



CONCERTED ACTION
ENERGY EFFICIENCY
DIRECTIVE

Cooperation with banks and financial institutions

EED Article 17 - Information to banks and financial institutions

Executive Summary 6.6

Consumer information programmes, training and certification of professionals

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1 Background

The issue of financing energy efficiency is very important for the implementation of the Energy Efficiency Directive (EED) and for the achievement of the EU 2020 and 2030 goals on energy and climate. The European Commission has estimated that there is a financing need in energy efficiency of € 100 bn per year. The majority of the investments need to come from the private sector; however, there are a number of EU funding sources that can help to trigger energy projects and these represent a significant proportion of the public funding available in a number of EU Member States (MS). In order to use the EU funds as efficiently as possible, the use of financial instruments is recommended and it is important that banks and financial institutions take part in the development of financial instruments.

In relation to the EED, more discussion between policy makers and banks at the national level on ways to stimulate the energy efficiency market would help both to achieve their goals for the financing of energy efficiency. In many MS, there has been an intense dialogue with banks and financial institutions during the development of national strategies for energy efficient renovation, according to EED Article 4. However this dialogue could probably benefit from being more long-term and more structured and also oriented towards other parts of the EED.

The “world of energy efficiency” and the “world of financing” in many MS are rather separated; energy experts and financing experts use different language and terminology and have rather few occasions to discuss topics of mutual interest. The Energy Efficiency Financial Institutions Group (EEFIG) has successfully gathered experts from both fields at EU level and this is an important work to build upon further.

Further exchange at a national and European level would help banks and policy makers to take complimentary actions, bridge differing perspectives and overcome some of the barriers for financing of energy efficiency investments. These barriers include the lack of proper communication, weak marketing of financial instruments and lack of awareness of the financing options available. (See the EEFIG report and the documents under the theme Consumer information programmes, training and certification of professionals on the CA EED website for more information.)

According to EED Article. 17 “Information and training”, first paragraph, MS shall:

- ensure that information on available energy efficiency mechanisms and financial and legal frameworks is transparent and widely disseminated to all relevant market actors, such as consumers, builders, architects, engineers, environmental and energy auditors, and installers of building elements;
- encourage the provision of information to banks and other financial institutions on possibilities of participating, including through the creation of public/private partnerships, in the financing of energy efficiency improvement measures.

In relation to Article 17, the question is: what sort of information would help banks and financial institutions increase their lending activity in the field of energy efficiency?

Do the banks need performance data as a basis for analysing projects and risks, or do they need information on policies in place, expected policy changes in the future and long term goals? Or a combination of these? Do the banks and financial institutions know who the actors are in the field of energy efficiency and do they have a network in the field? What should the role of MS be towards banks and financial institutions?

These questions were discussed at the CA EED plenary meeting in October 2015 and the EEFIG report¹ – which reflects the views of the market actors – gave a background for this discussion. The EEFIG report highlights the following questions:

¹ “How to drive new finance for energy efficiency investments”, EEFIG – see <https://ec.europa.eu/energy/sites/ener/files/documents/Final%20Report%20EEFIG%20v%209.1%2024022015%20clean%20FINAL%20sent.pdf>

- How can MS help develop standardised procedures and protocols in order to make the energy efficiency market more "readable" for investors/banks?
- How can MS help increase investors' confidence by tracking and analysing the financial performance of existing EE investments?
- How can MS enable the proper assessment and valuation of underlying risks and benefits?

2 Conclusions

The main conclusions from the sessions at the CA EED Plenary Meeting in October 2015 are presented below.

Cooperation with banks and financial institutions

The barriers for financing of energy efficiency that have been identified within the work of the CA EED were highlighted. These barriers include lack of information, lack of knowledge, market maturity, payback time, access to finance and legal issues. The discussion focussed on the barriers in yellow in the figure below: lack of information and lack of knowledge.

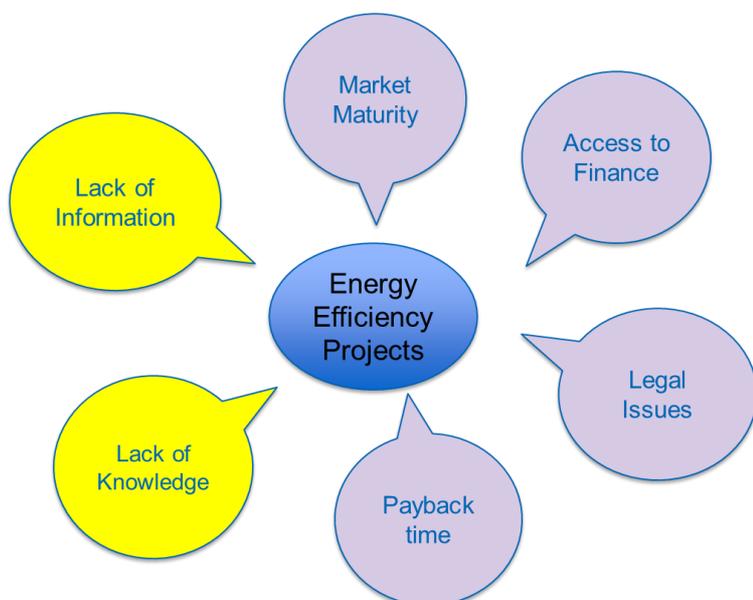


Figure 1 Barriers to energy efficiency financing

The European Commission gave an update on the EEEFIG report and presented the EU framework for financing of energy efficiency, stressing the importance of clearly showing the business case for energy efficiency to the investors. Investments in energy efficiency are often fragmented, small scale and difficult to compare between countries which means that investors cannot always identify the business case. For instance, in relation to buildings, it is not always clear to what extent an investment in energy efficiency can contribute to an increased property value, while the future savings are not always taken into account. The lack of standardised performance data and the lack of commonly accepted risk assessment methods have the effect that energy efficiency investments are often regarded by investors as high risk although the risks in reality are often low.

To overcome these barriers, the Commission concluded that there is a need to aggregate energy efficiency investments to reduce transaction costs, e.g. through project development assistance to de-risk the investments; through standardisation and benchmarking while also moving to a more market-based culture; through innovative financial instruments and new business models.

The European Investment Bank (EIB) presented the possibilities for financing energy efficiency investments through the European Fund for Strategic Investments (EFSI) and the support available through the Investment Advisory Hub. The EIB questioned whether there are enough projects out there and whether the issue is to bring money to the projects or rather projects to the money.

Financing in the public sector is often a challenge, and innovative solutions for supporting climate-friendly investments by Swedish municipalities were presented by Kommuninvest. This national approach, including the application of green loans and more recently green bonds, has been inspired by, for example, KfW in Germany.



Figure 2 Green loans for the public sector, Kommuninvest Sweden.

EED Article 17 - information to banks and financial institutions

This session addressed Article 17 and the requirement for MS to encourage the provision of information to banks and financial institutions on the possibilities for participating in the financing of energy efficiency improvement measures.

Most MS already provide information to banks and financial institutions, or plan to do so. The main information channels used are seminars, workshops, personal contacts or the internet. An example from Ireland was presented more in detail:

In **Ireland**, several pilot projects on energy efficiency financing for households have been carried out, with the purpose of increasing the rate of energy efficiency investments. The main conclusion is that the most important driver for making energy efficiency investments is increased comfort – a warmer and more comfortable house with fewer draughts – and that access to financing only plays a minor part in the decision to invest. According to a survey related to the pilot project, the most favoured measures among households are attic insulation, solar panels and window glazing. 44% of the households were willing to take some kind of loan to cover part of the costs. When considering a loan, the interest rate is the most important factor, followed by the flexibility of the loan in terms of timing, the payback period and the ease of securing approval of the loan.

During a workshop with the CA EED participants, the following “do’s and don’ts” were identified for improving communication with banks and financial institutions:

Do’s	Don’ts
Show concrete examples	Don’t be too generic in explaining the advantages of EE
Make energy efficiency a priority	Don’t assume high knowledge of EE among banks and financial institutions

Do's	Don'ts
Show that financing of EE can increase the green image of the bank	Don't overestimate the savings – be realistic
Make banks aware of their importance in financing EE projects	
Work with certified auditors for the evaluation of projects	

Figure 3 “Do’s and Don’ts” for communicating energy efficiency with banks and financial institutions

3 Relevant sources of information on EE financing

Below are some relevant sources of information for EE financing. The list is not exhaustive but gives some examples.

Energy Efficiency Financial Institutions Group (EEFIG)

The Energy Efficiency Financial Institutions Group (EEFIG) was established by the European Commission and the United Nations Environment Programme Finance Initiative in late 2013, as both institutions were engaging with financial institutions to determine how to overcome the challenges inherent to obtaining long-term financing for energy efficiency. EEFIG resulted from the joining of these forces to engage with the sector's stakeholders and financial institutions to discuss the challenges faced by the energy efficiency sector and recommendations for overcoming them.

The EEFIG report: [“How to drive new finance for energy efficiency investments”](#).

European Fund for Strategic Investment

EFSI is an initiative launched jointly by the European Commission and the EIB to help overcome the current investment gap in the EU by mobilising private financing for strategic investments. Strategic infrastructure, including energy, and the expansion of renewable energy and resource efficiency are among the activities that can be supported. Applications are made through the EIB. <http://www.eib.org/about/invest-eu/index.htm?lang=en>

European Investment Advisory Hub

The European Investment Advisory Hub ("The Hub") aims to strengthen Europe's investment and business environment. The Hub offers a single access point to offer advisory and technical assistance services across the EU. The following advisory programmes can be accessed via the Hub:

- JASPERS (Joint Assistance to Support Projects in European Regions)
- ELENA (European Local Energy Assistance)
- EPEC (European PPP Expertise Centre)

The Hub can also guide Member States and public authorities who want to use ESIF funds in the establishment of financial instruments such as loans, guarantees, equity and other risk-bearing mechanisms.

The Hub is a joint initiative by the European Commission and the European Investment Bank.
<http://www.eib.org/eiah/>

FI-COMPASS

FI-Compass is a platform for advisory services on financial instruments under the ESIF and is designed to support ESIF managing authorities and other interested parties by providing practical know-how and learning tools on financial instruments.

www.fi-compass.eu

European Investment Project Portal (EIPP)

The European Investment Project Portal is under development and is expected to be available by the end of 2015. The aim of the portal is to provide clear information on investment opportunities in Europe through a standardised online database. The purpose is also to give clarity and confidence to investors to help them find projects.

Investor Confidence Project

The Investor Confidence Project is a Horizon 2020-project aiming at enabling a market for investor-ready projects by reducing transaction costs and engineering overhead for building renovation projects.
<http://europe.eepformance.org/>

Green loans and Green bonds for the public sector (Sweden)

The Green loans and Green bonds for investments in sustainable energy in the public sector in Sweden have been inspired by the KfW in Germany. During the CA EED Plenary Meeting in October 2015, there was a presentation of the Green Loans and Green Bonds in Sweden; the presentation is available on the [CA EED website](#).

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The Concerted Action for the Energy Efficiency Directive (CA EED) was launched by Intelligent Energy Europe (IEE) in spring 2013 to provide a structured framework for the exchange of information between the 29 Member States during their implementation of the Energy Efficiency Directive (EED).

For further information please visit www.eed-ca.eu or contact the CA EED Coordinator Lucinda Maclagan at lucinda.maclagan@rvo.nl

