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# Innovative mechanisms for financing the renovation wave

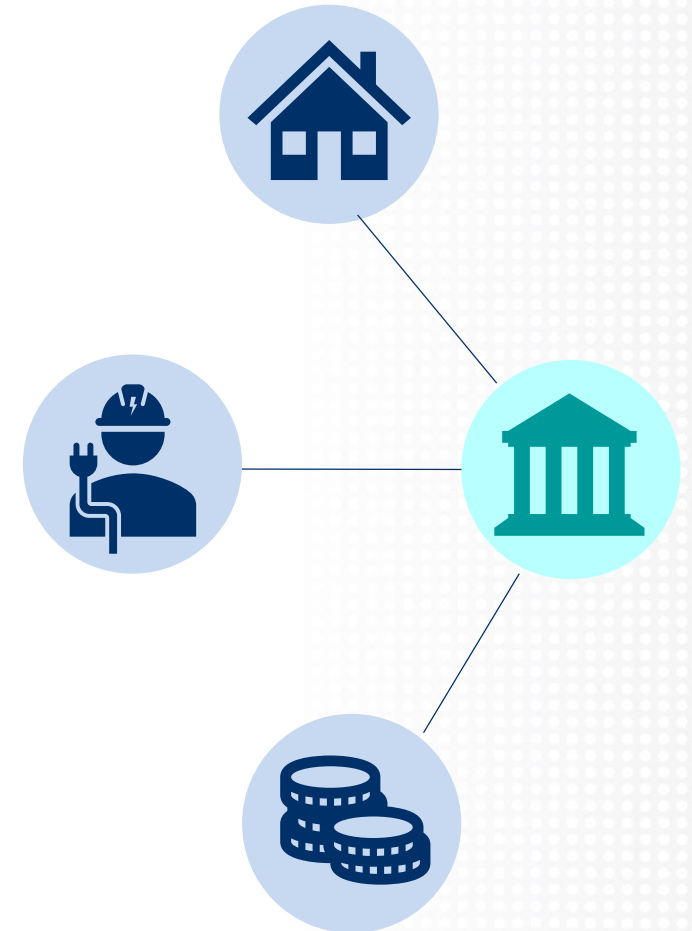
**FINANCING MECHANISMS FOR THE IMPLEMENTATION OF ENERGY  
AND CLIMATE CHANGE STRATEGIES AND ACTION PLANS**

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# Energy renovations – key initiative of the EU Green Deal



- Building sector at the center of decarbonisation efforts in the EU: over 80% of today's buildings expected to be in use in Europe by 2050
- Key initiative of the European Green Deal to deliver objectives for carbon neutrality by 2050
- Regional and local authorities are important link between financiers, industry professionals and homeowners to ensure successful deployment of financial schemes

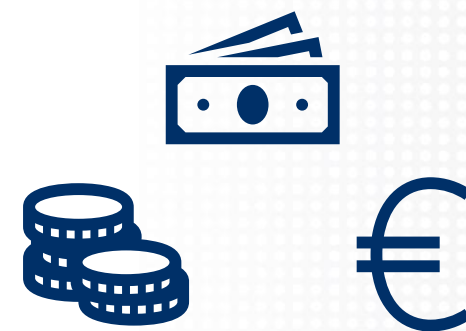


# Main options for municipalities to finance energy efficiency in buildings

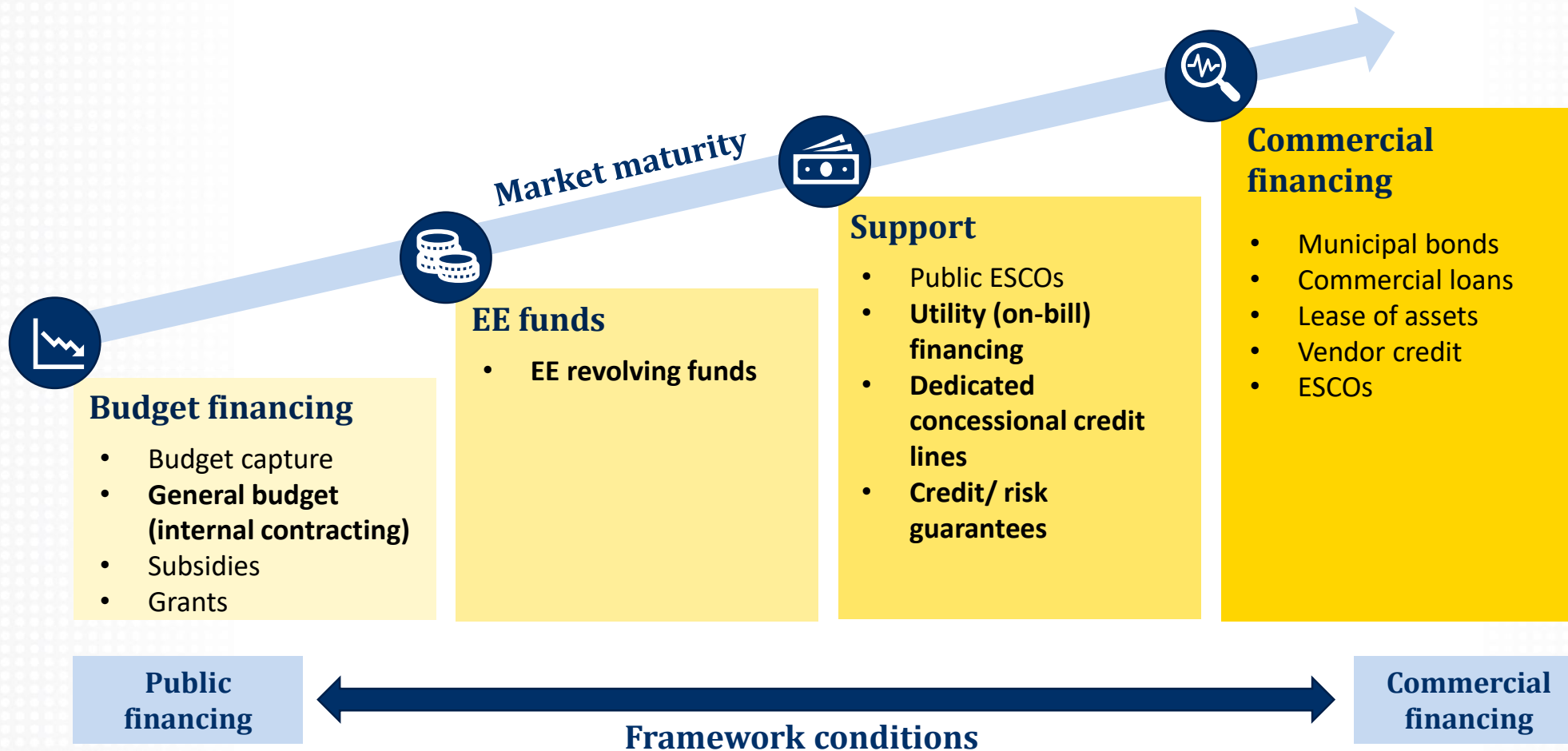
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- **Own budget** financing
- **Funds developed specifically to address energy efficiency** (e.g. revolving funds and Energy Efficiency Funds)
- **Public support to leverage commercial financing:** help support or leverage commercial financing (e.g. guarantee funds, soft loans)
- Commercial financing from banks and private investors



# Financing EE – a ladder of options



# Main factors influencing the availability of financing models

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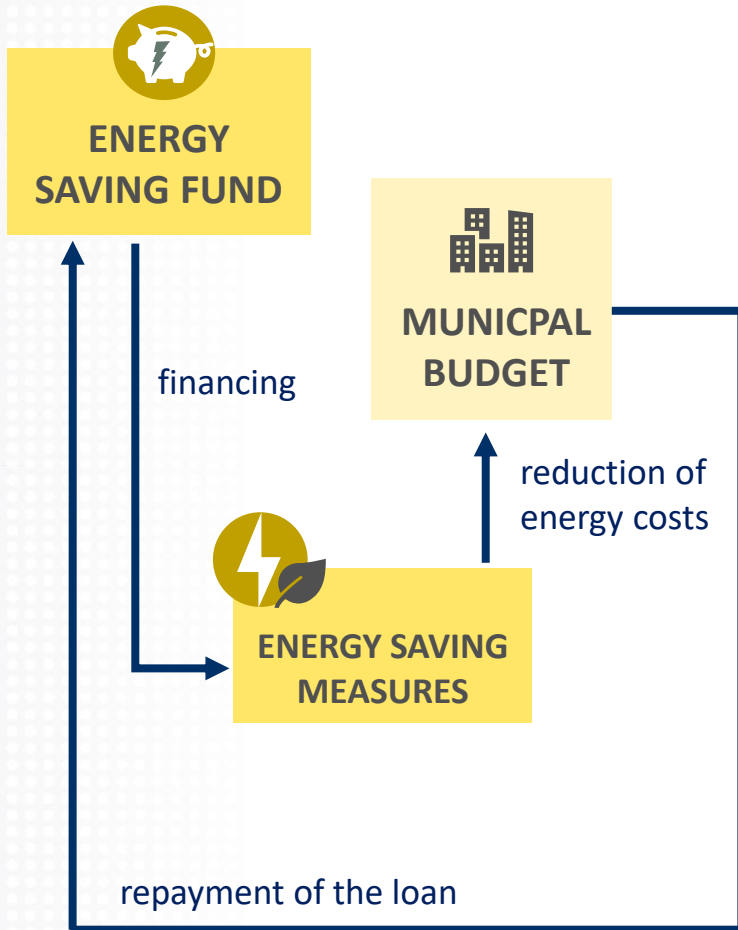
- A municipality's financial strength and creditworthiness
  - Predictability of revenues and budget transfers
  - Local legal and regulatory framework
  - Commercial financing environment
  - Nature of the EE projects
  - Local authority's implementation capacity
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# Preconditions for successful financing



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- A municipality's payments for energy use need to be based on **current consumption**.
  - Energy prices should reflect the **real costs of energy**.
  - **Stability** of energy prices.
  - The municipal budgeting process must allow a municipality to **retain the cost savings** resulting from EE projects. If the municipal budget is reduced when energy costs are lowered, the municipality is unable to repay the financing costs of the EE projects.
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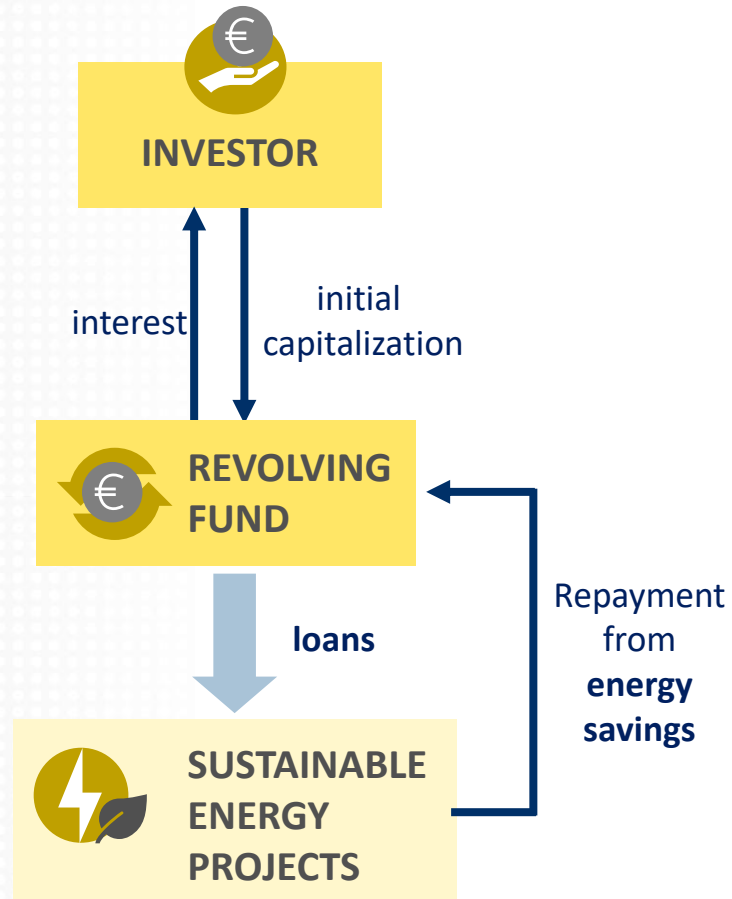
# Internal Contracting



## CHARACTERISTICS:

- Applicable for small-scale projects which are not interesting for ESCOs
- Rapid implementation of energy saving measures
- Public authority controls decision-making without consulting external experts
- Self-reinforcing financing scheme
- No interest or bank fees
- Efficient use of public funds
- Can be applied by public authorities with budgetary constraints
- Expertise stays within the public authority

# Revolving Fund

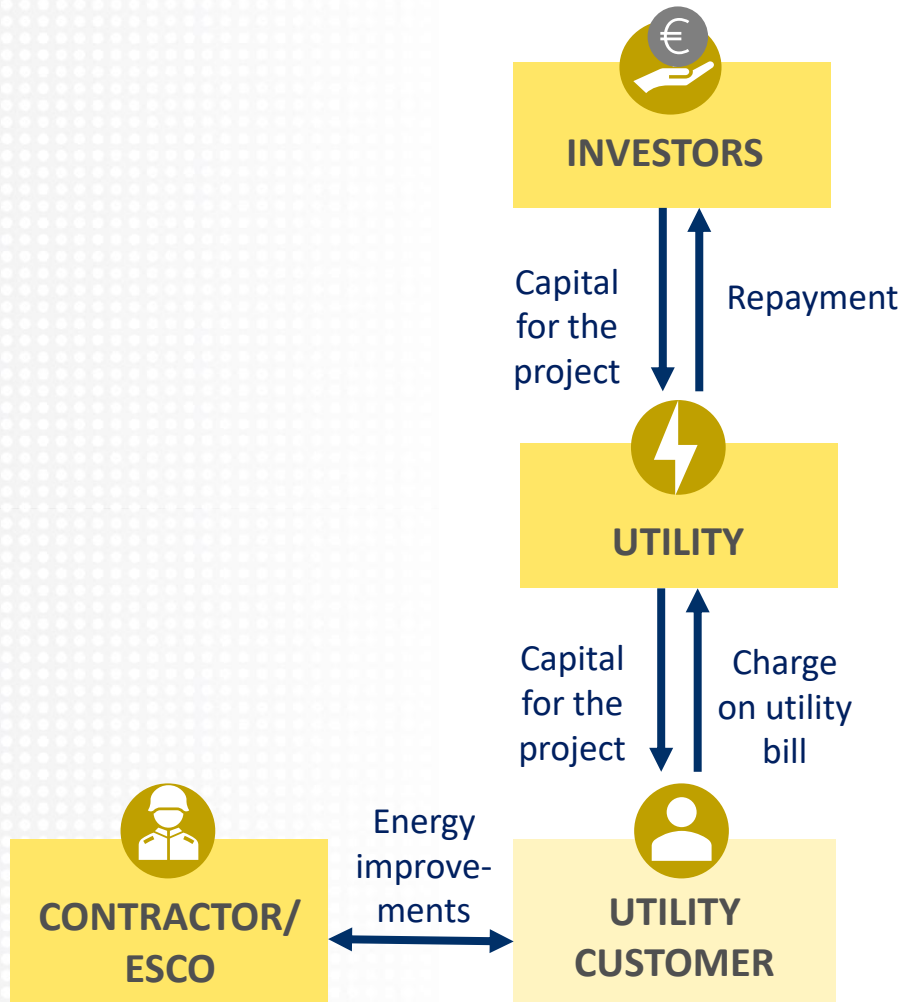


## CHARACTERISTICS:

- Projects must be economically viable, with feasible investment costs and payback times
- Enabling of recycling of capital for future use
- More efficient allocation of public funds
- Long-term sustainability of public investment
- Direct and clear impact on the financial barriers for creating liquidity
- Demonstration of commercial viability of EE investments



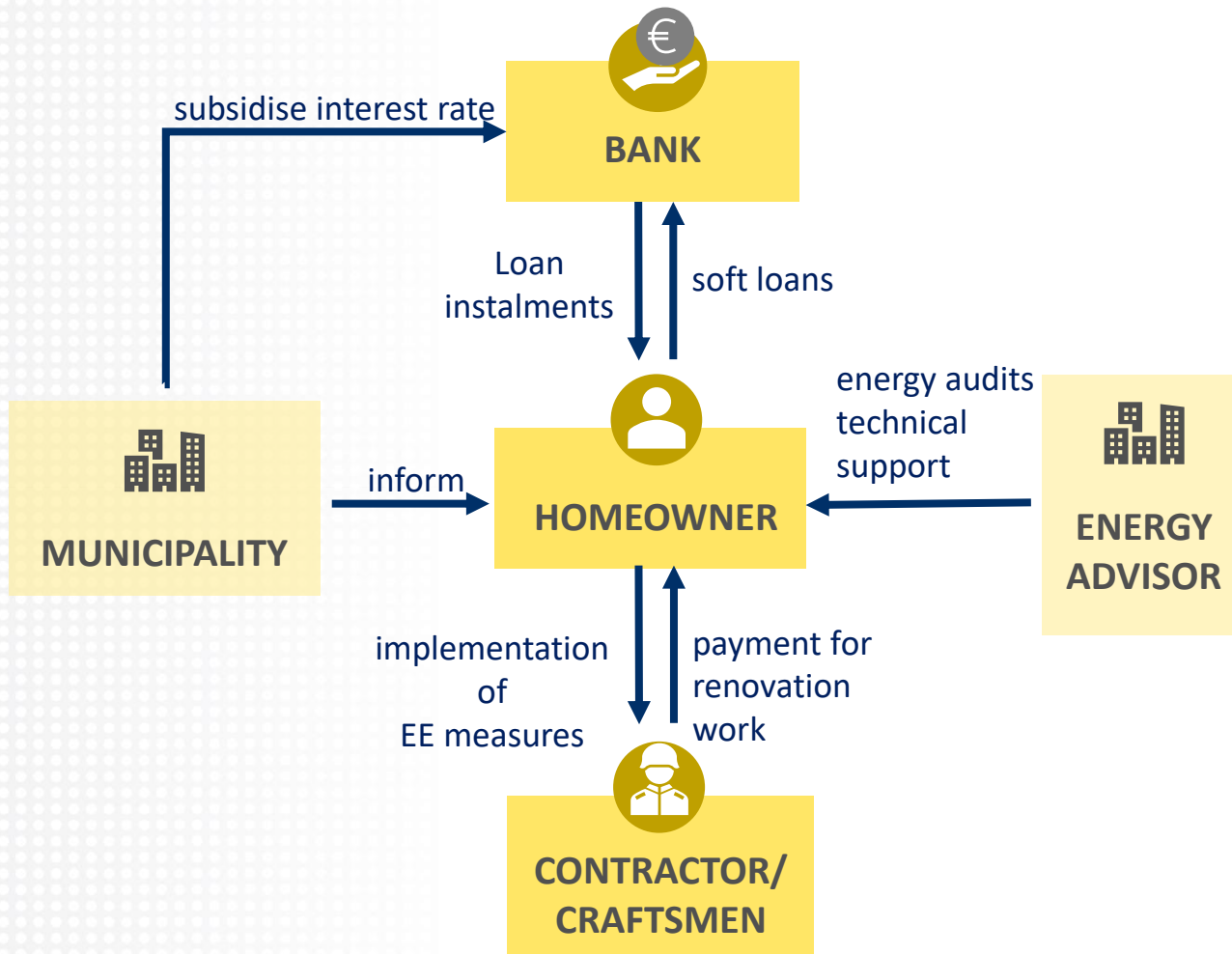
# (Utility) On-bill financing



## CHARACTERISTICS:

- Loan is paid back over time through additional charges in the building's utility bill
- Convenient structure of making repayments directly on the utility bill and typically simple agreements
- Can be structured to meet the needs of different markets
- No upfront costs for the building owner
- Streamlined process as utilities already have a billing relationship with their customers, as well as information about their energy use and payment history
- May be difficult for small utilities

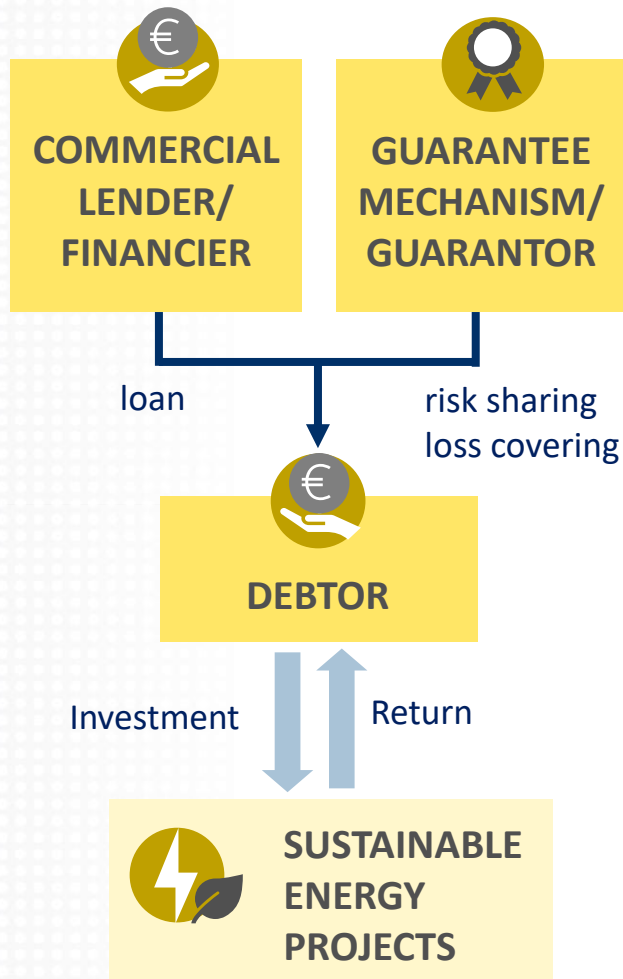
# Soft loans



## CHARACTERISTICS:

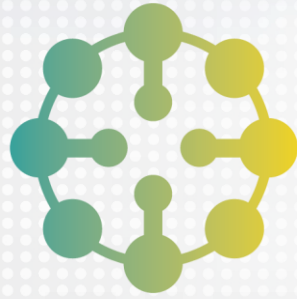
- Contribute to improving access to financing sources that fit the needs, investment capacity and ability to perform debt service of borrowers
- Serves only creditworthy clients
- Versatile in different types of building projects
- Often combined with other financing schemes, such as grants and subsidies
- Usually longer duration than commercial loans
- Positive impact on public budget due to leverage effect
- Large flexibility and easy to roll out

# Guarantee funds



## CHARACTERISTICS:

- One of the most commonly used financing tools to facilitate private investments in energy efficiency
- Enables the engagement of financial institutions and allows for sharing credit risks and distributing losses → addresses risk perception of commercial lenders regarding EE projects
- Intended for large infrastructure projects
- Not meant as stand alone solution and not applicable for all markets. Typically needed in addition to public support instruments for debt financing (e.g. concessional loans)
- Requires strong and willing bank partners to develop project pipeline



# PROSPECT+

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**Capacity building for cities and regions - from learning to action!**

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## H2020 Peer-learning programme for local authorities






The PROSPECT+ project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 101023271

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## PROSPECT+ Strategic objectives:

**To build public authorities' capacity in financing implementation of their sustainable energy action plans through peer-to-peer learning activities**

-  To **enhance decision-making** in public authorities so that they are leaders in implementing energy efficiency measures.
  -  To support public authorities and their agencies in **profiting of the rich experience available**, taking inspiration from their peers
  -  To help use **synergies** by **linking public authorities** along with energy policy-makers, associations of planners, technical experts, financing bodies on sustainable energy, and local actors **in an intra-European network** through an **innovative peer-to-peer capacity-building experience on innovative financing of sustainable energy projects and measures**.
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# Who are we?

## ❖ Knowledge hubs



## ❖ Networks of cities and regions



## ❖ Regional Agencies (Mentors)



- European Federation of Agencies and Regions for Energy and Environment (FEDARENE)
- Eurocities ASBL

Tipperary Energy Agency

Institute for European Energy and Climate Policy Stichting (IEECP)

Adelphi Research Gemeinnutzige GmbH (ADELPHI)

Ireland

Netherlands

Belgium

Germany

Czech Republic

Association of Energy Managers of Towns and Regions of the Czech Republic (SEMMO)

Energy Cities (ENC)

France

OÖ Energiesparverband (ESV)

Austria

Slovenia

Ayuntamiento de Valladolid (Innolid)

Spain

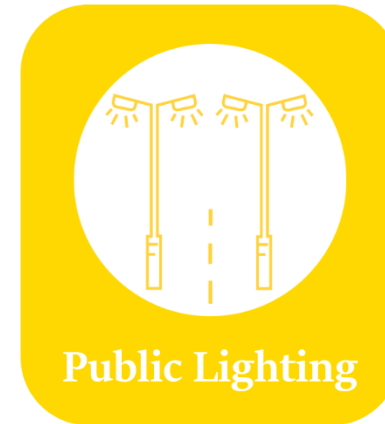
Energy Agency of Podravje (ENERGAP)

Greece

University of Piraeus Research Center (UPRC)

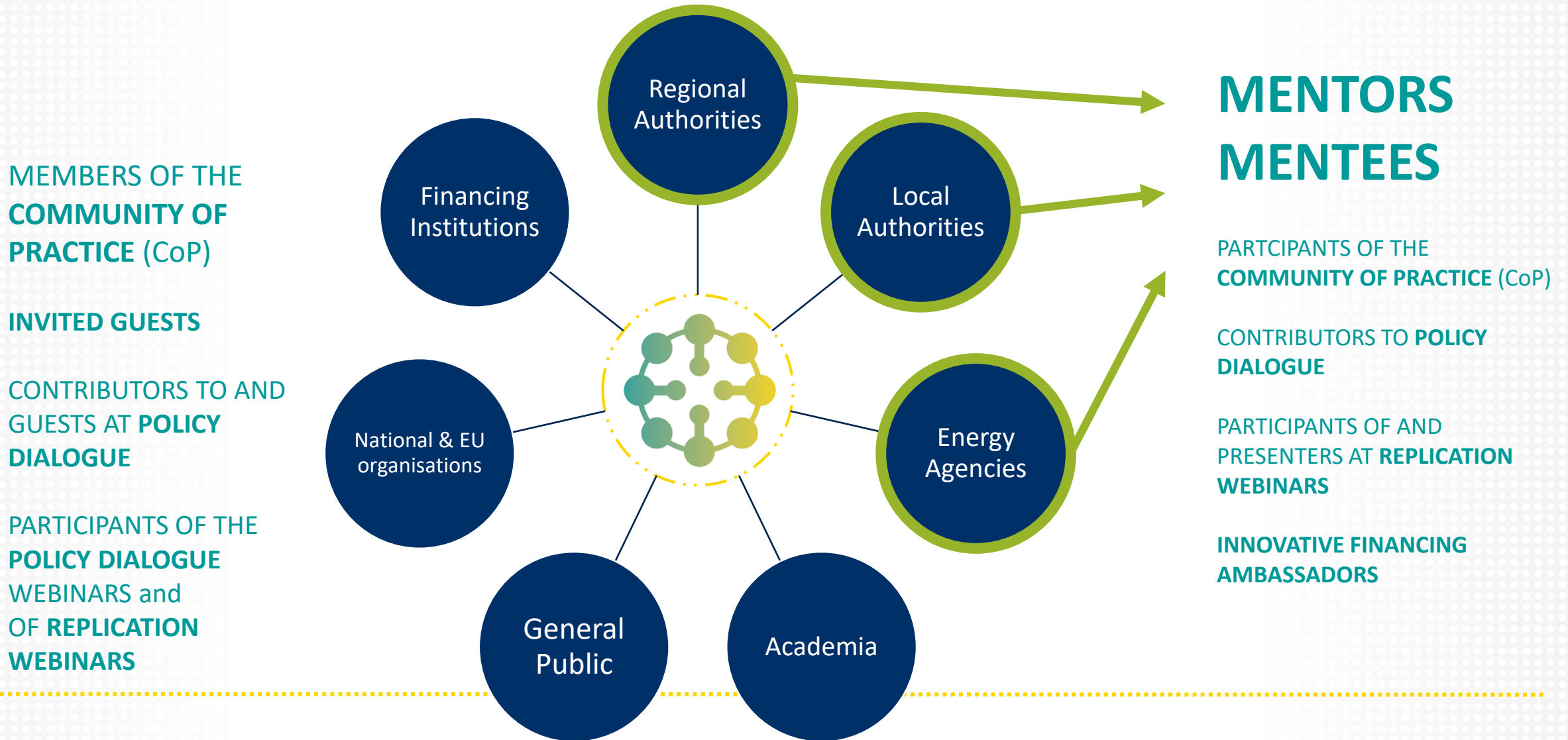
# What projects do we support?

5 THEMATIC AREAS (PROJECTS FOCUSED ON SUSTAINABLE ENERGY AND LOW EMISSION TRANSPORT)



e.g. energy efficiency measures, renewable energy sources, public transport, low-emission mobility, etc.

# Who do we work with?





# Call dates

- **Call open for mentees until 14 April 2023**
- **Parallel calls for mentees to join local groups in**
  - Italy (same call dates)
  - Poland and Ireland (opens soon, dates to be confirmed)
- **Call open for mentors 22 May until 7 June 2023**
- **Next/last call for learning cycle 4 planned in Feb/Apr 2024**



# Who can apply?



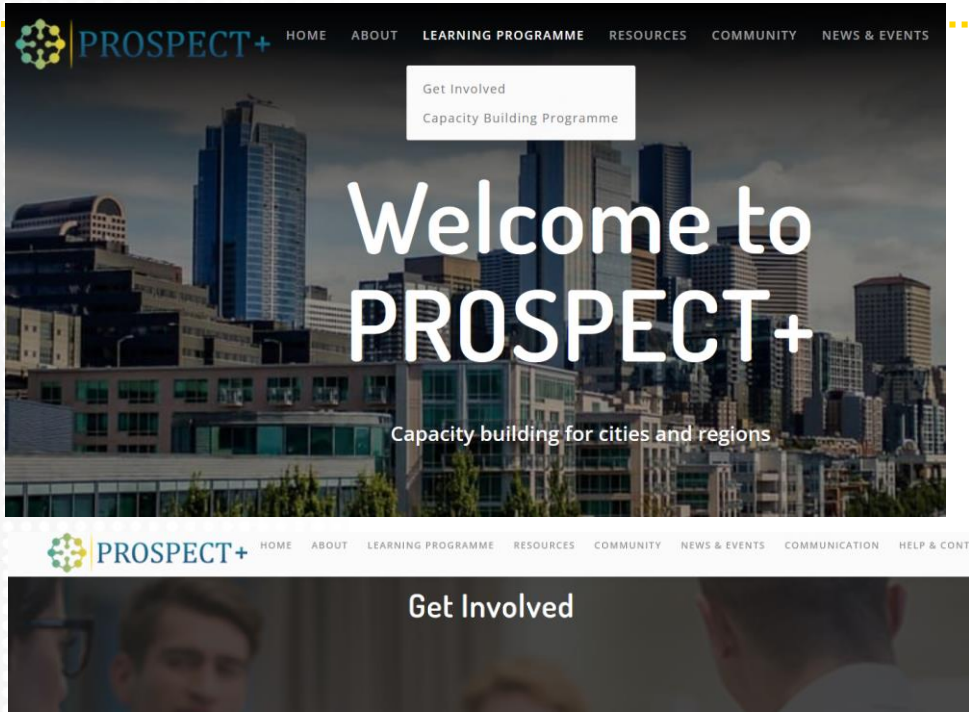
- **Staff members** of regional or local authorities or their energy/climate agencies, and other local or regional organisations (e.g., development agencies, municipal companies, energy cooperatives)
- **External consultants** explicitly working for a local or regional public authority in the eligible countries

## 44 Eligible countries

- EU-27
- the United Kingdom
- H2020 associated countries: Albania, Armenia, Bosnia & Herzegovina, Faroe Islands, Georgia, Iceland, Israel, North Macedonia, Moldova, Montenegro, Norway, Serbia, Switzerland, Tunisia, Turkey, and Ukraine

All applicants need to provide a **letter of support** from the mayor or another political representative of the public authority they will represent in PROSPECT+.

# How to apply?



All information accessible on:

<https://www.h2020prospect.eu/get-involved>

- Call dates
- Guidelines for applicants
- Link to the application forms

## How to join the PROSPECT+ Capacity-building programme

With the objective to engage a total of 200 public authorities in its capacity-building programme on innovative financing, PROSPECT+ will implement four learning cycles starting respectively in:

- February 2022
- November 2022
- August 2023
- May 2024



Local and regional authorities or their energy/climate agencies, local and regional organisations (e.g., development agencies, municipal companies, energy cooperatives) and external consultants working for a local or regional public authority from 44 eligible countries<sup>1</sup> can apply to participate in one of the learning cycles.

# How to Contact us



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## Visit our website:

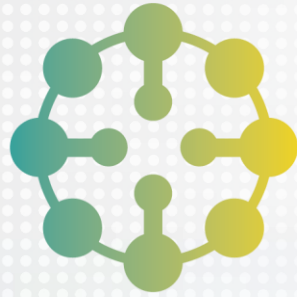
 <https://h2020prospect.eu/>

## Follow us:

 Capacity Building for cities and regions:  
<https://www.linkedin.com/company/peerpoweredcitiesandregions/>

 *#H2020Prospect*

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# PROSPECT+

Thank you!

Carolin Anders



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 [h2020prospect.eu](https://h2020prospect.eu)

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