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TECHNICAL GUIDANCE

Financing the energy renovation of buildings
with Cohesion Policy funding

FINAL REPORT

A study prepared for the European Commission
DG Energy



Energy

Financing the renovation of buildings with Cohesion Policy funding

Technical guidance

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Energy

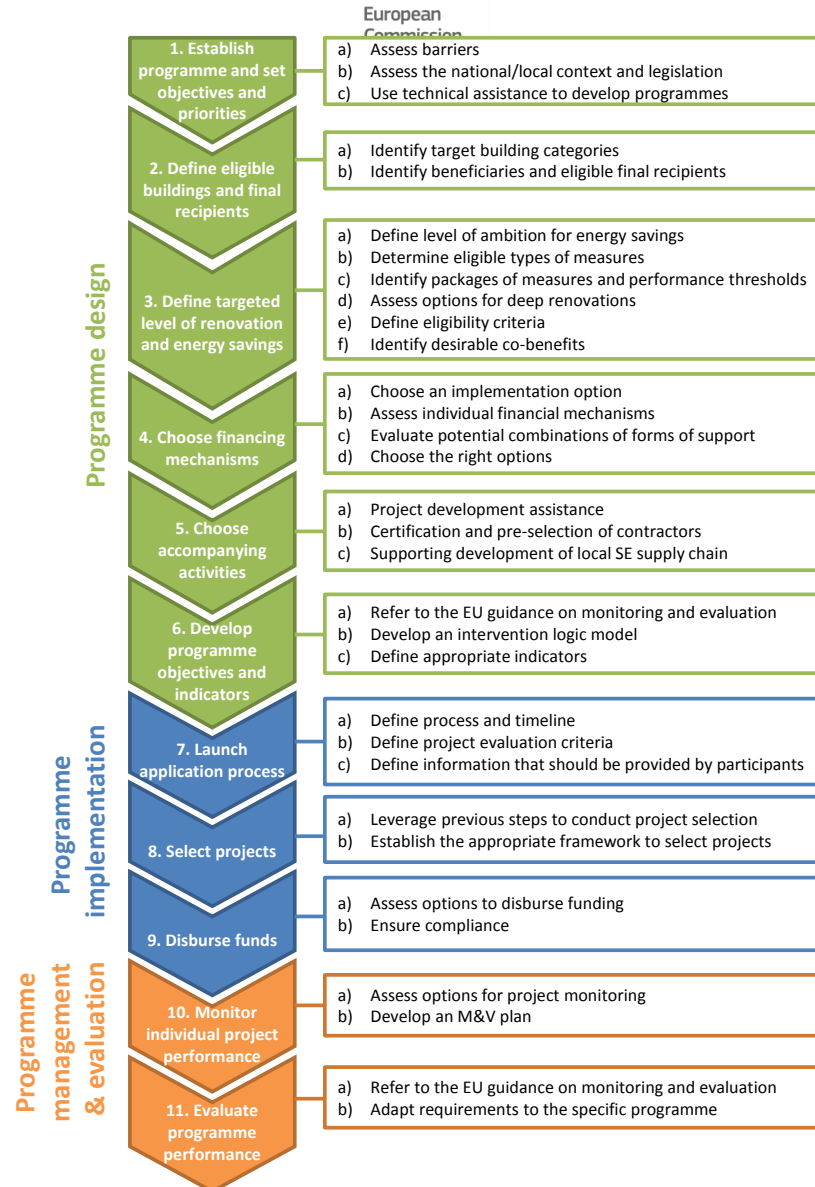
OBJECTIVES



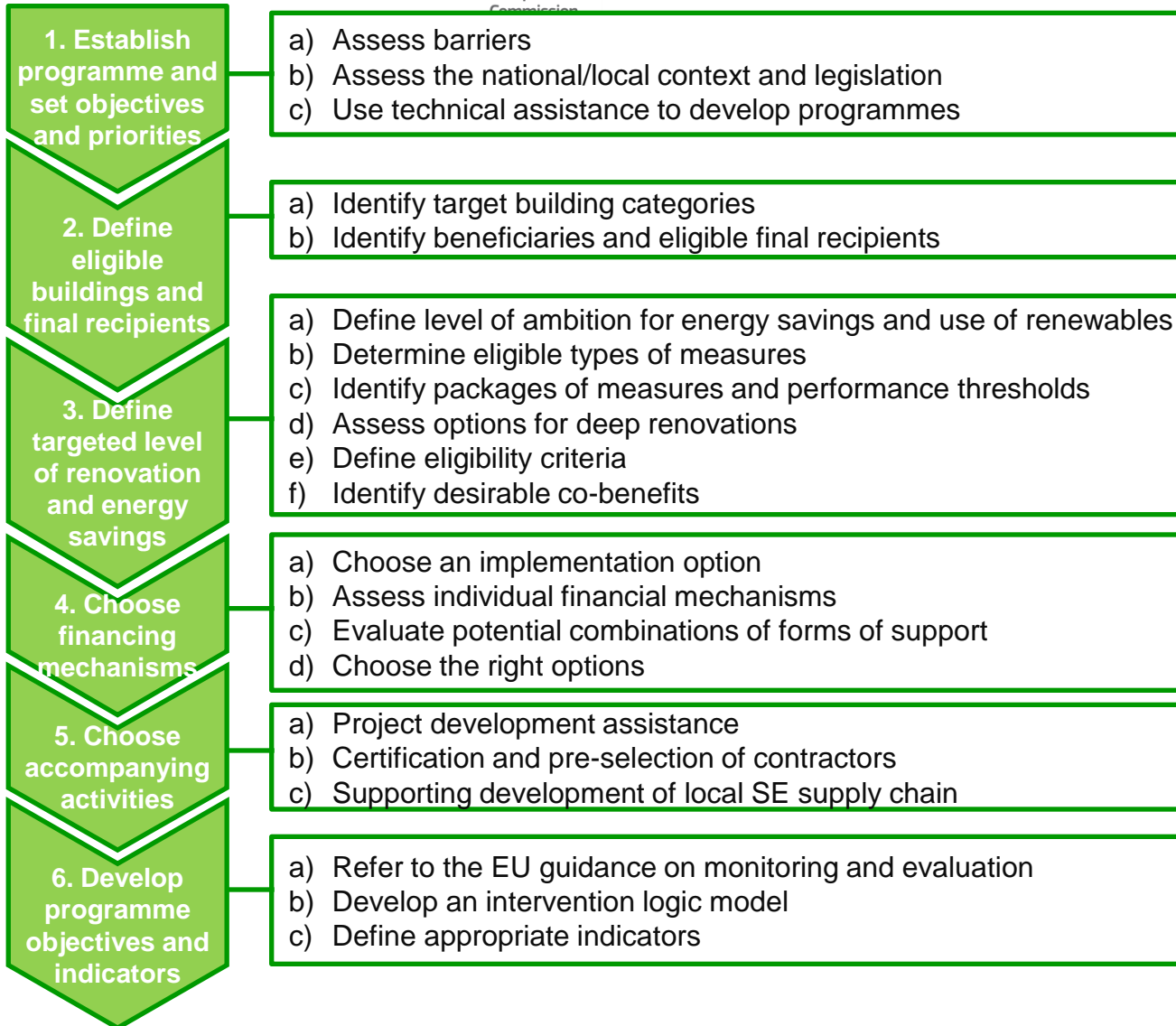
The guidance :

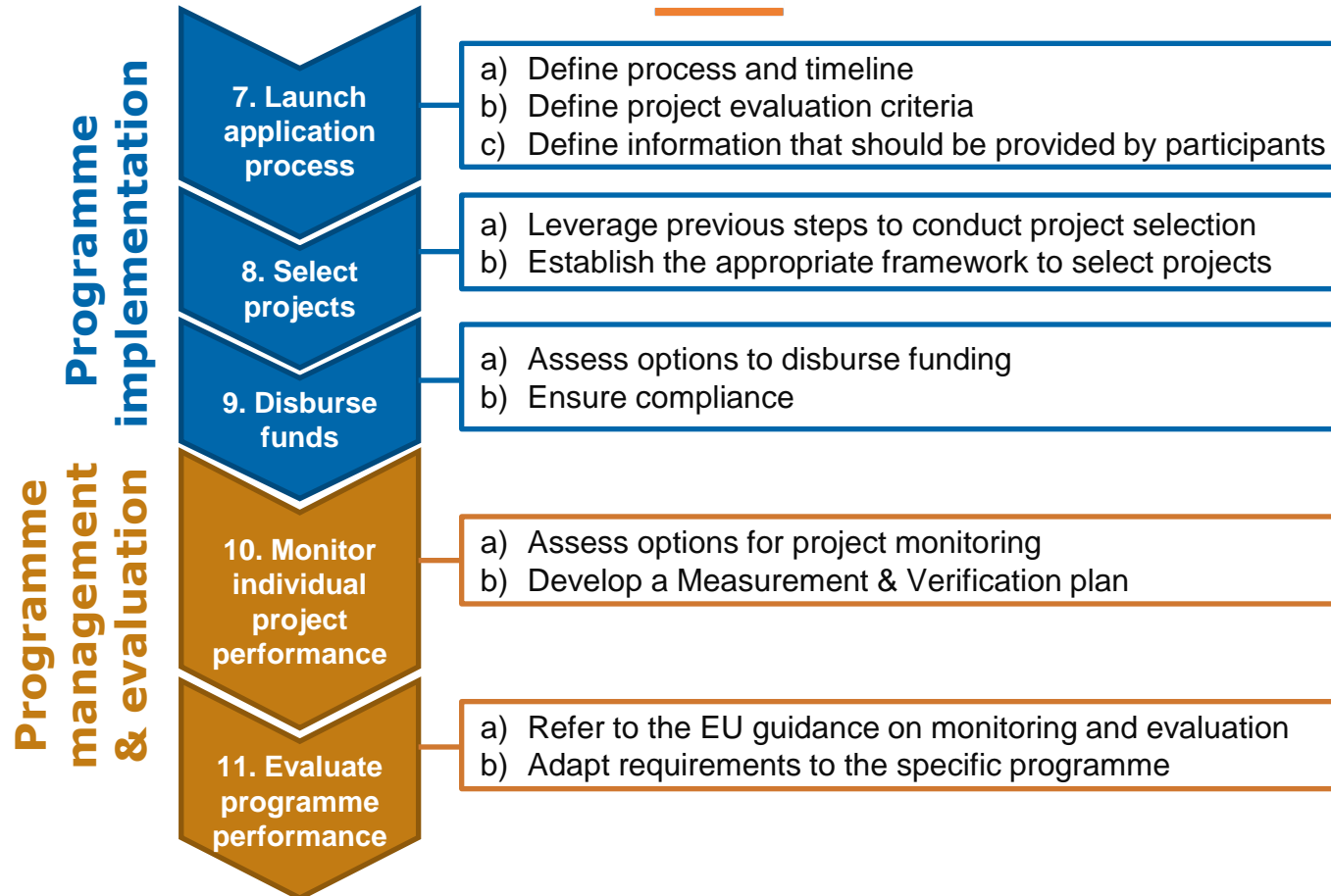
- Aims to help Cohesion Policy Managing Authorities (MAs) plan and deploy SE investments in buildings within Operational Programmes (OPs)
- Provides a list of good practice approaches and case studies
- Informs MAs about the European requirements on buildings and energy efficiency
- Explores the different financing mechanisms that MAs can use to support SE projects with the aim to:
 - Launch large scale investments in the energy renovation of buildings
 - Attracting greater levels of private-sector investment

http://ec.europa.eu/energy/efficiency/studies/doc/2014_guidance_energy_renovation_buildings.pdf



Programme design





1. Establish programme and set objectives and priorities

- MAs should assess the barriers to energy renovation in their region at design stage e.g. financial, institutional & administrative, information & awareness, “split incentive”
- PAs and OPs must consider current EU, national and regional regulations and strategies including NRP, NEEAPs, Annual Reports under the EED and National Renovation Roadmaps, National targets to implement Europe 2020, CSRs, NREAPs, etc.
- MAs should consult with stakeholders to understand market needs and local context and aim to link with other EU-wide initiatives (e.g., the Covenant of Mayors)
- MAs can use ESI Funds to support TA activities (preparation, management, monitoring, etc.)

2. Define eligible buildings and final recipients

- All buildings types (public, residential, commercial) are eligible for ERDF / CF funding
- However, large commercial buildings are not a policy priority
- MAs can leverage work on buildings renovation roadmaps to identify priority targets and can support projects aligned with local sustainable energy action plans (SEAPs)
- MAs can set conditions as to what type of final recipients or beneficiaries should be eligible to receive funding (public / private, ESCO, specific target groups)

3. Define targeted level of renovation and energy savings

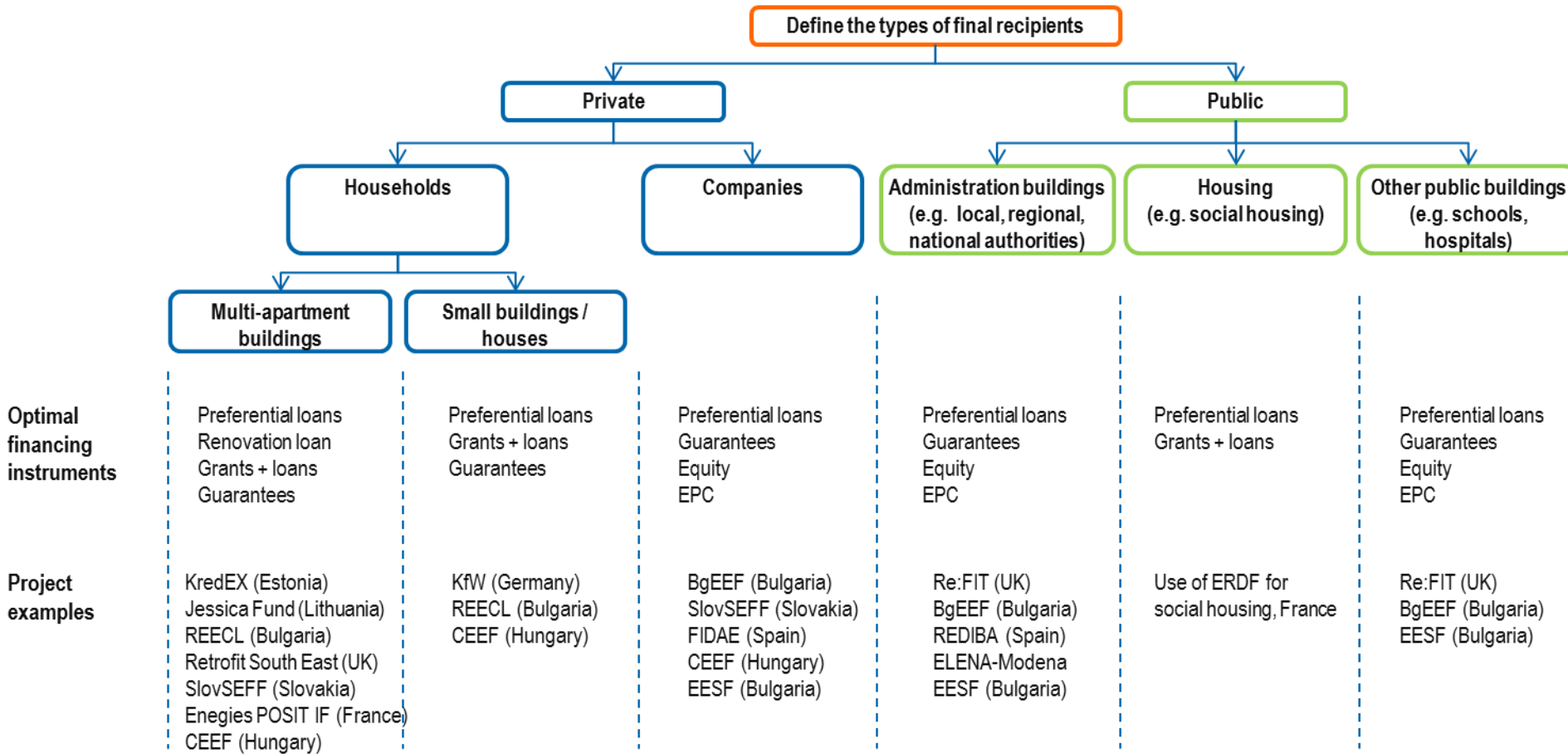
- MAs should consider minimum requirements set in the EPBD / RED to be a baseline and CP funds should be used for projects that go beyond these requirements (especially public buildings)
- MAs should aim to avoid the lock-in effect and generally aim for deep renovation
- As a general principle: the deeper the renovation, the higher the grant support from CP funding
- MAs can set performance thresholds (at building or component level) and/or eligibility criteria for packages of measures
- Energy Performance Certificates / energy audits should be used to identify measures
- Complexity of assessment should be adapted to the size / scope of the project
- MAs must set eligibility criteria to allocate funding, adapted to the project size:
 - The NPV is generally recommended for cost-effectiveness
 - Energy performance levels can be set using requirements set by MSs as part of the EPBD / RED
 - Other requirements can also be defined (e.g. conducting an energy audit)

4. Choose financing mechanism

- There is a strong rationale for implementing innovative FIs
- To use ESI funding in FIs, MAs need to carry out an ex-ante assessment
- A range of new implementation options are available to MAs including:
 - FIs set up at Union level (managed directly or indirectly by the EC)
 - FIs set up at national, regional, transnational or cross-border level (managed by or under the responsibility of the MA)
 - For FIs consisting of loans or guarantees, the MA may undertake implementation tasks directly
- FIs may be combined with grants and interest rate / guarantee fee subsidies
- Grants can cover the initial costs of project implementation (e.g. energy audits, feasibility studies)
- The level of grant funding should increase with the level of SE improvements or the social objectives
- Depending on the local context and the objectives of the programme, MAs should evaluate the appropriateness of using certain financial mechanisms versus others

(advantages and disadvantages of various financial mechanisms are analysed on page 63 of the guide)

KEY MESSAGES



5. Choose accompanying activities

- PDA facilities can be established by MAs to assist project developers throughout the project cycle
 - The support is generally provided in the form of grants with a mandatory leverage factor
 - The EU has set up a number of PDA facilities in the 2007-2013 period
 - Under Horizon 2020, PDA will be provided to public and private project promoters (€6 to >€50 m)
 - ELENA facility implemented by the EIB will continue in the 2014-2010 period
- Certification schemes and pre-selection of contractors can ensure an efficient use of ESI funding
- Activities can be undertaken to help develop the local SE supply chain

6. Develop programme objectives and indicators

- The EC has produced a guidance document on monitoring and evaluation for the 2014-2020 programming period, which sets out how to define appropriate indicators among other things
- An intervention logic model can be used to set out the objectives of a programme and how they are expected to be achieved
- An OP should set common and programme-specific output indicators [CPR]

7. Launch application process

- Two main types of processes can be used to receive and select project applications
 - Calls for proposals: large-scale projects and/or when number of applicants or funding are limited
 - Open application process: smaller scale projects and/or when number of applications is high
- Evaluation criteria shall reflect the eligibility criteria for project selection and encourage deep renovation
- Information to be requested at the application stage shall be clearly identified by MAs

8. Select projects

- Project selection is based on all the activities and parameters defined in the previous steps
- Various steps can be considered to facilitate project assessment and selection: formation of an assessment committee, establishment of a timetable and communication channels, development of a project evaluation framework and project selection database, definition of a clear appeals protocol, etc.

9. Disburse funds

- The choice of FI will dictate the process through which funds are disbursed and the bodies involved
- Various actors can be involved in the disbursement of funding (EU / national financial institutions, SPVs)
- All transaction must comply with the laws in the relevant MS as well as EU law (incl. state aid rules)

10. Monitor individual project performance

- The Measurement and Verification (M&V) approach can vary depending on building type, age, size, construction styles, and level of sophistication of the technical systems
- The chosen approach should also be adapted to the size of the project and the levels of savings
- The International Performance Measurement and Verification Protocol (IPMVP) is a widely recognised M&V procedure that can be used by MAs
- An M&V plan should be prepared for every project applying for ESI funding to ensure transparency of the process, and quality and credibility of savings determination

11. Evaluate programme performance

- The EC has produced a guidance document on monitoring and evaluation for the 2014-2020 programming period
- The guidance sets out a series of concepts and recommendations for activities supported by ESI funds
- Planning evaluations requires consideration of factors such as administrative burden, timing, and granularity



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**Thank you for your
attention !**

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For info or further questions on this presentation, or on the activities of the JASPERS Networking Platform please contact:

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