

The Efficient Buildings Community

Technical Paper

MED Financing Schemes and barriers

*The Efficient Buildings Community aims to establish a joint transnational framework, raise awareness and learn from other experiences to reinforce a common understanding around energy efficiency in public buildings in Mediterranean's regions.

As nearly 40% of final energy consumption in Europe is in buildings, this must be a priority sector for energy efficiency policy. Some European Directives (EPBD and EED) set minimum energy performance requirements and stress that public administrations have an exemplary role.

The Efficient Buildings Community* gathers experiences in energy efficiency in public buildings from practitioners in the Mediterranean area. This factsheet gives an overview of available existing barriers and financing schemes to implement Energy Efficiency projects in Public Buildings in the Mediterranean area.



Countries with national, regional and/or other funding information available
(Source: ENERJ from MEDNICE)

In order to facilitate the financing of public Energy Efficiency projects, several financial mechanisms are available at the European, national and regional level. As a first level, several EU programs and financial schemes can be found, which in most cases could be joined with regional and local actions:

- **European Structural and Investment Funds** (ERDF, Cohesion Fund).
- **European Funding Programs** (LIFE, Horizon2020...).
- **European Project Development Assistance** (ELENA, JASPERS, etc.).
- **Financial Institutions Instruments** (EFSI, EEEF, etc.).
- **Energy Service Contracting** (Energy Performance Contracting, Energy Supply Contracting, etc.).
- **Alternative Financing Schemes** (Crowd-funding, On Bill Financing, Green Municipal Bonds, etc.).

Some examples of the finances schemes are:

- **European Structural and Investment Funds**

European Regional and Development Fund (ERDF)

Target: local, regional, national authorities, NGOs, social cultural and educational institutions, companies SMEs and associations with the EU-28 Member States (MS) being eligible for participation.

Focus: can include Renewable Energy Sources (RES), smart distribution systems and EE infrastructure. Other focus areas may include climate change adaptation, environmental protection and resource efficiency.

Format: grants which is usually co-financed, financial instruments such as guarantees, loans, equity participation and other risk-bearing mechanisms and technical assistance support. Furthermore, European Territorial Cooperation Programmes may also provide funding opportunities.

- **European Funding Programs (LIFE, Horizon2020...).**

INTERREG EUROPE

Target: municipal institutions and administrative bodies, social, cultural and educational institutions, NGOs, companies, SMEs and associations and the countries that are included are the EU-28 along with Switzerland and Norway.

Focus: research and innovation, ICT, competitiveness of SMEs, low-carbon economy, climate change adaptation and risk management, environmental protection and resource efficiency and transport.

Format: the co-funding rate is 85% for all the priority topics and 74.52% for the 'technical assistance' axis. The funding is made available in the form of grants.

HORIZON 2020

Target: researchers, entrepreneurs, no-profit associations and public bodies.

Focus: implementation of innovative projects, and also focuses on clean energy in the building sector.

Format: co-financing can reach 100% of total eligible costs for R&D projects and 70% for innovation projects.

- **European Project Development Assistance (ELENA, JASPERS, etc.).**

European Local Energy Assistance – European Investment Bank (ELENA EIB)

Target: local and regional authorities or other public bodies and a grouping of such bodies (legal entity with public service mission, controlled by a PA and financed by more than 50% by public sources). The participating countries can be the EU-28 and the overseas countries and territories.

Focus: EE in buildings or street lighting, integrated RES in buildings, sustainable district heating/cooling systems, Combined Heat and Power (CHP) and RES, EE and integrated

Format: the projects can be co-financed up to 90% with a budget cost of more than €30 million

JASPERS

Target: local, regional, national authorities or other entities with public interest. The countries that are eligible to participate include all EU countries along with the Instrument for Pre-Accession Assistance (IPA) countries.

Focus: infrastructure, roads, rails, air and maritime transport, water and waste water, waste management, energy projects including EE in buildings, district heating, RES production and CHP, as well as urban transport

Format: The project size needs to be above €50 million and for transport cases above €75 million and the co-financing can be up to 100% of the eligible support.

- **Financial Institutions Instruments (EFSI, EEEF, etc.)**

European Fund for Strategic Investments (EFSI)

Target: public sector, entities of all sizes, including utilities, special purpose vehicles or project companies, SMEs, mid-caps, national promotional banks or other intermediate banks. The eligible participating countries include the EU-28 and Albania, Iceland, Israel, FYROM, Montenegro, Serbia, Turkey, Norway and Switzerland

Focus: (Digital) infrastructure development in transport and energy, RE, EE and energy interconnections, risk financing for SMEs and mid-caps, education, health, environmental and natural resources.

Format: There are no restrictions in the eligible project size. A guarantee of €16 billion should cover first losses of higher-risk projects and an additional €5 billion allocation of European Investment Bank (EIB) capital to co-invest

- **Energy Service Contracting (Energy Performance Contracting, Energy Supply Contracting, etc.).**

Target: It is a contract between an energy service supplier or provider and final energy user, these contracts can be divided into three groups.

- **Energy Performance Contracting (EPC):** is a contractual arrangement between a beneficiary and an ESCO about EE improvements or renewables installations. There are two types of EPC-based projects, guaranteed savings and shared savings.

- **Energy Supply Contracting (ESC):** is a contract in which the contracting partner provides energy, typically in form of heat. In this contract the ESCO undertakes installation works and supplies energy to the client. It aims at reducing supply costs rather than implementing EE measures on the demand side.

- **Build-own-operate-transfer:** under this contract, the ESCO designs, builds, funds, owns and operates the scheme only for a delimited period. The costumers are charged according to the service, which includes capital and operating costs recovery and project profit.

- **Native Financing Schemes (Crowd-funding, On Bill Financing, Green Municipal Bonds, etc.)**

Three additional schemes can provide support to actors that cannot cover the energy renovation with the previous described schemes

Soft loans, loan guarantees and portfolio guarantees

Format: Soft loan schemes (below market rates and longer payback periods) and loan guarantees (buffer by first losses of non-payment) are mechanisms whereby public funding facilitates/triggers investments in EPC. Furthermore, portfolio guarantees for ESCOs reduces the risks of payment delays, so reduces the overall costs of financing (solid protection from later payments).

Revolving Loan Funds

Format: is a source of money from which loans are made for multiple sustainable energy projects. Revolving funds can provide loans for projects that do not have access to other types of loans from financial institutions or can provide loans at a below-market rate of interest (soft loans). This counts as an example of financial instruments using ESIF.

Cooperatives, Citizen-based financing and Crowd-funding platforms

Format: pools resources of different actors, utilizing most of the time an internet-based platform. This can happen in combination with energy cooperatives, which are business models based on shared ownership and democratic decision-making procedures.

More detailed information is available in full technical paper and Modular Projects' websites.

Full technical paper:
<https://bit.ly/2o3DmwP>

Efficient Building Community:
<https://efficient-buildings.interreg-med.eu>

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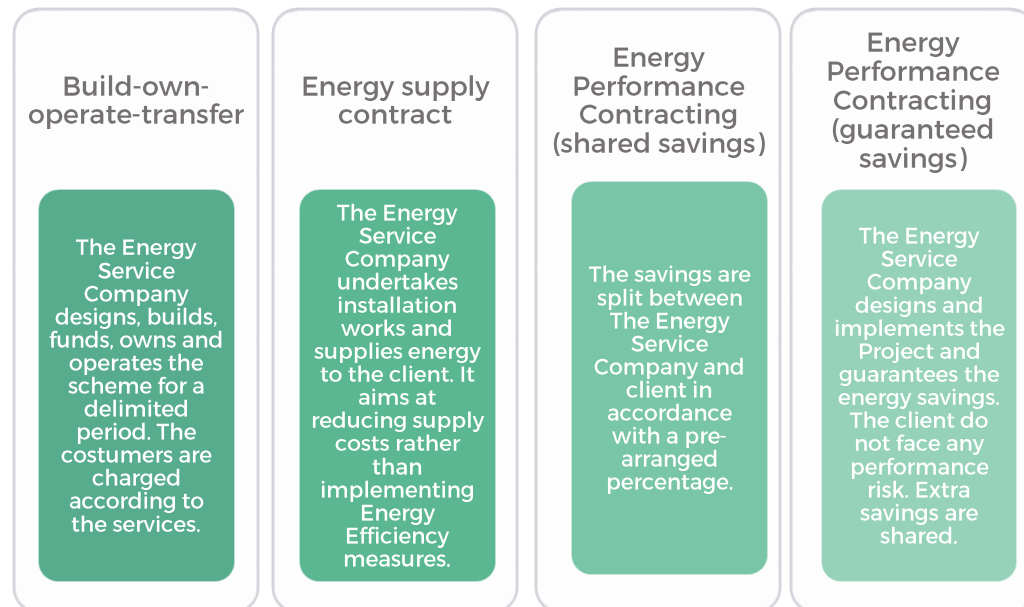
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From the Projects of the Efficient Building Community, an extended list of best practices of financed Energy Efficiency projects are shown, which in most of the cases are Energy Performance Contracting alone or complemented with other financing support. EPCs are seen as relatively reliable schemes in comparison with others, under a new regulatory framework, and already existing actors.

ENERGY CONTRACTING TYPES



Different energy contracting types (Source: MEDNICE)

Classical financing institutions are still reluctant and hesitant on financing Energy Efficiency projects with low interest rate, even for Public Administration. On this matter, the MEDNICE Efficient Buildings Community focused on overcoming existing barriers and make Energy Performance Contracting a day to day market option. Specifically:

- **Overcoming structural barriers** like issues related with procedures, heterogeneous legislation and conflicts with different administration levels.
- **Overcoming technical barriers** like lack of data and supporting material or low consolidation of some technologies with long pay-back periods.
- **Overcoming financial barriers** like the lack of dedicated loans and resources, debt limitation of municipalities, difficulties to manage subsidies and need of effective financial models.
- **Overcoming knowledge barriers** like insufficient awareness and trust towards new financial schemes or lack of internal technical know-how of buildings owners.
- **Overcoming other barriers** like small dimension of Energy Efficiency projects or communication issues with buildings users.