



# Private Finance For Energy Efficiency (PF4EE)

*TRAINING SESSION 2015  
FOR LIFE NATIONAL CONTACT POINTS  
Brussels, 8 – 9 June 2015*

# 1. Background

- EE investment in Europe
- Positive effect of EE investments
- PF4EE objectives
- Key milestone since DA signature
- Outcomes so far.
- EIB dedicated team to PF4EE

The European Union energy efficiency sector is experiencing sub-optimal levels of investment attributed to a combination of regulatory and market failures/barriers.

The key barriers usually highlighted are:

- high investment costs,
- limited access to credit,
- too long payback times and
- credit risks.

It is also suggested that public funds should be used to provide technical assistance and to ensure the provision of loans on attractive terms.



## The additional positive effects

Energy Efficiency investments contribute to reaching the EU 2020 objectives and also delivers number of macroeconomic benefits:

- Local employment opportunities in the real economy
- Increased living standards - through reduced household energy bills.
- reduction of the negative effects of climate change
- Short- and long-term energy security benefits by lowering European exposure to fossil fuel price shocks;
- A reduction in the welfare costs of addressing the social impact of cold homes.

The European Union energy efficiency sector is experiencing sub-optimal levels of investment mainly because of:

- high investment costs,
- limited access to credit,
- too long payback times and
- credit risks.

PF4EE aims :

1. To make energy efficiency lending a more sustainable activity across European financial institutions (FIs);
2. To encourage private commercial banks and other financial intermediaries to address the energy efficiency sector as a distinct market segment;
3. To increase lending for energy efficiency in response to priorities identified by Member States' National Energy Efficiency Action Plans.

- Signature of Delegation Agreement in December 2014
- EIB Webpage created and publication of “Request for Proposals” (<http://www.eib.org/products/blending/pf4ee/index.htm>)
- Elaboration of selection tools for Financial Intermediaries in line with PF4EE objectives.
- New Product Committee approval obtained, involving back-office procedures and technical solution to record PF4EE risk-sharing mechanism.
- Review of EU-28 National EE Action Plans to find EE programmes to be supported by PF4EE.
- EIB agreement for financial reporting to EC and management declaration of assurance.
- Information meetings with all EIB geographical departments about PF4EE objectives.
- External lawyers engaged and legal documentation about the collateral agreement on an advanced stage.
- Public procurement process to engage consultants to provide technical assistance under the PF4EE.
- Drafting of the cooperation agreement about the Expert support facility
- EIB specific approval for a Programme Loan (EUR 750m) for EIB loans under the PF4EE ( in process)

- ❑ 12 expression of interest received from banks based on Czech Republic, Spain, Greece, Ireland, Austria, Belgium, Poland, France, Latvia, the Netherlands and Italy.
- ❑ 3 applications under the terms of the Request for Proposals received (Komerční Banca (CZ), Banco Santander (ES) and Ceska Sporitelna (CZ))
- ❑ 2 applications pre- selected
- ❑ Appraisal mission for Komerční Banca CZ ongoing and agreed for Santander on the 1<sup>st</sup> week of July.

The implementation of the PF4EE instrument and its deployment requires transversal knowledge and expertise through EIB.

**Manuel Dueñas**

Deputy Head of Division  
Climate Change and Environment  
[duenas@eib.org](mailto:duenas@eib.org)  
Tf: + 352 4379 8 7215

**Laurent Bender**

Senior Loan Officer  
Climate Change and Environment  
[L.bender@eib.org](mailto:L.bender@eib.org)  
Tf: + 352 4379 8 7209

**Attila Szabo**

Loan Officer  
Climate Change and Environment  
[szabo@eib.org](mailto:szabo@eib.org)  
Tf: + 352 4379 8 7215

**Filip Vandeputte**

Energy Efficiency and Renewable Energy.  
Energy Department

**Isidoro Tapia**

Energy Efficiency and Renewable Energy.  
Energy Department

**Maria Teresa Massad**

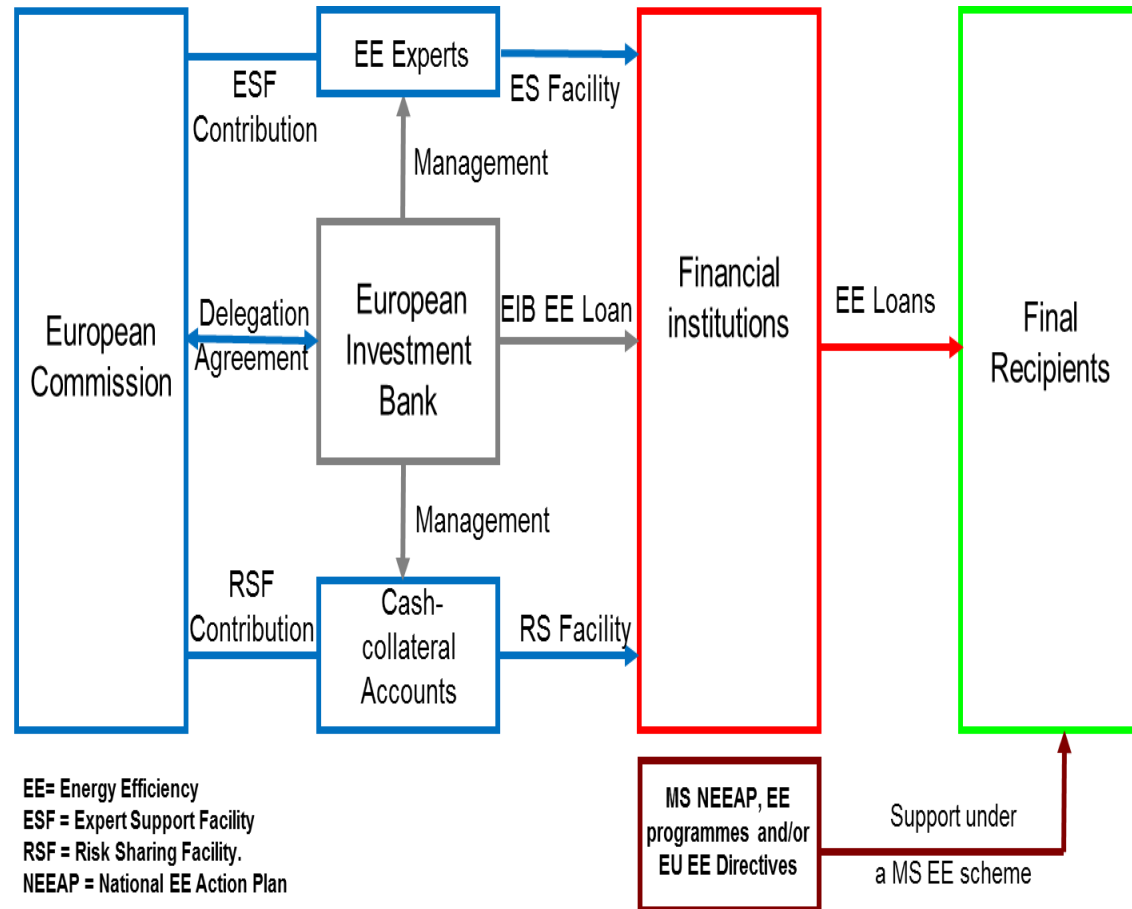
Legal Department  
Restructuring, New Products and Funds



## 2. Description and structure PF4EE

- PF4EE global structure
- PF4EE components
- Key terms
- The Risk Sharing Facility
- The Expert Support Facility
- The EIB EE loan

PF4EE is a **unique** initiative aiming at proposing a **global solution** offering funding resources, risk mitigation, expert support and synergies with EE schemes.



- Private Finance for Energy Efficiency (PF4EE) is a joint instrument of the EIB Group and the European Commission (EC) to support the financing of energy efficiency (EE) investments.
- PF4EE is constituted by 3 complementary components in order to offer a packaged solution to financial intermediaries:

## EIB Energy Efficiency Loan

- EIB financing (max 5 Mn EUR per Final Beneficiary) with long tenor (max 20 years) and flexible allocation rules.

## Risk Sharing Facility

- Up to 80% coverage of expected credit losses on a loan by loan basis up to a given amount.

## Expert support facility

- A technical consultancy service aiming to support EE financing at Financial Intermediary level.

### Fee

Usual EIB pricing

Flat fee not exceeding 30 bps per annum calculated on the outstanding Portfolio

No fee/charges

## Highlights:

- AAA-rated risk mitigation solution covering up to 80% of the credit losses of new loans
- Reduced credit risk and lower capital consumption through the risk mitigation solution.
- Collateral payment occurs upon default, pro-rata sharing of recoveries
- Portfolio size of max. EUR100m and leveraging at least 6 time the cash deposited for risk mitigation.
- EIB Energy Efficiency Loans may refinance up to 75% of the capital cost of Eligible Energy Efficiency Investments.
- Technical support provided for free to the commercial banks to facilitate the implementation of the PF4EE project.

## Conditions

- Final Beneficiary: all segment markets like private individuals, housing association, corporates, small municipalities except large public entities
- Maturity: to a maximum of 20 years
- Amount: up to a maximum of EUR 5m
- Type of loans: Energy savings should at least covers 50% of the project cost.

**The PF4EE should be combined with EE program acceptable for EIB (State, regional or local EE grants program)**

## for Financial Intermediary

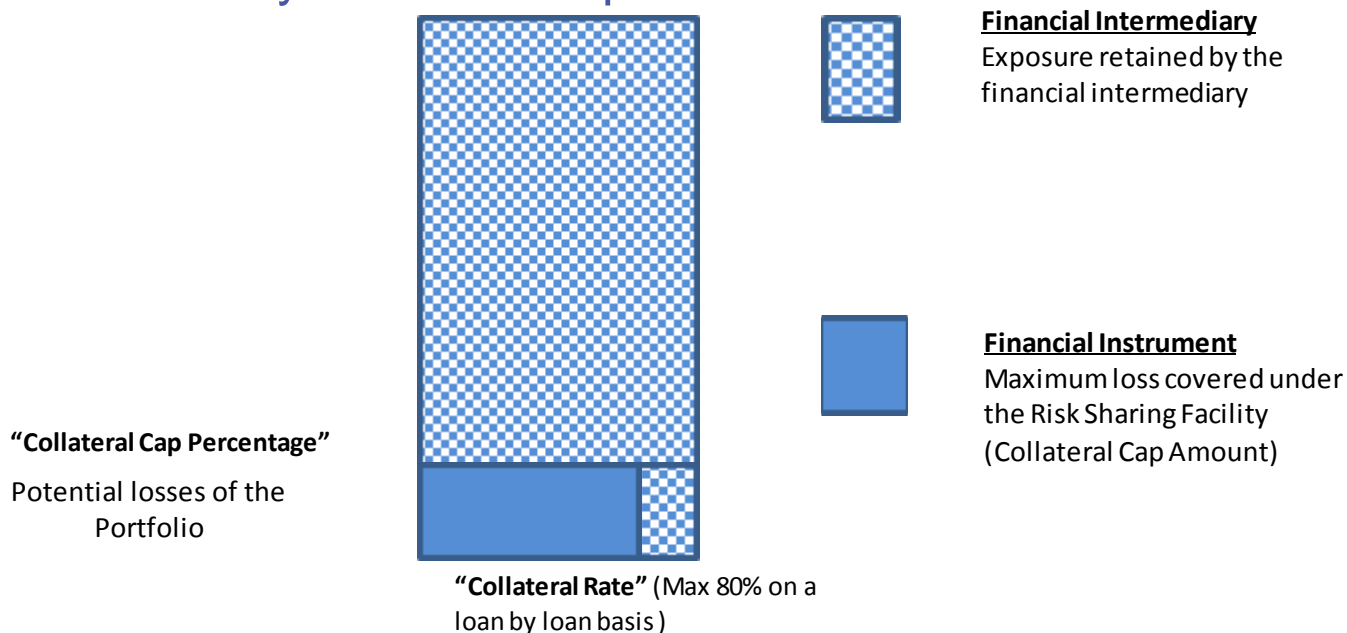
- Innovative lending practice and increasing lending volumes
- to develop tools and expertise in EE lending
- Risk coverage is provided at a collateral rate of up to 80%  
EIB refinancing up to 75% of the investments cost and up to 20 years tenor.

## For Final Recipients

- Competitive pricing
- Adapted loan to finance EE (longer tenor)
- Streamlined application process

## Innovative credit risk mitigation by means of cash collateral

- Cash deposited in a dedicated account at EIB will cover up to 80% of losses on a loan by loan basis up to the available cash posted.



The amount of cash posted will be agreed with EIB on the bases on the potential losses estimated in the portfolio of energy efficiency loans.

- Free of charge experts and consultants provided to the Financial Intermediary to develop a financing products dedicated to Energy Efficient investments.

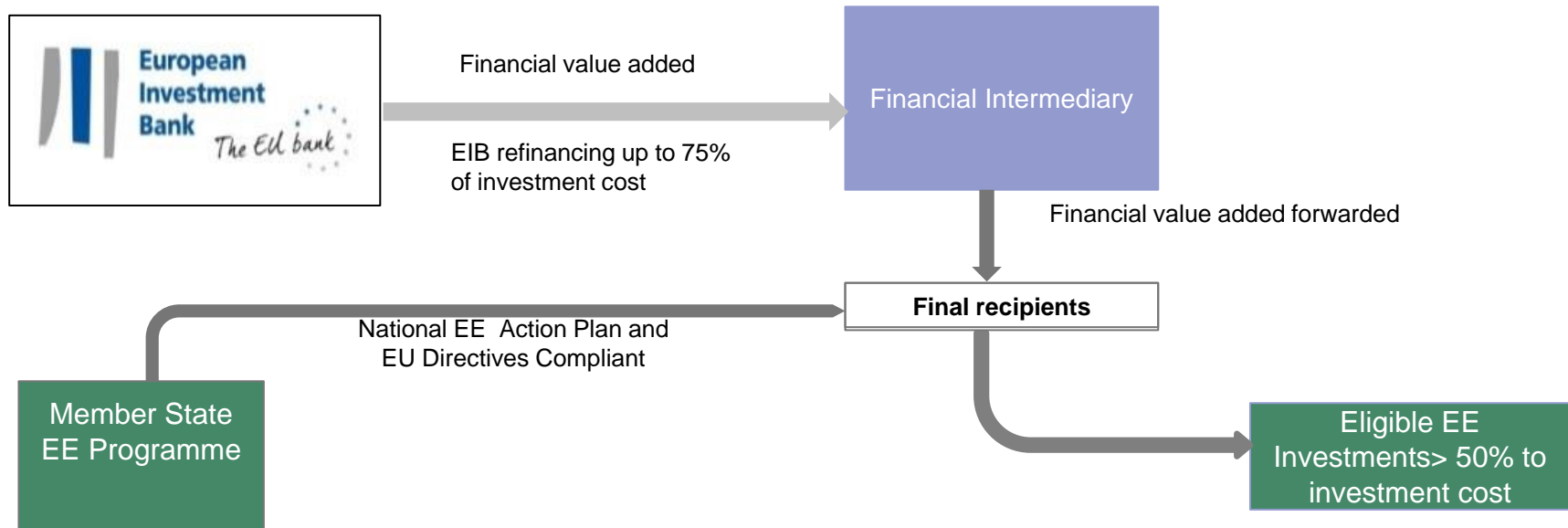
EIB appraise FI's capacities to implement the PF4EE and propose adequate support.



- Training in relation to PF4EE.
- Assessment of technical capacities .
- EE loan Portfolio development.

- In development of marketing strategies.
- To the development of EE products.
- In appraisal of EE projects.
- To risk analysis of individual projects.
- In reporting matters.
- To energy audits.

- EIB provides a specific refinancing for PF4EE up to 75% of the investment cost of the project to finance and with long tenor up to 20 years.
- The remaining source of funding is expected to come from a EE eligible grant program or from investor pocket.



- Eligible final recipients can be corporate, small public entities or private persons.



## 3. Case Study

- Komerčný banka application
- Proposed PF4EE project
- Organisation of the due diligence.
- Validation of a previous EE investment

## KB application

### Preliminary steps :

- Awareness session with EIB geographical division in charge of banking coverage.
- Information forwarded by the EIB relationship manager to their clients
- KB, one of EIB partners in CZ, expressed preliminary interest about PF4EE

### Key steps :

- KB's formal application received on 03/03
- KB's Application pre selected by the PF4EE evaluation panel
- Organisation of a due diligence to assess specifics points

During due diligence, the appraisal constituted by Relationship manager, ingeneer, economist and PF4EE team member focused on key aspects of the PF4EE application to be further assessed.

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Project submitted by Komerční Banca to implement PF4EE in CZ

- ❑ Targeted portfolio size : 50-75 mio euros
- ❑ Final recipients profiles : Corporates
- ❑ Blending PF4EE with OPPIK EE grant program for most of the EE investments projects
- ❑ Time plan : signature in July 2015, inclusion period from 2016 to end of 2017.
- ❑ Leverage effect : at least EE investments should equal to 10 times the PF4EE collateral posted
- ❑ Impact : new dedicated product range, specialized EE team to be developed to assess EE projects, dedicated EE loan proposed.
- ❑ PF4EE may offer support to EE investment where in Prague area and in CZ tourism sector not currently covered by OPPIK.

Step1: assessing the quality and alignment of the OPPIK programm with PF4EE objectives.

Time frame	Topic	Speaker
9,00 – 12,30	<b>Introduction</b>	
	introduction of the participants	EIB, Ministry of Finance and Ministry of Industry and Trade
	presentation of the PF4EE instrument	EIB
	presentation of the OPEIC program, part 2 dedicated to corporates	CZ Ministry of Industry
	Q&A regarding the context (market, suppliers, demand), the technical aspects (eligibility check, economic approach like return on investment, communication of the outcome, certificates )	
	debriefing, next steps and potential developments	

Step 2: validating the allocation capacity of the applicant to EE projects, estimating its technical expertise, fine-tuning the marketing strategy

Time frame	Topic	Speaker
<b>14,00 – 15,00</b>	<b>Introduction</b>	
	Invitation	
	General description of the Intermediary	Investor relations (G. Olegrová)
	KB's market position in SME financing	Egon Čierny
	Financing of energy projects (Energy Finance team)	Pavel Pelčák / Stanislav Průcha / Lukáš Jůza
	Relation to OPPIK, state aid	Jan Hanuš
	Experiences with EIB/EIF products	Jan Rosen
<b>15,00 – 18,00</b>	<b>PF4EE</b>	
	- EE eligibility criteria, technical aspects	Stanislav Průcha / Lukáš Jůza
	- procedures (identification, check-list, technical assistance, allocation, monitoring, reporting)	Jan Rosen
	- composition of the portfolio	Jan Rosen
	Remaining questions from the questionnaire	

Step 3: confirmation of the estimation of the potential losses, Basel 3/CRR risk methodology, simulation exercises.

Time frame	Topic	Speaker
<b>09,00 – 10,00</b>	<b>Risk procedures</b>	
	Credit risk procedures (approval authority delegation, credit proposal life circuit, monitoring procedure, collateral requirements)	Dana Jelínková / Sandra Dorilleau
	Assets valuation and recovery procedures	Jan Kabilka
	Expected losses of the portfolio	Marek Jurčík?
<b>10,00</b>	<b>Q&amp;A, closing</b>	
10,50	Departure from Vaclavske namesti	Jan Rosen
11,50	Lunch at Benesov	
<b>13,00 – 14,30</b>	<b>On the spot visit: energy savings in the bakery production, Benešov</b>	
15,30	Arrival to the Prague airport	

## Step 4: verification in situ with a concrete example of EE Project

### Company description:

- Industrial bakery in Beasova (30km to Prague)

SME with less than 250 employees

EE investments realised in 2013 and 2014

Total capex ; CZK 7.5 mios equiv to 300 Keur

Yearly savings CZK 1.5mios equiv to 60 Keur

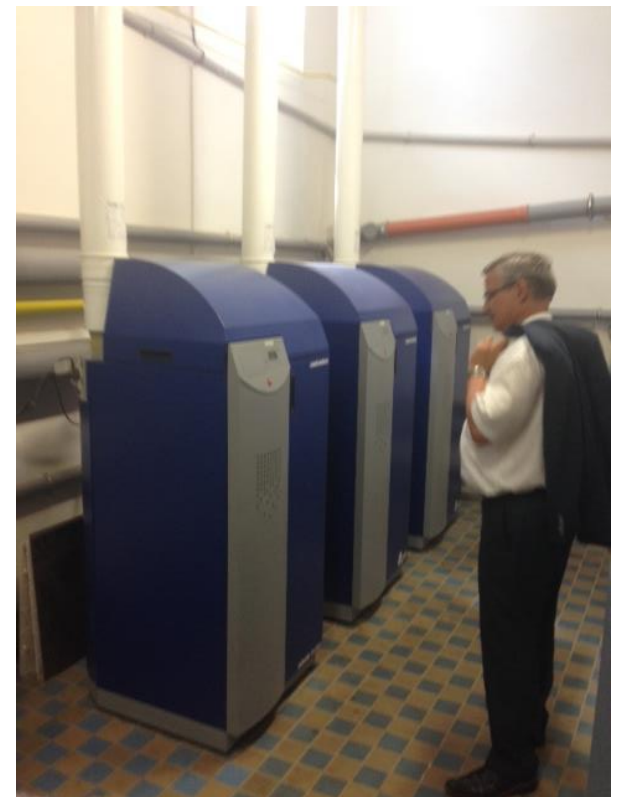
EE grants obtained CZK 1.5mios

Type of investment : optimisation of heating system, wall insulation, new windows.

Next potential EE investment: Solar panel

Impact: reduction of energy cost by 26%.

### Gaz condensing boilers





External wall insulation



Hot water storage tanks





Heat exchangers



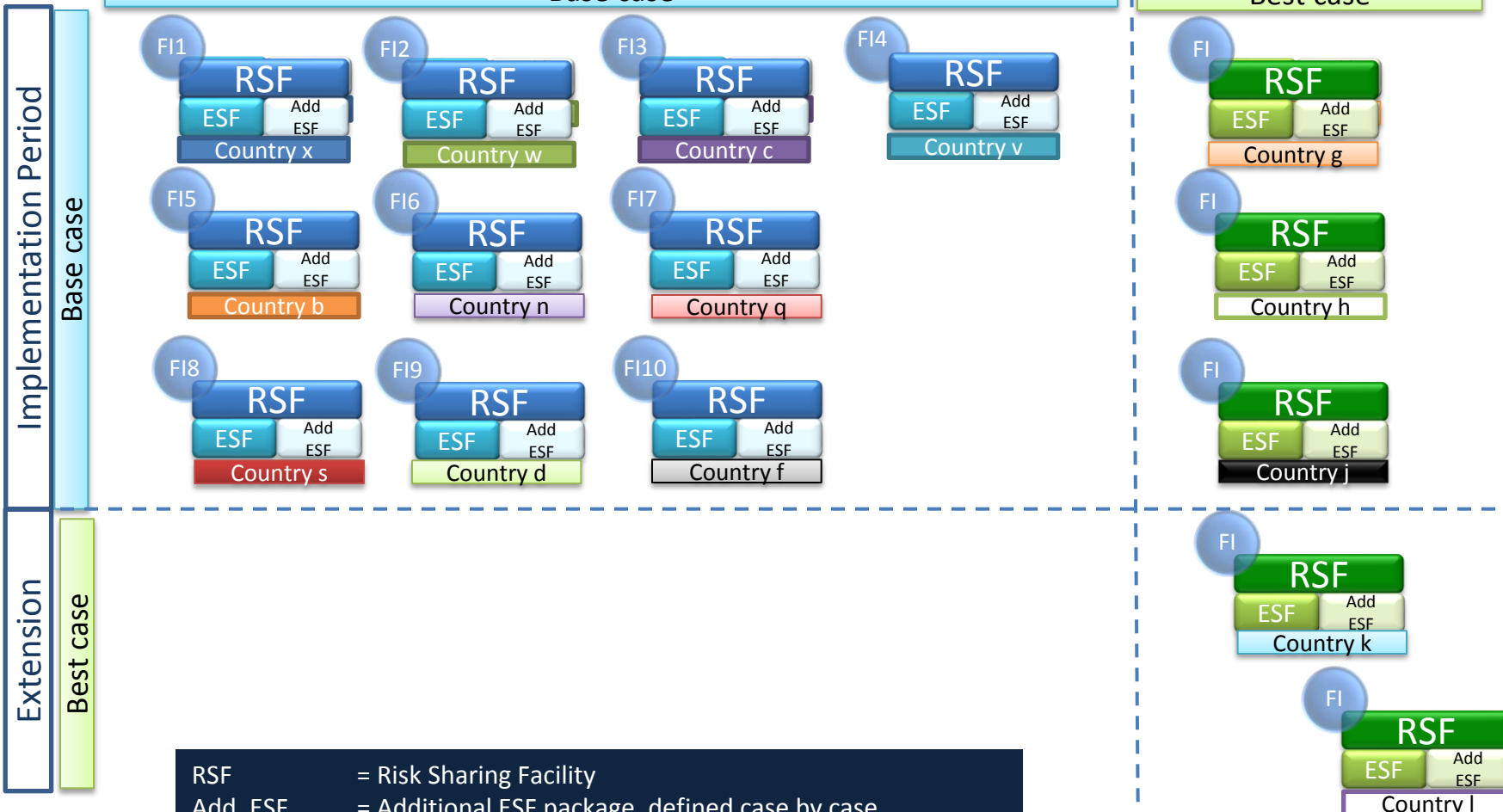
Energy monitoring and management tools

## 3. NEXT STEPS

PF4EE implementation strategy  
2015 targets

## Base case

## Best case



RSF = Risk Sharing Facility  
 Add. ESF = Additional ESF package, defined case by case  
 ESF start-up = Mandatory ESF package for each FI  
 FI = Financial Intermediary selected, one per EU member

- Request for Proposal to select Financial Intermediaries **public since 19/01/2015.**
  - Pilot phase ending 2017, during which the impact of the instrument will be evaluated.
  - First in – First served principle.
  - Target 2015:
    - 1 first deal to be signed in first half 2015
    - 2 additional deals to be signed in 2015 with adequate geographical allocation.
  - Consultance and technical support available from September 2015 onwards.

## Contacts.

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Thank you for your attention, if questions or contact request, please utilise the following email:

**[PF4EE\\_Instrument@eib.org](mailto:PF4EE_Instrument@eib.org)**

**Laurent Bender**

Senior Loan Officer  
Climate Change and Environment

[L.bender@eib.org](mailto:L.bender@eib.org)

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