



The Catalyst Role of Local Authorities to Accelerate Energy Efficiency Investments

CEMR Congress Nicosia
21 April 2016



Climate Alliance

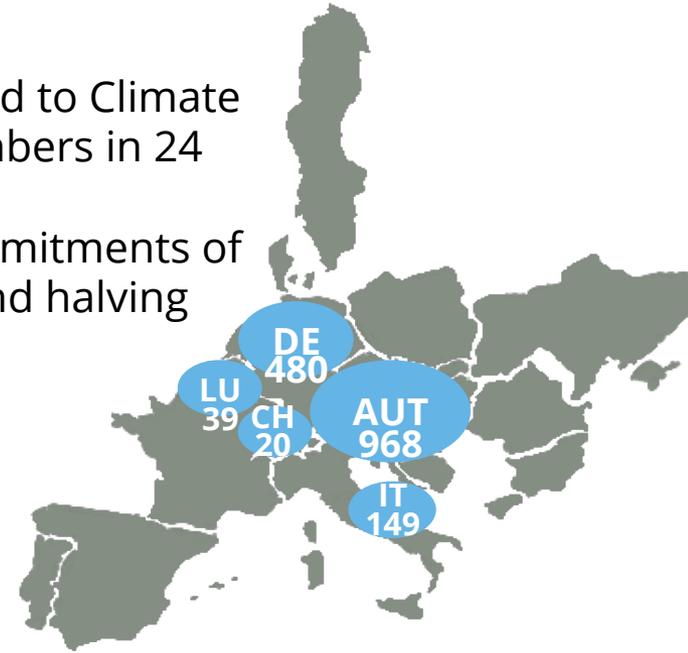
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CITYinvest Coordinator



Climate Alliance

- ✓ Largest City Network dedicated to Climate and Energy action: 1,700 members in 24 countries
- ✓ Supporting the voluntary commitments of reducing 10% every 5 years and halving per capita emissions by 2030



- ✓ Horizon2020 project February 2015 – January 2018
- ✓ Innovative financing for EE



- ✓ Since their start, engaged in the EU initiatives on mitigation and adaptation: Helpdesk and capacity-building activities
- ✓ Since October 2015: New Integrated Covenant for Climate and Energy



MAYORS ADAPT

THE COVENANT OF MAYORS INITIATIVE ON ADAPTATION TO CLIMATE CHANGE



Content of Presentation

1. Reality check of current developments
2. Ultimate objective
3. Local authorities' barriers to financing
4. Innovative financing models
5. Holistic solutions framework: what CITYinvest has to offer
6. Catalyst role of Local and Regional Authorities
7. Recurrent challenges and necessary conditions to replicate
8. Next steps
9. Question and answers



Current reality

- Multiple benefits of EE for Europe:
 - Decrease energy import (€400 bn annually) dependency and increase security of supply
 - Most cost-effective way of getting the EU on a path towards limited global temperature rise, pursuing efforts for 1,5°C and a decarbonised economy
 - European anchored economic competitiveness boost and local job creation (industries and energy services)
 - Wider societal benefits such as energy poverty
- Buildings represent 40% of final energy consumption
- ¾ of EU building stock built without energy performance codes
- 75-90% will be still in use by 2050
- Substantial investment gap of more than 50% even for 2020 targets (for 2°C scenario by 2035: 1,300 bn USD)

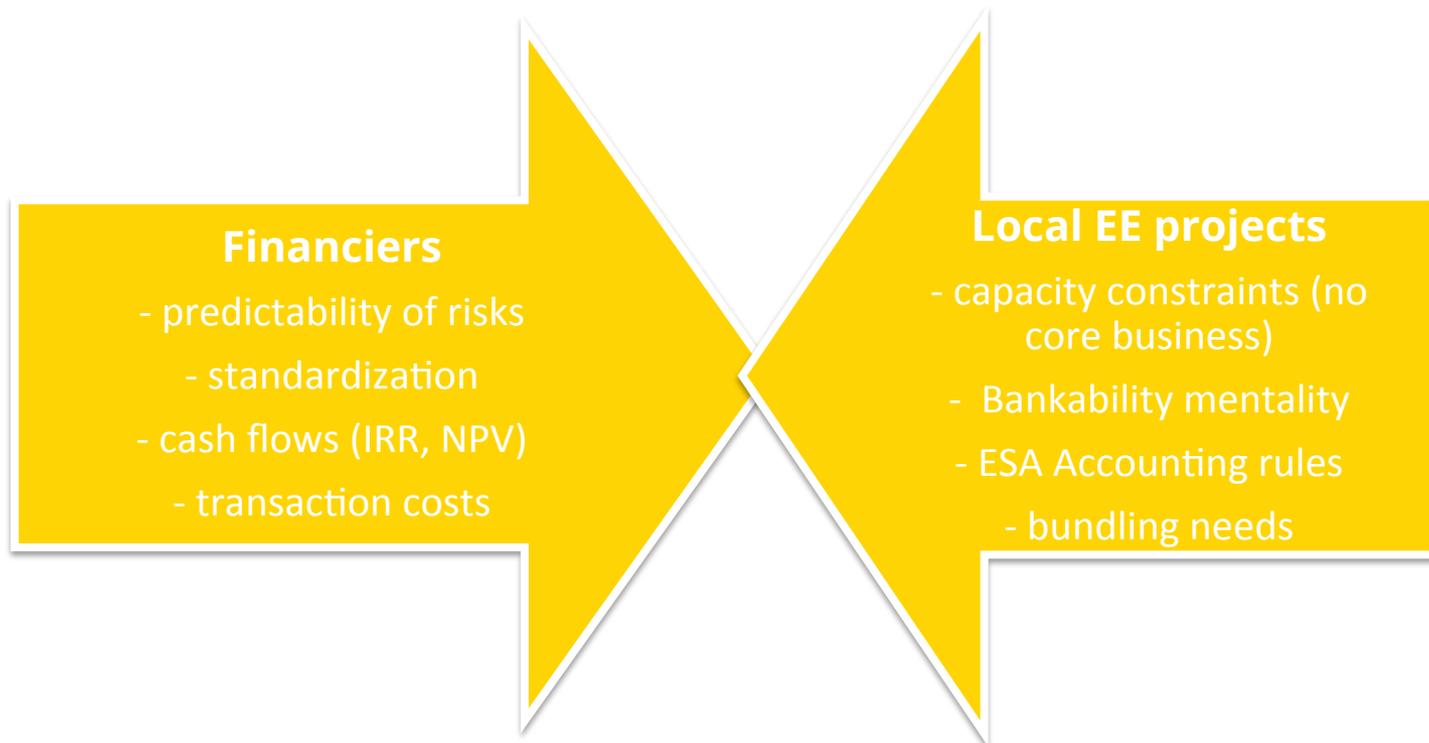


Policy context

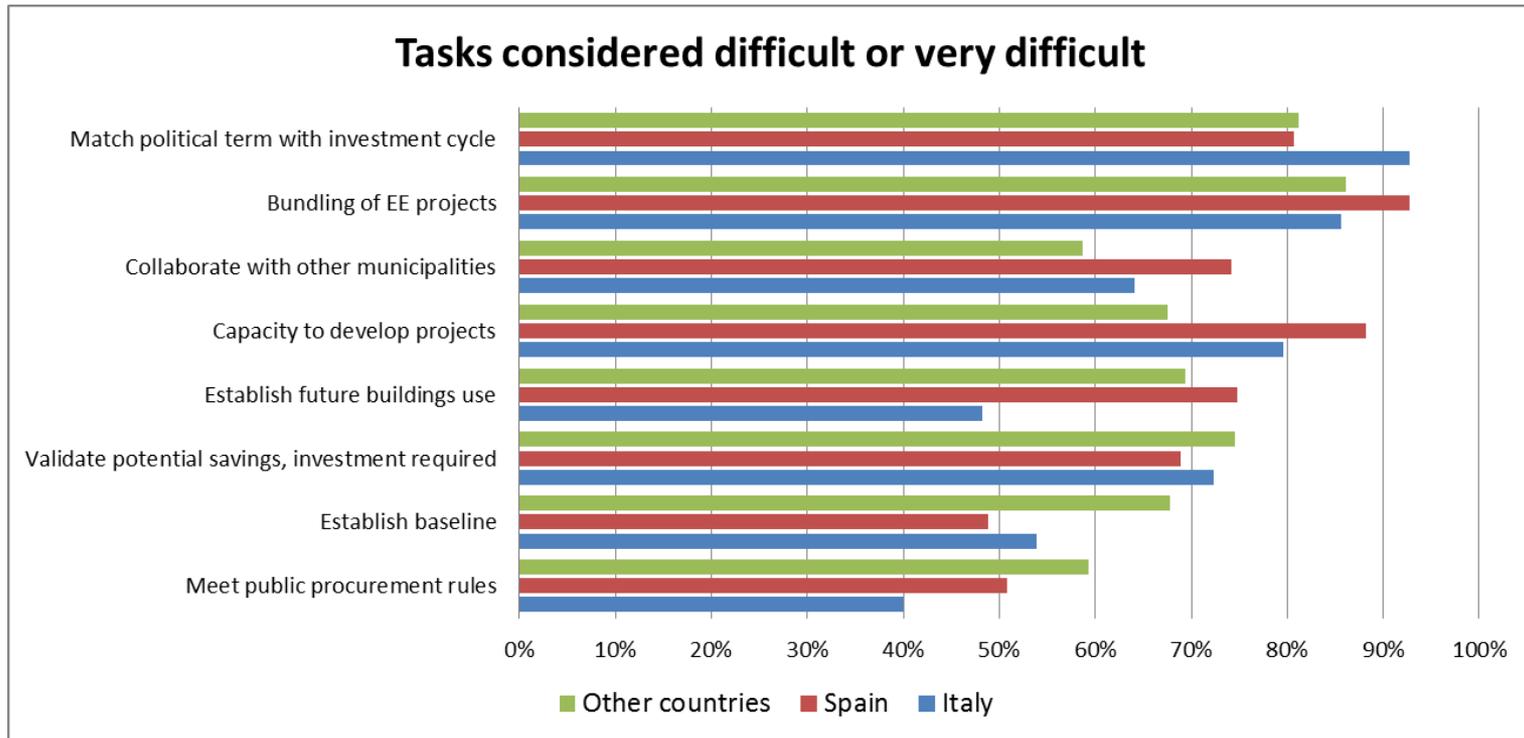
- ✓ 2016 is a crucial year for Energy Efficiency:
 - Energy Union Framework
 - EED and EPBD revisions
- ✓ Exemplary role of Local Authorities
- ✓ EEFIG process and follow-up
- ✓ MFF review: ESIF and EFSI, impactful use of EU funds to leverage EE investments

Our Ultimate Objectives is...

... To empower local and regional authorities to replicate succesful business models to accelerate EE investments by closing this gap:

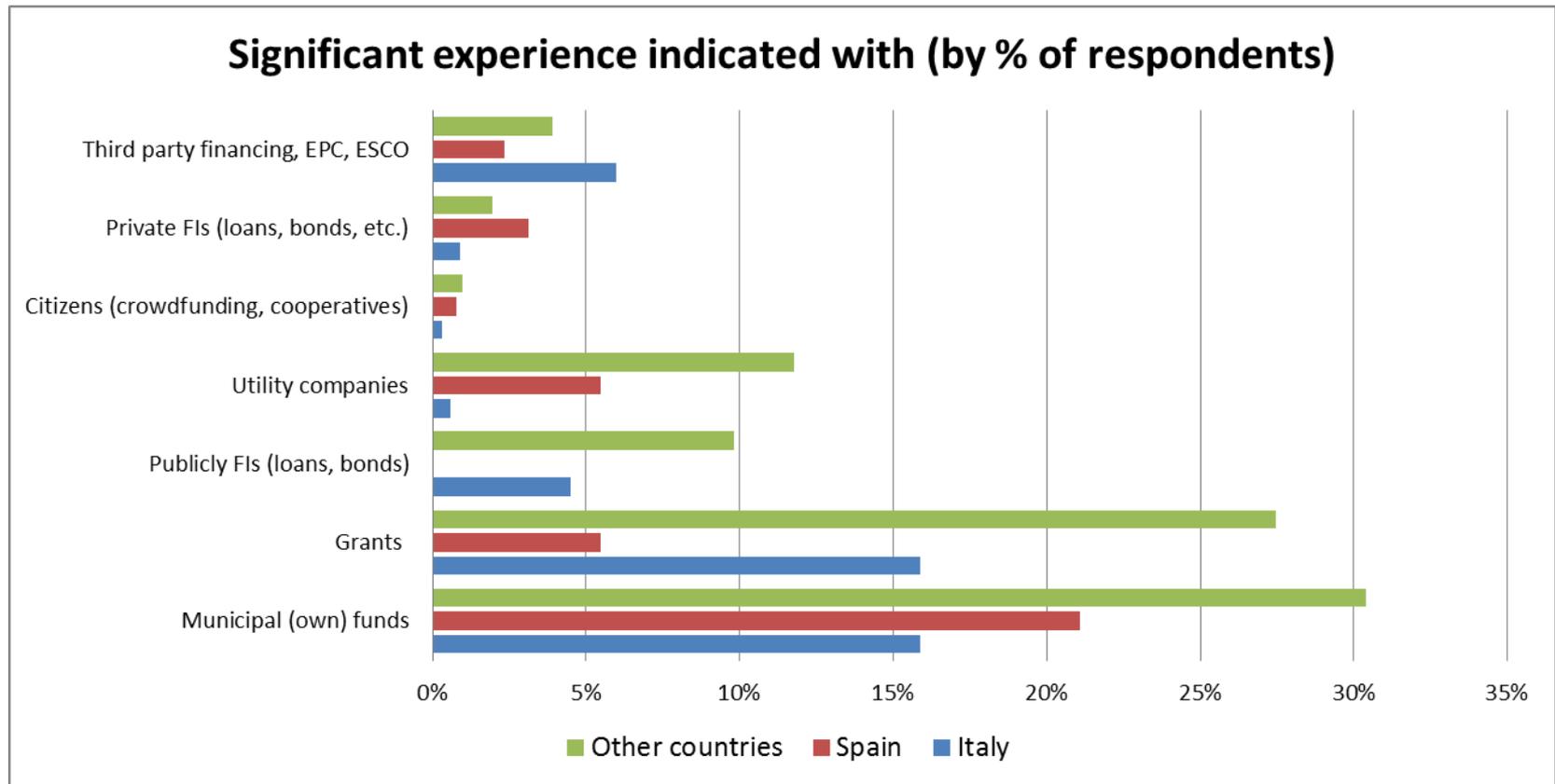


Local authorities' barriers to financing



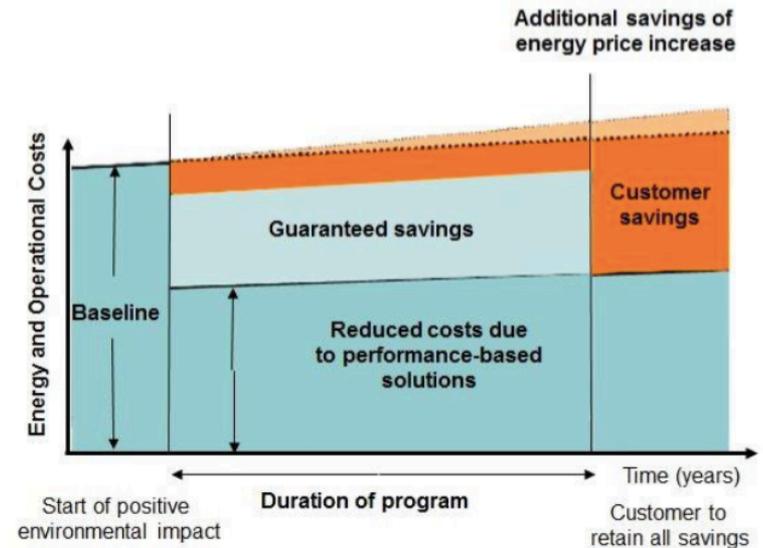
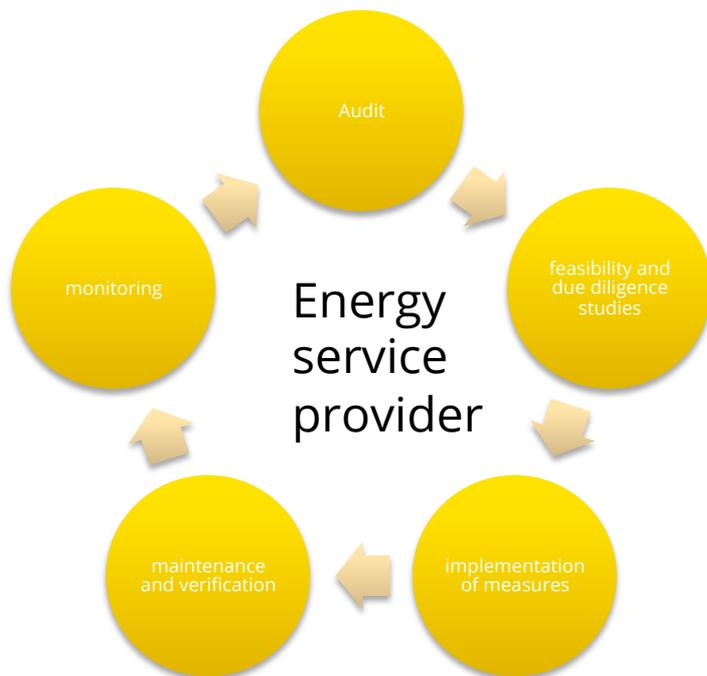
Top three: Matching timing (political/investment cycle), Bundling questions/collaboration with other municipalities and internal capacities

Experience of Local Authorities in innovative financing



Innovative Financing Models

What makes it innovative? (hint: not the financial component)



Holistic solutions framework: what CITYinvest has to offer

1. Analysing successful examples with track records (24 cases)

2. Understanding their **business models**, key **success** factors and **replicability**

3. **Wide-scale capacity-building** & Testing/implementation in **3 pilot regions** (BG, ES, BE)

10 focus countries: mobilizing the whole chain of stakeholders

1. Political **commitment:** setting targets
2. From plan to **bankable** project
3. Align the **financing** and **operational** structure (pooling)
5. Sustain/enlarge **scope**

Impact:

- ✓ Building capacities of 650 local authorities, 10 national representatives and 300 key stakeholders

Impact:

- ✓ Mobilise € 73,3 million
- ✓ Save 58,6GWh
- ✓ 1,246 sustainable job created

Holistic solutions framework; what have we done?

- ✓ Analysed 24 existing models that address large scale and deep energy efficiency retrofit programs (including RES) involving public authorities across Europe (11 countries)
 - Level of ambition (aimed % of energy reduction, investment intensity, contract duration)?
 - Implementation methodology (technically and operationally) used?
 - Which operational services are provided to the beneficiaries?
 - Which financing schemes have been used?
- ✓ Provided a benchmark/comparison of the models along the following themes:
 - Their operational schemes (Facilitation, Integration and Aggregation)
 - Their implementation model (Separate Contractor Based (SCB) and EPC/ESC)
 - Their financial schemes (financing by Financial Institutions, by the ESCOs, by the Program Delivery Unit, by Investment Funds, by Citizens)
 - Attractiveness and risks
 - Impact on public balance sheet, staff requirements, scalability, development maturity, challenges and other
- ✓ Provided guidance material to support local authorities in their search for financing of their EE and RES programs (Recommendation and Decisions matrix)

Learning platform

- ✓ Overview tool
- ✓ Local examples
- ✓ Building a community and stay up-to-date
- ✓ Events
- ✓ FAQ
- ✓ Linking with like-minded projects
- ✓ Exploiting synergies
- ✓ Resource library
- ✓ Videos
- ✓ Workshops (19)
- ✓ Follow-up pilot regions & focus countries
- ✓ Newsletter
- ✓ ...



Capacity Building materials

Recommendations Decision Matrix is a set of questions which helps to choose the most suitable financing and operational model for your local EE programme.

➤ Three areas of recommendations:

1. Operational model (facilitation or integration)
2. Aggregation model: as add-on onto the operational model
3. Financial model (PDU, Own funds, FI, Investment Fund and Citizens Financing)

Recommendations matrix: operational models

	Facilitation	Integration
	Residential sector	Residential sector
	Commercial sector	
	Industrial sector	
What is the level of ambition of the model?	Up to 35% reduction of energy consumption	Up to 35% reduction of energy consumption
		Up to 50% reduction of energy consumption
		Up to 75% reduction of energy consumption
		Carbon neutral
Does the model need to be highly scalable or not?	Yes	No
Does the Program Delivery Unit (PDU) need to be off the PA accounting structure on the long term?	Yes, the model can be sized according to the results.	No
Should the model discharge the local authority from risk?	Yes, as the technical risks of the projects are being taken on by the beneficiaries and/or the ESCO/Contractors.	No, as the technical risks are generally being taken on by the PDU.
Number of checks	0	0

Capacity Building materials

- ✓ Toolkit to set up a one-stop-shop, based on RenoWatt's best practices to facilitate replication. Step-by-step guidance for private and public actors



What have we learned so far?

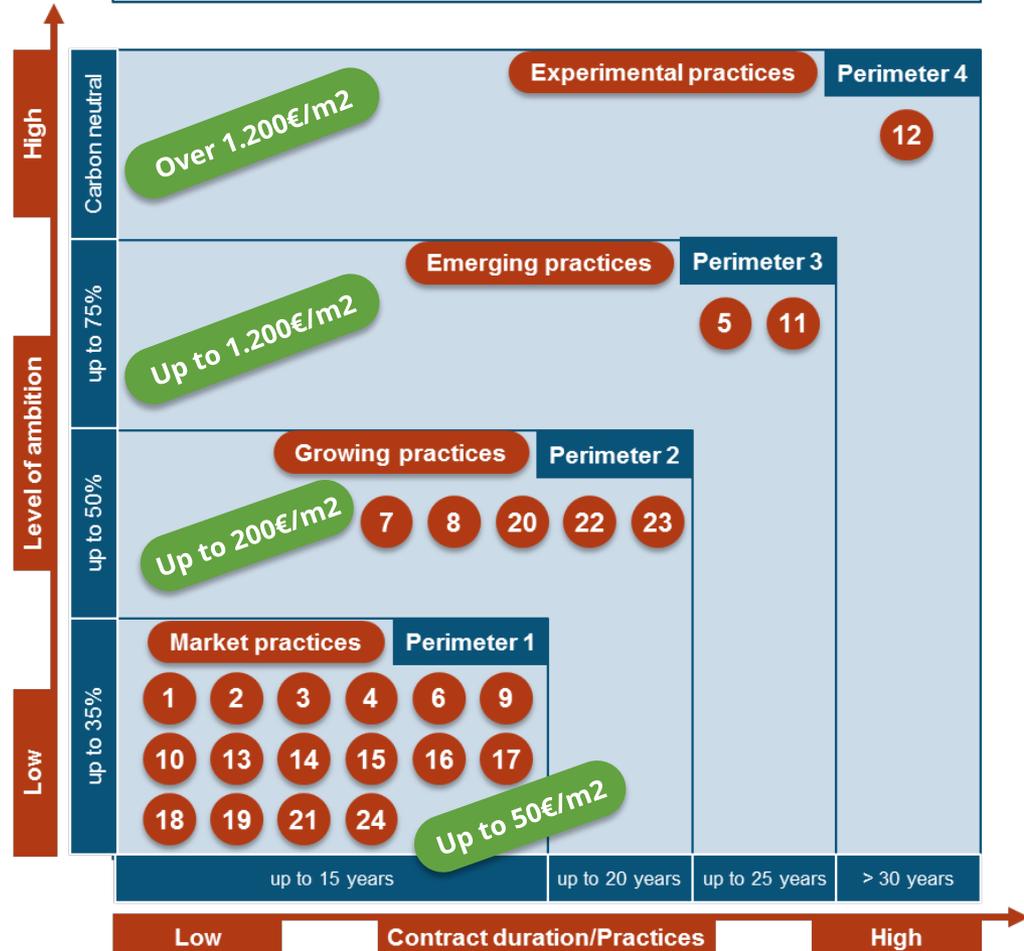
Model positioning synthesis					
	Facilitation model		Integration model		Financing only model
	Without aggregation	With aggregation	Without aggregation	With aggregation	
FI financing (*)	REDIBA Eco'Energies EERFS	Berlin ESP RE:FIT Vlaams energiebedrijf ENSAMB Energie POSIT'IF	Warm Up North	-	N/A
ESCO financing	REDIBA Eco'Energies EERFS	Berlin ESP RE:FIT Vlaams energiebedrijf Rotterdam GB EE Milan PadovaFIT!	-	-	N/A
PDU financing (**)	OSER	Fedesco Ox Futures	OSER	Fedesco Energie POSIT'IF Eandis EDLB EscoLimburg 2020 SPEE Picardie	N/A
Investment fund	EERFS SUNSHINE	-	-	EscoLimburg 2020 Cambridgeshire MLEI	Energy Fund Den Haag KredEx
Citizens financing	-	OxFutures Brixton Energy Co-op	-	-	Saerbeck

What have we learned so far (2)?

Models

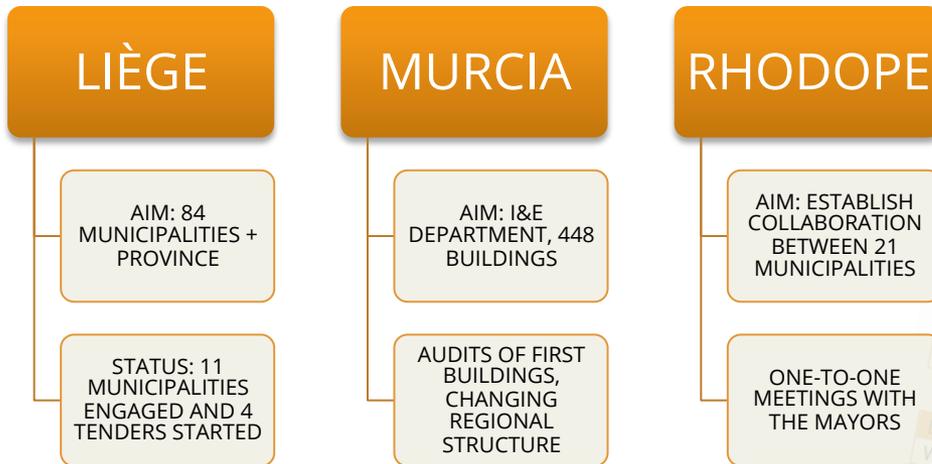
1	REDIBA	2	Berlin Energy Saving Partnership
3	RE:FIT	4	Vlaams Energiebedrijf
5	OSER	6	Fedesco
7	Eandis EDLB	8	ESCOLimburg 2020
9	Eco'Energies	10	Energy Fund Den Haag
11	Energies POSIT'IF	12	Climate Community Saerbeck
13	Cambridgeshire MLEI	14	Ox Futures
15	Rotterdam Green Building	16	Energy Efficiency Milan
17	ENSAMB	18	Brixton Energy Co-op
19	EERFS	20	SUNSHINE
21	Warm Up North	22	SPEE Picardie
23	KredEx	24	PadovaFIT!

Model level of ambition mapping



What are we doing now?

- Implementation phase in the pilot regions –via development of action plans



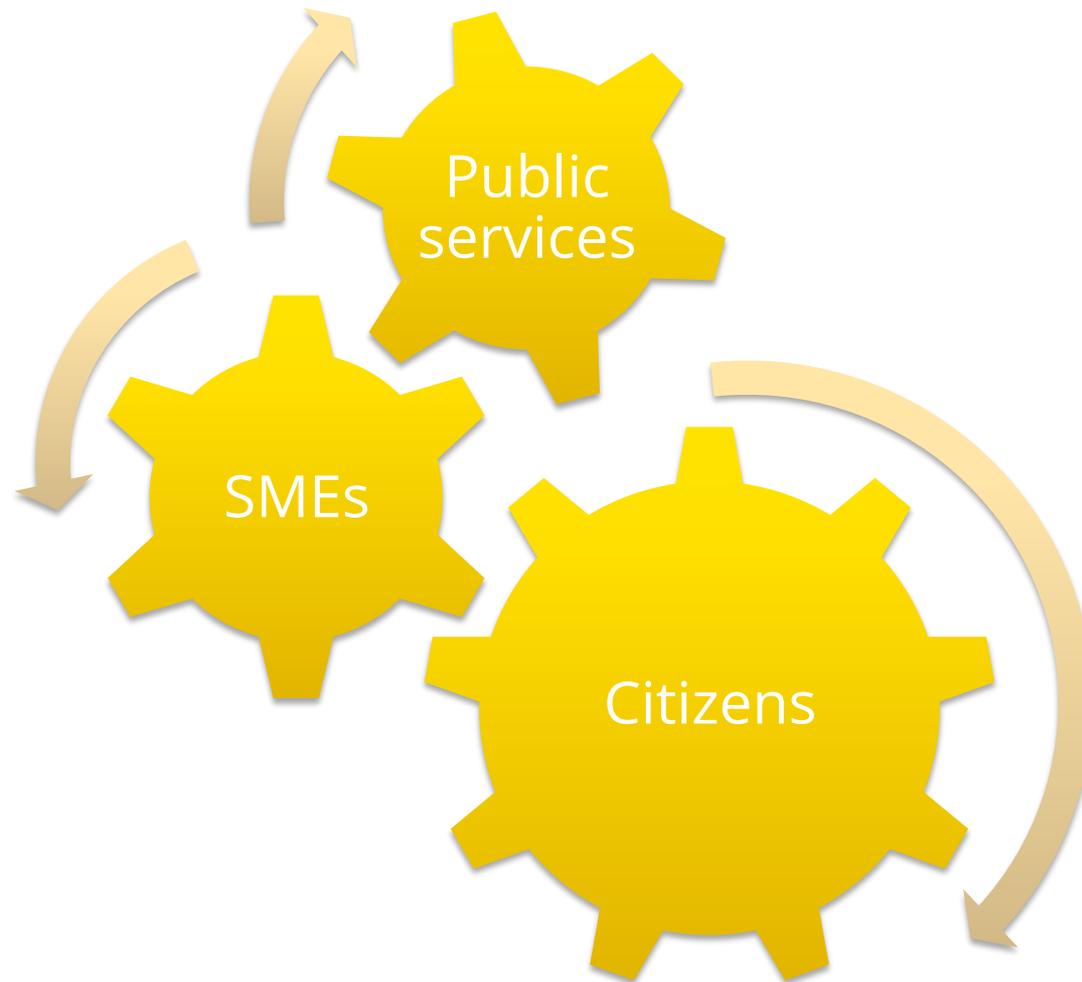
Key questions to address

Beneficiaries	Comments
Who will be the beneficiaries of the program?	
How many beneficiaries are there and what is their potential in terms of number and size of projects?	
What is the estimated investment need to finance the beneficiaries projects (depending of the level of ambition)?	
Are the potential and investment needs addressable within the program?	

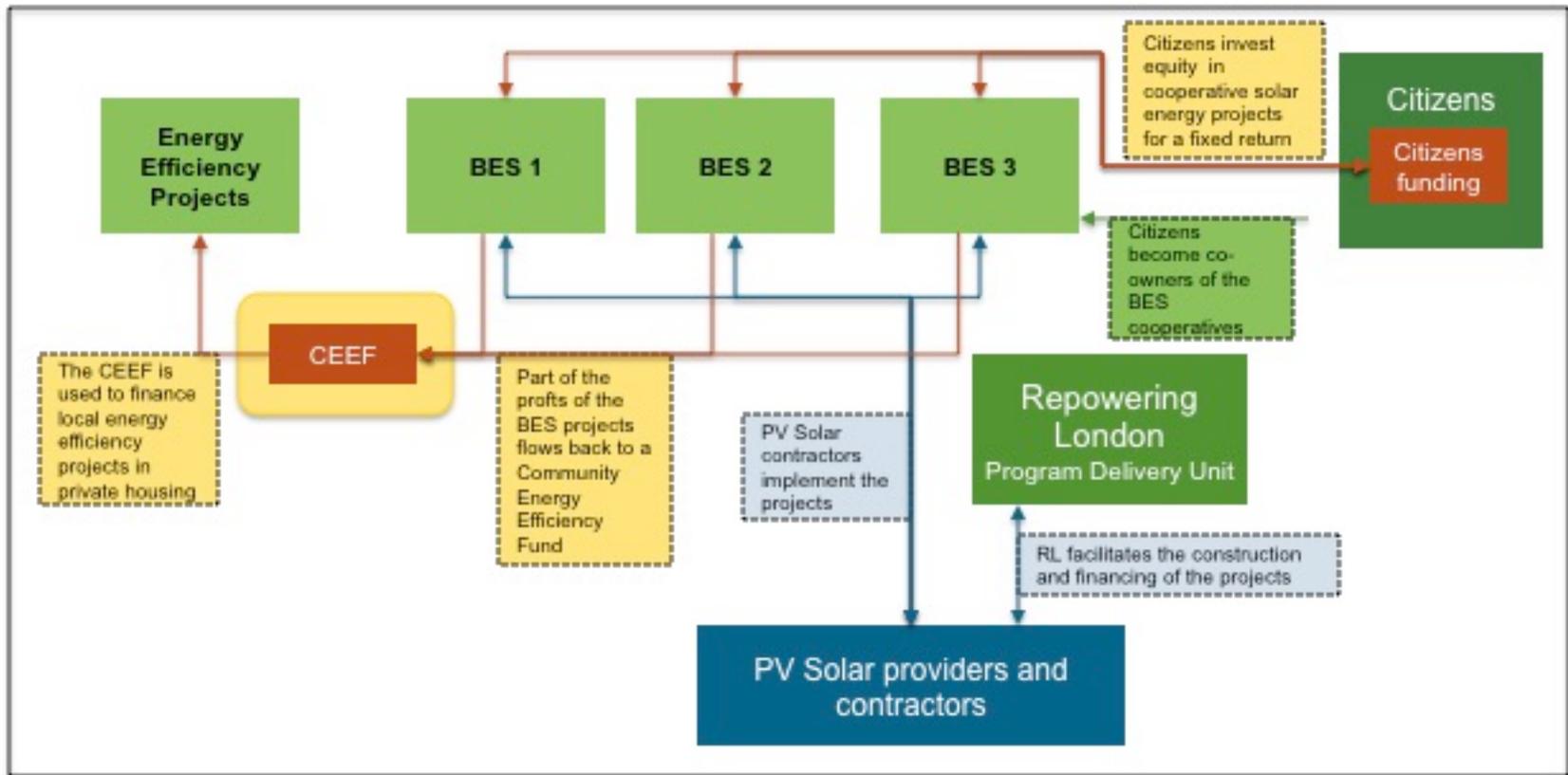
Type of projects	Comments
What type of projects are addressed?	
What will be the skills and competencies requirements to realize the type of projects addressed?	
Are experienced ESCOs, contractors and/or suppliers available to realize that type of projects?	

Level of ambition	Comments
What will be the level of ambition of the project?	
Is it coherent with the beneficiaries potential and capabilities?	
Are beneficiaries able or willing to contract on a long to very long term?	
Is the level of ambition addressable within the program?	

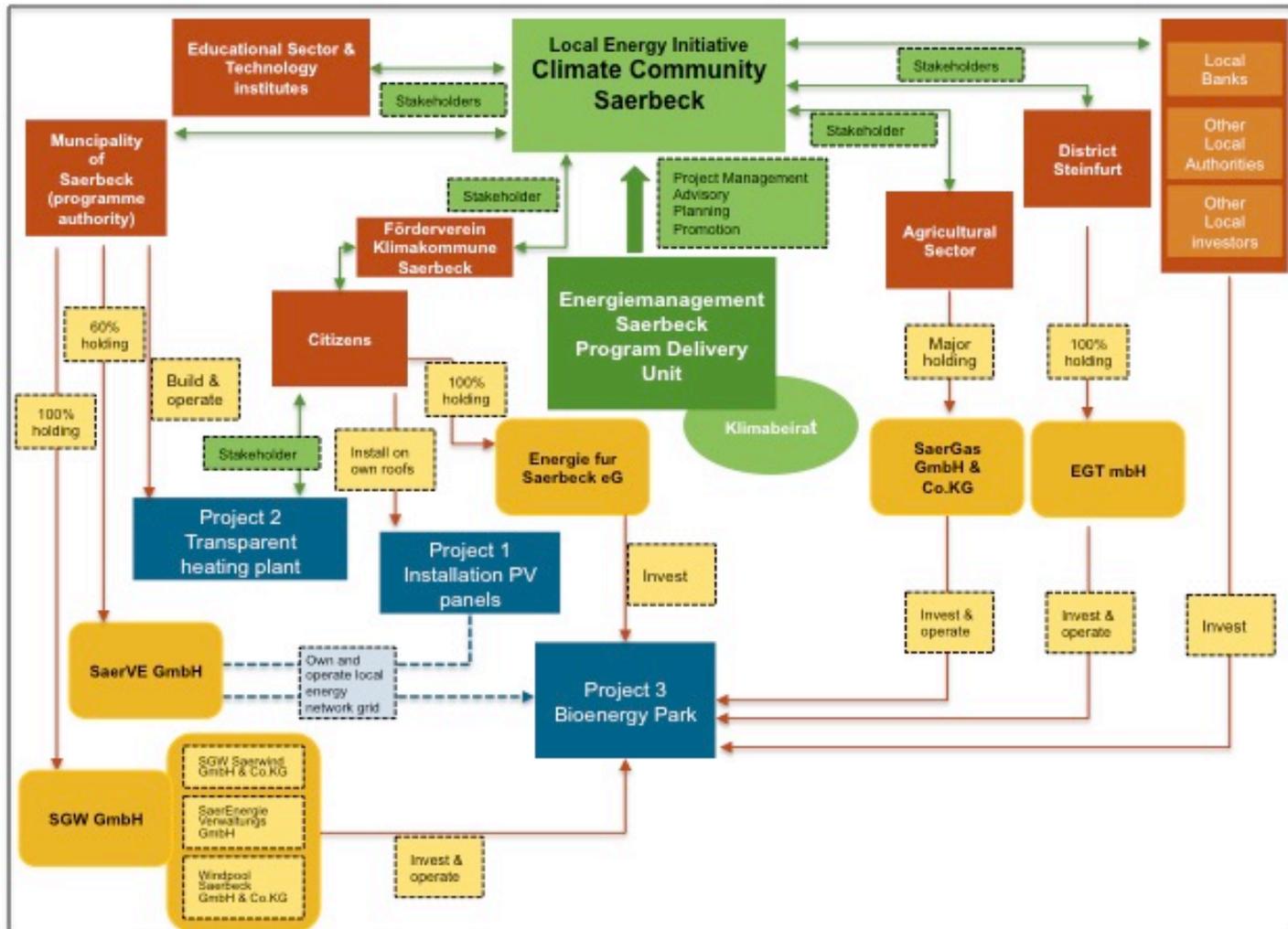
Catalyst role of Local and Regional Authorities



Example 2: Brixton (UK)



Example 3: Saerbeck



Recurrent Challenges

Aggregation of Demand

Value estimation, proof of evidence, facilitators, marketing, performance guarantees, ...

Long-term policy planning

Investors

Tailwind

High upfront investment costs

Standardisation

ESA10

Split incentives

Utilities

Land lord >< tenant

Steps forward

CITYInvest Action



POLITICAL AMBITION

- IMPORTANCE OF COM MOVEMENT



KNOWLEDGE BASE

- OPERATIONAL AND FINANCIAL COMPONENTS OF INNOVATIVE FINANCING MODEL
- HOW TO MAKE A BANKABLE PROJECT OUT OF POLITICAL PLAN



OPERATIONAL DEDICATED TEAM

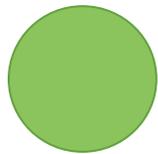
- SKILLED STAFF WITH SUFFICIENT TIME
- ENLARGING PORTFOLIO



INNOVATIVE FINANCING MODEL DELIVERING ENERGY EFFICIENCY MEASURES AND FINANCIAL SAVINGS

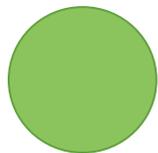


Recommendations on European Level



Data evidence on performance of EE investments

More clarity on financial benefits and risks



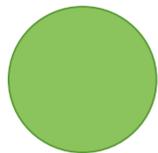
Standardisation efforts for EE investments

Lowering transaction costs and risk perception



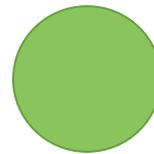
Increased Technical Assistance

TA and PDA is key to support the launch phase of EE programs



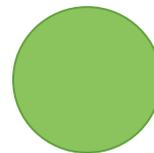
Integrate LRA in Energy Union Governance

Based on the CoM experience, national reporting and monitoring should integrate local and regional policy planning



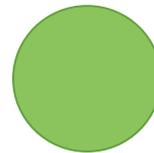
EPC Accounting treatment

Changing the definition of gross capital formation, which by default leads to increased public debt



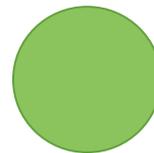
Enforcement of EED legislation beyond 2020

2030 timeframe necessary for key articles, such as the 1,5% savings obligation beyond 2020 and removing unnecessary exemptions.



Promote bundling of projects

EIB and EU funding should support aggregation of smaller scale projects



Expand renovation requirement to all public buildings

Currently, the EED art 5 requires a 3% renovation rate annually for central government buildings only. The local level can, with adequate support, foster a wider take-up



Next steps

Visit CITYinvest.eu to stay up-to-date

18 workshops in the pipeline (...)

3 approved action plans in the regions

Monitoring of successes and failures of investments

Building further synergies with initiatives (CoM) and market stakeholders

Channelling recommendations to EU



Questions?

Thank You

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