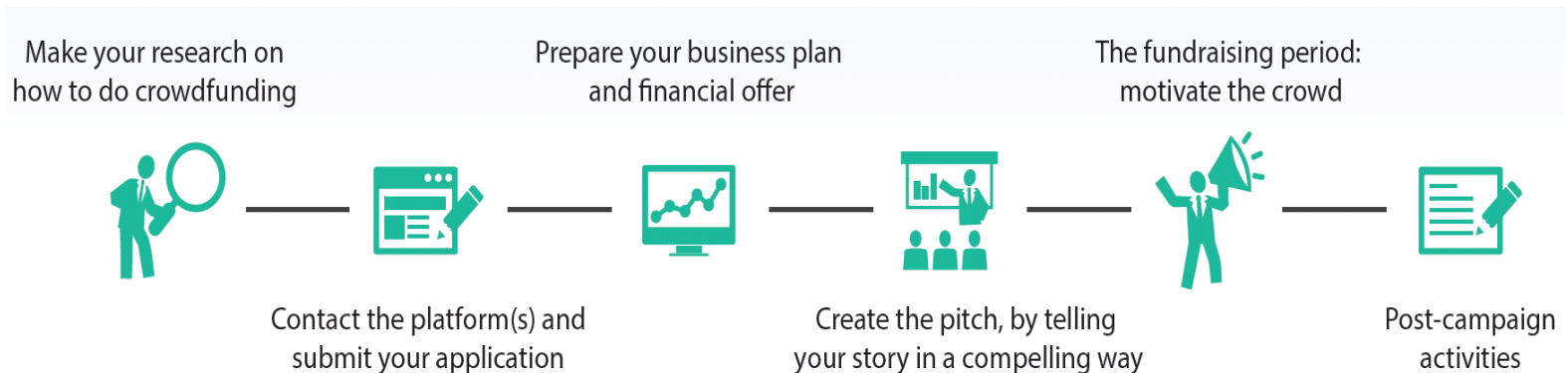
## **On-bill financing:**

- 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.

<sup>1</sup>Bulgaria, Denmark, Luxembourg, Poland, Austria, Croatia, Estonia, France, Ireland, Italy, Latvia, Lithuania, Malta, Slovenia, Spain and the United Kingdom.

# Crowdfunding

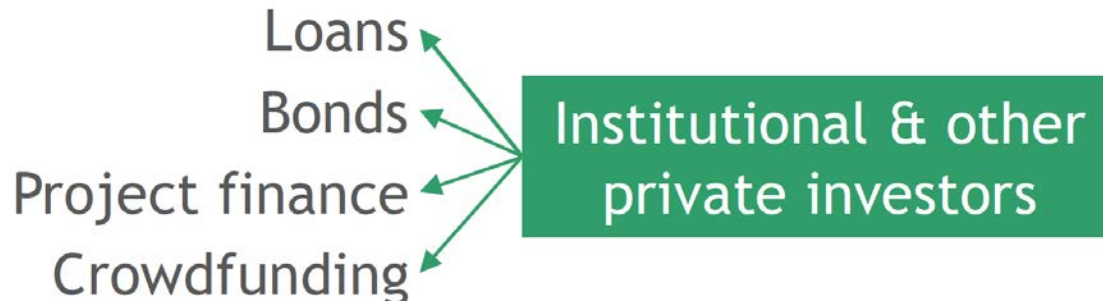
- Crowdfunding platforms allow people jointly invest in energy efficiency projects of established enterprises, NGOs and local authorities



- *Citizenenergy8* 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

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