



EIB financing of Energy Efficiency Investments





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1. Background.

- Strong macroeconomic case to support Energy Efficiency (EE) investments due to:
 - ✓ Positive effect on growth and competitiveness.
 - ✓ Employment generation capacity.

- EE investments are a key policy priority because is one of the most effective ways to:
 - ✓ Enhance EU security of supply.
 - ✓ Reduce emissions of green house gasses.

- Decisive legislative support from the European Commission:
 - ✓ New legislation - Energy Efficiency Directive.
 - ✓ Increased funds allocation for the next Multiannual Financial Framework



2. Barriers to the development of EE market

There are three main types of barriers identified:

- ✓ Soft barriers.- Lack of awareness, uncertainty of benefits, perceived complexity, low project management and development capacity, etc.
- ✓ Economic barriers.- Affordability of up-front investments, insufficient incentives for consumers, long pay-back periods, split incentives, etc.
- ✓ Financial barriers.- Small investment cost, high perceived credit risk, low value of collateral, lack a new cash-flow, complexity of financial structuring, high transaction costs.



3. EIB Energy Efficiency financing activity

- Within 2009-11, the EIB has lent EUR 4.1 bn to projects involving EE investments.
 - ✓ Some 48% related to EE investments carried out by industrial companies (including electricity generation).
 - ✓ Around 42% were investments in EE measures in building or housing.
 - ✓ The bulk of the investments (85%) were located in EU-15.

- The EIB have a number of on-going initiatives in the field of EE in cooperation with the European Commission (EC) and with other IFIs, among them:
 - ✓ Co-investment initiatives: EEEF (with EC, CdP) and GGF (EC, KfW, EBRD)
 - ✓ Co-lending initiatives: SME FF EE , MFF EE and EEEF with EC.
 - ✓ Technical assistance initiatives: ELENA and JASPERS with EC.
 - ✓ Financial management/advisory initiatives: JESSICA and EPEC with EC.

- The EIB is currently working on a comprehensive approach to EE lending to increase its lending activity to this sector in the coming years.



5. Public sector support to Energy Efficiency financing.

- There is a need for an increase in number and an “aggregation” of EE projects from the public sector, to reach a critical size to attract financing.
- Promoting standardisation of the assessment and verification of energy savings is key to ensure an “homogeneous” asset class. Involving ESCOs from at project concept phase will contribute to that.
- The public sector should contribute funds to kick-start the EE market by providing:
 - ✓ Grants to EE promoters (e.g. homeowners) to reduce payback periods and to increase financial return of investments.
 - ✓ Risk capital to reduce credit risk of financing structures to allow senior long-term financiers to enter the market.



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