

Financing the energy renovation of building with Cohesion Policy Funding: Focus on programme design

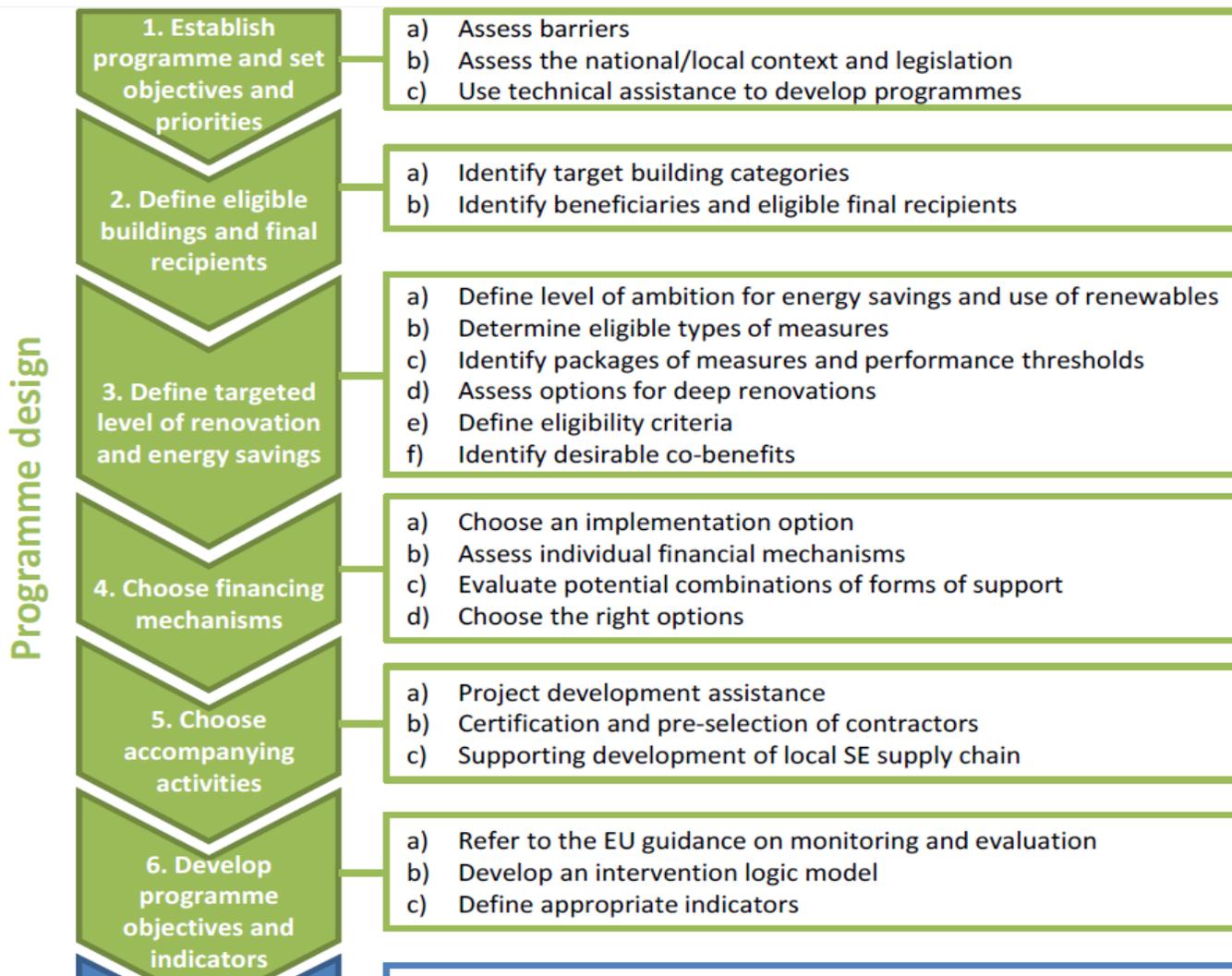
Dan Forster, Ricardo-AEA

9th April 2014



- To help Cohesion Policy Managing Authorities to plan and deploy sustainable energy investments in buildings
- To provides good practice approaches and case studies
- To explore different financial mechanisms that can be used to support sustainable energy investments

Areas of guidance, and key steps



1. Programme design
2. Programme implementation
3. Programme management and evaluation

Step 1: Establish programme

- Assess barriers
 - what are the key barriers to implementation in country (financial, institutional, information)?
- Assess the national/local context and legislation
 - who are the key local stakeholders?
 - what has already been achieved in this area?
- Use technical assistance
 - use ESI funding to develop the programme and build capacity

Case Study: Building partnership in Italy to set priorities

Working groups were set up, comprising representatives from central and regional government, and municipalities, to define the strategy and priorities for the programme

Step 2: Define eligible buildings and final recipients

- Identify target building categories
 - both residential and commercial are eligible for funding
 - targeting specific age bands and understanding final recipients can help optimise savings
- Identify beneficiaries
 - majority of residential buildings are privately owned and a key target
 - energy performance contracting, and channelling funds through ESCOs could be an efficient delivery mechanism
 - overcoming split incentives will be important

Case Study: Energetics and Energy Savings Fund, Bulgaria

The EESF supports sustainable energy projects based on energy performance contracts. Through this scheme, the EESF buys from ESCOs the future receivables from the EPCs (ie. the energy savings). The loans received by the EESF from the EBRD, enable EESF to release the ESCOs from the burden of debt and allow them to develop more projects

Step 3: Define target level of renovation

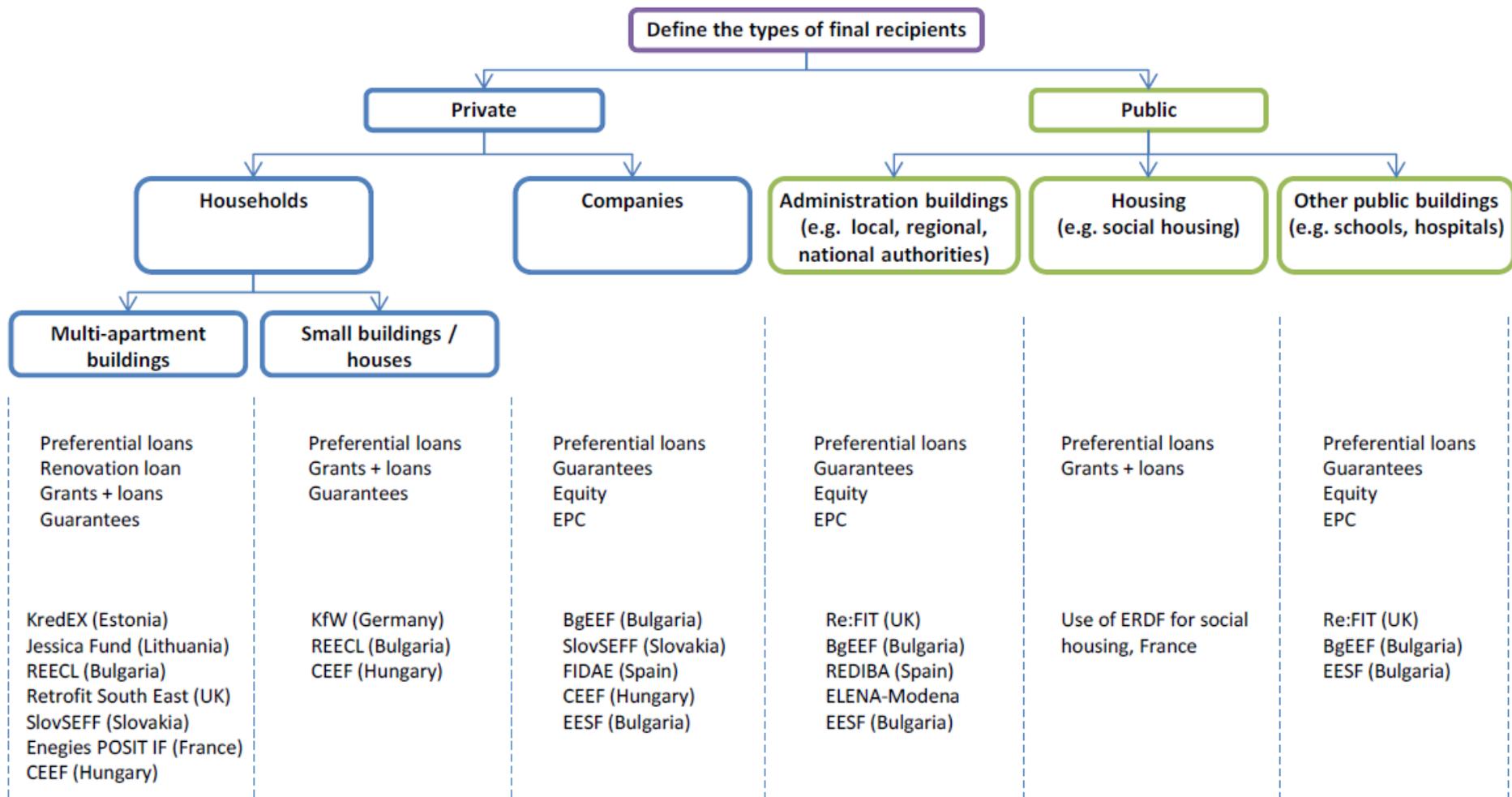
- Define level of ambition
 - use national regulation based on EPBD to define performance requirements
 - take a long term perspective to avoid lock in effects
- Determine eligible types of measures
 - building shell and thermal insulation is a key target
- Identify packages of measures and performance thresholds
 - Cohesion policy funding should be primarily used to go beyond BAU
 - Energy audits or certificates should be used for opportunities and savings
 - Assess options for deep renovations

Case Study: KfW support increasing with ambition, Germany

Soft loans and grants are provided for refurbishments. To be eligible the standards achieved by the project need to be better than current regulations. The level of support provided increases with the level of ambition in the renovation – to encourage deep renovation.

Step 4: Choose financing mechanism

- Choose implementation option
 - There is strong rationale for implementing innovative financial approaches
 - Grants should be used to provide an additional level of support to achieve higher savings or for social reasons
- Assess individual financial mechanisms
 - A variety of financial mechanisms are available
 - Assess the merits and drawbacks of each option
- Evaluate potential combinations of support



Step 5: Choose accompanying activities

- Project development assistance
 - Develop PDA packages to help build capacity among stakeholders
- Certification and pre-selection of contractors
 - Certification schemes can ensure that programme resources support high quality installations
- Support development of local SE supply chain