

Using refinancing instrument to finance energy efficiency services

eLearning Module #2

REFIN 

REFINE has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement no. 894603



Challenges in financing energy efficiency investments



Household clients:
„Should I buy a new car, go on vacation or retrofit the house?”



Corporate clients
„Energy efficiency is nice but it won't really affect the company's credit rating, so we'll rather use the money to grow a customer base.”

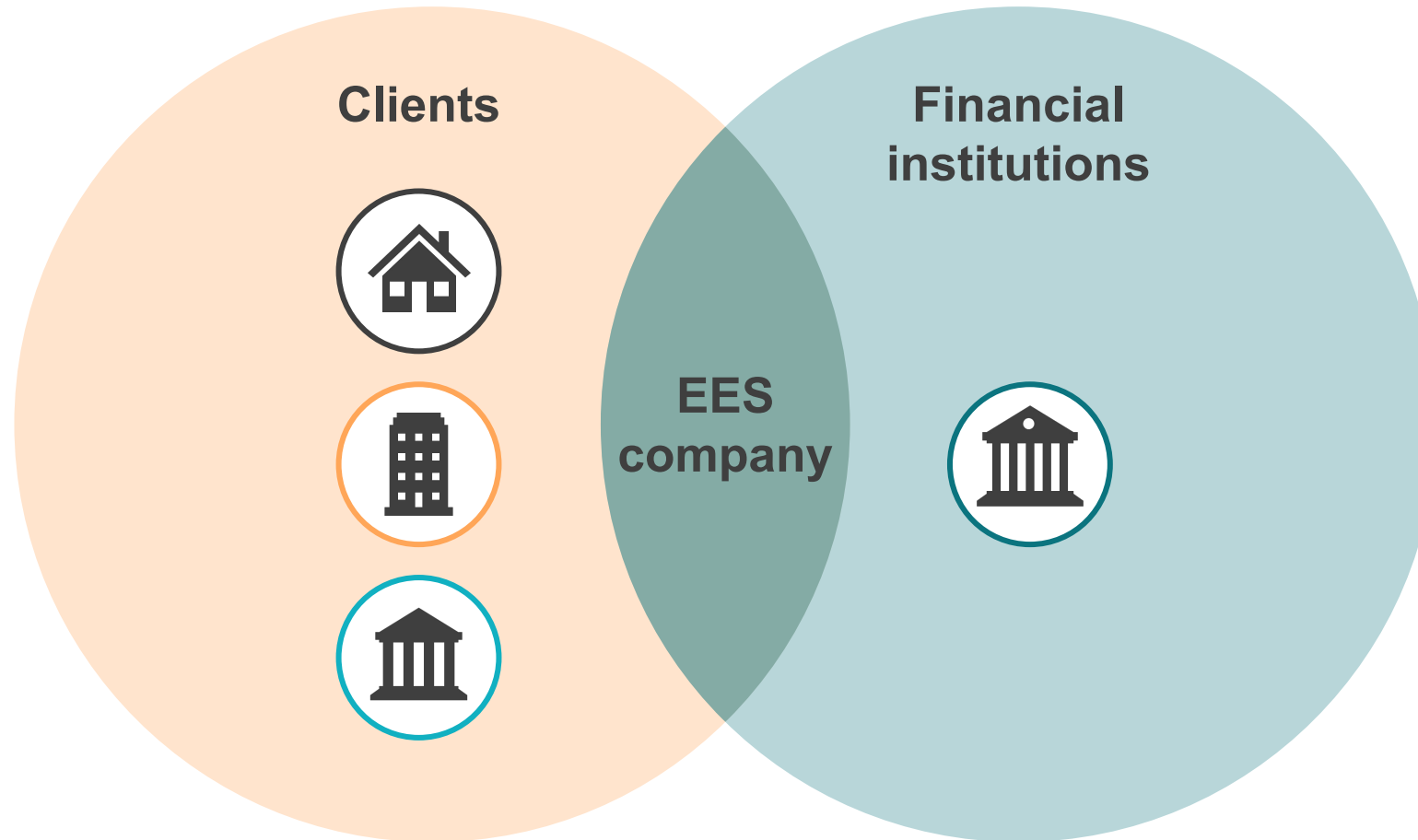


Public clients:
„The energy bills for the school are high but the heating system is still working, so should we rather invest in a new kindergarden?”



Financial institutions
„Energy efficiency investment in a multi-apartment building? Not for us – too many stakeholders and the profit margin seems low.”

Challenges in financing energy efficiency investments

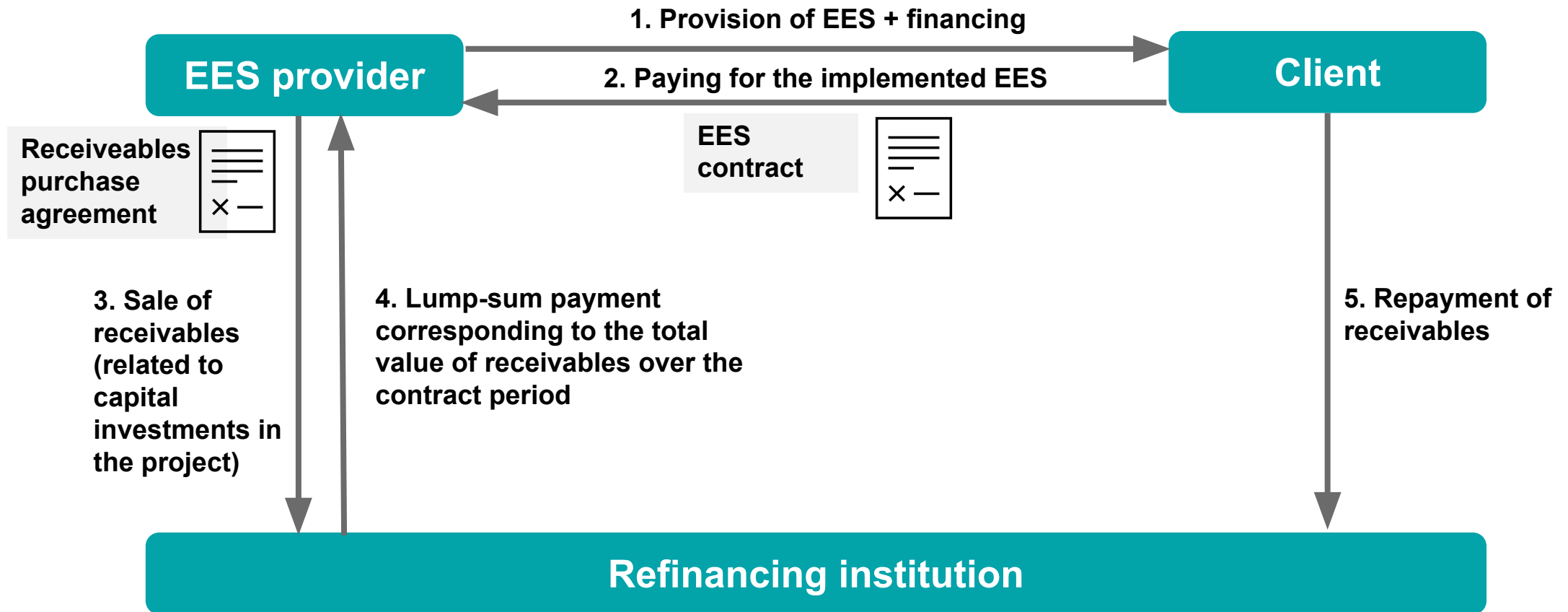


EES providers have to respect their own credit limits.

Refinancing as a solution

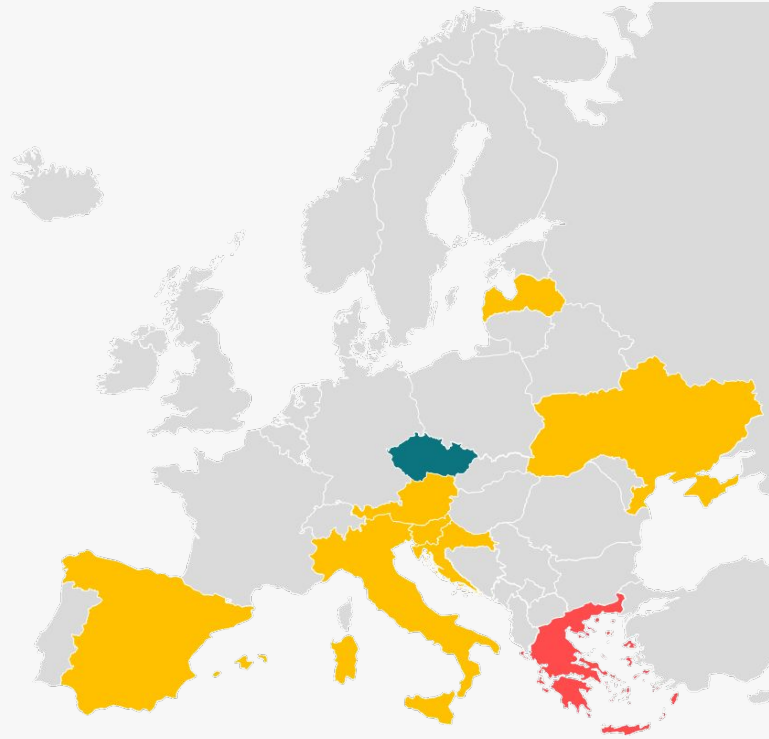


Refinancing as a solution



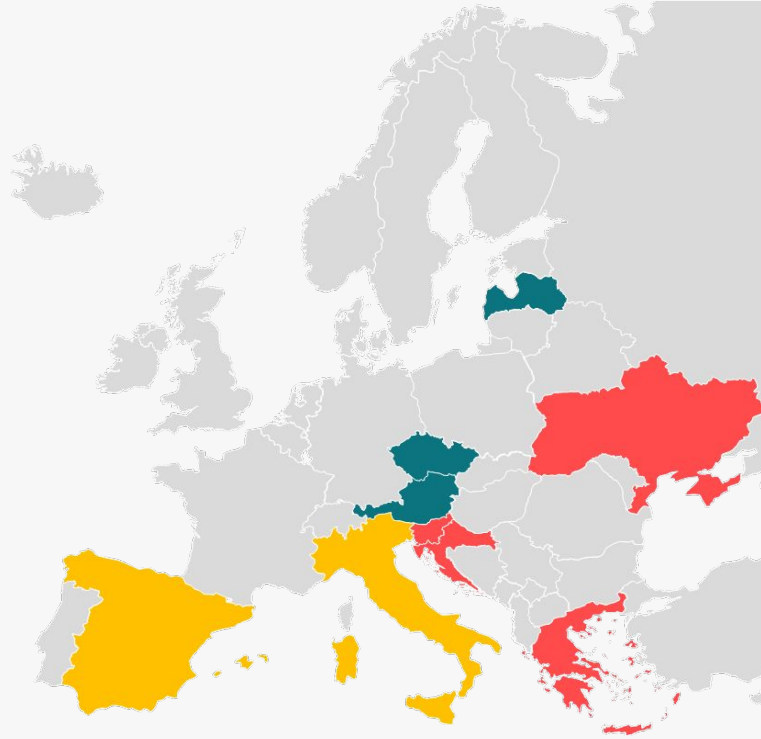
Refinancing market assessment

Feasibility of financing



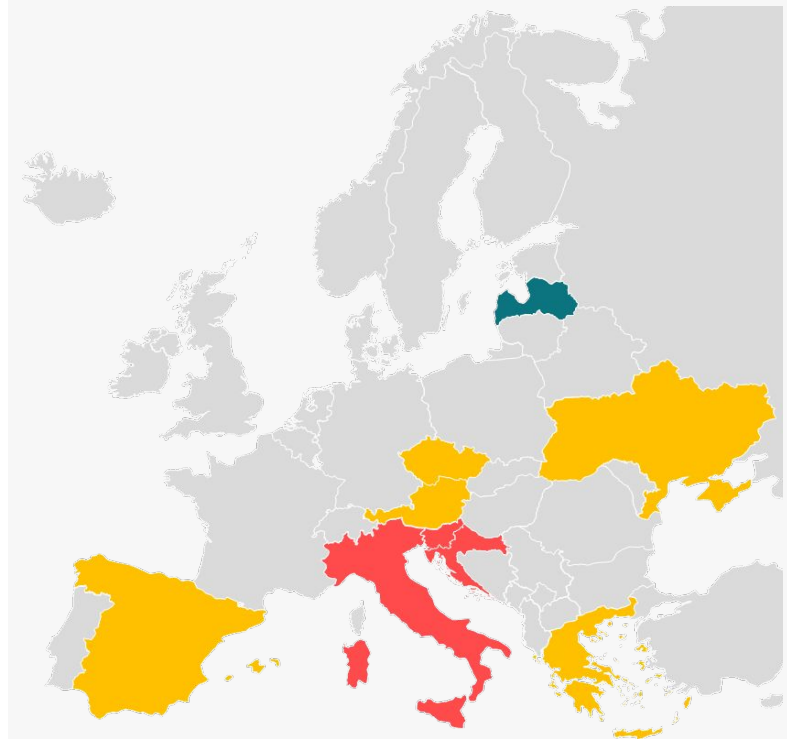
- Very difficult
- Moderately difficult
- Easy

Availability of refinancing instruments



- Not available
- In development
- Available

Availability of state-backed guarantees



- Not available
- In preparation/foreseen
- Currently in place

Diversity of refinancing models in the EU



Sale of receivables






- Implementation of technology measures for Energy Efficiency Improvements
- Mid-term contract duration
- Targets public clients or private sector clients with a very good reputation.
- Refinancing takes place after the implementation of measures



Building renovation as a service

- centred on financing building renovation as a service and providing refinancing for comprehensive building refurbishment.
- Long-term contract duration
- Oriented towards the private sector.
- Refinancing takes place after the measurement and verification of the savings


Existing barriers to EES financing and refinancing

-  The number of existing EES contracts is not sufficient for accommodating dedicated services such as refinancing EPC contracts.
-  The investor risk profile is often inadequate for commercial banks, whereas ESCO companies pinpointed a lack of interest from commercial banks to refinance EES projects.
 - › Maturity of refinancing contract poses an issue for financial institutions that still see EES projects as risky.
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Existing barriers to EES financing and refinancing

 The complexity of the operations and the lack of specialized funds.

Difficulties to assess the technical risks and the atomized market hamper access to suitable projects.

 Significant grant funding of energy efficiency projects obstructs the demand for refinancing schemes.

 The requirements for non-collateral lending are stricter.

Deployment of refinancing model

- › The wider use of refinancing schemes that have already been implemented is often limited by high transaction costs.
 - › Examples from Latvia and Czechia are an exception.

Key elements of expanding refinancing model into other, untapped, markets:

1. Standardisation of contract stipulations
2. Rating/scoring-system for quick risk evaluation of EES project
3. Public guarantees instruments for handling project risks



REFINE tools

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<https://refineproject.eu/>



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