

# FIRECE

## INNOVATIVE FINANCIAL INSTRUMENTS FOR ENERGY EFFICIENCY IN EUROPE

### **Emilia-Romagna Region**

Economy of knowledge, job and business Department  
Research, Innovation, Energy and Sustainable Economy Unit

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# GUIDELINES

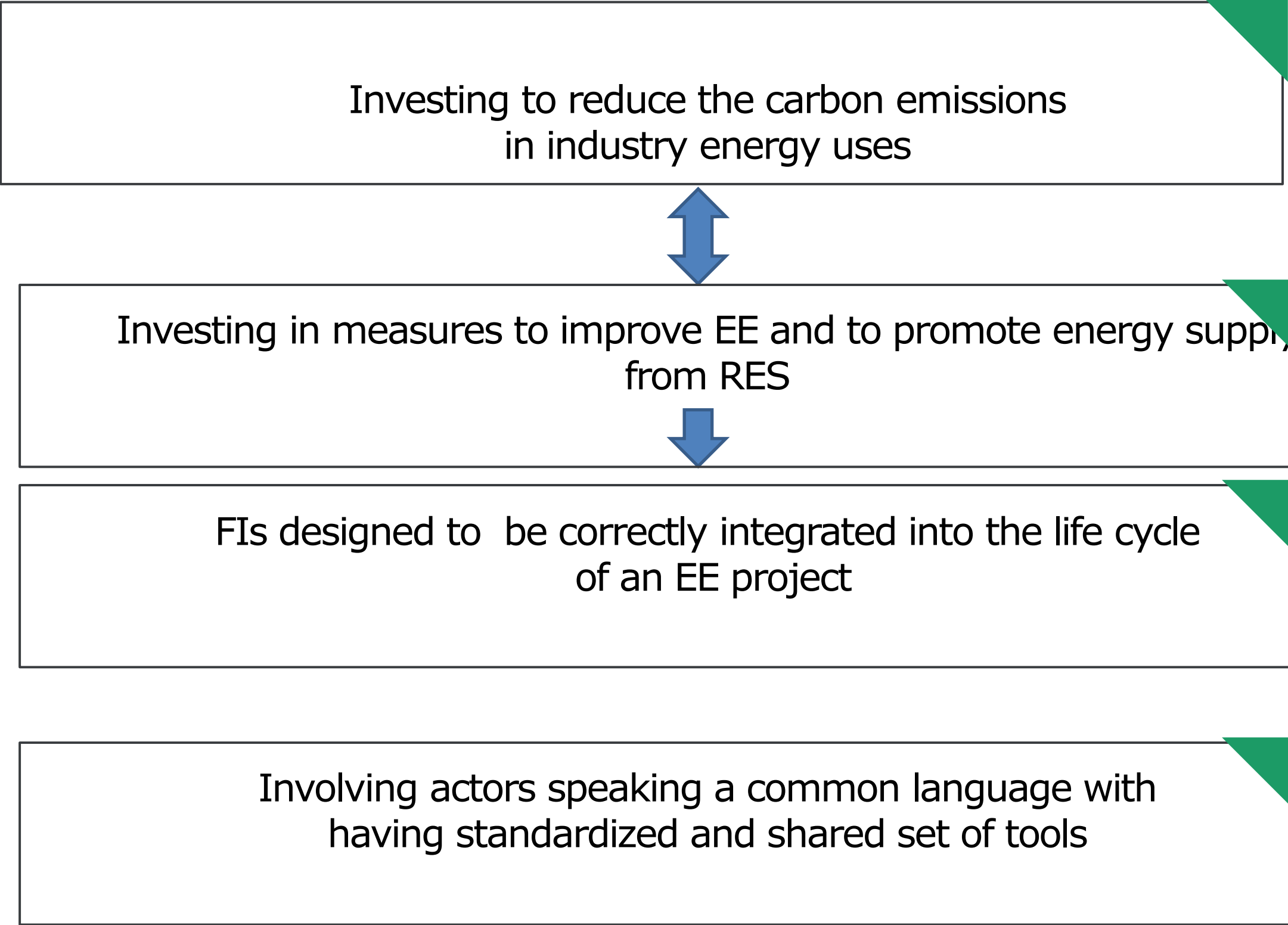
## TO IMPLEMENT FINANCIAL INSTRUMENTS

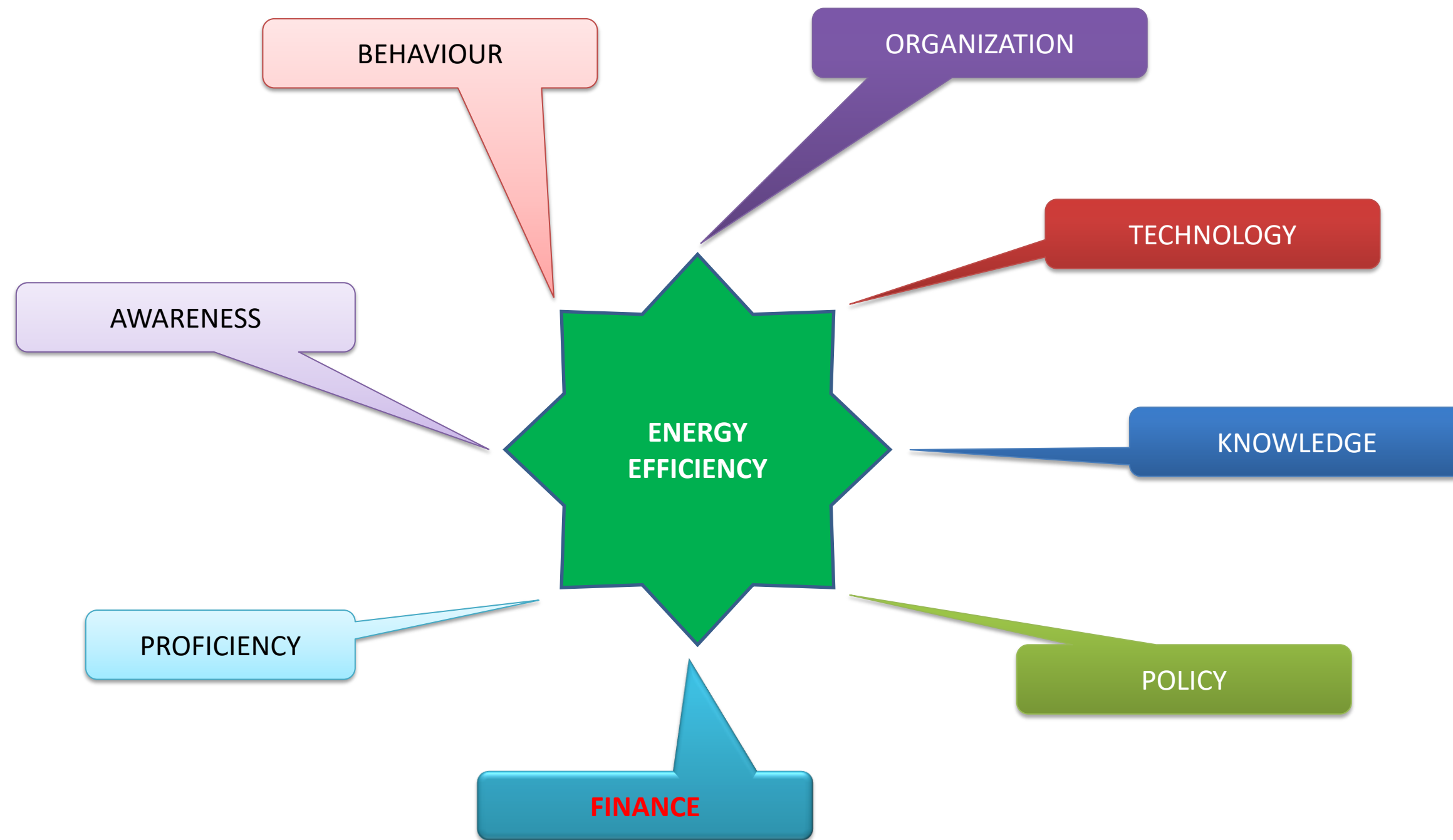
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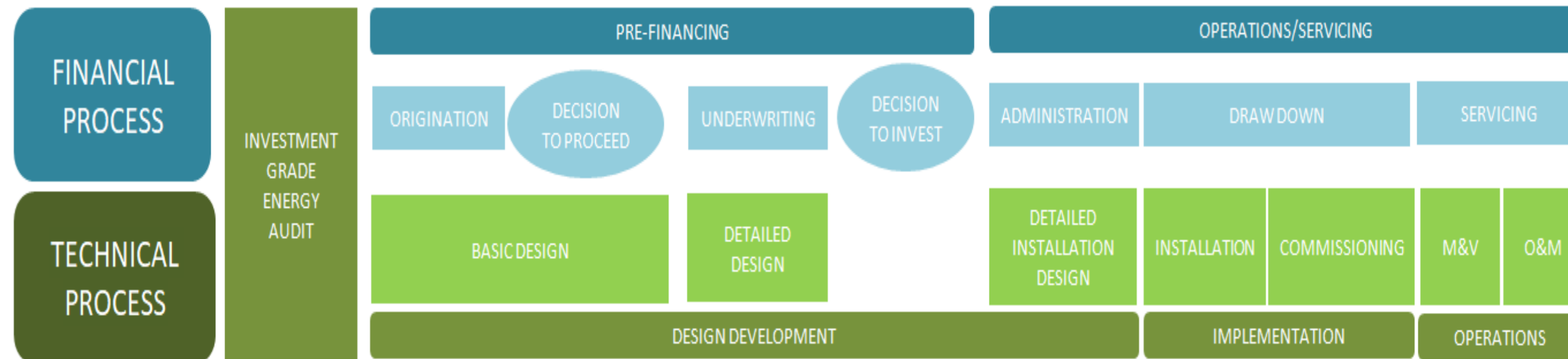
# FINANCIAL INSTRUMENT

- ✓ affects the **incapacity** of the credit market (identified with the ex ante evaluation) favouring the realization of projects that otherwise would not be implemented, provided that they are **bankable**
- ✓ creates a **leverage effect** by attracting private investors
- ✓ allows **reinvestment** possibilities (revolving funds)
- ✓ allows **diversification** of financing methods
- ✓ stimulates the presentation of more **effective** and **efficient projects**, favoring tools that allow the application of **standardized** procedures, best practices, use of **specialized professional** figures to facilitate and support projects
- ✓ more effective **selection** processes thanks to specialized intermediaries able to guarantee adequate **timing** and **monitoring** during the use of the instrument

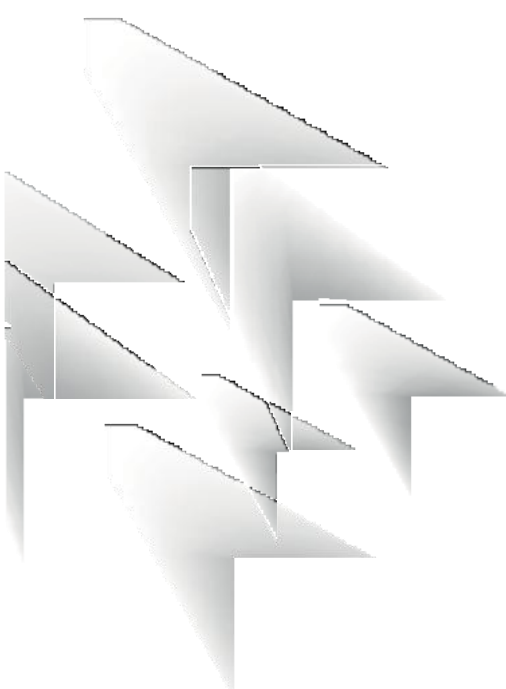




# ENERGY EFFICIENCY PROJECT: FINANCIAL + TECHNICAL

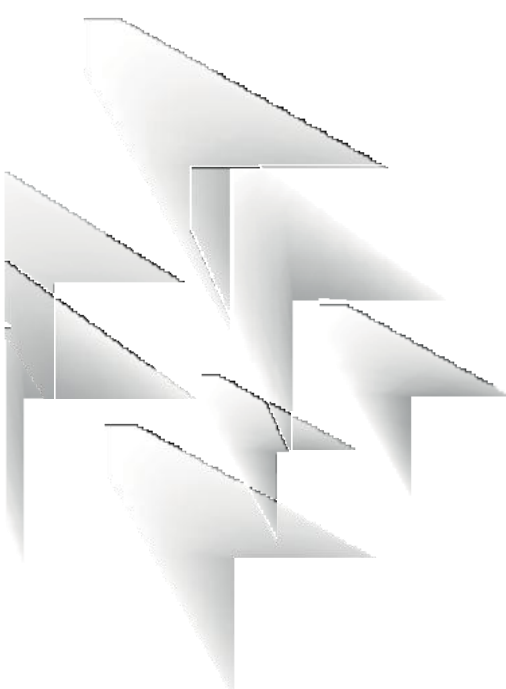


- ☹️ **Companies:** low propensity to make non-core investments with long payback times
- ☹️ **Lenders:** difficult to understand energy savings as cash flow diluted over time and perception of a high project risk due to lack of specific know-how
- ☹️ **ESCo:** frequent lack of economic-financial and/or technical requirements



# COMPANIES - KEY ELEMENTS

- Regulatory stability
- Availability of performance data and clear monitoring and measurement of savings
- Overall availability of long-term finance
- Sector risk management to increase investor confidence
- Awareness at key decision - maker level
- Development of standards in EE process
- Technical assistance and capacity building for Fis
- Knowledge of technologies and skills to assess EE investments
- Existence of public subsidies for EE projects



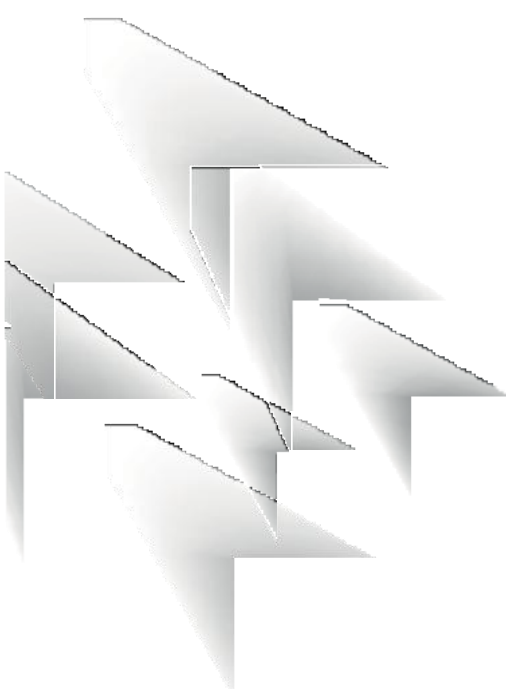


# WHAT MARKET PREFERS

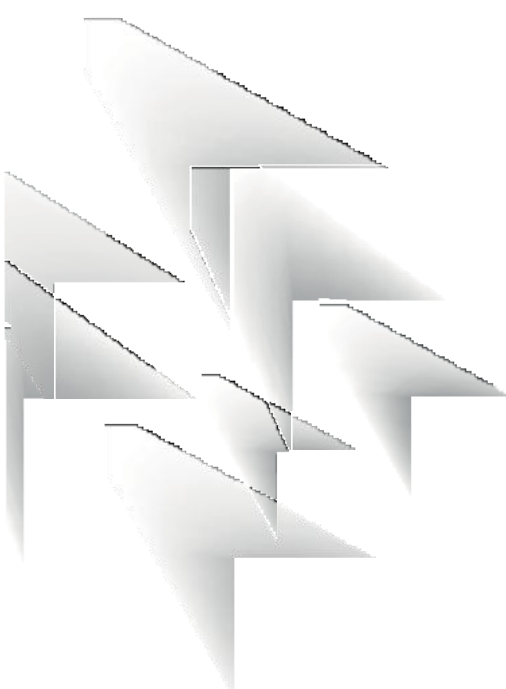
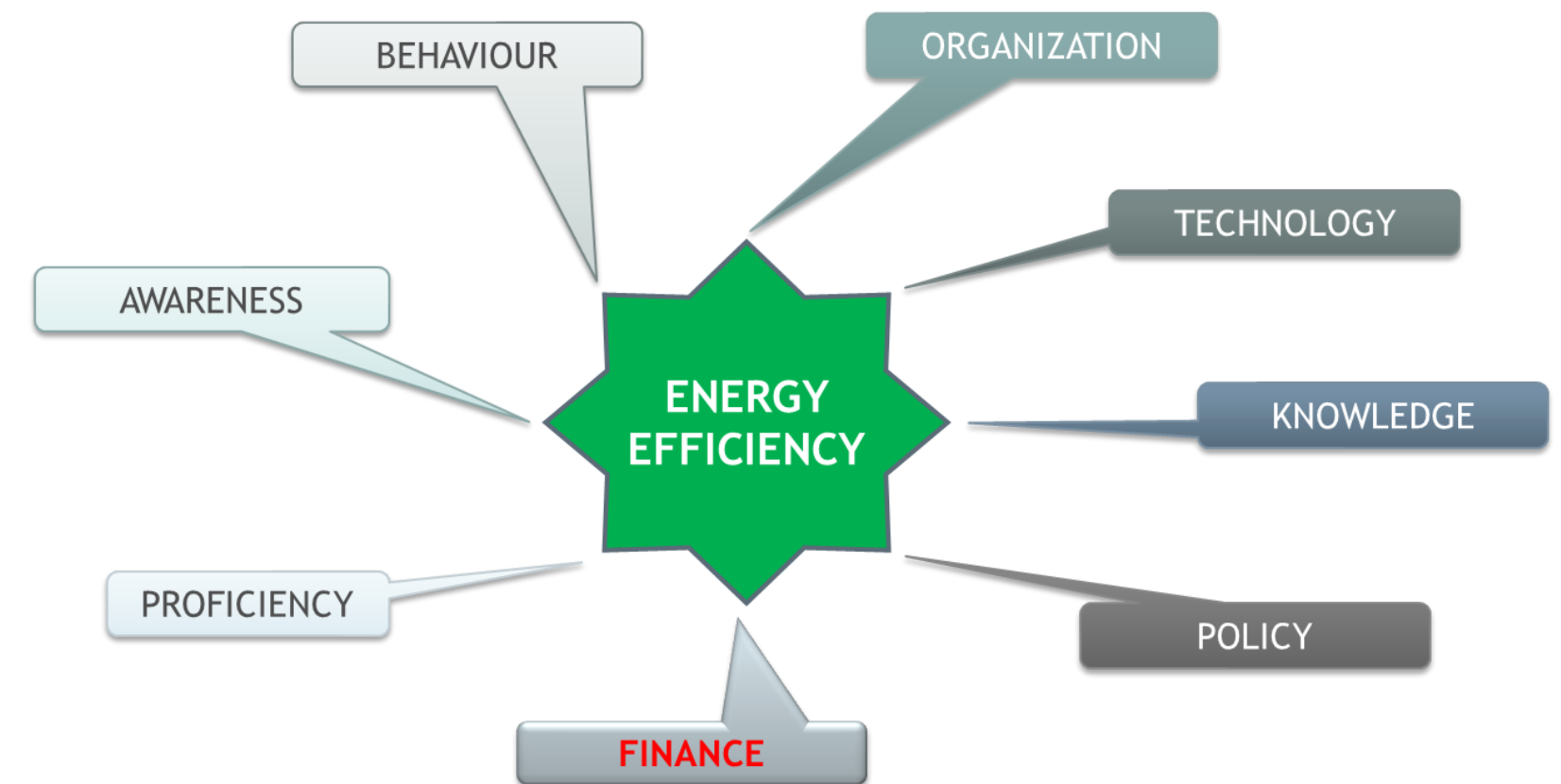
Score 0 if instrument is "not applicable"  
 Score 1 if instrument is "marginally useful"  
 Score 2 if instrument is "useful"  
 Score 3 if instrument is "very useful"

Instrument	Large - energy intensive	Large - non-energy intensive	Mid-cap	SMEs
Energy Performance Contracting	3	3	3	2
Energy Efficiency Investment Funds	3	3	2	2
Dedicated Credit Lines	2	2	3	3
Risk-Sharing Facilities	2	2	2	2
Subordinated Loan	2	2	2	2
Leasing	2	2	2	2
Energy Services Agreement	2	2	2	2
Factoring Fund for Energy Performance Contracts	2	2	2	2
Green Bonds	3	2	2	1
On-Bill Repayment	1	1	1	2
Covered Bonds	1	1	1	0

Table 14 - Financial Instruments impact assessment (source: author's elaboration from EFIG)



- project implementation
- investments attractive to the market
- technical and information support
- risk sharing

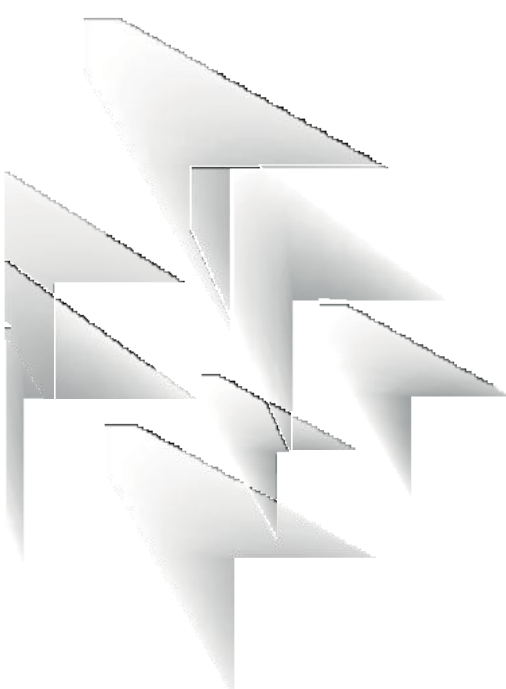


# LESSONS LEARNED & RECOMMENDATIONS

- ✓ **revolving fund** option is **rewarding**
- ✓ **combination of loans and training** is winning
- ✓ offer to beneficiaries **counseling and tutoring services**, different from the one of the manager of the fund
- ✓ put in place **technical assistance** programs
- ✓ improve the **communication activities**
- ✓ pay attention to possible difficulties of **coordinating different grants**
- ✓ assure **stability and certainty over the time** to the financial instrument
- ✓ **coordinate** the strategies
- ✓ **differentiate** the required documentation according to the type of project
- ✓ introducing **different forms of support**
- ✓ possibility to finance projects with **higher amounts**
- ✓ **keeping** facilitating conditions over the years
- ✓ increase the **pool of banks** involved in the initiative
- ✓ more leverage on the **ESCo**
- ✓ **supporting** procedures to issue the necessary **authorizations**
- ✓ **medium-term planning** to allow adequate preparation of projects

To policy makers	To market participants
policy framework should positively support strong corporate energy efficiency investment choices at key points in their investment cycle, using a “carrot and stick” approach	raise energy efficiency opportunities at board-level and implement appropriate strategic resource investments to capture their multiple benefits within the natural company investment cycle
public resources and facilitation should be engaged to establish dynamic and effective systems for sharing information and technical experience	financial institutions should more widely adopt existing “best practice” models to stimulate their clients’ energy efficiency investments
ensure EU and national policies and resources are working effectively together to drive R&D and optimal energy efficiency outcomes	encourage and support collaborative processes and consider R&D whose objective is to reduce the cost of and improve the up-take of energy efficiency investments
support the clarification of the regulatory, fiscal and accounting treatment and standardization of Energy Performance Contracts	standards should be developed for the legal terms in and process to negotiate energy performance contracts
energy efficiency opportunity identification and investible project pipelines should be supported with Project Development Assistance facilities for SMEs	

Table 21 - Summary of recommendations (source:EFIG)



# THANK YOU

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