



# Financial instruments to support Energy Efficiency in housing

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# Study on potential for financial instruments in EE investment



**Purpose:** support post-2020 programme negotiation

**Methodology:** analysis of National Energy and Climate Plans (NECP), complemented with other studies, databases and expert interviews

Study is available on *fi-compass* website and comprises:

- **Executive summary** - overview of the challenges and opportunities for financial instruments in the 2021-2027 programming period;
- **Member State summaries** – EE targets, existing/planned measures, main issues and investment barriers, existing support and financial instruments, estimated potential for all 27 Member States
- An **in-depth analysis** with stronger focus on investment needs for 10 selected Member States (BG, CZ, ES, FR, HR, HU, IT, PL, PT, RO)



<https://www.fi-compass.eu/erdf/potential-investment-energy-efficiency-through-financial-instruments-european-union>



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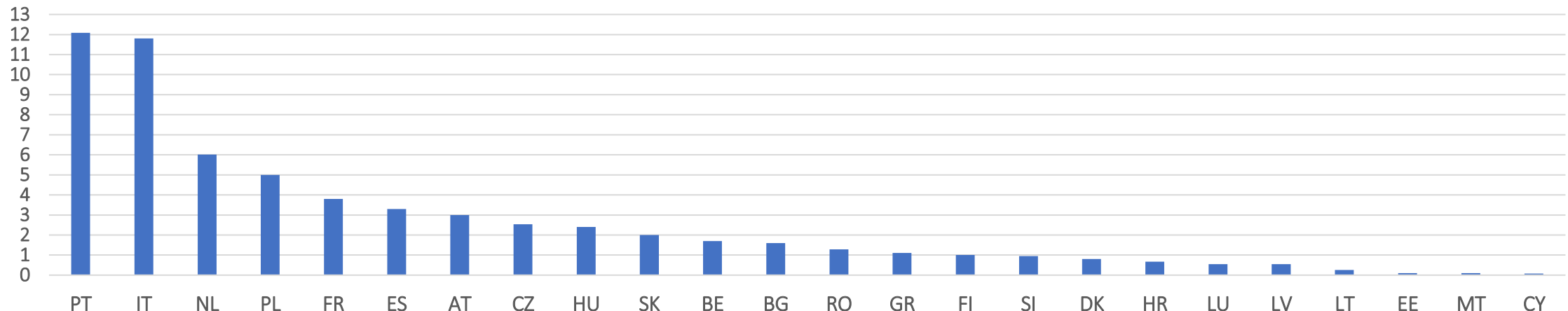


# EE investment needs



- EC estimates an **investment gap of EUR 185bn per year** at the EU level
- The gap is mainly in the **residential sector (EUR 115bn)**
- Based on the 27 **National Energy and Climate Plans (NECP)**, an investment needs of circa **EUR 62bn per annum** can be quantified (although MS used non comparable methodologies)

*Annual EE investment needs over the 2021 – 2030 period (EUR bn) as reported in the NECPs*



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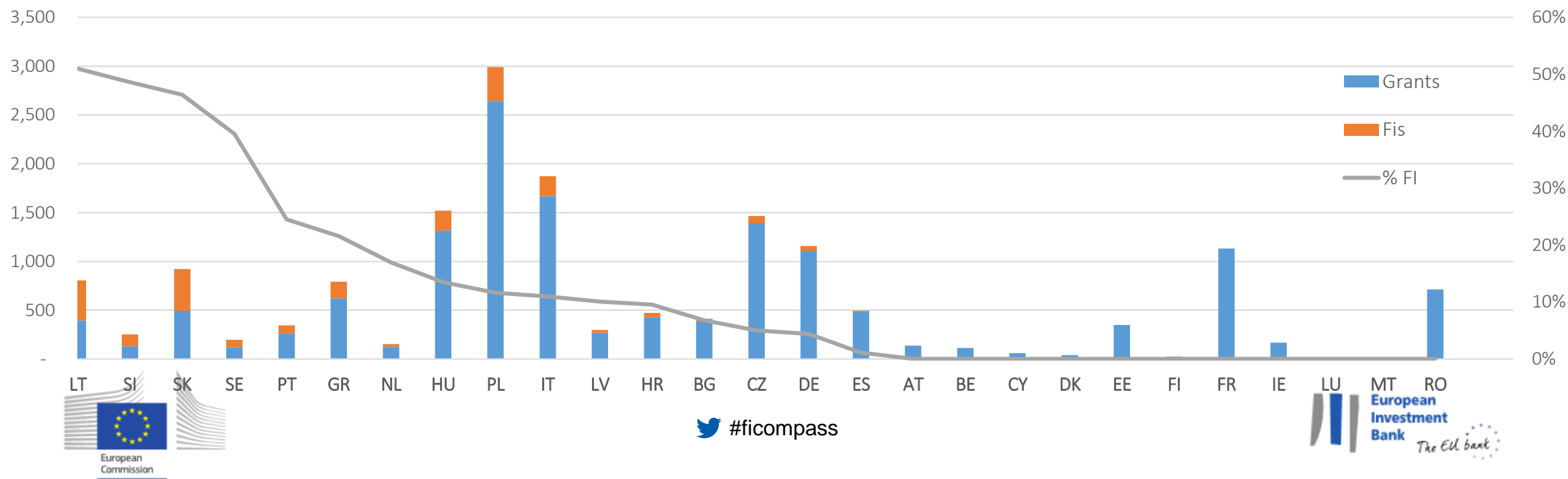


# ESIF and EE (2014–20)



- **ESIF** have played a crucial role and it is estimated that over the 2014-2020 period, circa **EUR 17.6bn were allocated to support EE** investments
- Although there is high potential for financial instruments in the EE sector, **only a fraction (circa 14%) of EE ESIF were used via financial instruments**

*EE ESIF resourced allocated via grants and FIs (left axis in EURm)*



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# Main barriers to EE investments - final recipients



- **Lack of awareness** of EE benefits is commonly identified issue across countries
- **Limited financial returns and long payback times**
  - especially for deep renovations and where EE investments are combined with non-energy related measures (e.g. earthquake resilience)
  - state regulations keep residential energy prices low
  - divergent interest of landlords and tenants
- **Multi-apartment buildings** face specific barriers, related to decision making and difficulties in lending to housing associations/cooperatives
- **Financial capacity constraints** of homeowners – energy poverty and low income are not just liquidity issues



# Main barriers to EE investments - intermediaries & policy



- **Grant dependency** of households
- **Limited capacity of financial intermediaries** to provide financing for EE renovations on the basis of expected savings; and to cope with risks associated to some specific EE transactions
- **Limited technical capacity/contractor capacity** to undertake the scale and quality of the works needed
- **Complexity of renovation process**, access to financial support, integration of renewable energy resources, ...
- Lack of awareness/ lack of offer of **payment for performance** solutions (e.g. contracting, subscription models)

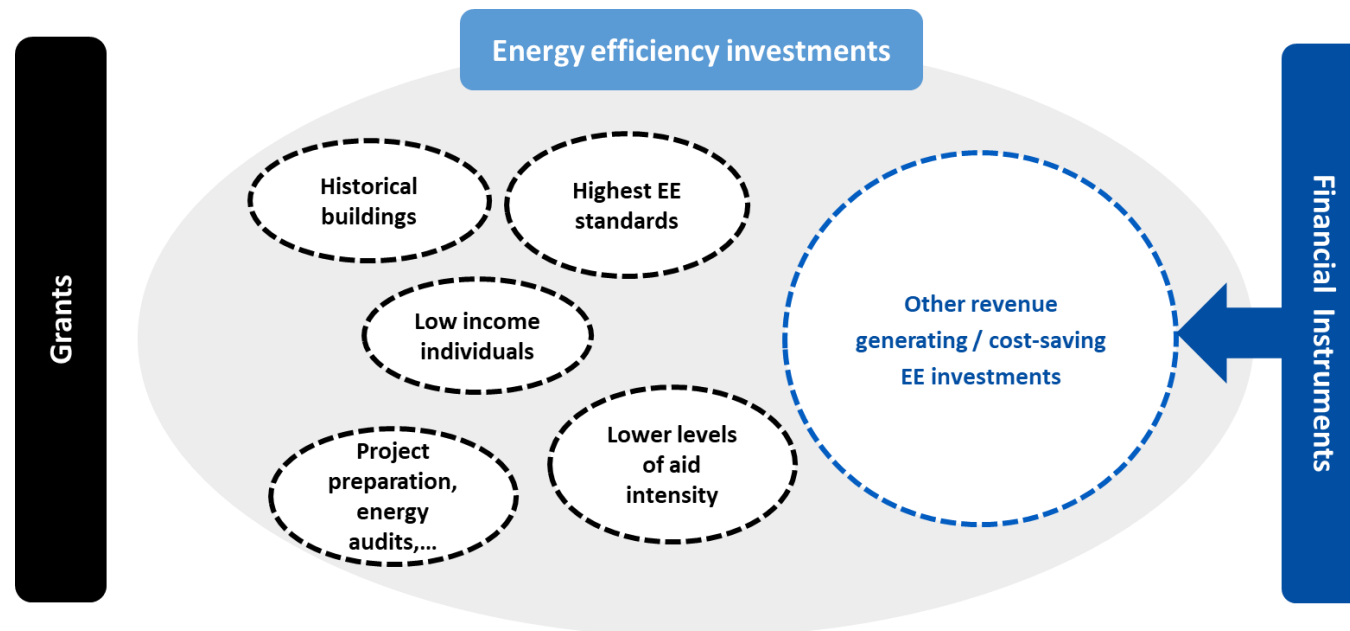


# EE financial instruments: main recommendations (i)



Considering the **investment needs and limited public resources**, and the capacity of EE investments to (at least partially) **pay back the investment**, it is opportune to sharply **increase the use of financial instruments** From the analysis performed, **horizontal recommendations** can be identified:

1. **ESIF FI/grant combination** will be easier in the next programming period and capital rebates will be possible, thus allowing the setup of more attractive financial products



# EE financial instruments: main recommendations (ii)



2. **Technical support** is key (over the entire life cycle and towards various stakeholders) – capacity building, project development services, one-stop shops, quality control, ...
3. **Coordination with other supporting schemes**, combination flexibilities have a role to play here
4. **National or multi-regional financial instruments** are more effective in attracting intermediaries and in rolling out EE financial products
5. Financial instruments can promote **payment for results** solutions (e.g. contracting, subscription, etc.) providing tailor made financial products to ESCOs and supporting companies operating in that sectors





