Funding Energy Efficiency Projects

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Funding Mechanisms

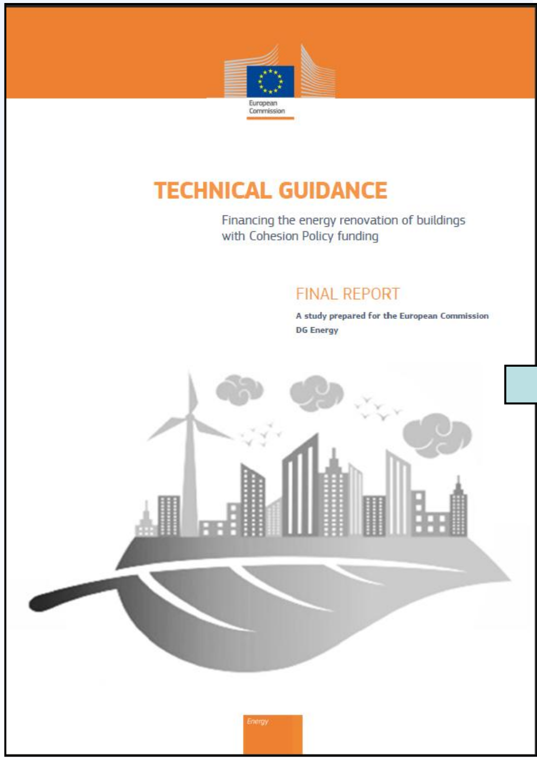
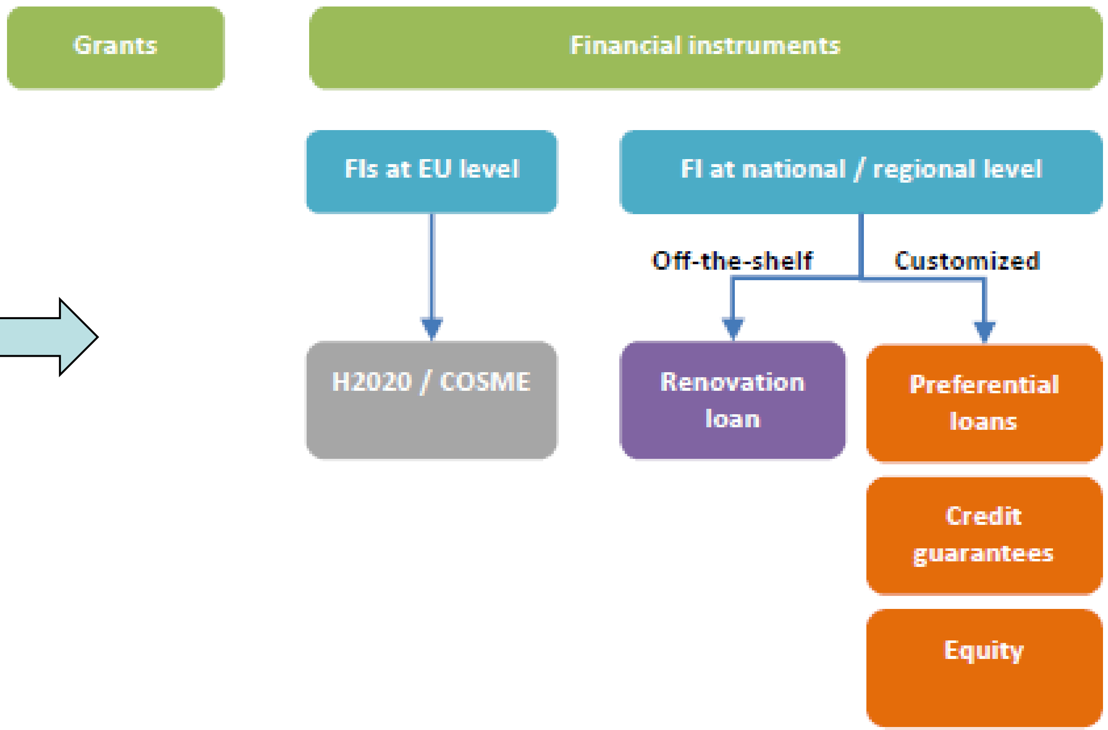


Figure 12 Financial mechanisms for sustainable energy financing



More details: see Section 4 (“Step 4 - Choose financing mechanisms”), Appendix A (“Main financing mechanisms”) and Appendix B (“Main funding programmes for SE at EU level”)

How to Select the Right Funding Mechanism

1) Have a clear understanding of the available funding mechanisms (grants / loans / guarantee schemes and their possible combinations)

2) Consider pros and cons of each one of them

3) Consider viability of each of them <u>in your particular case</u> based on:
   - Expected financial return of the projects
   - Creditworthiness of the final beneficiaries
   - Institutional feasibility (legal constraints and capacity of all actors involved)

4) …and probably settle for a combination of instruments

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Jaspers
Joint Assistance to Support Projects in European Regions

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Reality Check

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Sample Multi-compartment Scheme (I)

Compartment	Target Beneficiaries	Use of EU funds	Counterpart funds
Residential Buildings (low-income)	Apartment owners without capacity to take loans	Grants to regional or local governments	Regional or local governments
Residential Buildings (middle-income)	Apartment owners with capacity to take (soft) loans	Liquidity to financial intermediaries, with first-loss protection	Financial intermediaries
Public Buildings	Public buildings' owners	Grants to national, regional or local governments	National, regional or local governments
Guarantee Scheme	Funds financing ESCOs	First-loss protection	Financial intermediaries

Sample Multi-compartment Schemes (II)

- Not “one or another” but a combination of instruments using different compartments
- Conditions to be agreed at the level of the OP and refined in the specific regulations of the scheme during the implementation
- Conditions can be modified during implementation if necessary (like increase or reduction of EU contribution depending on demand)
- Flexibility to shift funds from one compartment to another during implementation

Final considerations

- Financial instruments add a lot of possibilities on top of traditional schemes
- The viability of proposed financial instruments must be carefully assessed in terms of capacity to absorb funds
- The market is big enough to have different instruments in parallel depending on target beneficiaries
- A multi-compartment scheme may result in added flexibility during implementation
- Co-financing of the schemes (with financial intermediaries and/or IFIs) should be tested ex-ante

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