



**Paula Rey Garcia**, Deputy Head of Unit, DG ENER, European Commission

**Carlos Sanchez Rivero**, Team Leader, Energy Efficiency Finance, DG ENER, European Commission

## Financing the EU Renovation wave through financial instruments in combination with grants

**Olivier Dumoulin**, Policy Officer, DG REGIO, European Commission

**Götz von Thadden**, Head of Unit for Financial Instruments in the Baltic Sea & Northern Europe, European Investment Bank



 #ficompass





# Renovation wave for climate neutrality and recovery

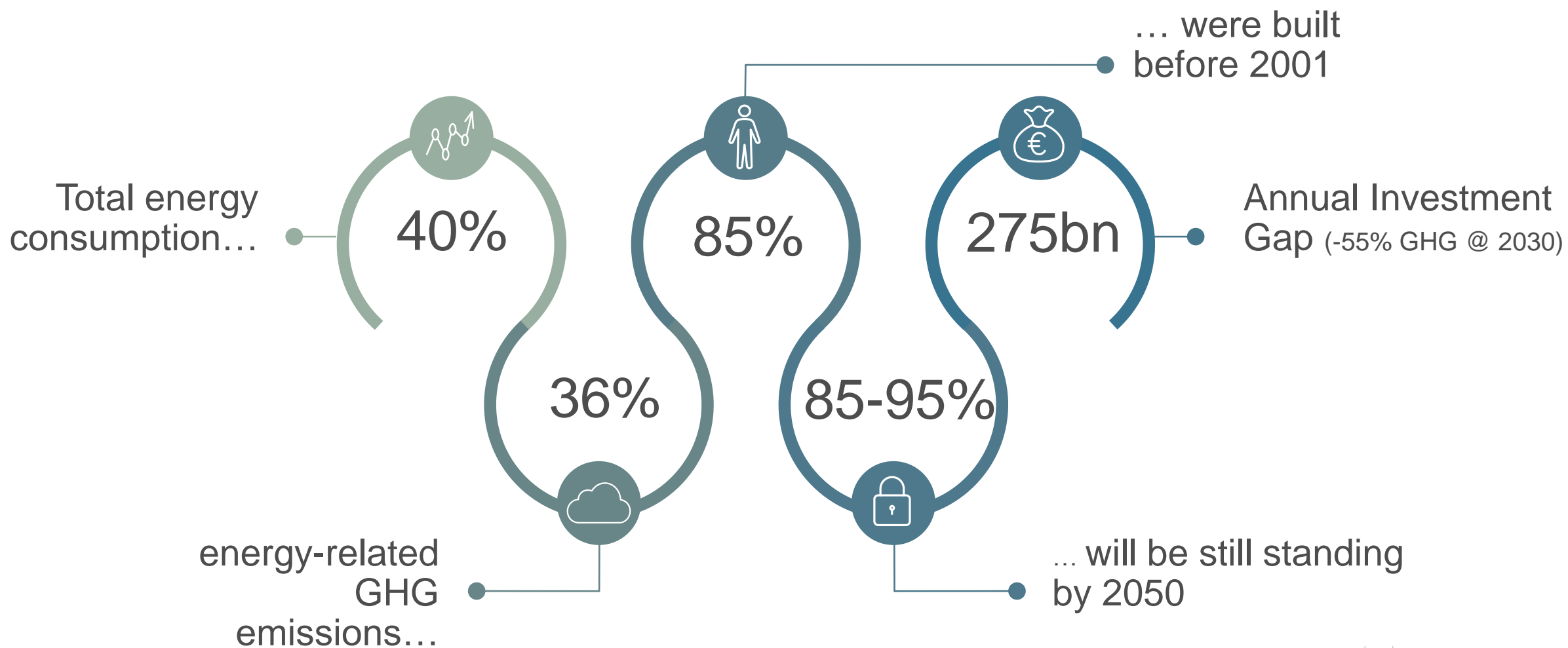
**Paula Rey Garcia**, Deputy Head of Unit, DG ENER,  
European Commission



 #ficompass

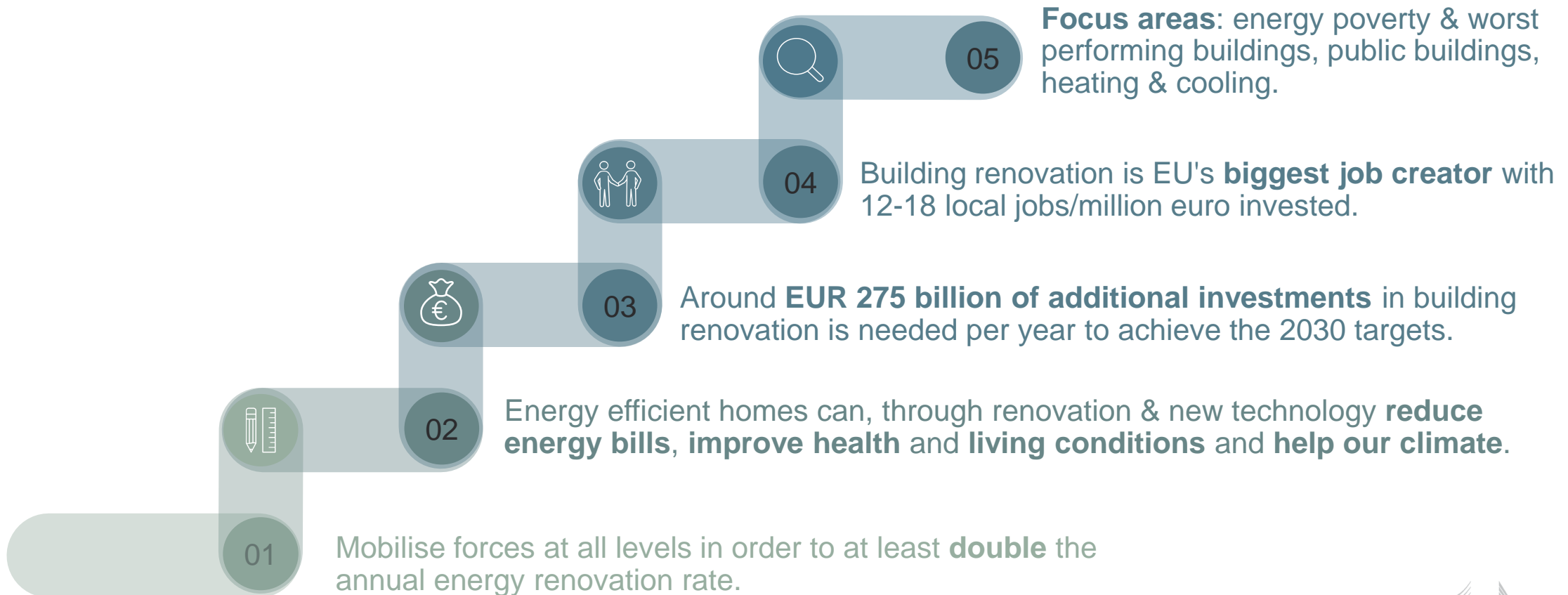


# Buildings in numbers



# Renovation Wave

## *Key messages*



# FLAGSHIP AREAS FOR INVESTMENTS AND REFORMS



## POWER UP

CLEAN TECHNOLOGIES AND RENEWABLES



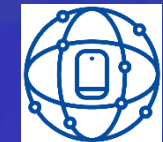
## RENOVATE

ENERGY EFFICIENCY OF BUILDINGS



## RECHARGE AND REFUEL

SUSTAINABLE TRANSPORT AND CHARGING STATIONS



## CONNECT

ROLL-OUT OF RAPID BROADBAND SERVICES

## MODERNISE

DIGITALISATION OF PUBLIC ADMINISTRATION



## SCALE-UP

DATA CLOUD CAPACITIES AND SUSTAINABLE PROCESSORS



## RESKILL AND UPSKILL

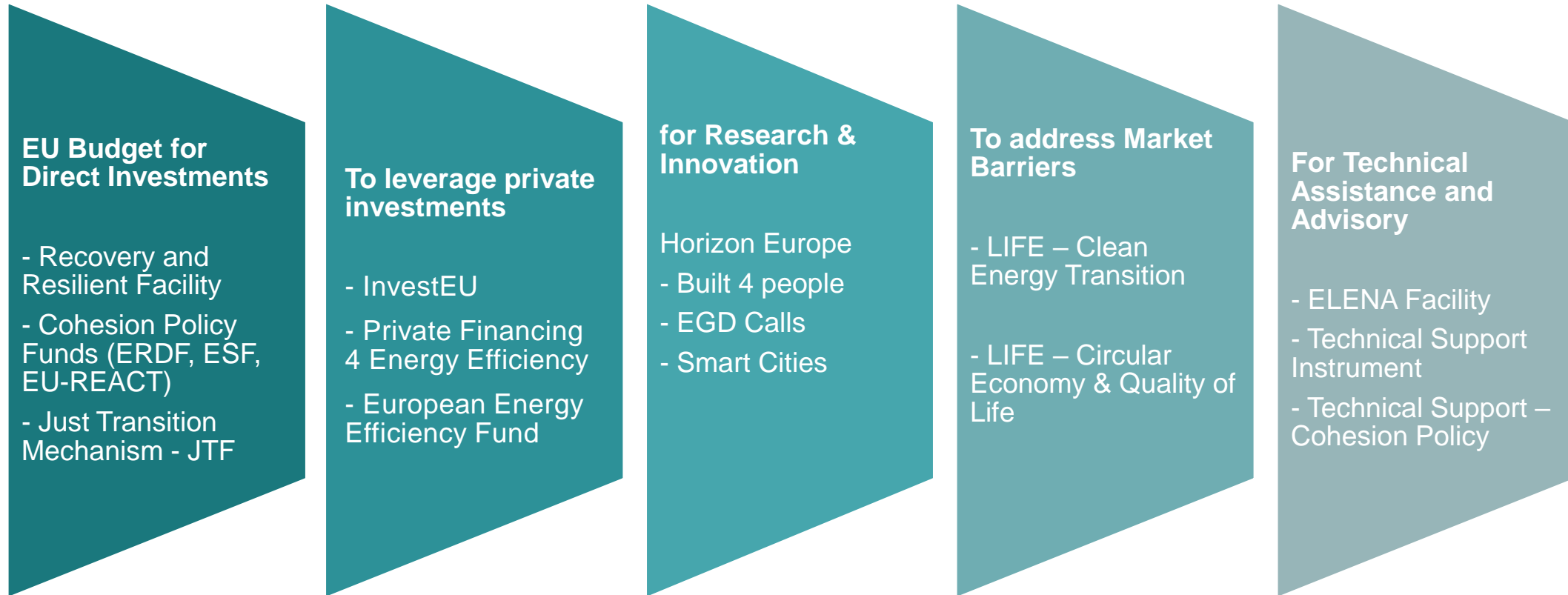
EDUCATION AND TRAINING TO SUPPORT DIGITAL SKILLS



# Renovate

- Objectives: jobs & growth, the green transition and social resilience
- Reforms
  - Supportive legislative package for energy and resource efficiency in buildings
  - National plan for skills development and a certification scheme for professionals
  - One-stop shops facilitating energy renovation projects across their lifetime
  - Transferrable on-bill recovery scheme
- Investments
  - Energy and resource efficiency scheme based on comprehensive energy performance contracts
  - Home renovation support scheme for residential buildings and social housing
  - Reuse and recycling infrastructure investments
- Milestones/targets
  - By QX-20XX, achieve X% of annual renovation rate of public buildings and social infrastructures
  - By QX-20XX, set up X pilot one-stop shops to test their operationalisation

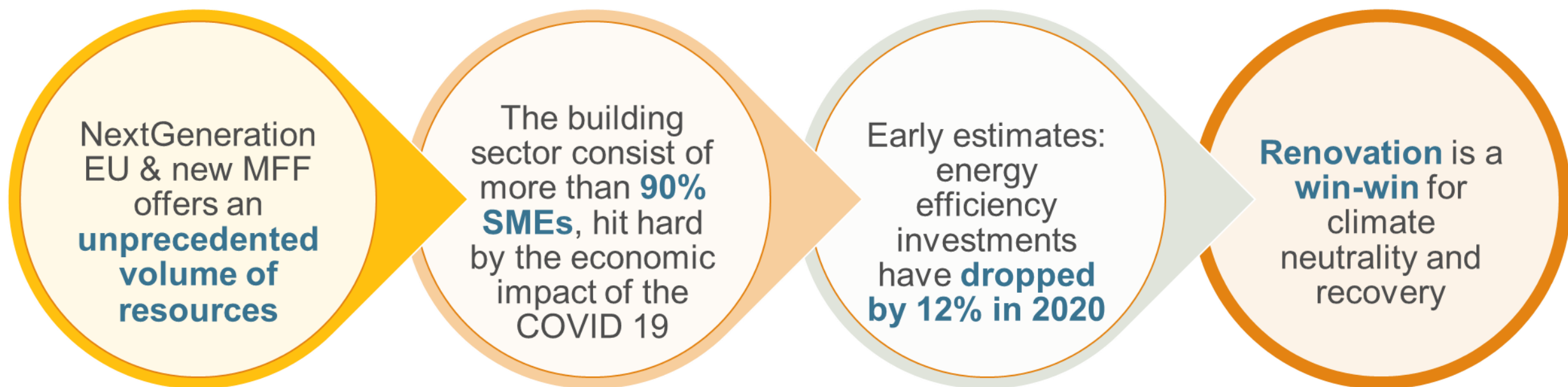
# Financial instruments can use Cohesion policy resources alongside the Recovery and resilience facility and Invest EU to leverage additional funding



- Financing solutions for low-income households through the use of grants, or of energy savings for repayment
- Cohesion Policy funds targeted for high performance, aligned with NEPS and Long-Term Renovation Strategies



# Why is it the right momentum?





Further details on:

[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1835](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1835)

[https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave\\_en](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en)

[https://ec.europa.eu/info/departments/recovery-and-resilience-task-force\\_en](https://ec.europa.eu/info/departments/recovery-and-resilience-task-force_en)

[https://ec.europa.eu/info/sites/info/files/component\\_renovation.pdf](https://ec.europa.eu/info/sites/info/files/component_renovation.pdf)



# Financing the Renovation wave

**Carlos Sanchez Rivero**, Team Leader, Energy Efficiency  
Finance, DG ENER, European Commission



 #ficompass



# EU funding driving investment for renovations



**Recovery and Resilience Facility** (EUR 672.5 billion, 37% climate initiatives) and including European Flagships “**Renovate**” and “**Power Up**”.



**Cohesion Policy Funds** (proposed budget of EUR 330 billion) better targeted on delivering high energy performance, in line with NECPs and LTRSs objectives.



**InvestEU dedicated financial products** for energy renovation of buildings and **EIB Initiative for Building Renovation** support for the aggregation into portfolios of building renovation projects.



Facilitate **combined solutions** for project promoters, including clearer and easier **State Aid rules** (Ongoing revision of the General Block Exemption Regulation and Energy and Environmental Aid Guidelines)



# Attracting private investments and stimulate green loan financing

- Developing financing solutions with high potential to be scaled-up/innovative. Reinforcing the role of main aggregators: financial institutions, utilities, ESCOs.
- Supporting the activation of private-sector investments at national and European level through EEFIG and SEI Forums.
- Spur the development of **green loan and mortgage financing**. standards and labels for sustainable financial products: green mortgages, green loans and green bonds.
- Supporting de-risking energy efficiency investments. Proposal to incorporate environmental, social and governance (ESG) risks into the Capital Requirements law and the Solvency II Directive
- Consider the introduction of a **‘deep renovation’ standard** as part of the EPBD revision and in line with the development of the **EU Taxonomy**.



# Increasing capacity and technical assistance



*“Preparing a good renovation project, matched with the best financing sources available, is difficult and often very complicated for individuals or small local authorities. Thus, **technical assistance is going to play a key role for the expected increased rates and quality of renovation.**”*  
(RW Communication).

# Leveraging private financing with EU Funds

**Integrated schemes for building renovation** combining grants, technical assistance and loans.

Replication of **ELENA model**, together with the **EIB**, at national and regional level.

Support setting up **standardised one-stop shops** at national, regional or local levels.

Investment schemes based on **energy performance contracting** targeting public buildings and social housing

Financial instruments/ Innovative financing solutions through **on-bill and on-tax schemes**



## Financing the EU Renovation wave through financial instruments in combination with grants

**Olivier Dumoulin**, Policy Officer, DG REGIO,  
European Commission



 #ficompass





# Policy Objective 2 – Greener, carbon free Europe

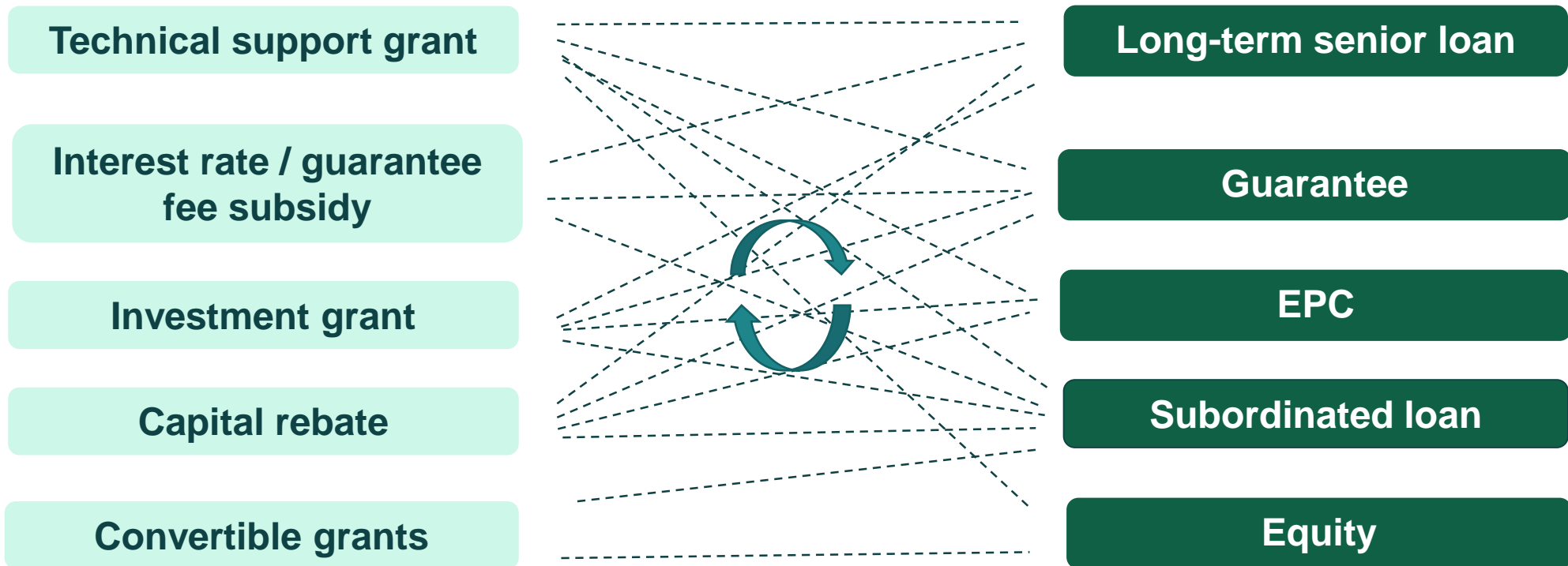
- The main policy objective is to make a greener and low-carbon Europe, by **promoting clean and fair energy transition**, green and blue investment, the circular economy, climate adaptation and risk prevention and management.
- Investments under PO 2 should focus on achieving 7 specific objectives:
  - **2.1 Promoting energy efficiency (EE) measures**
  - 2.2 Promoting renewable energy
  - 2.3 Developing smart energy systems, grids and storage at local level
  - 2.4 Promoting climate change adaptation, risk prevention and disaster resilience
  - 2.5 Promoting sustainable water management
  - 2.6 Promoting the transition to a circular economy
  - 2.7 Enhancing biodiversity, green infrastructure in the urban environment, and reducing pollution

# Energy efficiency – Typical market failures

- EE investments are usually structured in such a way that **financing costs are** (at least partially) **covered by savings** on energy expenses, thus **viable for FI**.
- Still, grants are needed to help overcome the following constraints/barriers:
  - Significant need for **technical support**: project design, launch, monitoring and commissioning → finance support services
  - Project promoters **lack incentives** to prioritize / carry out EE investments, in particular deeper renovations
  - EE projects report a **long payback time** / **limited financial return**
  - Final recipients may have a **limited financial capacity** / social issues
  - **Unadequate market finance supply** (limited tailored products, high perceived risk, EE savings not factored in the financing decision, ...)

# Energy efficiency – Financing options

*Examples of combinations\* depending on market failures and context, e.g.:*



*\* Non exhaustive combination options, subject to CPR and other applicable rules (e.g. State aid)*

# EE FI under shared management



## Greece - ERDF co-funded Energy Savings in Existing Housing FI (2007-13)

Two products provided by the Programme to support households' energy saving investments .:

- a loan with a commercial and a subsidised component
- a grant as non-repayable support (15% to 70%) covering part of the investment costs, the cost of the energy audit and of the project consultant.

The proportion of these elements varied depended on homeowners' income.



## Estonia - ERDF co-funded EE Renovation Loan FI (2007-13)

Focus on EE retrofit investments by homeowner associations in multi-apartment buildings.

Renovation loan co-funded combined with grants funded by State budget resources:

Technical support grants up to 50% for energy audits

Investment grants depending on the energy savings achieved:

- ✓ 20% to 30%: grant equivalent to 15% of total eligible costs
- ✓ 30% to 40%, grant of 25% of total eligible costs ;
- ✓ 50% and above: grant of 35% of total eligible costs.

# EE FI under shared management



## Lithuania - ERDF co-funded FI for energy efficiency (2014-20)

Renovation loan FI targeting energy efficiency retrofit investments in residential housing, with a focus on homeowner associations in multi-apartment buildings. The loan FI has been co-funded by ERDF, and is combined with different types of grants as follows:

- ERDF interest rate and technical support subsidies at FI level
- State budget grants to fully compensate for loan capital and interest payments of lower income individuals at project level
- Capital rebates from State budget at project level: Energy savings of 40%: rebate of 25% ; Energy savings of 50%: rebate of 35%

# Combination in one operation

- Art. 52(5) CPR: major evolutions !

‘Financial instruments may be combined with programme support in the form of grants in a **single financial instrument operation**, within a **single funding agreement**, where both distinct forms of support shall be provided by the **body implementing the financial instrument**. In such case, the **rules applicable to financial instruments shall apply** to that single financial instrument operation. The programme support in the form of **grants shall be directly linked and necessary** for the financial instrument and shall **not exceed the value of the investments** supported by the financial product.’

# Combination in one operation

Grant is directly linked & necessary to the FI

Grant is part of the funding agreement (Annex IX) & is provided by the body implementing the FI (HF/Fint.)

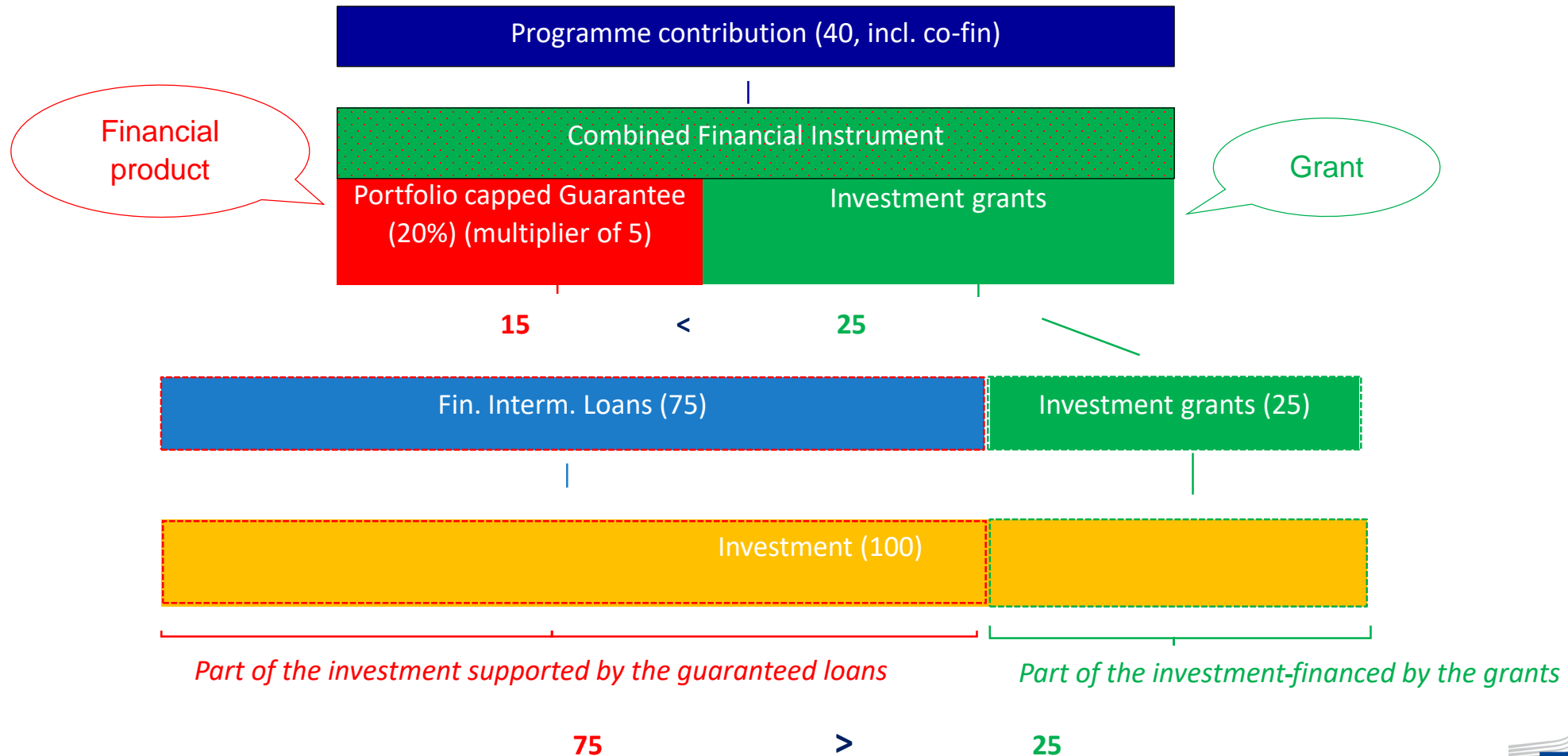


The programme support in the form of grants does not exceed the investments supported by the FI product

FI rules apply to grants when combined in one FI operation



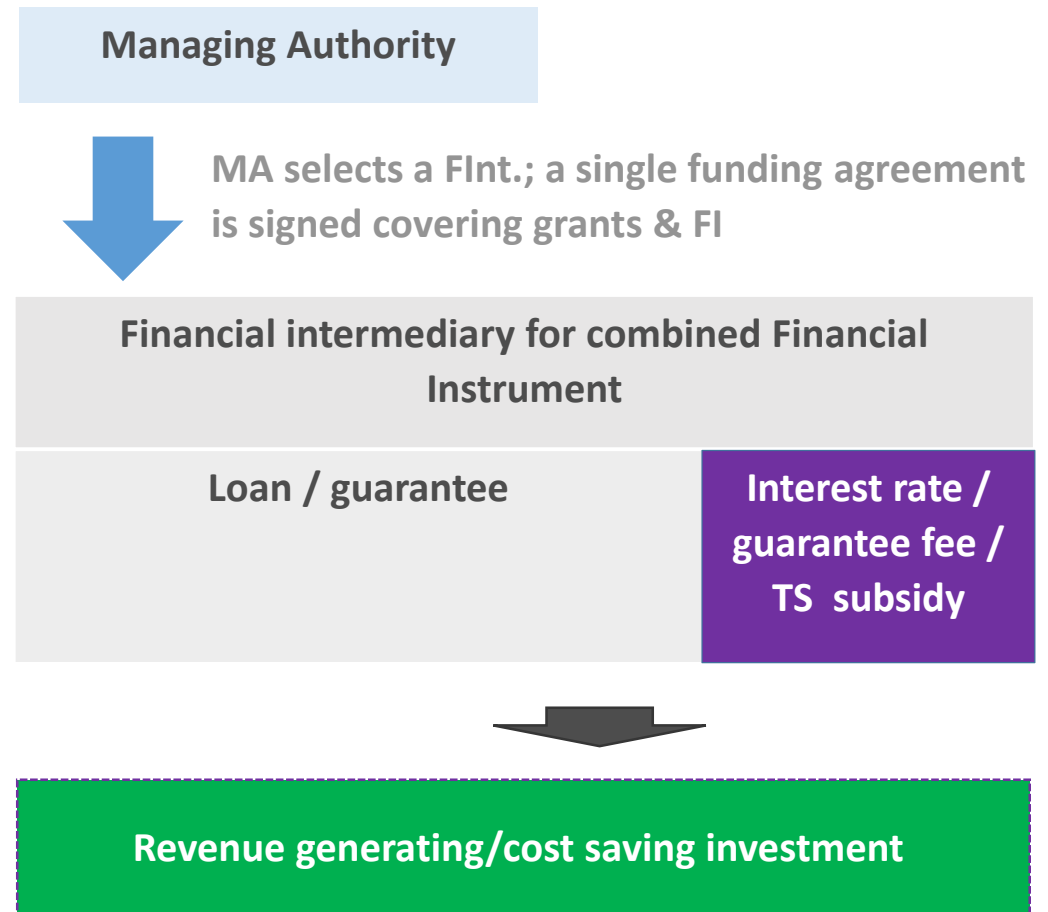
# Combination in one operation: guarantee FI



# FI and Interest Rate / Guarantee Fee / Technical Support subsidies

**NEW !**

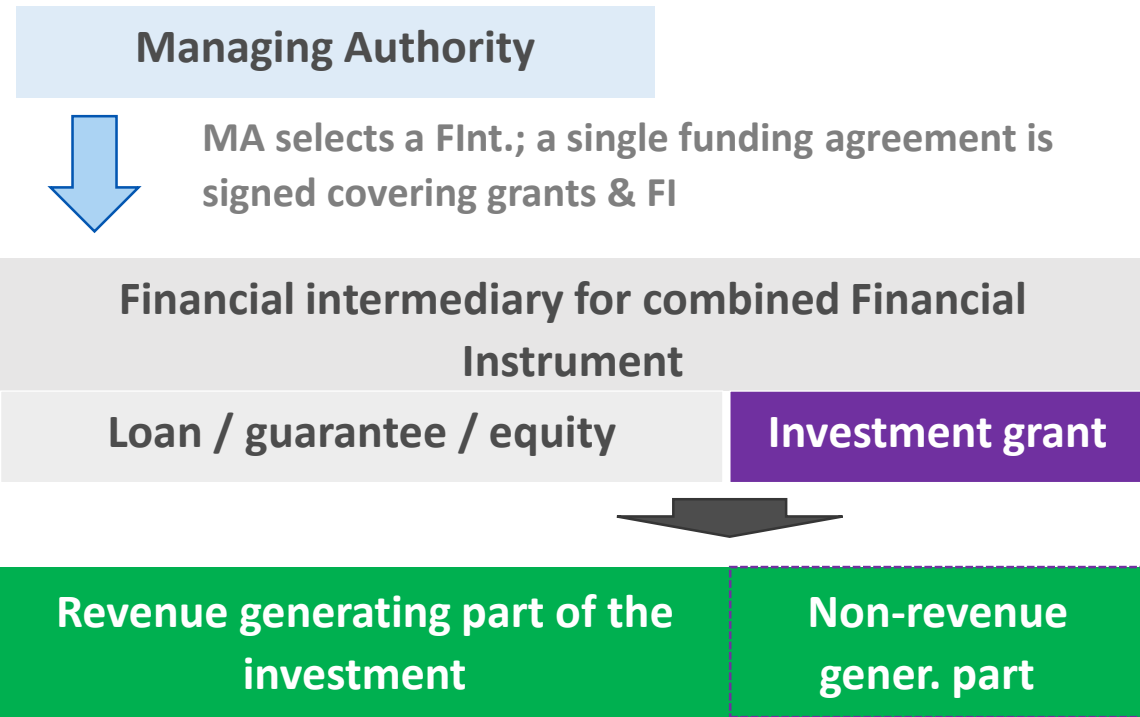
- The IR/GF subsidy may be **directly paid** to the final recipient.
- The condition for the Technical Support grant is calculated at FI level and not at final recipient ('FR') level.



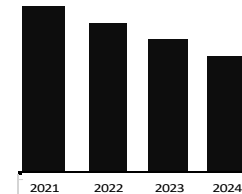
# FI and Investment grants

**NEW !**

An **investment grant** may be combined with a FI in one operation to e.g. cover the investment's **viability gap** or **reduce financial burden on FR.**



Loan amount

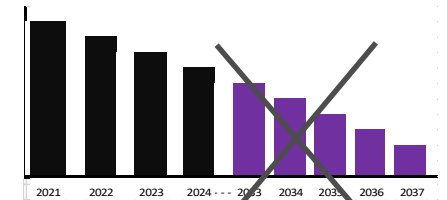
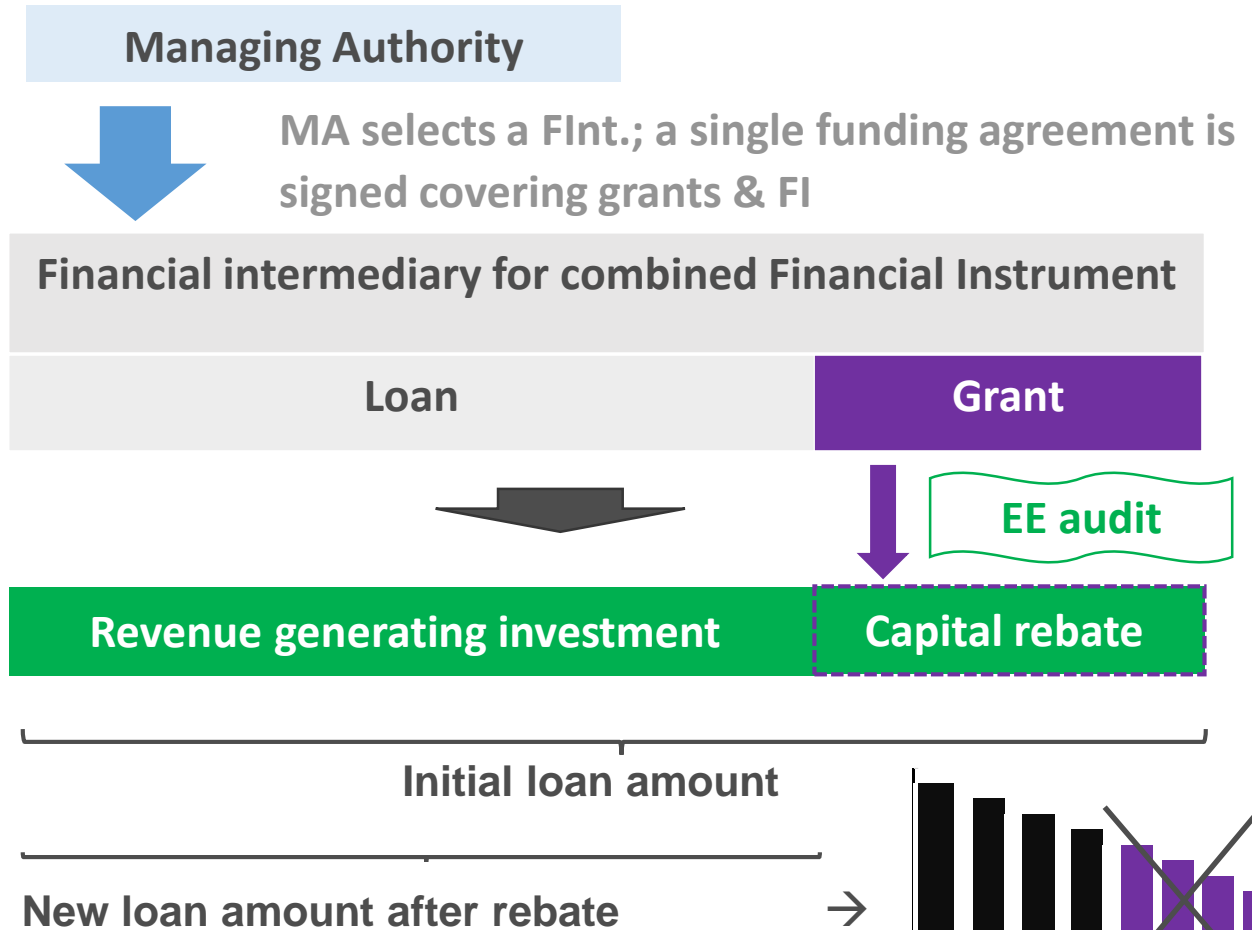


# FI and performance-based grants

**NEW !**

Various **performance-based grants** may be combined with FI in one operation, such as:

- **forgivable loan** (e.g. capital rebate)
- **recoverable grant**
- **convertible grant...**



# Q&A

- **Will bodies implementing the FI be selected through separate procedures for the grant and for the financial instrument parts in case of combinations in one operation?**
  - No, a single selection procedure will be applied for selecting bodies implementing combined FI.
- **Do final recipients have to participate in a grant call for combinations in one operation?**
  - No, final recipients will submit a single financing application for the FI and grant to the financial intermediary in line with FI rules and the market practice of the financial intermediary.
- **How will Flnt. be remunerated to manage combinations of FI and grants in one operation?**
  - Management costs and fees will be calculated on the combined amount of grants and FI, compensating the Flnt. for the additional management costs incurred for grants.
- **How will payments be made to final recipients in case of combinations in one operation?**
  - Grants and FI are provided by the body(ies) implementing the FI, i.e. Holding fund and/or Flnt.
  - Payment schedule in line with project needs



## Financing the EU Renovation wave through financial instruments in combination with grants

**Götz von Thadden**, Head of Unit for Financial  
Instruments in the Baltic Sea & Northern Europe,  
European Investment Bank



 #ficompass



# Renovation challenge: Lithuania



About **30,000** multi-apartment buildings in need of energy efficiency improvements

## Challenges:

- Limited national funds allowing for max. 40% grant rate
- Unsecured lending too risky for banks
- Limited EU funds to structure financial instrument

## Objective:

- Leverage EU Structural Funds **to attract financing from private sector** at an attractive price

## Funding Sources:

EUR 1bn - EUR 250m ERDF 2014-2020 and EUR 705m financing from commercial lenders (incl. IFIs)

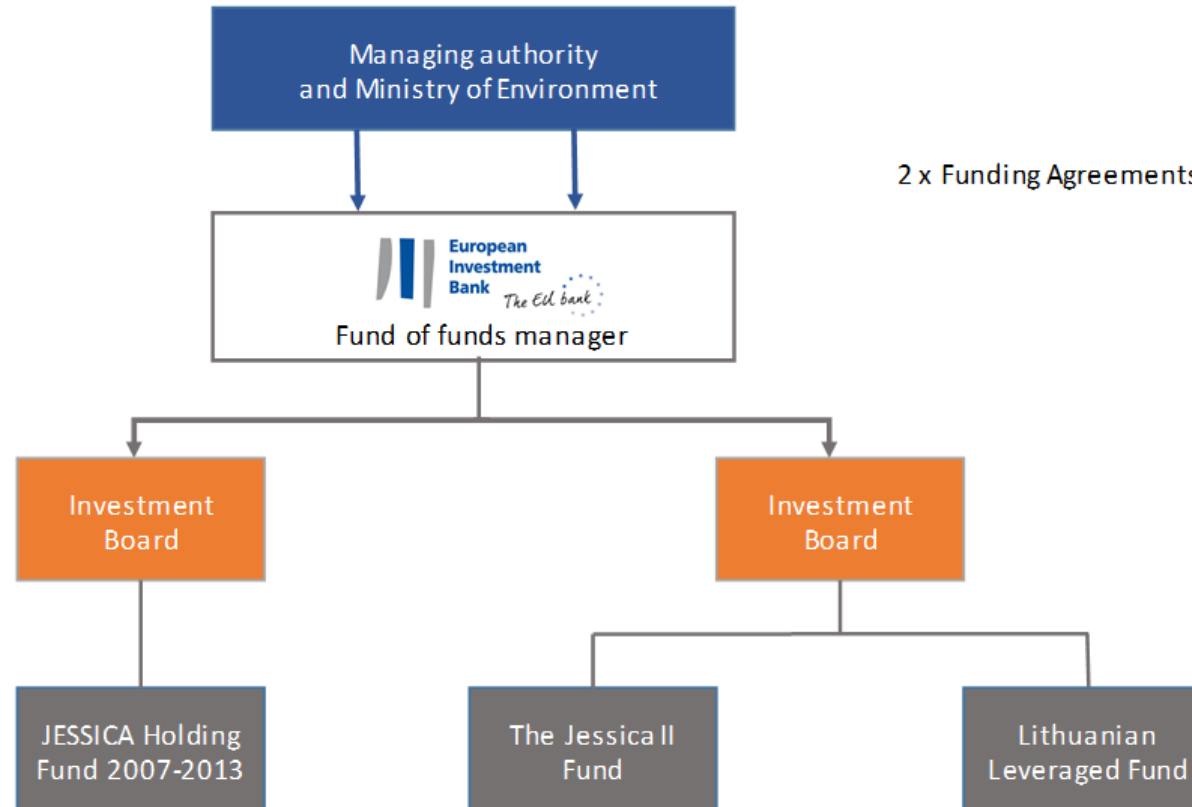


 #ficompass





# Governance structure



# Timeline of implementation and types of instruments



Time period	Actions taken
November 2014	Approval of ex-ante assessment
May 2015	Funding Agreement
August 2015	Signature of the <b>pre-financing agreement</b> with financial intermediary
September 2016	Updated ex ante assessment – first revision
December 2018	Signature of <b>guarantee agreement</b> with the financial intermediary
September 2019	Updated ex ante assessment – second revision
December 2019	Commencement of procurement of financial intermediary under the <b>investment platform</b>

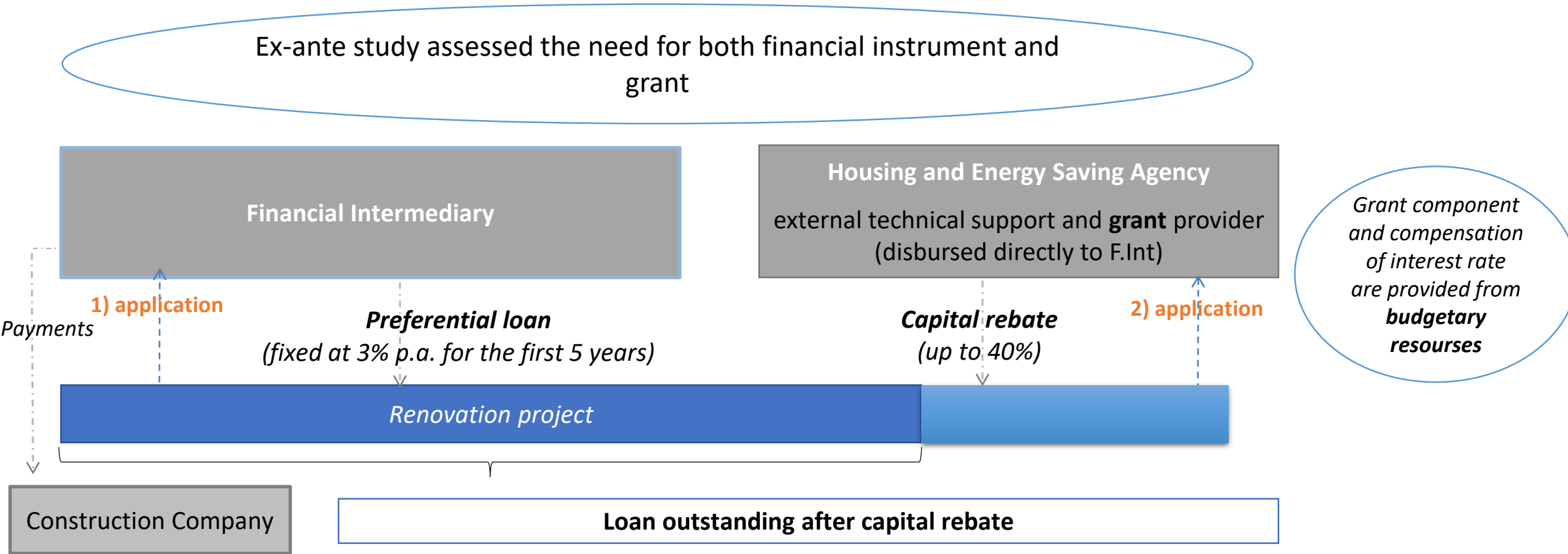
# Different types of grant support



- **Technical support** for:
  - investment plans
  - energy audits
  - technical project preparation
  - the administration of the implementation of the renovation
- **Interest rate subsidies** to help reduce the cost of borrowing for the final recipients
- **Capital rebates** of 30% of the project cost where minimum energy performance standards are achieved
- **Additional 10% capital rebate** of the project cost where additional energy efficiency measures are achieved.



# Financial instruments in combination with grants



#ficompass



# Renovation Project of the Year 2019



## *Kosmonautų St. 2, Marijampolė*

Year of construction	1993
Number of apartments	54
Heating, kWh/m2 (before and after)	140.19 and 27.71
Decrease in CO2 emissions	0, 09467 t/year
Energy efficiency class, (before and after)	'E' and 'B'
Investment cost per m2 before subsidy	EUR 262



 #ficompass



# Outputs of 2014-2020 at end of September 2020



**435** million  
signed



disbursed

2014-2020

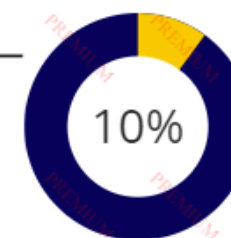
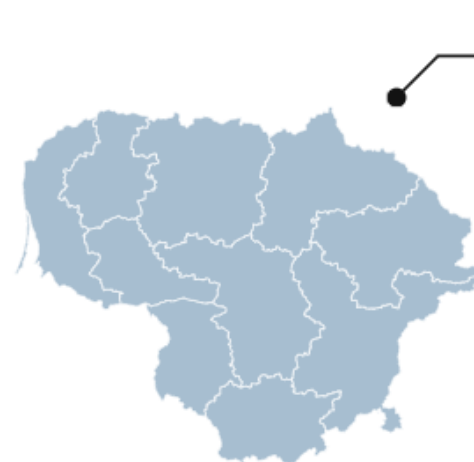
**2,4M**

total apartment block area  
renovated

**50,000**



number of households affected



Renovated under EIB management since 2009

**1457**

Number of loan agreements  
signed during 2014-2020

**~410 GWh**

amount of thermal energy  
saved, per annum

**~95 tCO<sub>2</sub>**

reduction per annum



#ficompass



# Outlook: Renovation Wave



- **Investment platform** for energy efficiency in apartment blocks as a part of COVID-19 crisis response, which allows public funds to cover the first loss and lenders to rank according to their risk appetite.
- **Increase in renovation:** from current **500** multi-apartment buildings p.a. to **1 400** p.a. during the period of 2041 - 2050. This will lead to savings of **60%** of current energy consumption and decrease CO2 emissions by **80%**.
- Sustainable **district renovation** to increase quality of life and integrated city approach.





