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Horizon 2020 Energy Efficiency Call for Proposals 2019

EE-10: Mainstreaming energy efficiency finance

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Energy

Challenge

- High risk premiums on energy efficiency due to lack of data
- High transaction costs
- Lack of standardisation prevents aggregation of assets and hampers refinancing by capital markets through securitisation
- Energy efficiency investments usually don't aim only at energy savings, but the associated benefits are not factored into financial models (property value, vacancy rates...)
- **Energy efficiency needs to become as normal as a car loan!**

The scope

Proposals should address 1 or more of the following issues:

1. Frameworks for the standardisation and benchmarking of energy efficiency investments
2. Capacity building for banks and investors
3. Gathering, processing and disclosing large-scale data on actual financial performance of energy efficiency investments,
4. Further integration of non-energy benefits in project valuation, in particular in the building sector, leading to evolution of existing financial products or creation of new targeted products;
5. Targeting institutional investors (e.g. public pension schemes) in order to increase the share of their funds invested in energy efficiency
6. Exploring the impact of revised risk ratings and requirements for energy efficiency on financial regulations (Basel III, Solvency II).

Expected impact

- Number of financial institutions and other stakeholders reached as well as their potential volume of investment concerned;
- Frameworks, standardisation, benchmarking, standardised descriptions and data evidence of financial returns of energy efficiency investments agreed and accepted by the market;
- Higher allocation of institutional investments to energy efficiency;
- Standardisation of assets enabling securitisation;
- Development of a secondary market for energy efficiency assets (in million Euro of investment within 5 years after the end of the project);
- Primary energy savings triggered by the project (in GWh/year);
- Investments in sustainable energy triggered by the project (million Euro).

Key features for a successful proposal

- Adequate analysis of the market needs and barriers to overcome
- Clear and detailed concept answering the real needs of market actors – a good idea is not enough!
- Engagement of market actors at proposal stage and during the whole duration of the action – in particular financial institutions
- Clear viability of the solution(s) envisaged



Relevant projects examples

- **Investor Confidence Project Europe / I3CP:**

- Replicates a US initiative in the EU
- Increase investor confidence and reduce transaction costs through standardisation
- Joint development with the finance sector of protocols for process and data management in building energy retrofit projects (ICPEU) and industry, street lighting and district heating (IC3CP)

- **SEAF – Sustainable Energy Assessment Framework**

- IT based framework for valuation and benchmarking of smaller sized sustainable energy projects (energy efficiency, demand response, distributed renewable generation etc.),
- reduction of transaction costs and risks and enhancement of bankability
- enhance investors' confidence, through innovative and relevant asset valuation methodologies accepted by the market and standardized descriptions of sustainable energy investments.

Relevant projects examples

- **EEMAP/EEDAP – Energy Efficiency Mortgage Initiative**

- Integrating the effects of energy efficiency in mortgage lending – launching a pilot phase with 40 banks

- **QualitEE**

- Establishing 8 national quality certification frameworks for energy efficiency services, and develop guidelines on EU-wide standardized criteria



Relevant projects examples

- **CRREM**

- Developing a tool that will allow investors in the commercial real estate sector to analyse the risks of stranded assets due to low energy performance and to reallocate investment into more energy efficient buildings

- **INVECAT**

- Creating a framework and a toolkit to support non-state actors and specifically financial institutions, in framing their commitment to the Paris Agreement, setting targets and measuring and reporting their contribution to energy and climate goals.

Projects selected in call 2018 – in preparation

- **Further developing the eQuad platform**

Building on the SEAF project, further developing the aspects linked to standardization of projects, de-risking and due diligence processes, which are essential in order to develop a secondary market where sustainable energy assets can become tradable securities. The proposal shows a very good involvement of the financial and ESCO sectors.

- **Simplified assessment tools for EE projects**

Setting up a set of tools that will help financiers identify the most bankable projects at an early stage, and carry out simplified due diligence on these projects. Complementary with the DEEP database developed by the Energy Efficiency Financial Institutions Group.

Projects selected in call 2018 – in preparation

- **Risk appraisal tool for investments in commercial building renovation.**

The data will reduce the perceived risk of investment decision thanks to integration of quality management services and non-energy benefits. The proposal includes certification of the tool which is a good way of ensuring that its use can be sustained beyond the project duration.

- **Structured framework for technical and financial risk valuation focused on the energy retrofit of commercial buildings.**

Based on a structured approach to risk modelling integrating technical and financial aspects as well as non-energy benefits, with good support from the banking and asset management sectors.

Thank you!

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