



HOW TO IMPLEMENT CITY ENERGY PROGRAMMES WITH THE HELP OF FINANCING?

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**ACHIEVING A 100% RENEWABLES GOAL:
A CHALLENGE FOR CITIES**

EUSEW

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1. Energy and climate change in cities

- ❖ Urban areas account for around 70% of the EU energy consumption and GHG emissions, mostly in buildings and transport
- ❖ Substantial investment potential in energy efficiency (EE) and renewables (RE)
- ❖ ESCOs can contribute significantly to developing this potential: need to develop a new business around energy efficiency
- ❖ Some pioneering cities in the EU have launched large investment programmes in this area

2.1 Conditions to launching a city energy programme

1. Willingness to embark on a challenging new task?
2. Capacity to prepare a large programme to reduce transaction cost and attract investors' interest
3. Think how to make projects bankable right from the beginning
4. Right balance between projects to be implemented by the private and by the public sector
 - keep public sector finance for the investments with limited profitability
5. Creation or identification of a source of financing adapted to the project needs

2.2 City programmes: type of investments and profitability

- ❖ Investments that are usually profitable:
 - ❖ EE in public buildings
 - ❖ EE in street and traffic lighting
 - ❖ EE in the service sector: office space, commerce, etc.
 - ❖ ICT related to the above projects
- ❖ Investments that usually need subsidies:
 - ❖ Transport: hybrid buses, logistic improvements, etc
 - ❖ EE in social and private housing
 - ❖ Electric car charging infrastructures
 - ❖ New buildings with high energy performance (quasi zero energy)
- ❖ However, even for the investments that need subsidies, there may be innovative ways to reduce the subsidy needs

2.3. City programmes: Approach to implement the programme

- ❖ Creation of a project implementation unit or similar entity
 - ❖ ELENA can help.
- ❖ Creation or identification of a financial instrument
 - ❖ Adapted to the programme issues
 - ❖ EIB can provide financing



3. European Local ENergy Assistance - ELENA

ELENA **Technical assistance**

Support to local or regional entities:

- Additional staff
- Technical studies
- Tender preparation
- Financial structuring

INVESTMENT PROGRAMME

EE & RE in public and private buildings, street and traffic lighting. PV, heating and cooling networks;

Efficient urban transport, high EE buses, electric cars, logistic improvements;

Local infrastructures supporting the above investments, such as smart grids, electric car charging infras. ICT, etc.

4. Adapted financial instruments

- ❖ Debt financing
- ❖ Combining loans with grants:
 - ❖ Grants from national or EU budgets and structural funds or from other sources, such as white certificates
 - ❖ Grants to investments or for project preparation, such as ELENA
- ❖ Risk capital (subordinated debt and equity)
 - ❖ Risk mitigation, incentives to banks to increase and leverage investments

Jaspers (in NMS) and Jessica (revolving funds) can support specific initiatives, using Structural and Cohesion funds.

5.1 Examples of EIB financing of EE/RE programmes in cities

Loan to a group of local banks (Spain) *(Under development)*

- ❖ **Purpose**: support the initiative of the Barcelona Provincial Council to develop the RE and EE potential of the province.
- ❖ Focus on profitable investments that do not need subsidies
- ❖ EIB loan of EUR 250 M

Loan to a group of local banks (Italy) *(Under development)*.

Purpose: cofinancing of the refurbishment of public buildings in some 30 municipalities of the same province, through ESCOs, based on Energy Performance Contracting.
EIB loan: EUR 65 M

5.2 Examples of EIB financing of EE/RE programmes in cities

Loan to Paris urban heating company (France)

Purpose: Extension of the district heating network, 2 new geothermal plants and other environmental investments.

EIB loan: EUR 145 M

Jessica Holding Fund for Lithuania (under development)

Purpose: Holding fund for energy efficiency improvements in multi-family housing

Fund Amount: EUR 227 M

Soft loans at fixed interest rate at preferential levels

6. Conclusions

- ❖ Very large potential to reduce GHG emissions in cities
- ❖ Need to move from policy commitment to actual implementation: develop examples of large investment programmes
- ❖ Key is generation of bankable projects at local or regional level: ELENA support
- ❖ Another key issue is adapted financial instruments, including, when required, efficient use of grants
- ❖ The EIB has substantial experience in this area and it is actively supporting pionnering initiatives.

▣ Thank you for your attention