

Module 2: English

REFIN 



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ENGLISH

Different stakeholders experience different challenges when they want to invest in energy efficiency related projects.

To bridge those various challenges, energy efficiency service providers can act as a link between financial institutions and different client categories. For example, the EES provider prefinances the investment and gets repaid through yearly remunerations which are dependent on the actual savings achieved.

Financial institutions can provide third-party financing to Energy efficiency service companies and avoid taking over the full share of the investment risk.

However, to be able to do that EES providers have to respect their own credit limits and depending on their financial capacity, they will be able to finance only a limited number of projects.

Refinancing concept

By utilising the refinancing as a potential solution for the limited financial capacity of the EES providers, the energy efficiency service provider has the opportunity to expand its business and continue investing in new projects, and the financial institution generates a new green business opportunity with limited risk since it only bears the credit risk on the client side (technical risks generally remain with the EES provider).

In a refinancing scheme, the energy efficiency project is financed initially through a corporate loan provided by a bank to an energy efficiency service provider who is implementing the investment. The client immediately benefits from this approach, as they are generally not forced to burden their balance sheet while they can take advantage of the broad scale of benefits of the energy efficiency investment. A certain period after the investment has been implemented and the performance of the investment has been demonstrated, the energy efficiency service provider sells off the expected receivables to a refinancing institution and receives cash upfront for the receivables, while the buyer gets the right to collect the receivables. In this way, the energy efficiency service provider clears their balance sheets and gains leeway for the financing of new projects which would not be possible otherwise. Therefore, the possibility of applying refinancing schemes is a major element supporting the growth of the EES provider.

Examples of adjusted versions of the refinancing concept can be found in Austria, Czechia and Latvia. The deployment of the refinancing model is often limited by high transaction costs and the lack of standardized documentation that seems to be a key to unlocking the potential of the refinancing model and expanding it into untapped markets.