



FI Campus 2023

Financial instruments 2021-2027 – Financing the green transition

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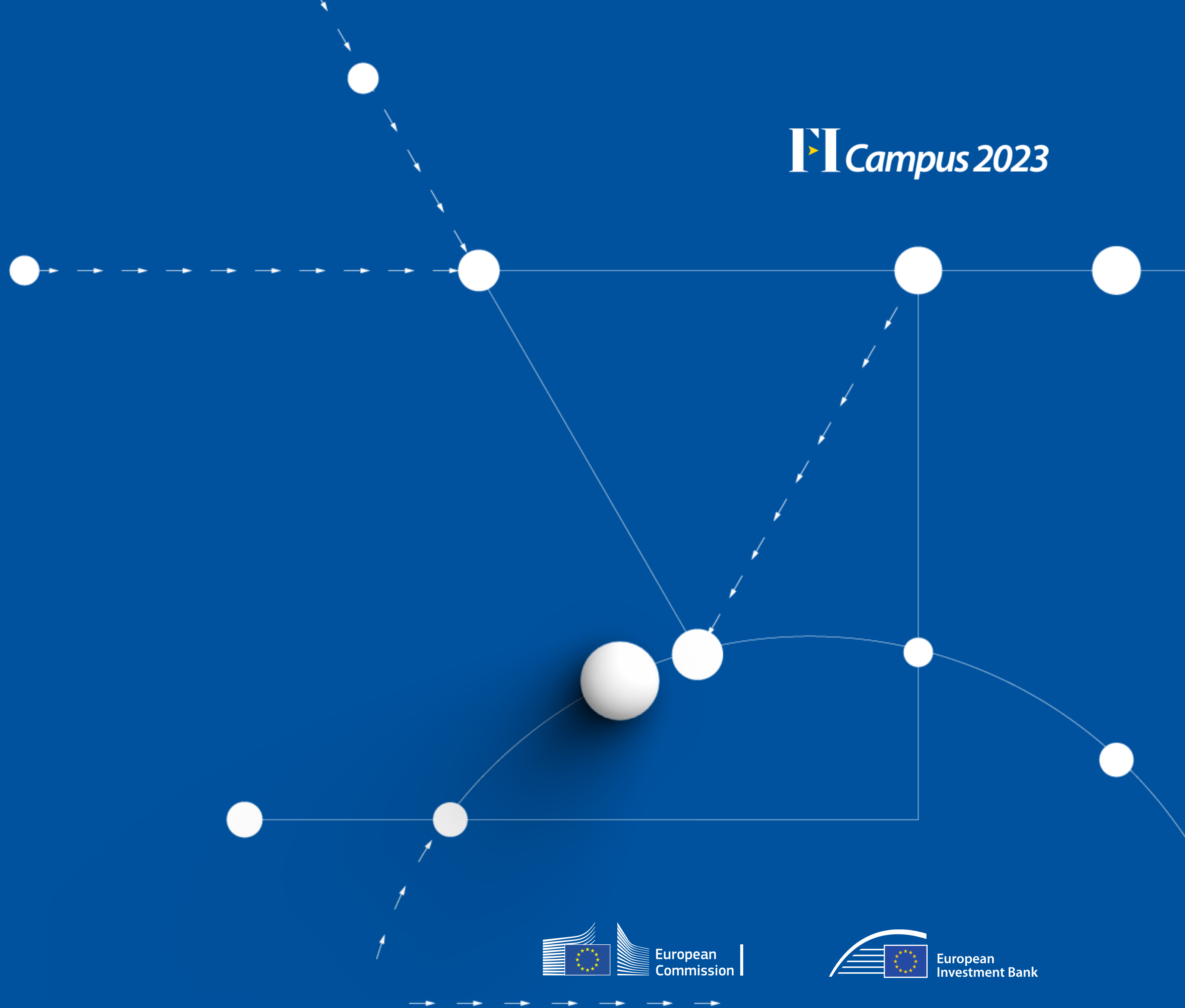
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Goetz von Thadden, Head of Unit, Financial Instruments Baltic Sea and Northern Europe, European Investment Bank

Čestmír Hrdinka, Director of the ELENA Department, Národní rozvojová banka (NRB), Czechia

Agne Kazlauskaite, Policy Officer, DG REGIO, European Commission

Mariano González
World Bank



Financial Instruments for the Renovation of the Building stock (EE)

Four reasons for promoting FIs

- Improve the efficient use of limited public funding → Do more with less
- Leverage private financing → Meet ambitious targets
- Contribute to sound market development → Longer term objectives
- Reduce inflationary pressure → Better distribute support over time

Three challenges of using FIs

- May be perceived to delay EU Funding absorption → Set right targets
- Require higher coordination and preliminary work → Added complexity
- Rely on sound market and institutional frameworks to succeed → Holistic approach



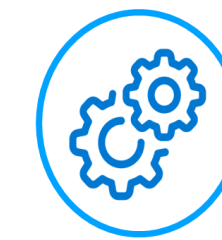
Policy & Regulatory

- No stated **long-term implementation plan** for building renovation programs
- High **grant financing** has led to limited interest in non-grant financing instruments
- Regulated **retail energy prices** do not account for full cost recovery and provide a disincentive to energy efficiency
- Lack of definition of energy poverty



Institutional

- Limited **capacity for project implementation** in municipalities and central government agencies
- Overlapping and **limited coordination and communication** between building renovation programs and environmental and social programs
- Insufficient **information and communication** regarding the many benefits of energy efficiency improvement
- Lack of plans for future business planning, recapitalization, staffing, etc.
- High transaction costs can be lowered through **streamlining of processes, standard documents and templates**, websites with prequalified contractors, case studies, etc.



Market

- Number of **energy auditors** providing good quality audits is considered insufficient
- Lack of **training materials and certification program**
- Stop-and-start nature of renovation programs and **lack of predictability** contributes to market distortions
- Projects **not economically attractive to ESCOs** due to long payback periods resulting from lower-than-market energy prices
- Renovation projects are managed by municipalities, often lacking the **necessary technical and management capacity**



Financing

- Almost all the financing for building renovation has taken the form of grant funding, leading to unrealistic expectations and a **reluctance to engage in financing instruments**.
- The **heavy reliance on grant financing** has limited the development of financial instruments by banks
- There are no programs that allow the beneficiaries to **repay the renovation costs from the energy cost savings** achieved
- There is a significant risk of limited continuation of building renovation programs once concessional finance runs out

Higher

Potential for commercial financing

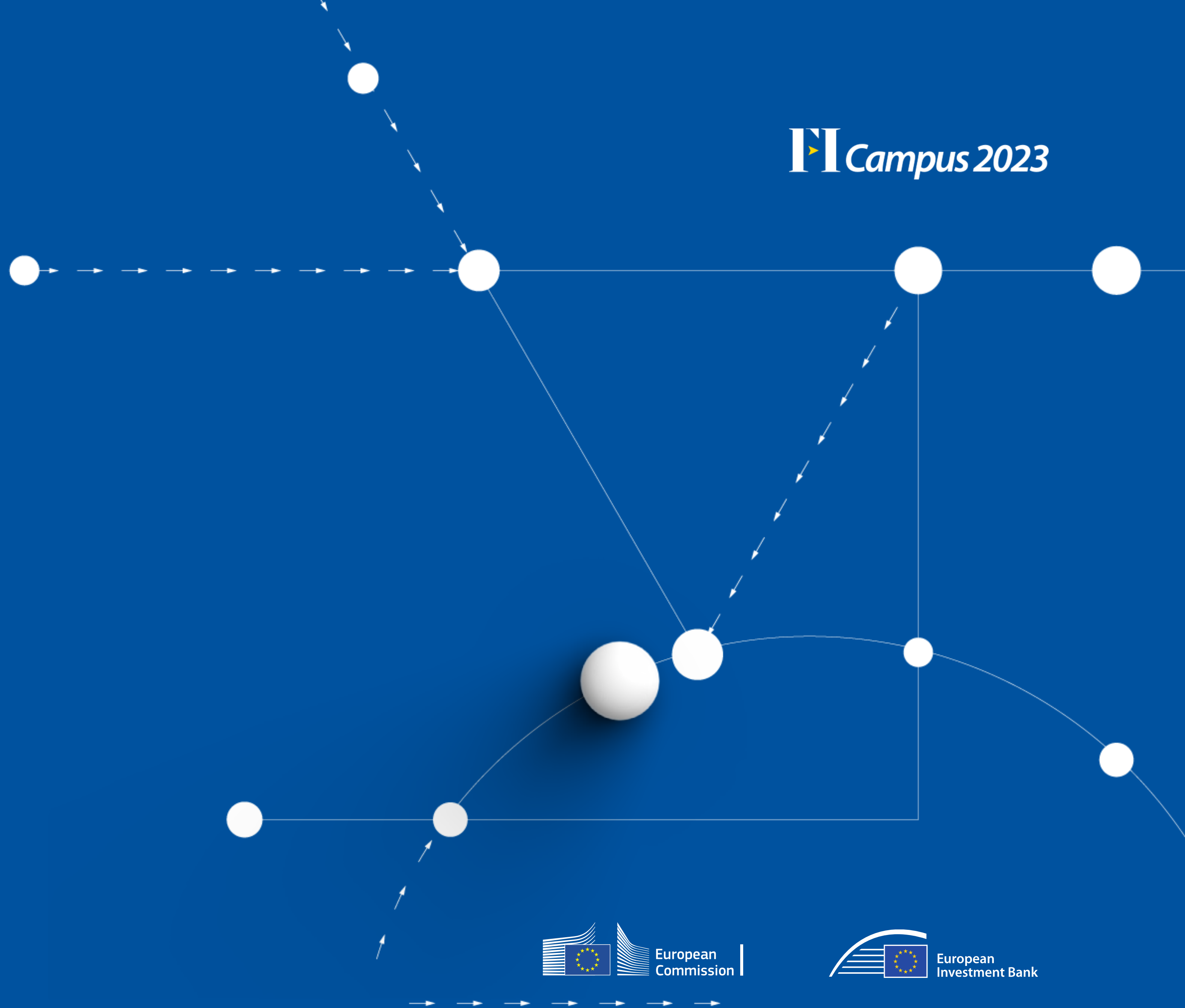
Lower



Key principles

- Financing mechanisms should be selected based on market development and financing gaps
- Public financing should be used judiciously to develop markets and crowd-in commercial financing
- Over time, programs should seek to climb the ladder to more sustainable and commercial models

Michal Heseck
KOOR



Green Transition as business opportunity



Energy Service Company founded in 2010, focusing on Energy Performance Contracting

More than 300 projects realized with more than 90 employees

In 2022, the company received ESG rating from ECOvadis

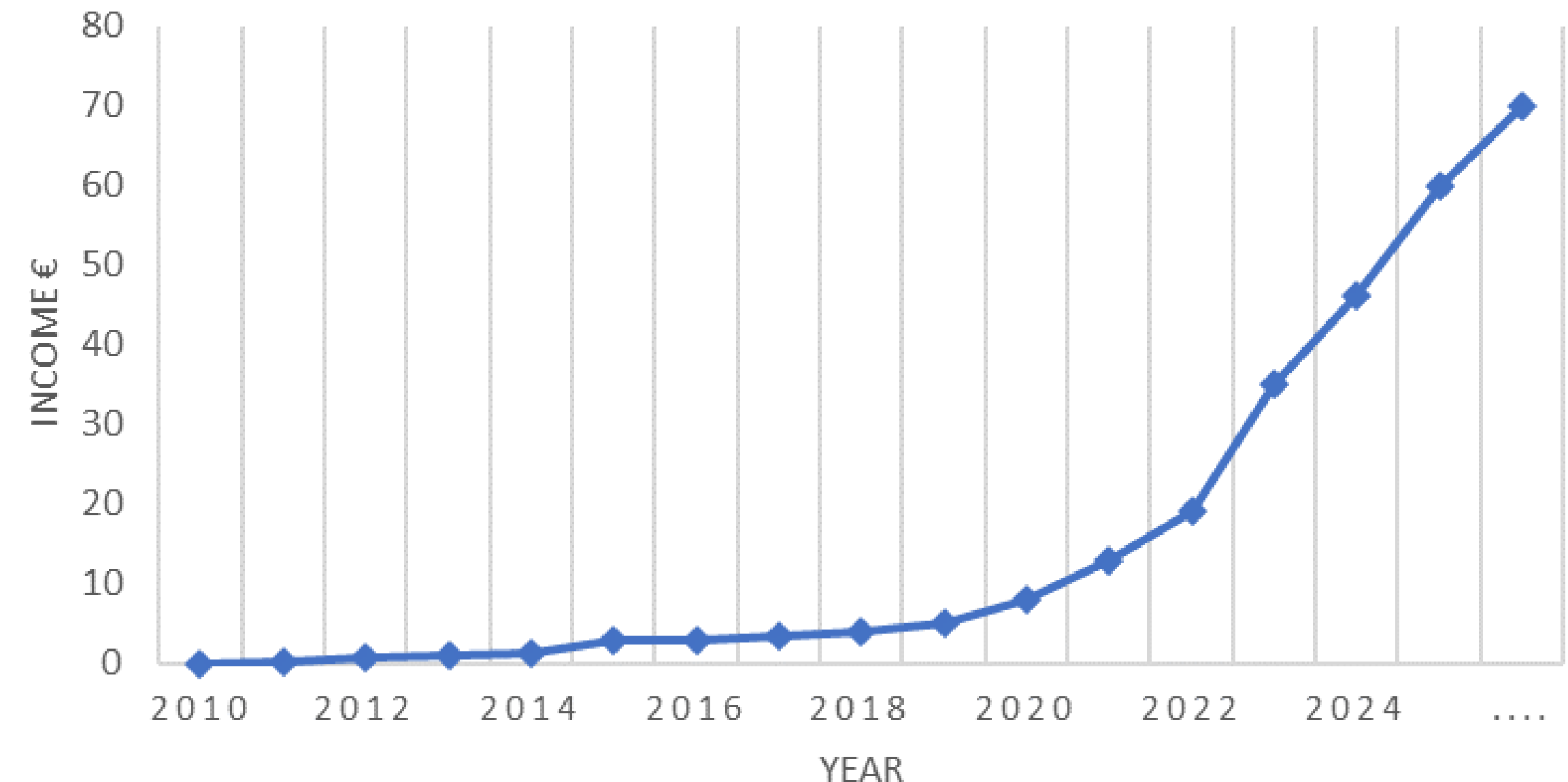
Growth financed with

- ESIF financial instruments via Slovak Investment Holding (public holding fund manager)
 - Mezzanine tranche EUR 2m in 2019
 - Senior debt for public sector projects EUR 10m and public sector projects EUR 5m in 2020
 - And senior debt EUR 4+1m in 2022
- SICAV
- Green Bonds



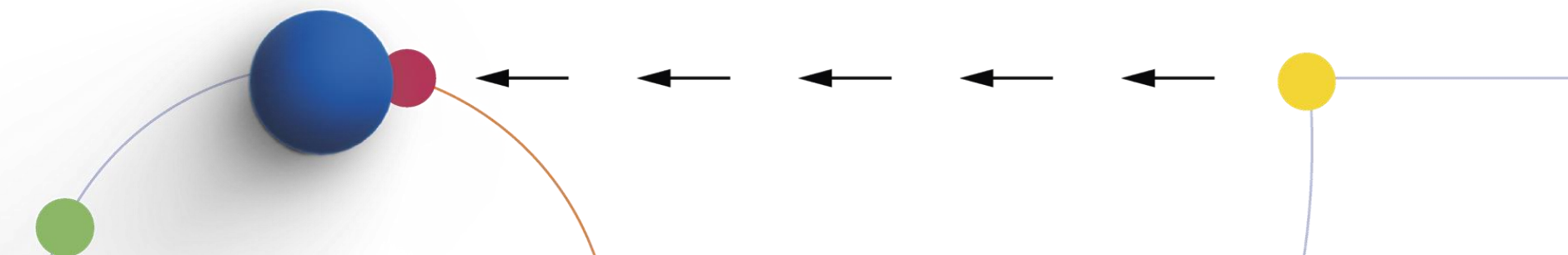
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KOOR COMPANY



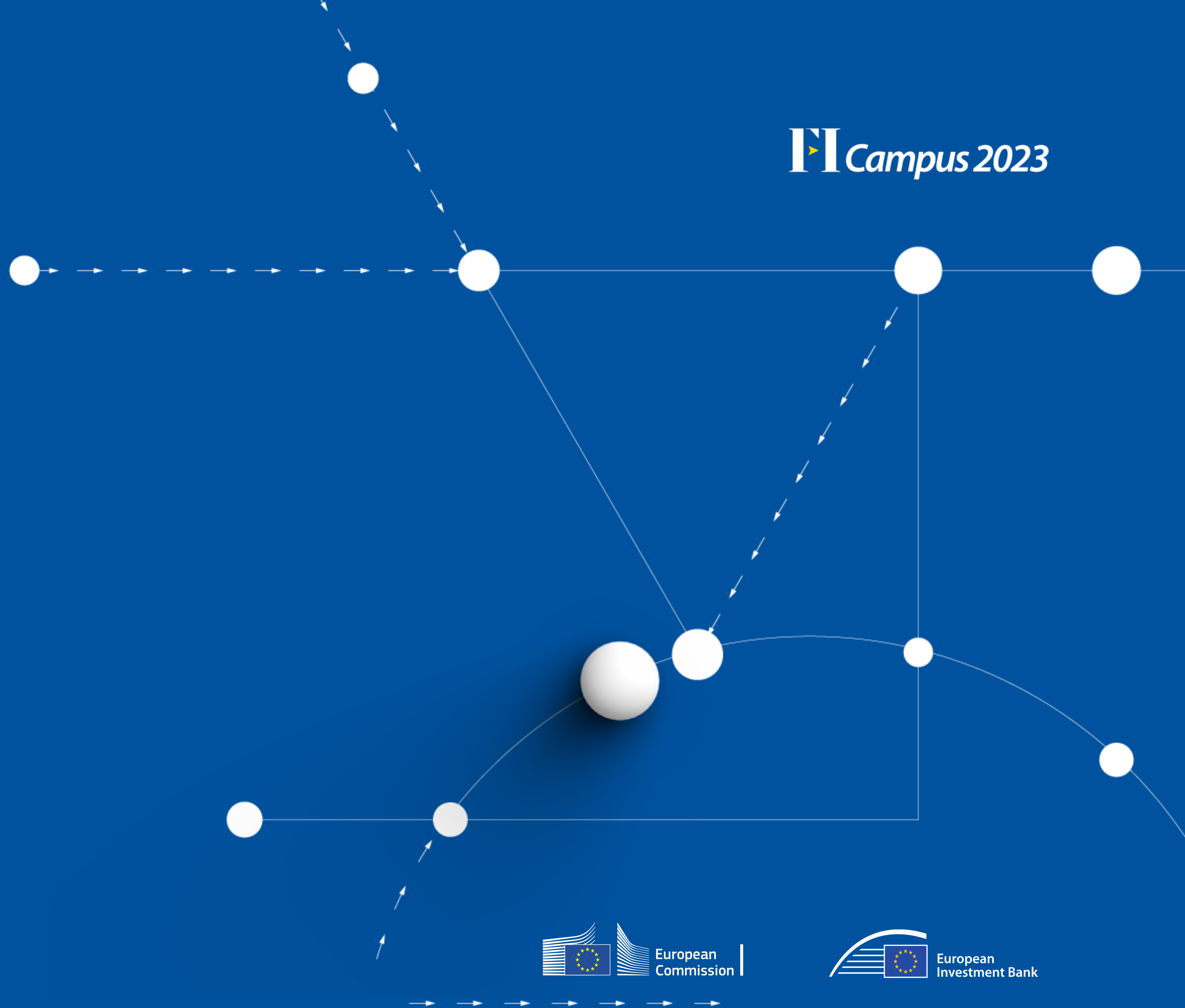
New challenges and opportunities

- Photovoltaics
- Battery storage
- IoT system and digitalisation in buildings



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Marie Vaugois Occitanie Europe



FOSTER TPE-PME-AGRI

a new generation multi-sector participation fund

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FOSTER
TPE • PME • AGRI

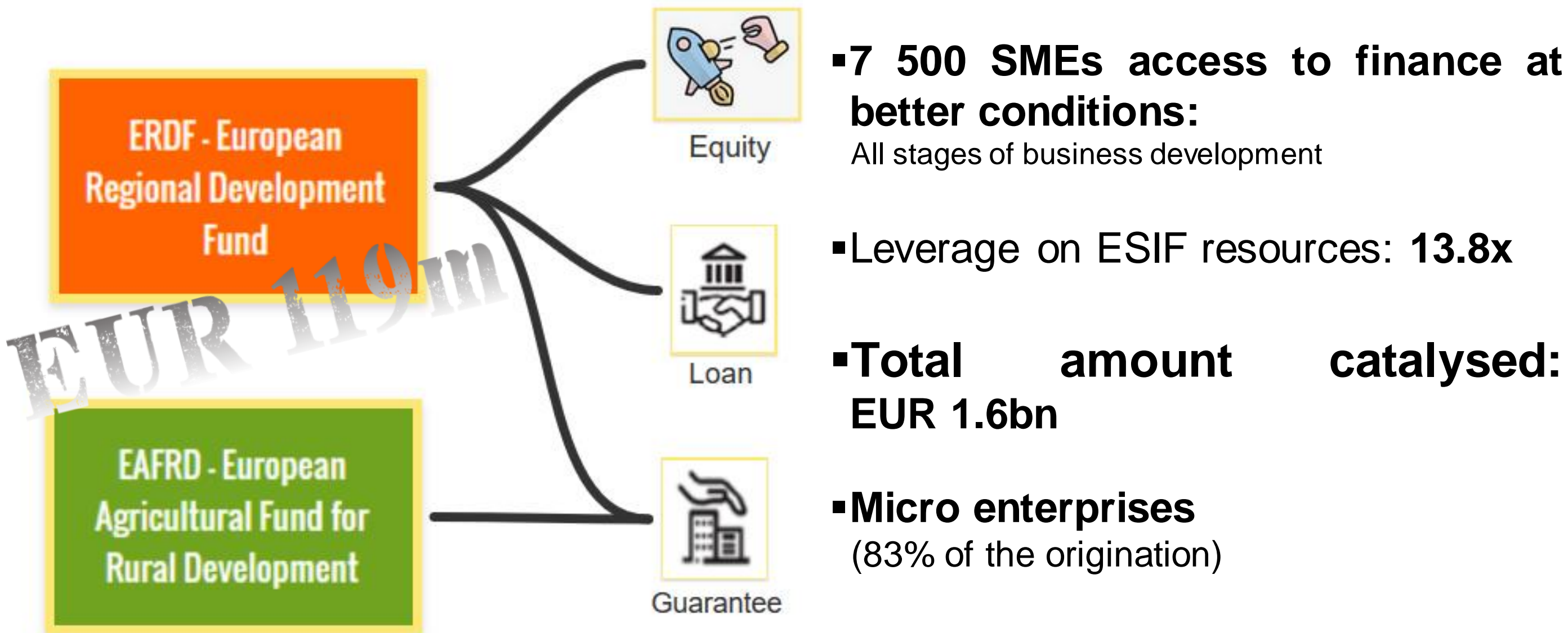
L'EUROPE S'ENGAGE
L'OCCITANIE AGIT



set up in **Region Occitanie**

with resources from **ERDF & EAFRD** and public and private **co-investment**

Moving forward to **FOSTER 2**



Main achievements:

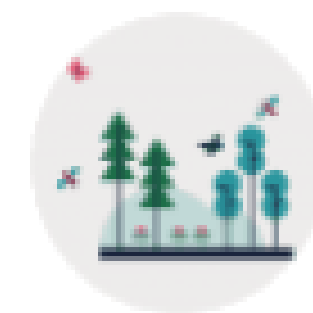
- **7 500 SMEs access to finance at better conditions:**
All stages of business development
- Leverage on ESIF resources: **13.8x**
- **Total amount catalysed:**
EUR 1.6bn
- **Micro enterprises**
(83% of the origination)
- **Multi-public, Multi-sector:**
Including social economy, Agricultural sector
- **Implementation across the Region**



Supporting SMEs in Région Occitanie, with a special focus on key strategic orientations for the Region:



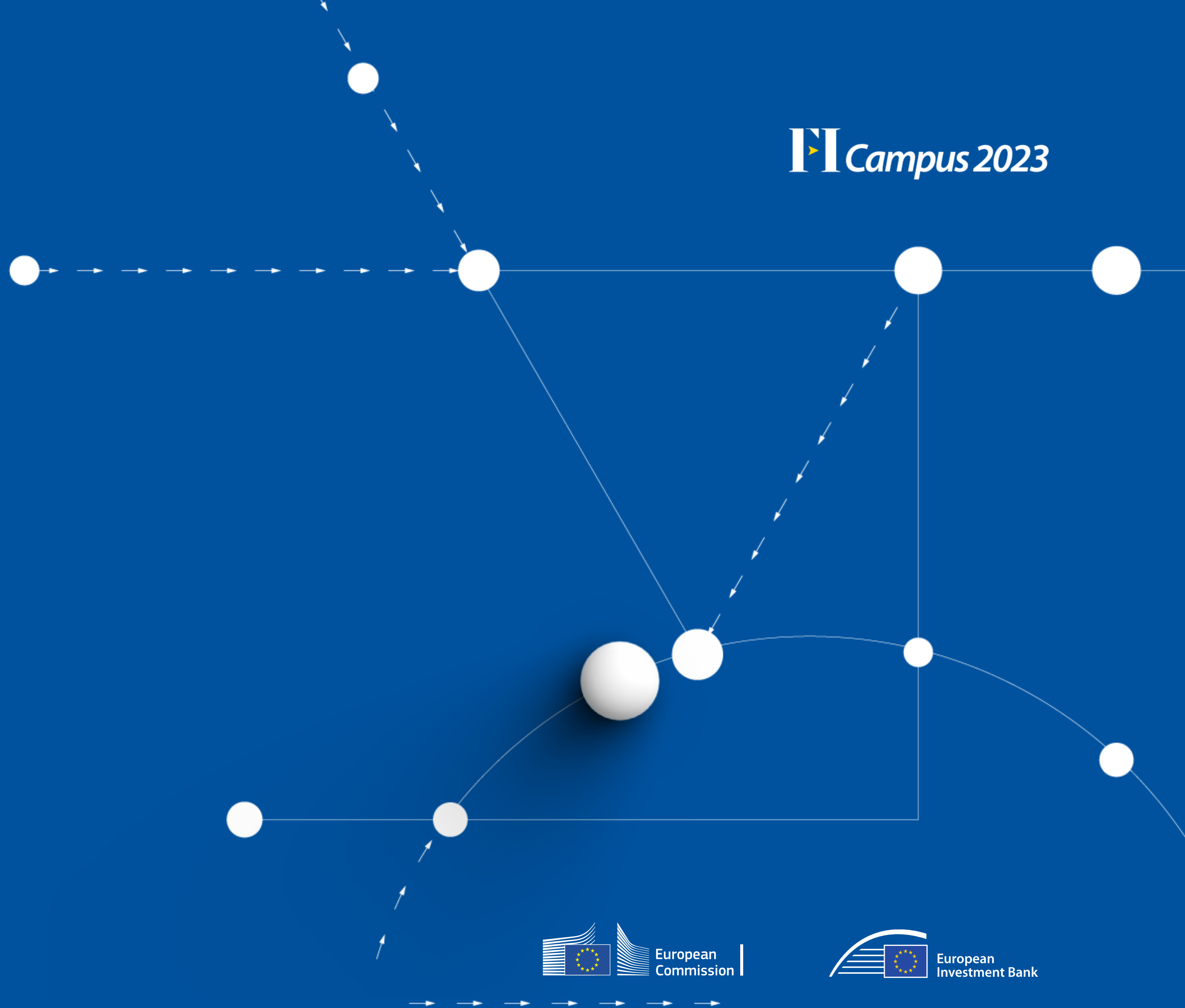
Environmental transition, Innovative enterprises, the Agricultural sector as well as Industrial transition,



through financing for **sustainable projects / SMEs**



Marek Szczepański
BOŚ Bank



BOŚ Bank in green financing under ESI Funds 2021-2027

ESI Funds 2021-2027 for Poland: €72.35 bn.
incl. >€21 bn. for Policy Objective 2

National programmes

incl. European Funds for a Smart Economy (**FENG programme**), and European Funds for Infrastructure Climate and Environment (FEnIKS programme)

FENG Programme

Ministry of Funds and Regional Development (MA)

Programme contribution

BGK (state owned development bank)

Green Guarantee
(with grant)

Support for Ecological Credit

Cooperating banks, including BOŚ

Investment loan covered by
guarantee with grant

Ecological Credit
(loan with grant)

Final recipients (investors): SMEs and mid-caps investing in:
energy efficiency (incl. RES), circular economy

16 regional programmes

Regional Programme

Regional Authority (MA)

Programme contribution

Holding Fund Manager

Financial intermediaries:
- banks (potentially BOŚ)
- non-banking financial institutions

Preferential loans

Combined instruments
(loan with capital rebate)

Final recipients (investors): SMEs, housing associations,
municipalities, ESCOs investing in: EE (incl. RES), street lighting

Forms of financing under PO2

- Grants.
- Financial instruments (loans, guarantees).
- Combined instruments (Art. 58.5 CPR).

KEY STAKEHOLDERS



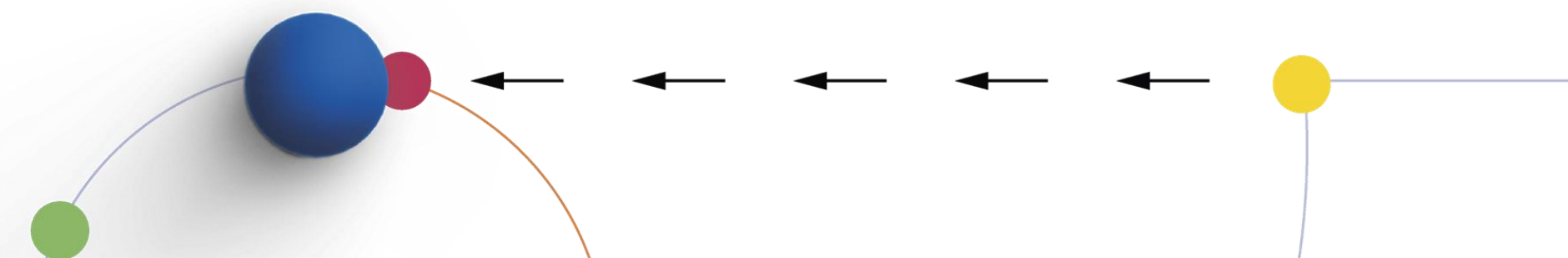
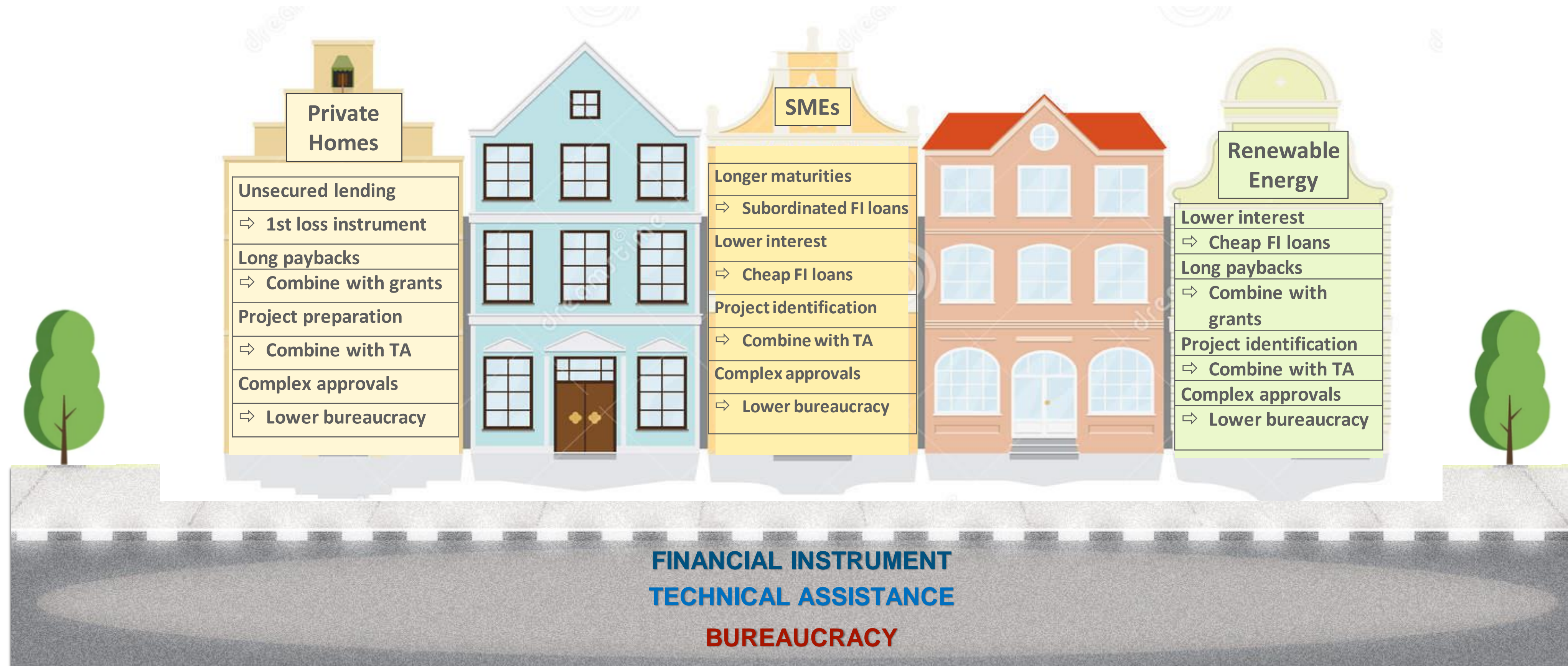
Polish ECO bank established in 1990.
Main shareholder:
National Fund for Environmental Protection and Water Management



Goetz von Thadden
**European Investment
Bank**

How to mobilise private investment for the green transition

The learning curve and the opportunities across different sectors



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Čestmír Hrdinka
**National Development
Bank**

New Financial Instruments in the 2021-2027 period in the Czech Republic

Preferential Loan - Transformation

Financed from **Just Transition Fund**

Aid for the most affected **coal regions**:

- Karlovy Vary Region, Ústí nad Labem Region, Moravian-Silesian Region

For investments by **SMEs**

- **Loan** up to 90 % of eligible expenses
- **Amount** CZK 0.5 – 60 million (EUR 21k - 4.2 mil.)
- **Maturity** up to 10 years
- **Grace period** up to 4 years

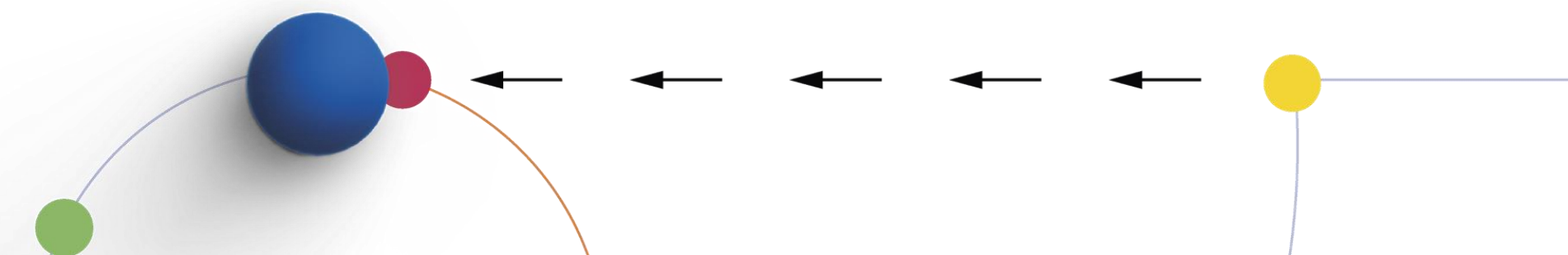
Pilot FI for Renewable Energy (FVE)

RES in the Czech Republic have been financed only by **grants** in the past

Energy prices allow for **FI as alternative form** of support

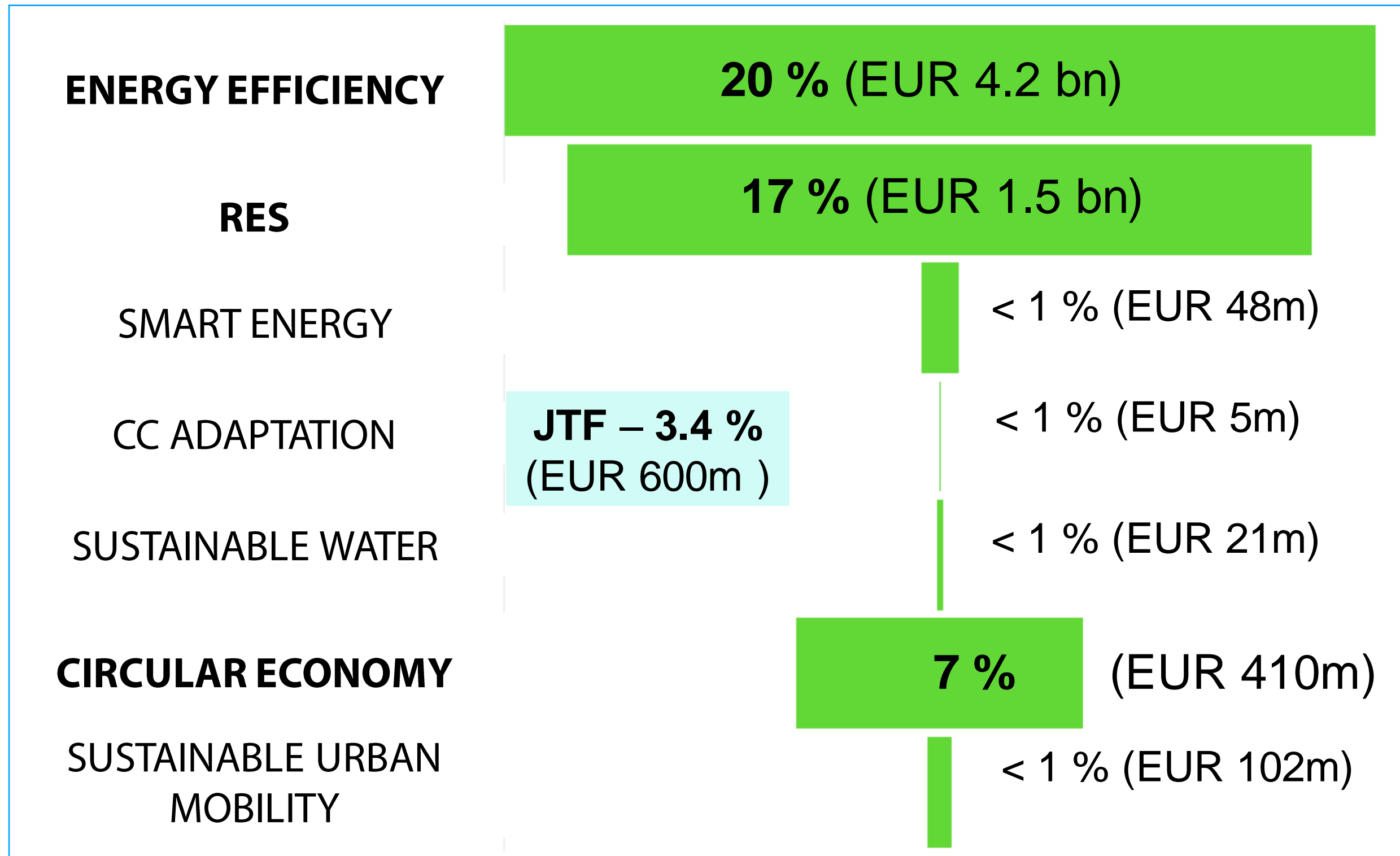
Recent agreement between MA (Ministry of Industry and Trade) and State Environmental Fund to prepare **FI on a pilot basis**

Proposed product: guarantee scheme with a “bonus” / a grant component



Agnė Kazlauskaitė
European Commission,
DG REGIO

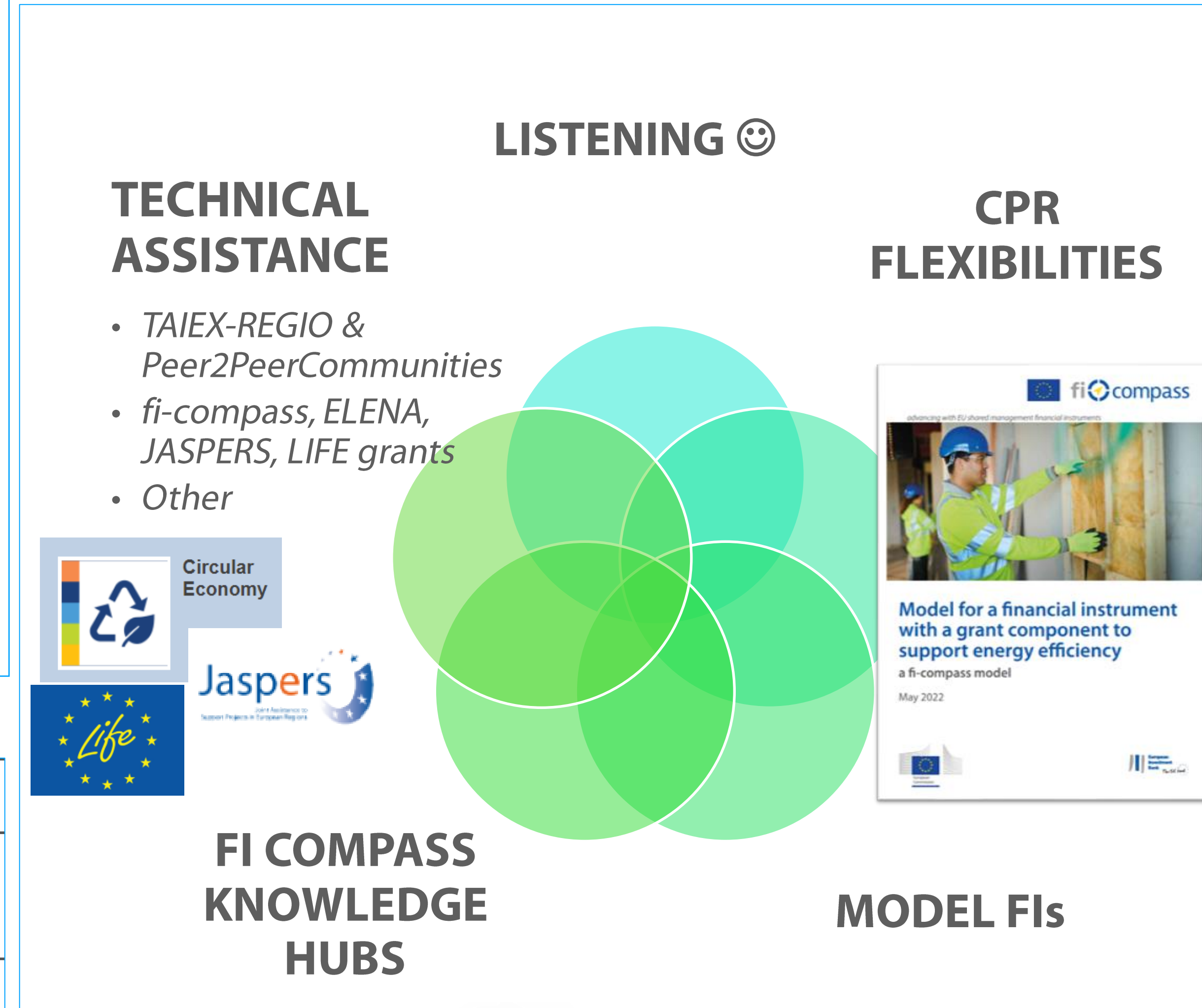
FI'S FOR GREENER EUROPE IN 2021-2027 PROGRAMMES (ERDF+CF)



CAN WE DO MORE WITH FIS ?

- Sector-wise** – other circular transition sectors, Greentech
- Funding-wise** – alternative financing ideas (crowdfunding, impact investing, green bonds/SLBs, greening of firms)
- Organisation-wise** – complementarity vs. competition

HOW CAN WE HELP ?



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Thank you

www.fi-compass.eu

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