



Energy Efficient Mortgages Initiative (EEMI) International Sustainable Housing Finance Symposium

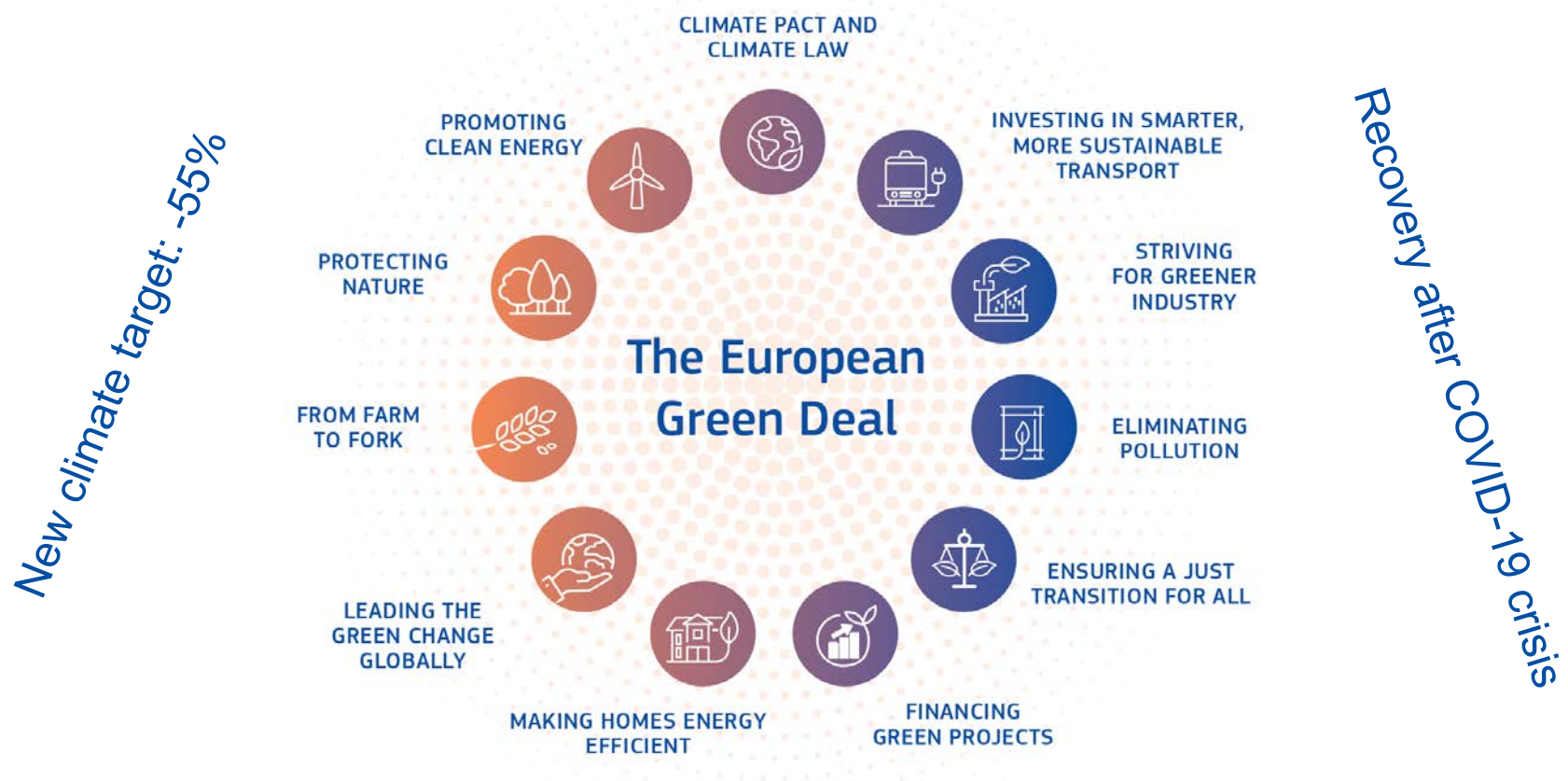
Financing for energy efficiency.
Fit for 55, EU Renovation Wave and REPowerEU

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1. Policy Context

Policy context – the European Green Deal



European Climate Law

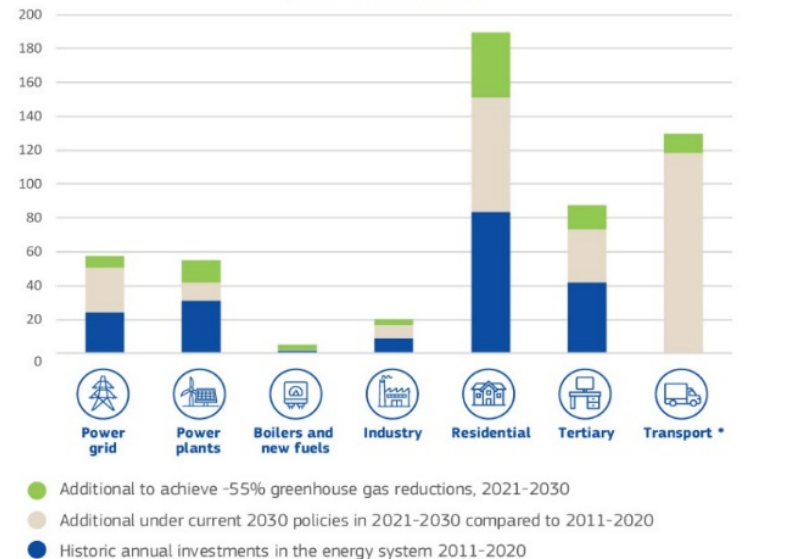
The **Climate Target Plan** published in September 2020 shows that “at least 55% target” by 2030:

- 1) is feasible;
- 2) will put us on the right trajectory towards climate neutrality;
- 3) requires more effort and contribution of all sectors of economy.

The Climate Target Plan prepared the ground for the **European Climate Law**, adopted by the European Parliament and the EU Council in June 2021:

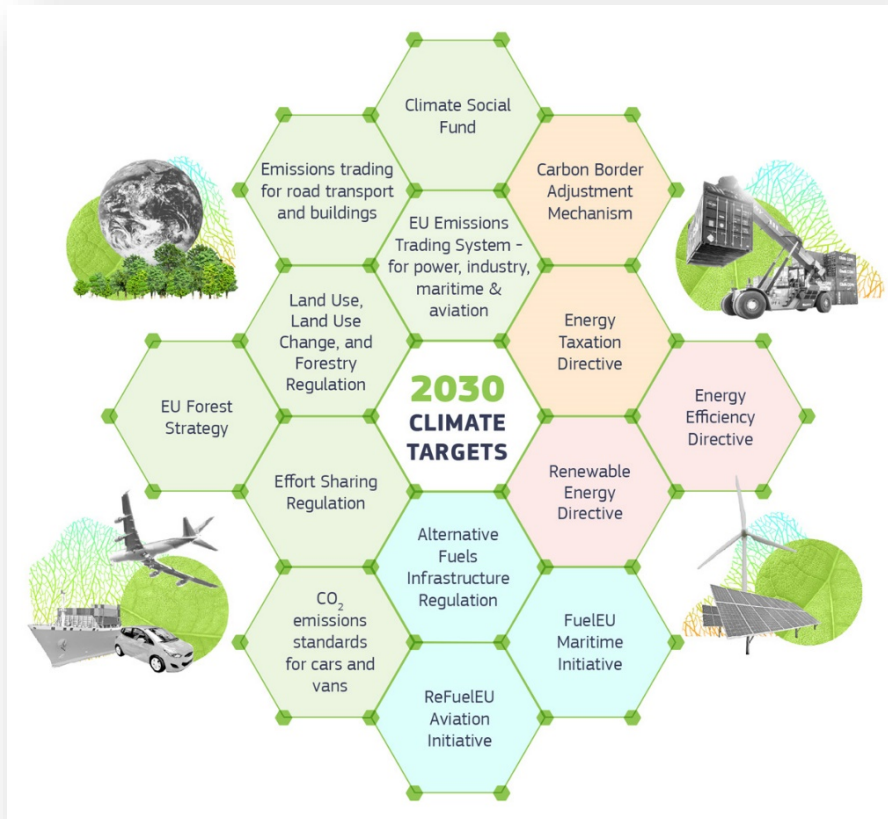
- binding 2030 target to achieve – 55% GHG emission reduction;
- Process for setting a 2040 climate target;
- Commitment to negative emissions by 2050.

Average annual investment 2011-2020 and additional investment 2021-30
under existing policies and to achieve -55% greenhouse gas emission reductions
(in billion EUR 2015)



Climate Target Plan – Investment Challenge

The Fit for 55 Package – Overview



The package aims to make the EU 'fit for 55' and **deliver the transformational change** needed in a

- **fair,**
 - **cost-efficient** and
 - **competitive**
- way.**

It cements the **EU's global leadership** by action and by example in the **fight against climate change**

Revising the Energy Efficiency Directive

Binding EU energy efficiency target & indicative national contributions

'Energy Efficiency First' Principle – making it an integral part of policy and investment decisions

Strengthened energy savings obligation in end-use

Stronger exemplary role of public sector

Increased focus on alleviating energy poverty and consumer empowerment



17.0-17.4%

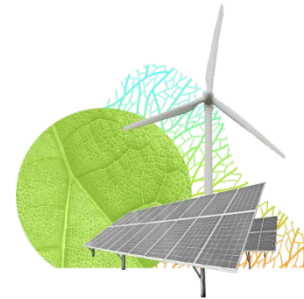
Current energy efficiency savings for primary and final energy consumption (in 2019)

32.5%

Current EU 2030 non-binding target (relative to 2007 projections)

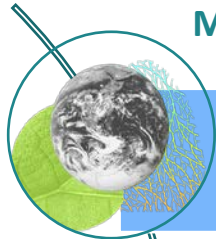
36-39%

New EU 2030 binding target for final and primary energy consumption



Financing energy efficiency – Article 28

Member States shall:

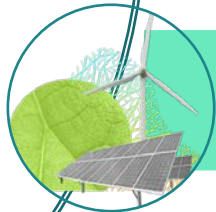


Maximize the benefits of multiple streams of financing for energy efficiency: combining grants, financial instruments and technical assistance

Boost the demand for energy efficiency investments through regulatory measures



Set up project development assistance mechanisms at national, regional and local levels to promote energy efficiency investments



Ensure that energy efficiency lending products are offered widely, and facilitate the implementation of on-bill and on-tax financing schemes

Develop enabling conditions to facilitate matching the increased demand and the supply

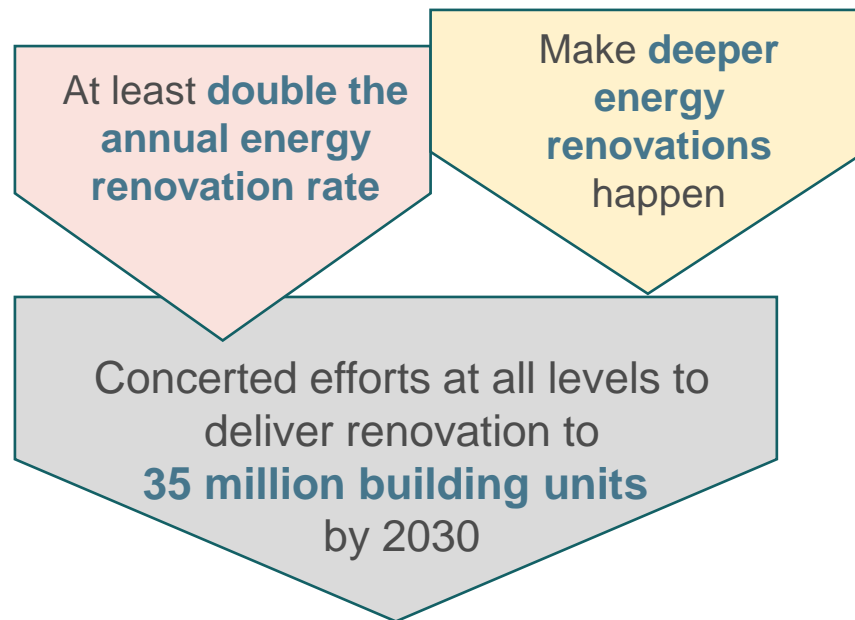
The objective being to create new (and/or enhance the existing) sources of public or private financing and increasing the financing supply for energy efficiency investments

Revision of the Energy Performance of Buildings Directive

Regulatory reinforcement key to deliver the Renovation Wave ambition

EPBD revision announced in the Renovation Wave Strategy:

- Proposal to introduce **mandatory minimum energy performance** standards in EPBD
- Revision of provisions on **Energy Performance Certificates** in EPBD (including GHG metrics)
- proposal on **Building Renovation Passports, deep renovation definition**
- Introduction of “**net zero emissions buildings**” for New buildings



2. REPowerEU

REpowerEU

REPower EU is the European Commission's Plan to end the dependency on Russian fossil fuel imports.



SAVING

With lower supplies from Russia, every citizen and business will have a responsibility to use energy more carefully. Small behavioural changes, if we all commit to them, can make a significant difference. Contingency measures for supply interruptions will also be needed.



DIVERSIFYING

The EU is working with international partners to find alternative energy supplies and end our dependence on Russia. In the short-term, we need supplies of gas, oil and coal as quickly as possible, and looking to the future we will need hydrogen too.



SUBSTITUTING

Renewables are the cheapest and cleanest energy available, and can be produced domestically, reducing our need for energy imports. **REPowerEU** will speed up the green transition and spur massive investment in renewable energy. We also need to reduce the use of fossil fuels in industrial processes and transport to bring down emissions and dependencies.



INVESTMENT AND REFORM

Additional investments of €210 billion are needed between now and 2027 to achieve our independence from Russian fossil fuel imports. The Commission proposes that Member States develop national **REPowerEU** plans to implement these new priorities.

REpowerEU – EU Save Energy Communication

A DUAL approach: 1 – Achieving short-term energy savings through small behavioural changes by everyone; 2- Accelerating and strengthening structural energy efficiency measures.

Accelerating energy efficiency through mid- to long-term measures

In July 2021, the Commission proposed an increase of the EU energy efficiency target of 9% by 2030, as part of the 'Fit for 55' package. **It is now necessary to go even further.**

EU energy efficiency target by 2030

 **9%** →  **13%**

In addition, the Commission invites the Parliament and Member States to consider **other improvements to the Fit for 55 package** that they are currently negotiating:



- Increasing the ambition of the **national energy savings obligation**



- Introducing **obligations** to reduce energy consumption, stop fossil fuel subsidies, and promote renewable energy technologies in transport and industry



- Strengthening the **implementation of energy audit results**



- Extend **buildings Minimum Energy Performance Standards**



- Strengthen **national energy requirements of new buildings**



- Tighten **national heating system requirements** for existing buildings



- Introduce **national bans for boilers based on fossil fuels** in existing and new buildings



- Advance the end of Member States subsidies for fossil fuel-based boilers from 2027 to 2025



The European Commission, in collaboration with member States, will launch a Energy Efficiency Financial Institutions Coalition

Save Gas for Safe Winter and next steps

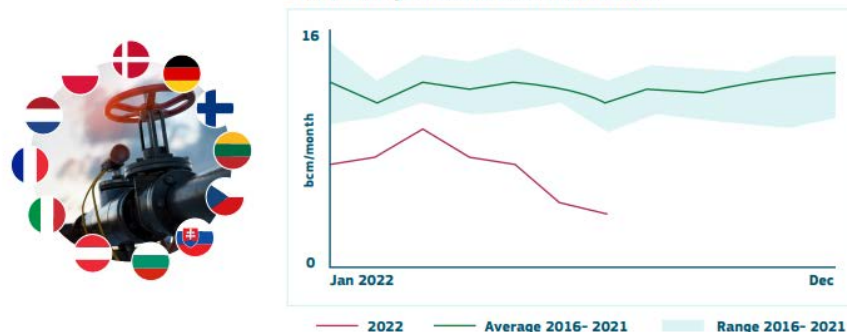
Save Gas for Safe Winter:

- to address short-term natural gas supply disruption
- Introduce **European Gas Demand Reduction Plan** to be prepared by MS by end of October 2022
- to help MS **reduce gas demand by 15%** from 1 August to 31 March 2023 and to prioritise sectors for savings
- Introduce **new coordination mechanism** based on Union and national *Early Warning, Alert and Emergency*.

FALLING RUSSIAN GAS SUPPLIES

12 Member States already suffer from full or partial disruption of supply. In June 2022, Russian gas supplies were below 30% of the average for the past 5 years.

Flows of Russian gas in 2022 compared with previous years

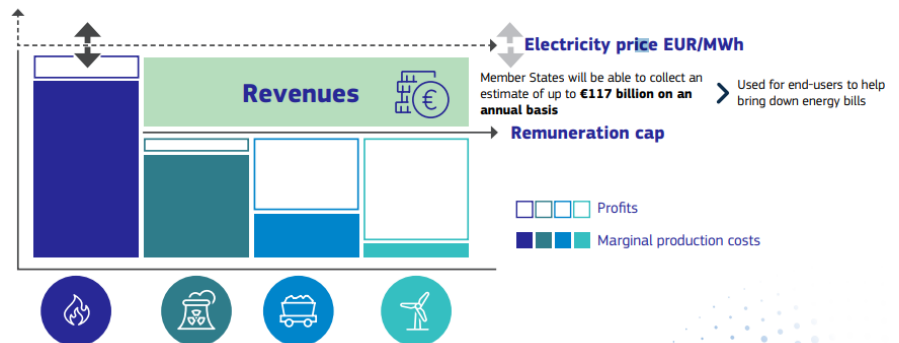


Emergency intervention for high prices

➤ to address short-term volatility and uncertainty in the energy markets, with three tools:

- **Reduce electricity consumption:** reduce overall demand of 10% (target) and peak hour demand of 5% (obligation)
- **Revenue cap for low-cost power generation fixed at 180 €/MWh:** MS able to generate €117 billion to mitigate high energy prices, reduce consumption and to support sustainable energy investments
- **Solidarity contribution from fossil fuels companies collected** on 2022 excess profits, to help generate addition €25 billion

HOW DOES THE REMUNERATION LIMIT WORK?



EXAMPLES OF HOW MEMBER STATES CAN USE THESE REVENUES:



Compensation to electricity customers for **reducing their consumption**



Direct transfers to **customers**



Compensation to suppliers who deliver electricity to customers below costs



Lowering electricity costs of customers for limited volumes



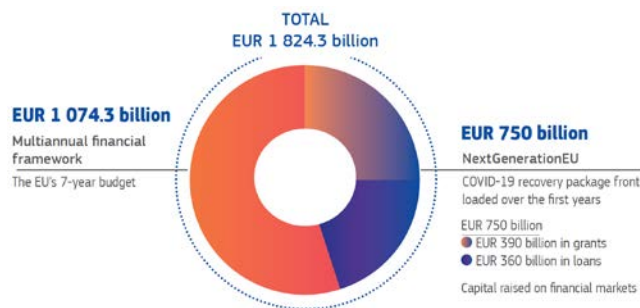
Promoting **investments** by customers into **renewables** and **energy efficiency**

3. Financing

Financing for energy efficiency

Investment needs

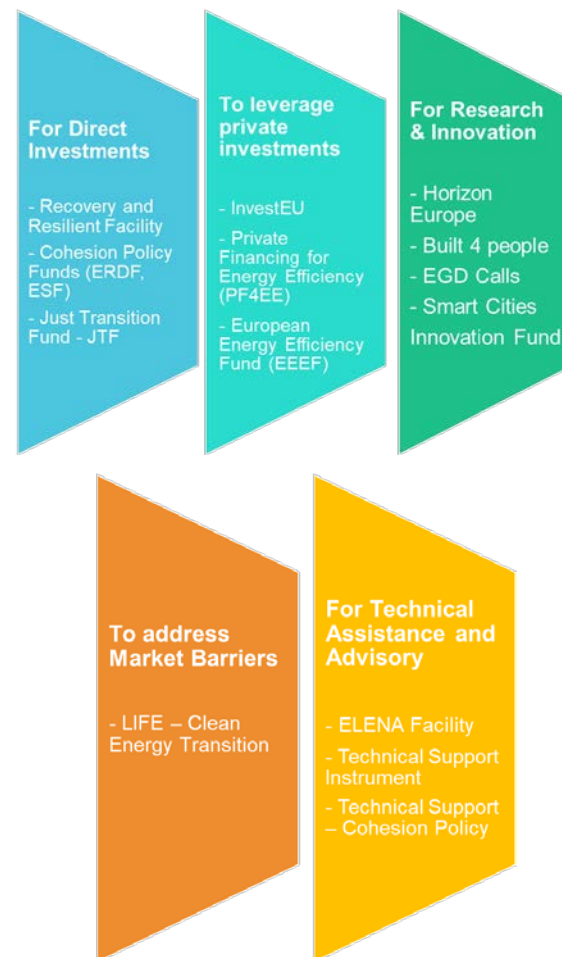
- **FF55 package** estimate an **additional annual investment** need to achieve 2030 energy efficiency targets at **around 150€bn**.
- **REPowerEU**: additional **300€bn** investments from now until **2030** (210€bn the end of 2027) to phase-out dependence on Russian fuels.
- **REPowerEU**: specifically **56€bn** additional investments in **energy efficiency and heat pumps**, plus solar rooftop initiative.



Financial resources

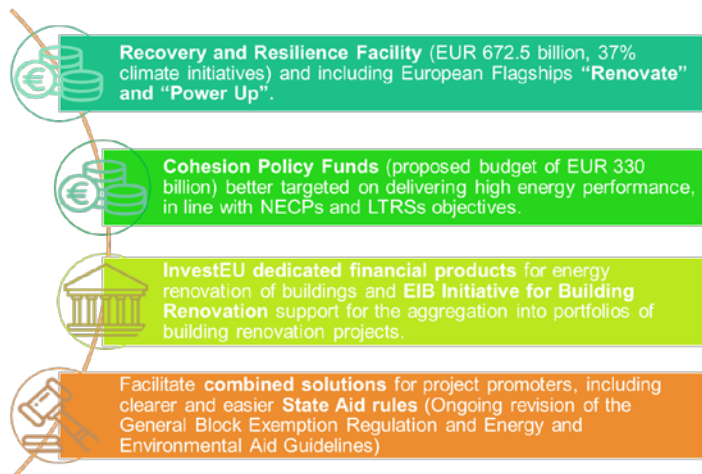
- Out of the total 1.800€bn (NGEU + MFF 2021-2027), 30% of these resources, **around 550 billion euro, earmarked to deliver the climate goals** of the European Green Deal.
- **Energy efficiency plays a key role** in clean energy transition.
- The **resources dedicated to climate action have more than doubled** compared with the period 2014-2020.
- While there is **no earmarking for energy efficiency**, EU-budget support for energy efficiency could be estimated **around 120 to 150€bn**.

EU-funding landscape



Financing the Renovation Wave. 3 Pillars

EU Funding driving investments



Attracting private investments and stimulate green loan financing



Increasing capacity and technical assistance



Recovery and Resilience Facility

- The **Recovery and Resilience Facility**, will channel 37% of its total EUR 672 billion worth of loans and grants to climate-related investment. In other words, EUR 249 billion will be available for climate-related investment
- Vast majority of the National Recovery and Resilience Plans contain a **strong “renovate component”** representing a relevant share of the mandatory 37% climate-related investments.
- **64 billion euro for energy efficiency investments and reforms.** RRF the largest source of EU funding for energy efficiency in the next MFF
- Positive in depth dialogue with EU Member States in raising ambitions of national programmes, notably on **climate tagging**: > 100% climate tagging **if measures increase energy efficiency by at least 30%**
- Expected relevant impacts on economic recovery, creation of local jobs, and ultimately on sustainable growth
- Investments planned in three main focus areas : 1- EE in residential/private sector, 2- EE in public buildings, and 3- Energy efficiency in other sectors including industry.
- However, **leveraging private financing still fundamental** to deliver on the energy savings objectives of the NECPs.

Financing REpowerEU

Additional investments of €210 billion, including €56 billion for energy efficiency, are needed between now and 2027 to phase out Russian fossil fuel imports, on top of what is needed to realise the objectives of the Fit for 55 proposals.

EU Funding Sources:

- RRF
 - RRF Loans (€200 billion remaining)
 - New RRF grants: from the auctioning of Emission Trading System allowances, currently held in the Market Stability Reserve (additional €20 billion)
 - Cohesion Policy funds: Increase in voluntary transfer to the RRF of up to 12,5% of Member States' national allocation under these funds.
 - European Agricultural Fund for Rural Development: New voluntary transfer to the RRF of up to 12,5% of Member States' national financial allocation under the fund
- Connecting Europe Facility top-up: New call for proposals for Projects of Common Interest with €800 million
- Innovation Fund
- National Fiscal measures
- Private investment mobilized via InvestEU Programme
- The European Investment Bank



4. Energy Efficiency Financial Institutions Group (EEFIG)

Introduction – Building on EEFIG

- EEFIG was established in 2013 by DG Energy and United Nations Environment Programme Finance Initiative (UNEP FI).
- Platform for open dialogue for public and private financial institutions and sector experts to identify the barriers to the long-term financing for energy efficiency, to propose policy and market solutions.
- The group has engaged more than 340 members from about 100 organisations throughout the EU, a main part being from financial institutions, but also industry experts.



EEFIG: Work Developed and Members

- Landmark EEFIG 2015 report “**Energy Efficiency – the first fuel for the EU Economy**”:
 - EE Investment is strategically important for the EU
 - Public-private collaboration is required
 - Lack of evidence on the performance of EE investments makes the benefits and the financial risk harder to assess
 - Lack of commonly agreed procedures and standards for EE investment underwriting increase transaction costs
- EEFIG has produced highly relevant **reports on key challenges** to energy efficiency financing focused on:
 - identifying bottlenecks and barriers for the deployment of EE financing
 - assessing their potential for replication and upscaling
 - collecting knowledge and evidence on technical topics to enhance the deployment potential of investments
 - developing decision-support tools for energy efficiency projects, notably the DEEP database

The EEFIG members

- Public and private financial institutions (banks, investors, insurers etc.)
- Banking associations and investor groups
- Industry representatives and associations
- Energy efficiency industry experts
- Energy efficiency services representatives
- SME associations and expert representatives
- Civil society experts representing diverse energy efficiency stakeholder groups
- International Energy Agency (IEA)
- European Commission
- UNEP FI

EEFIG as it stands: Working Groups, Tools and Activities

EEFIG Working Groups

- EE in the EU Taxonomy and tagging of EE loans
- Evolution of EE financing practices
- Financial performance of loans for EE improvements
- Multiple benefits of EE projects
- Further improvements of EE in industry
- EE financing in the framework of the next MFF (*)
- Stimulate consumers' demand for EE investments (*)
- Applying the EE First principle in sustainable finance (*)
- Collecting and monitoring data on EE investments and financing (*)

(*) Currently ongoing

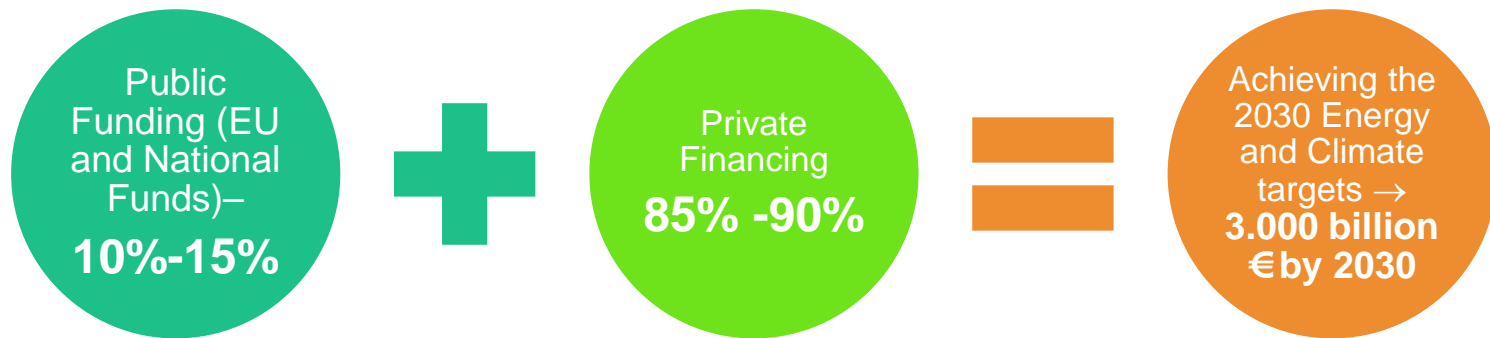
EEFIG Tools and other activities

- EEFIG De-risking Energy Efficiency Platform 'DEEP' (database for EE investments performance monitoring and benchmarking)
- EEFIG Underwriting Guidance (value and risk appraisal framework for energy efficiency finance and investments)
- EEFIG dissemination activities and stakeholder activation

5. A High-Level European Energy Efficiency Financing Coalition

Energy Efficiency Financing – Leveraging Private Investments

Leveraging private financing and investments **is conditional** to achieve the Union's climate and energy targets.



Drivers:

- **Strengthen the cooperation with financial institutions (EEFIG Coalition)**
- Public Funds as a catalyst for private investments (grants models are insufficient).
- Combination of grants, financial instruments and technical assistance
- Development of financing schemes at scale/innovative/performance based.
- Project development assistance (e.g. Replicating ELENA model) and technical assistance.
- Stimulate demand, including removing up-front costs, with measures that can be sustained over time.
- Development of energy efficiency lending products
- De-risking investments

From EEFIG to a high-level Coalition

“In view of the need for increased private financing for energy efficiency, **the Commission will launch, in cooperation with Member States, a high-level European Energy Efficiency Financing Coalition** with the financial sector, based on the successful Energy Efficiency Financial Institutions Group (EEFIG)“, **REPower EU- EU Energy Save Plan Communication**.

Objectives:

- ❑ **Mobilise private financing** for energy efficiency and bridge the financing gap between available public funding (€250 Bn by 2030) and total investment needs (€3.000 Bn by 2030).
 - ➡ Through **specific commitments** by Financial Institutions
- ❑ Facilitate the implementation of **energy efficiency financial instruments and schemes** in support of the 2030 and 2050 EU energy and climate objectives
 - ➡ Recommendations on **EU funding programmes**
 - ➡ Recommendations to **Member States** for the design of specific **public-private support schemes** for energy efficiency investments in specific sectors
- ❑ **Strengthen alliances with stakeholders** (e.g. industry, local governments) to develop business models and the rollout of energy efficiency solutions across sectors;
 - ➡ Develop a “**community of the willing**”
- ❑ Carry out the analytical work at technical level, necessary to support the high-level deliverables of the Coalition
 - ➡ Set up of dedicated expert group

Thank you

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