Increasing capacities in Cities for innovating financing in energy efficiency

A review of local authority innovative large scale retrofit financing and operational models

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The rationale for CITYnvest

How to accelerate investments?

- No need for reinventing the wheel
- Catalyst role for LRA – reflected in current EU directives, but some remaining challenges

**Financiers**
- predictability of risks
- standardization
- cash flows (IRR, NPV)
- transaction costs

**Local EE projects**
- capacity constraints (no core business)
- Bankability mentality
- ESA Accounting rules
- bundling needs
## Approach of CITYnvest

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)
4. 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
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)
Models involving facilitation are mainly financed via Financial Institutions or ESCOs while models using integration are mainly financed through the Program Delivery Unit (PDU) or an investment fund.

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<th>Model positioning synthesis</th>
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<td>FI financing (*)</td>
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<td>ESCO financing</td>
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<td>PDU financing (**)</td>
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<td>Investment fund</td>
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<td>Citizens financing</td>
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The great majority of the models target Perimeter 1 or “standard market practice”, though factor 2 (50% savings) models gain in attention, factor 4 (75% savings) remain marginal.
The attractiveness of the integrator model is very high (especially if it integrates financing) but comes along with higher risks for the integrator.
Conclusions

- The success of the models often seem correlated with the existence of a well-functioning Program Delivery Unit, and...
- A clear leadership role of the public partner (ambition and willingness to invest)
- EPC/ESC implemented models are very fit for perimeter 1 energy efficiency ambition levels (<35% savings), mostly driven by facilitation models
- Factor 2 (50% savings) and factor 4 (75% savings) energy efficiency ambition levels are very often “integration” driven, both technically as financially.
- High energy efficiency ambition levels (factor 2 and factor 4) do not focus on short to medium pay-back terms
Thank You

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