EIB SUPPORT TO ENERGY EFFICIENCY

An overview of (some) solutions for the financing of thermal renovation of buildings

European Conference – Climate Finance for Subnational Actors
Paris, October 1st, 2015
The EU bank

- Natural financing partner for the EU institutions since 1958
- Around 90% of lending is within the EU
- Shareholders: 28 EU Member States

Investing in Europe’s growth
EIB Climate Action 2009-2014

EIB climate action loan signatures
(in EUR m and percentage of total annual loan signatures)

Total signed for climate action in 2009-2014: EUR 107 bn
Energy Efficiency: a priority for EIB

- EU directive for Energy Efficiency (2012)
- EIB Energy Lending Criteria (2013)
- EU 2030 Energy and Climate objectives (2014)
- EIB Climate Strategy (September 2015)
- Mainstreamed across sectors

... yet the market remains difficult...
Market failures (financial)

- Why aren’t commercial banks offering attractive and suitable conditions?
  - Inability to assess the work performance and savings
  - Small loans, same administrative burden
  - Short term tenors and high rates

- Limited grant funding available

- Need for long term lending
Market failure (technical / demand side)

- Owner / consumer information
- Professional quality certification
- Audits are inconsistent, grants are tricky to get
- Challenging process \(\rightarrow\) lack of motivation

- Need for independent Technical Assistance
EIB response

- A wide spectrum of products:
  - Lending
  - Blending
  - Advising
- Need for aggregation

➢ Fine-tuning the interface
EIB Financing Instruments

The EIB has an extensive range of instruments to finance public and private sectors at investment and sub-investment grades of risk to its disposal.
PF4EE comprises three components:

1. A loan to the financial intermediary to be on-lent for financing of energy efficiency investments ("EE Loan")
2. A risk mitigation mechanism, which covers losses incurred in the portfolio of EE loans granted by the financial intermediary to on-lend the EE Loan ("Risk Sharing Facility")
3. Consultancy services aiming at supporting the financial intermediary to create the abovementioned EE loans portfolio ("Expert Support Facility")
PF4EE Eligibility Criteria

Financial intermediaries
- Private sector financial institutions
- Capacity to reach Financial Recipients in line with EE priorities of the MS
- Sound financial standing and acceptable counterpart to EIB
- One financial intermediary per country on “first-come first-served” basis

Investments
- Consistent with NEEAP priorities
- Fulfils EIB EE technical and economic criteria
- Compliant with EU directives
- Capital costs not exceeding EUR 10m

Final Recipients
- Natural persons, home-owner associations, enterprises, public institutions/bodies and any other legal entities undertaking EE Investments

EE Loans
- Maximum amount EUR 5 million (EUR 1.2m for corporates non-SMEs)
- Tenor between 3 and 20 years
- Dedicated to the financing of an EE investment
**PF4EE  First Operation**

<table>
<thead>
<tr>
<th><strong>Financial Intermediary:</strong></th>
<th>Komercni Banka</th>
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<tbody>
<tr>
<td><strong>Country:</strong></td>
<td>Czech Republic</td>
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</table>
| **Targeted investments:**   | - Modernization and reconstruction of electricity, gas and heat distributions in buildings and energy management in industrial areas  
- Upgrading lighting systems for buildings and industrial sites  
- Reduction of energy intensity / increasing energy efficiency in manufacturing and technological processes  
- Use of waste energy in production processes |
| **Final Recipients:**       | Corporates (mainly SMEs) and municipalities |
| **EE Programme:**           | Operational Programme for Enterprises, Innovation and Competitiveness (OPEIC) |
PROGRAMME EE FRENCH PRIVATE HOUSING

- A new model: “Sociétés de tiers financement”
- Public or public-private entities

- Act as a one-stop-shop for EE in buildings:
  - Technical assistance
  - Long term and affordable funding
Funding (simple) structure #Ile-de-France example

- **European Investment Bank**
  - Loan

- **Private banks**
  - Loan
  - Guarantee

- **Guaranantor**
  - Recovery

- **Homeowners association**
  - Loan
  - TA + Loan

- **Construction companies**
  - Appointment
  - Energy retrofit

- **Shareholders**
  - Grant
  - Payment and subrogation in rights for payment

- **Grantees**
  - European Commission
  - MAIRIE DE PARIS
  - CAISSE D’EPARGNE
  - Etc.
EIB (direct) value added

- **Investment multiplier:** 2
- **Private investment crowded-in**
- **High leverage on public funds**
- **Potential ELENA grant for TA**

<table>
<thead>
<tr>
<th>Source</th>
<th>EUR m</th>
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<tbody>
<tr>
<td>EE renovation cost</td>
<td>-80</td>
</tr>
<tr>
<td>Non-EE costs</td>
<td>-20</td>
</tr>
<tr>
<td>EIB lending to STF (average)</td>
<td>50</td>
</tr>
<tr>
<td>Private bank lending to FB</td>
<td>20</td>
</tr>
<tr>
<td>Government grants</td>
<td>12</td>
</tr>
<tr>
<td>Homeowners own funds</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0</td>
</tr>
<tr>
<td>Private guarantee (for HA)</td>
<td>70</td>
</tr>
<tr>
<td>Public funds (equity)</td>
<td>5</td>
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</table>
EIB (indirect) value added

- EIB would support the first STFs created
- Currently no other options available on the market with adequate conditions (long term tenor and low rate)

- Demonstrate model’s viability and sustainability
- Catalytic effect on private funding supply
- Develop TA models working alongside banks

➤ More than a EUR 400m loan, a market kick-start
➤ Multiplier up to 14 to achieve EUR 5.8 billion additional