



Supporting cities to cut carbon: perspective of EIB

15 October 2009

European Investment Bank Profile



The **European Investment Bank** is the European Union's long-term financing institution. The Bank **acts as an autonomous body** set up to finance capital investment furthering European integration by **promoting EU policies**.

- EIB has been created by the Treaty of Rome in 1958
- EIB is a **policy driven institution**
- EIB is owned by the 27 EU member states
- EIB has subscribed capital of EUR 164.8 bn
- EIB funds itself on the capital markets (2008: EUR 58 bn)
- EIB signed loans amounting to EUR 57 bn in 2008



Context

- CC goals require cities to invest in **large-scale** EE/RES programmes;
- Key is to find **scaleable** and **replicable** investment models.
- Opportunities:
 - Large investment potential at local level (buildings; transport; local energy)
 - Significant subset of investments have positive NPV; ie grants not needed.
- Hurdles: cities often constrained by lack of:
 - fiscal space;
 - technical expertise, administrative barriers.

Today's presentation

- Present 3 current EIB operations:
 - Energy Efficiency in public buildings (Province of Milan);
 - PV in France (Poitou-Charentes)
 - EE improvements to apartment blocks in Lithuania.
- Argue that models have potential;
- Look at challenges;
- Conclude on lessons learnt (and a small advert for ELENA).

EXAMPLE 1 --- EE in Province of Milano



In 2006, grant-funded programme of energy audits of public buildings in Province (180 municipalities).

Problem

Individual municipalities budget constrained; also lack of technical capacity at municipal level to develop a flow of projects.

Solution

- adopt energy performance contracting
- aggregate projects
- coordinate at Province level; standardise contracts and energy cost baseline.

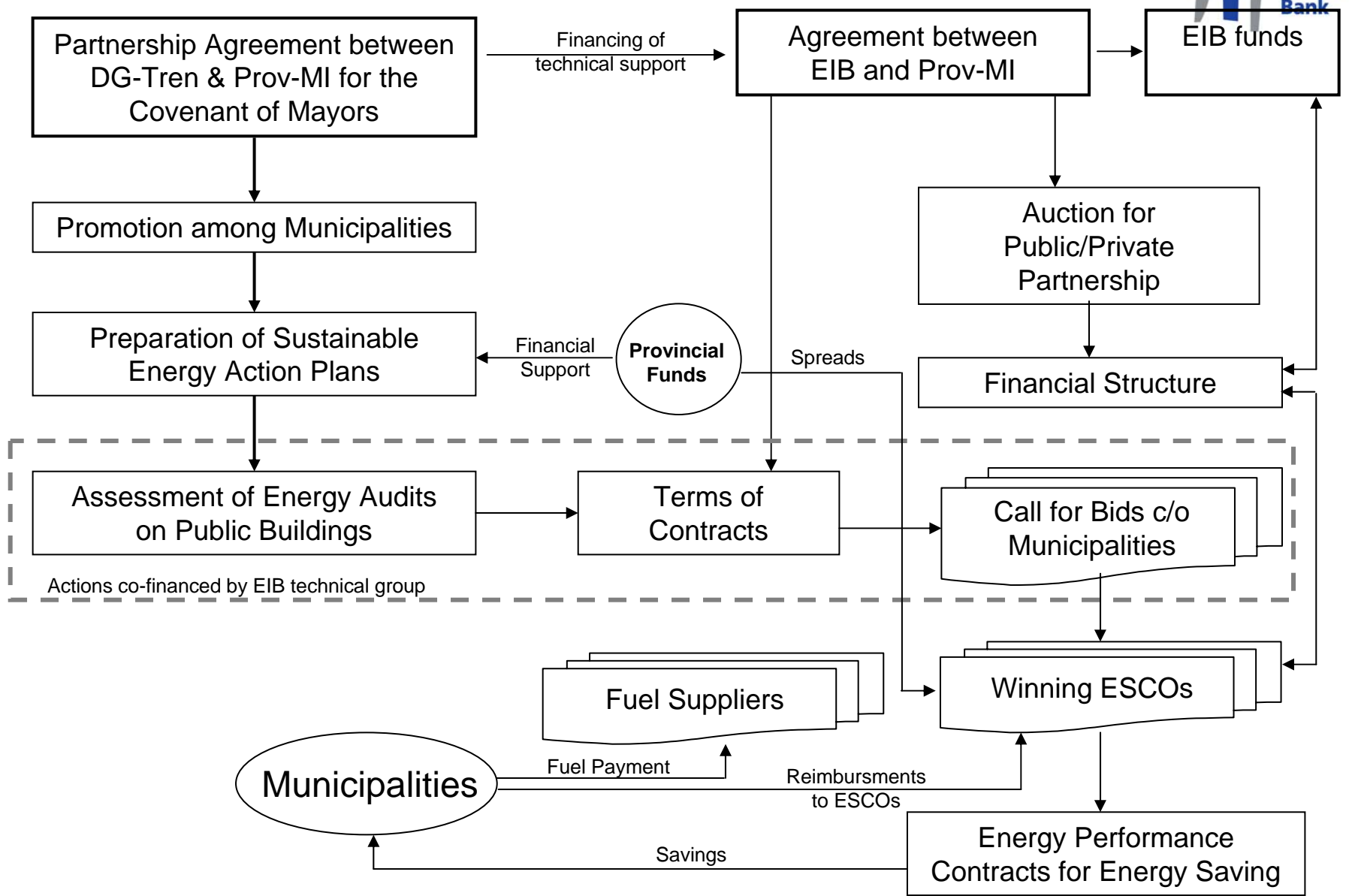
EXAMPLE 1 --- EE in Province of Milano

Programme: Refurbishment of existing school buildings in some 30 to 40 municipalities:

- Simple technologies: lighting (Compact Florescent Lamps; automation systems etc), heating (new condensing boilers; heating system pumps...)
- Measures touching building envelope (roof insulation etc) may be included.

Implementation by ESCOs. Pay investments costs; provide guarantee for energy savings (around 20%); serve debt through portion of energy savings.

Finance provided by local Banks, supported by EIB loan, with interest rate subsidy provided by Province. Advisable for first operation: stimulate Italian ESCO market and local Financial Intermediaries.



EXAMPLE 1 --- EE in Province of Milano

Key issues:

- blending local PPP within national rules
- standardized contracts to ensure ESCO market develops
- aggregation to ensure ESCO interest

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EXAMPLE 2 --- PV in Poitou-Charentes



Key success factor: conducive national framework:

Adoption of the feed-in tariff, (tax credit for private individuals):

- 55,96c EUR/kWh for integrated PV in the building;
- 45c EUR/kWh not integrated and 30.5cEUR/kWh for ground mounted (solar farms)

Attractive base for private investment

Plan Photovoltaic Region Poitou-Charentes



Photovoltaic Plan in January 2008:

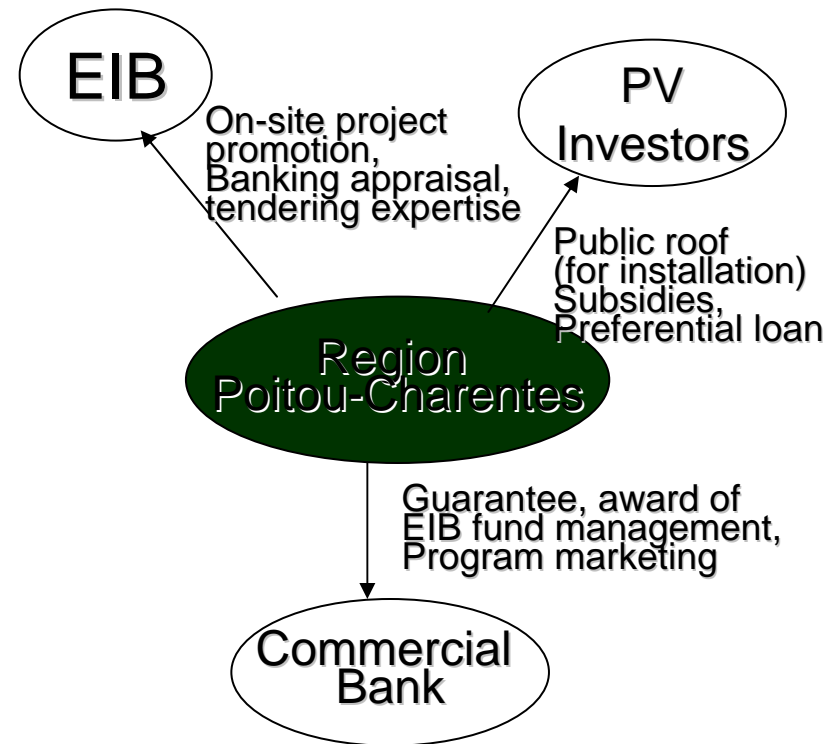
installation of photovoltaic panels on
public, industrial and commercial
buildings and solar farms in the Region

67MW new PV capacity (EUR 400m)

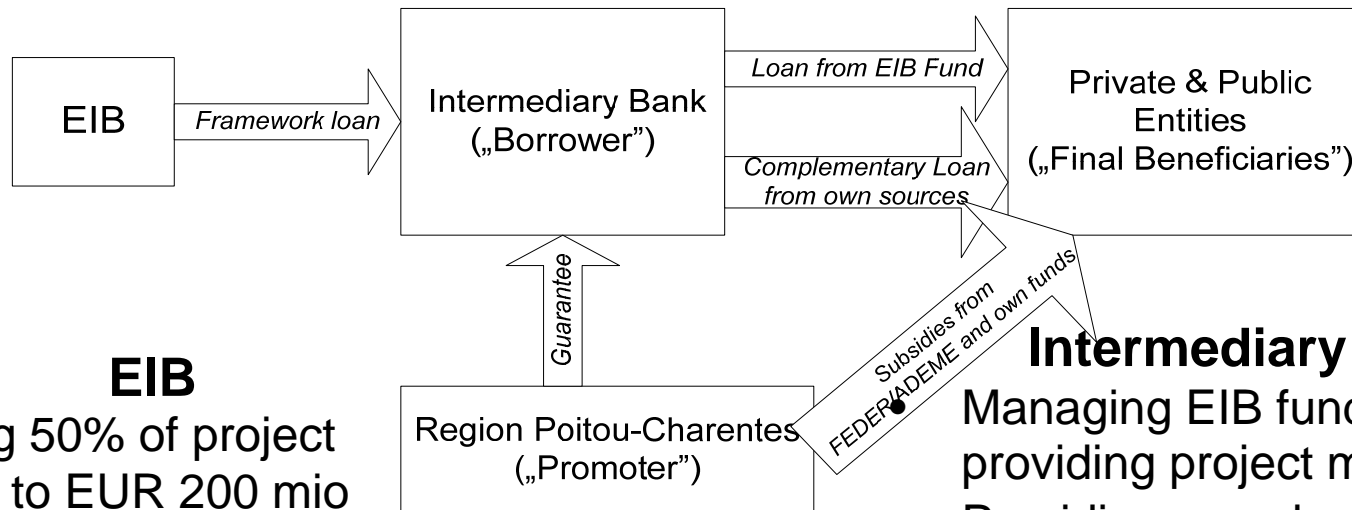
- 44,5 MW on agricultural land,
- 22,5 MW on rooftops

Time schedule: 2009-12

Encourage the electricity production from renewable sources
Develop the energetic autonomy in the territory of the Region
Benefit from the current favourable feed-in tariff conditions



Financing Scheme Plan Poitou-Charentes



EIB

- Funding 50% of project cost up to EUR 200 mio (availability period 2009 2012)
- Compliance with EU directive

Region

- Marketing of PV installation opportunities
- Extension of installation opportunities (“authorisation pour occupation temporaire”)
- 25% guarantee for individual loan in favour of the Intermediary bank
- Managing subsidies for PV installation

Intermediary Bank

Managing EIB fund and providing project monitoring

- Providing complementary fund
- Assessing credit worthiness of applicant
- Appraising project compliance for technical and EU standard
- Staff training

Plan Poitou-Charentes

Key success factor



Physical aspects

- Geographic location
- Matured technology
- Low risk on environment
- Extended sites availability for PV installation

Financial incentives

- Preferential funding (EIB + complementary bank loan with capped margin)
- Guarantee to reduce credit risk
- Subsidizes to reduce own funding requirement
- Feed-in tariff

Political environment

- EU/National/Regional objective
- Legal instrument to support realisation

Human Resources

- Dedicated on site team for project promotion
- Simplified administration
- Consultation and information
- Team work (Region, EIB, Intermediary Bank)

EXAMPLE 3 --- JESSICA in Lithuania

JESSICA, Joint European Support for Sustainable Investment in City Areas, is an initiative of the EC, in cooperation with EIB and CEB.

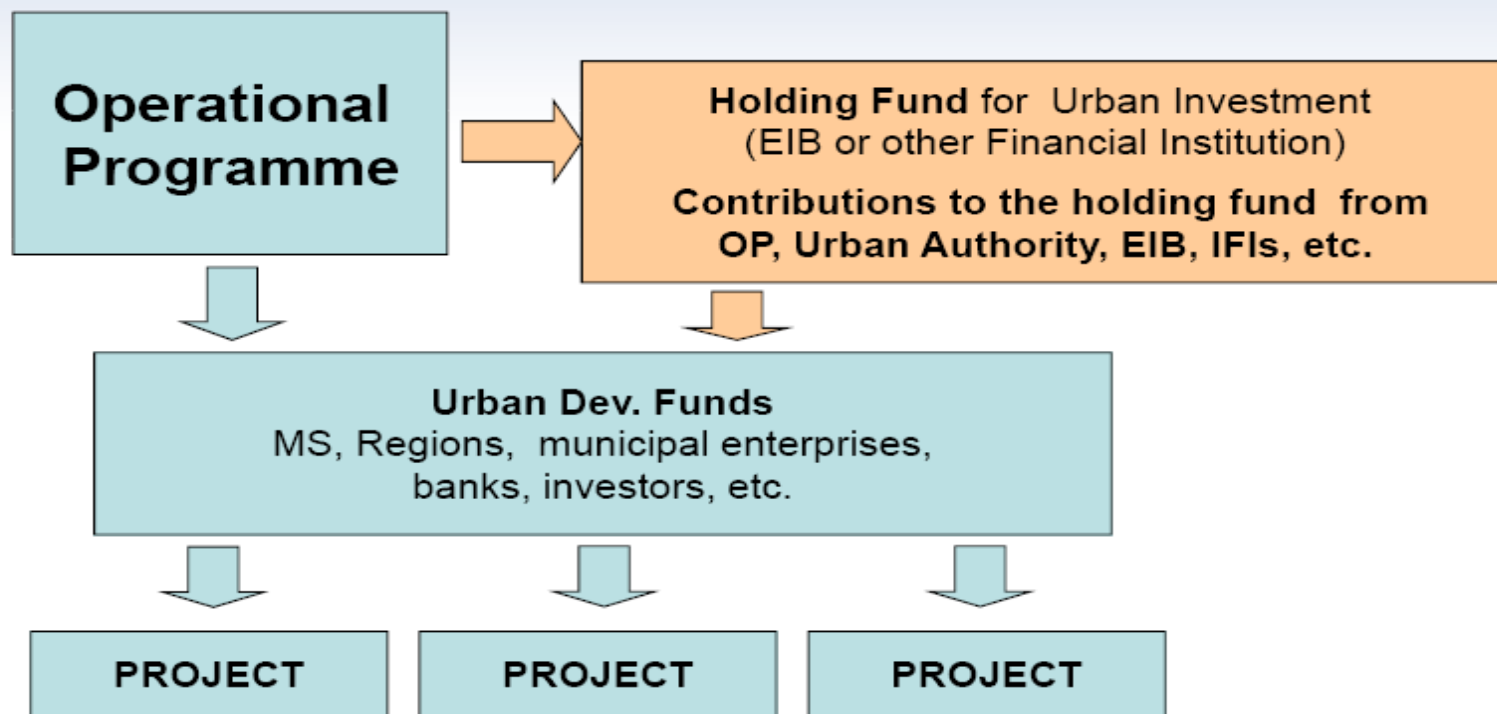
Maximise synergies from ERDF funds: MA can invest in revolving funds.
(Sustainable; lever private investment).

Project: Support technical of multi-apartment buildings to increase EE.

Process: Holding Fund (€227m) to lend to UDF (local banks), which are selected through open tender procedure.

UDF provides tailored finance (promotional interest rates, long tenor) to households, housing associations, ESCOs, SMEs or industry.

EXAMPLE 3 --- JESSICA in Lithuania



UDFs support **PROJECTS** for sustainable urban development
Participations in PPPs, equity, loans, guarantees

Conclusions

- Build fiscal constraints into programme design
 - Scale of city-level resources does not determine scale of programme; but does determine structure of programme, procurement strategy, city cash flows of projects etc.
 - In practice, programme design is iterative: key phase.

- Build on national context
 - Feed-in tariffs crucial for RES; can public entities invest?;
 - Maximise leverage on ERDF; revolving funds/first loss structures to leverage private investment;
 - Administrative framework: can city sign long term contract with private sector?

Conclusions (II)

- Exploit economies of scale
 - Which level of local government has sufficient technical capacity to deliver a programme of projects? (Engineers; lawyers; tax administrators etc)
 - Standardise contractual approach;
 - Aggregate projects to levels that interest private sector and local banks.

ADVERT: European Local ENergy Assistance -- ELENA

- EC-EIB cooperation to support local and regional authorities to reach 20-20-20 targets; in context of Covenant of Mayors and Smart Cities (in future)
- Grant facility: managed by EIB; funded by EU budget (CIP/IEE programme).
- Application to Energy Efficiency; local renewables; clean transport.
- Market replication focus;
- investment leverage required (ratio 25).
- Facility to open in late 2009; application form on-line (EIB)

ELENA

(Project Development Services)

Support to Final Beneficiaries with:

- Feasibility studies
- Additional technical staff
- Technical studies
- Procurement/tendering
- Financial structuring

INVESTMENT PROGRAMMES/PROJECT

EE and RES investment in public and private buildings, including social housing and street and traffic lighting;

Urban transport to support increased energy efficiency and integration of renewable energy sources;

Local energy infrastructure to support developments in previous sectors including smart grids, ICT, etc.