



Financing Market Transformation: The Case of Energy Efficiency ?

EIB experiences

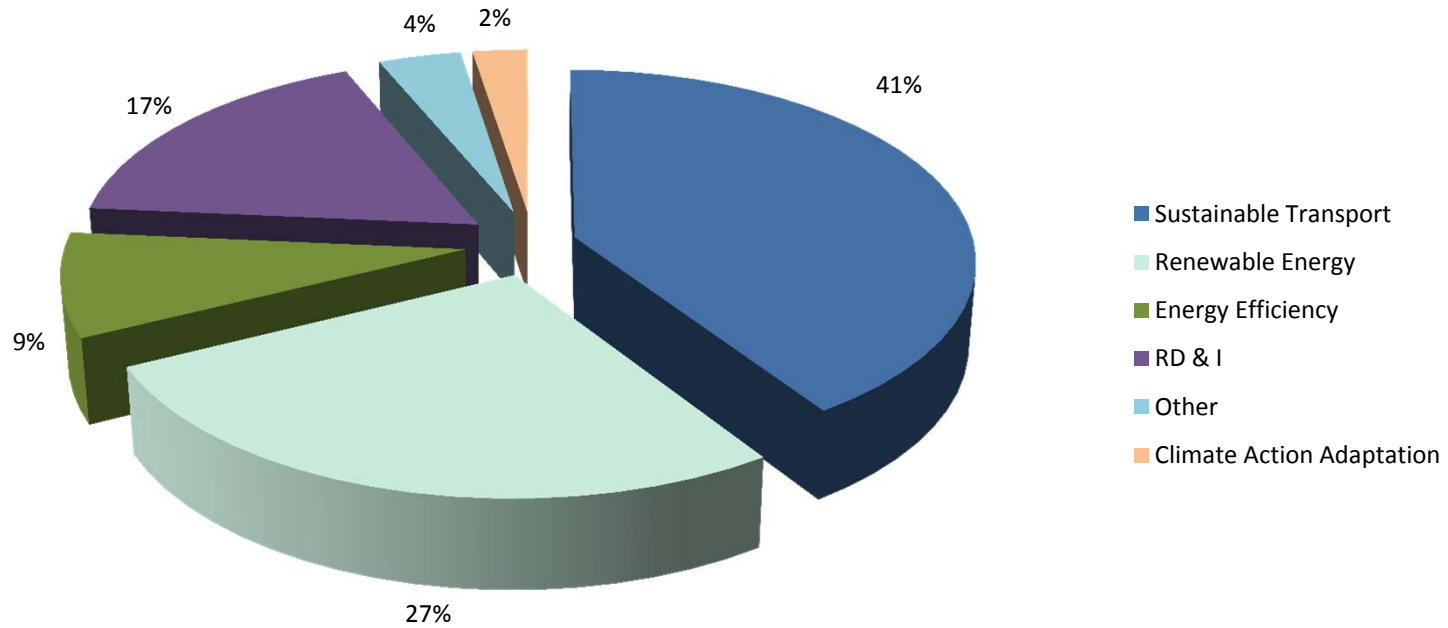
Christopher Knowles
Climate Change and Environment Division, EIB



EIB's Climate Action 2008-2012



➤ Total c. EUR 79.2 bn

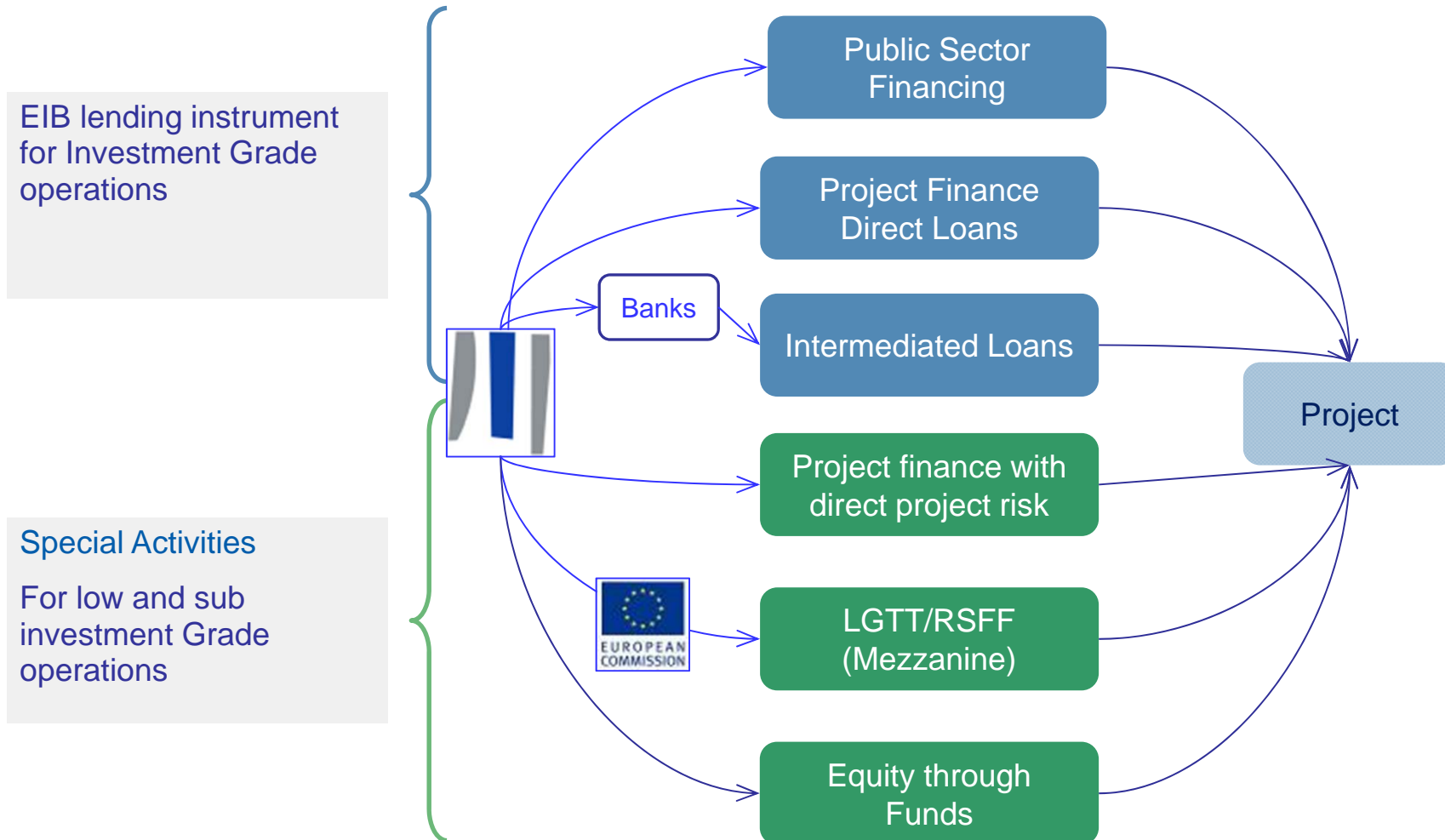




EIB Financing Instruments



EIB has at its disposal an extensive range of instruments to finance public and private sectors at investment and sub-investment grades of risk





EIB ... A Different Type of Fund Investor:

- Policy test upfront
- Project driven
(i.e. primary focus on the underlying assets in terms of fit with EIB objectives and economic benefit)
- Can invest time to work with a fund manager from concept stage
- Can go into segments not quite mainstream yet
(e.g. bio-diversity, land decontamination, land use/carbon)
- Can support start-up teams and new concepts
(e.g. Post 2012, Green for Growth)
- Can play different management roles alongside investment
(e.g. Marguerite, GEEREF, GGF/EEEF)



The Big Prize in Private Capital: Institutional Investment

Table 2.1 – Institutional investor assets under management (figures in billions of 2010 USD)

INVESTOR GROUP	INVESTOR TYPE	GLOBAL AUM	OECD AUM	DRIVEN BY LONG-TERM OBLIGATIONS
INSURANCE COMPANIES	Life and Composite	-	17,360	Yes
	Non-Life	-	3,456	No
	Reinsurance	-	1,199	Yes
	Total	24,600	22,015	
PENSION FUNDS	Defined Benefit and Hybrid Funds	-	11,813	Yes
	Defined Contribution Funds	-	7,397	Yes
	Sovereign Pension Funds	2,699	2,127	Yes
	Total	22,829	21,337	
FOUNDATIONS AND ENDOWMENTS		1,500	1,500	Yes
SOVEREIGN WEALTH FUNDS		3,868	587	Yes
INVESTMENT MANAGERS		30,399	28,679	No
NON-FUND PENSION ASSETS	Social Security Reserves in Risk-Free Assets	-	2,721	No
	Book Reserves	-	237	No
	Insurance Contracts	-	3,497	No
	Other Assets (e.g. IRAs)	-	5,139	No
	Total	11,594	11,594	
ESTIMATED DOUBLE-COUNTING		15,000	15,000	
Total assets excluding double-counted assets		79,789	70,713	
Total assets driven by long-term institutional obligations		52,796	45,439	

Sources: OECD.Stat Insurance Statistics, OECD.Stat Pension Statistics, TheCityUK (2011a and 2012a), Investment Company Institute, Sovereign Wealth Fund Institute, McKinsey Global Institute (2011).

Note: Estimated double-counting of \$15tn, based on pension insurance contracts and pension assets potentially invested in mutual funds, ETFs, hedge funds and private equity funds. This estimate is based on an assumption that roughly \$11.5 trillion in pension assets, both those managed by a fund and non-fund assets, are invested in third-party investment funds.

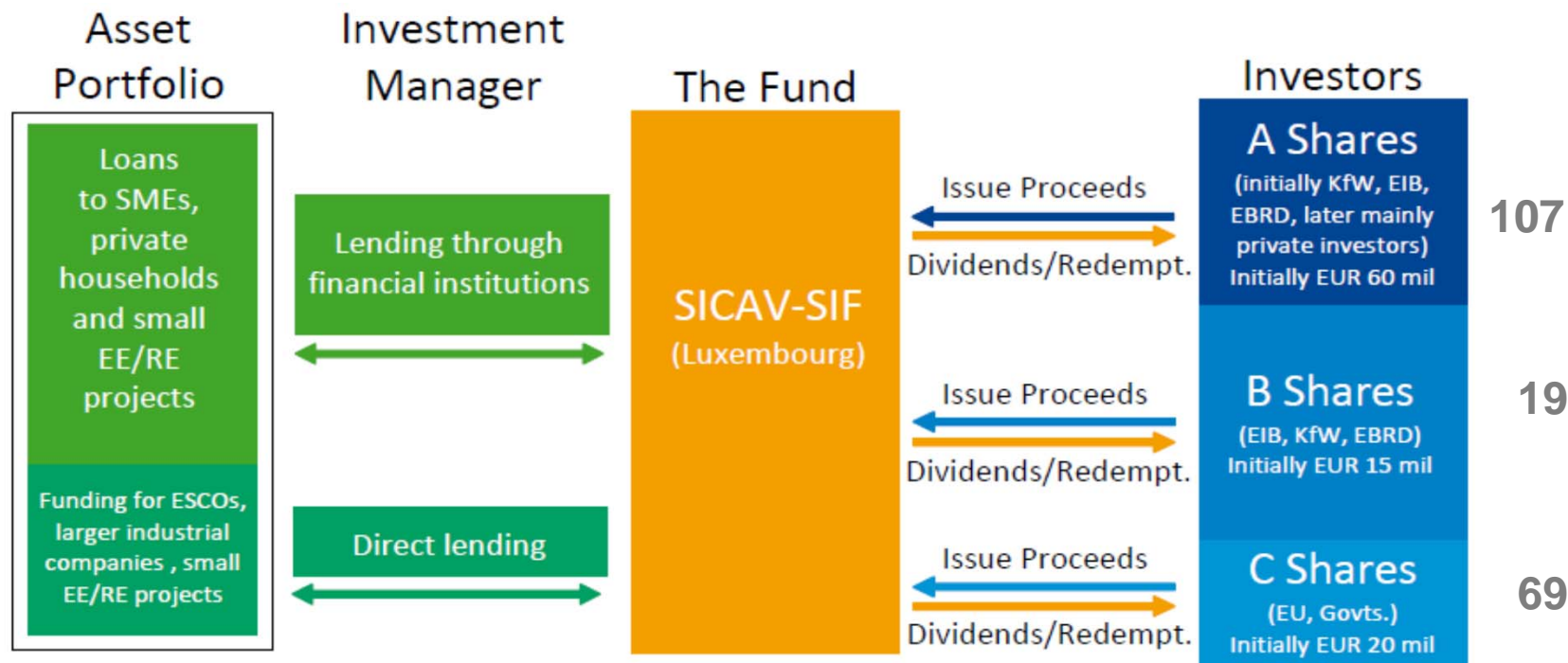


Green for Growth



New Types of Infrastructure Fund (debt)

- Issuance of different share tranches (A, B, C and later Notes)
- Offering investors different risk-return profiles
- Managed by FIM





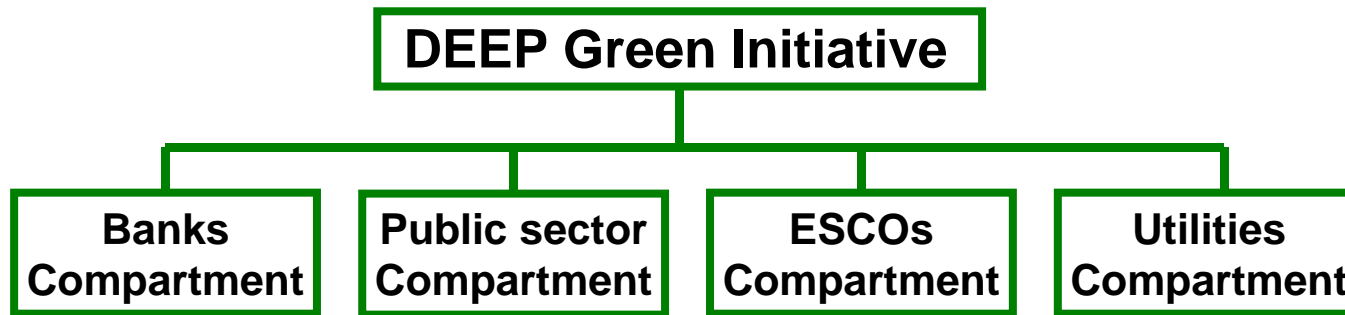
European Energy Efficiency Fund

- EUR 265 million (EUR 125 Mio EERP, EUR 75 Mio EIB, EUR 60 Mio CDP and EUR 5 Mio DB)
- Managed by Deutsche Bank (www.eeef.eu)
- Beneficiaries: Local & regional Public authorities, but PPPs are possible.
- Financing in form of loans, guarantees, forfeiting schemes (to finance ESCO projects)
- Technical Assistance (grant) is available to structure projects (EUR 20 Mio).
- 70% of the investment shall be targeted towards Energy Efficiency

September 2013: 8 loans, €80m committed



DEEP Green



➤ **New EE products.**

- Debt for Energy Efficiency Projects Green (DEEP Green) is an EIB initiative that aims at developing a suite of new financial products for four key groups of players in the EE market, namely, banks, public sector, ESCOs and utilities.

➤ **Aggregation & de-risking.**

- DEEP Green targets aggregation and de-risking of energy efficiency (EE) projects, which are key barriers to the financing of EE investments.

➤ **More lending to EE.**

- These new products will increase debt financing availability for EE projects by further developing EIB and commercial bank lending activity to EE.



Green Deal



Financing mechanism helping people pay for energy efficiency improvements through savings on their energy bills

- The Green Deal is a UK Government initiative aimed at improving the energy efficiency of the UK's building stock
- The Green Deal's underlying idea is rather simple: install new green technology into a property with no up-front costs to the occupant
- The installation costs are paid back through the energy bill over a period of time
- Key feature of a Green Deal Plan is that it remains attached to a property's electricity meter, not to the person taking out the Plan



EE through Private Equity



- EIB also invests in EE through private equity model: main objective is to attract private investors to provide equity to EE projects

- First operation co-investing with Green Investment Bank and private investors in UK
 - Targeting non-residential energy efficiency projects in the UK
 - Amount approved GBP 20m.
 - Currently negotiating legal documentation.

- An Italian EE fund currently under due diligence :
 - focus on ready to build projects, including the renovation of privately-held lighting infrastructure, as well as public street and other outdoor lighting systems
 - partnership with ESCOs for the implementation of EE projects originated by private counterparts or large municipalities
 - Investments mainly through minority shareholdings in SPVs dedicated to specific energy efficiency projects



GEEREF is ...



- Luxembourg based Fund of Funds, supported by



European
Investment
Bank



- Renewable Energy, Energy Efficiency focused
- Africa (special focus), Asia and Latin America
- Asset Finance (Hydro/Solar, EE, etc.)
- Small/medium size projects (~EUR 10m equity)
- Triple bottom line: People, Planet and Profit



Securitisation of energy efficiency receivables

- Innovative solution to provide financial support to:
 - Energy efficiency projects
 - Originated by local authorities and other public bodies
 - Performed by private ESCOs.





Contacts

The Climate Change & Environmental division (CCE)

Mónica Arévalo, arevaloc@eib.org

Cyrille Arnould, arnould@eib.org

Enrico Canu, e.canu@eib.org

Peter Coveliers, p.coveliers@eib.org

Manuel Dueñas, m.duenas@eib.org

Gunter Fischer, fischer@eib.org

Christopher Knowles, knowles@eib.org

Kristin Lang, k.lang@eib.org

Gianluca Massimi, massimi@eib.org

James Ranaivoson, j.ranaivoson@eib.org

Karsten Sinner, sinnerk@eib.org

Adalisa Vladacenco, hubate@eib.org

David Walker, d.walker@eib.org



Environmental Funds

INTERNATIONAL CARBON FUNDS

- Multilateral Carbon Credit Fund (MCCF)
- Carbon Fund for Europe (CFE)
- EIB/KfW Carbon Purchase Programme (I&II)
- Post 2012 Carbon Fund
- Fonds Capital Carbon Maroc

RENEWABLE ENERGY FUNDS

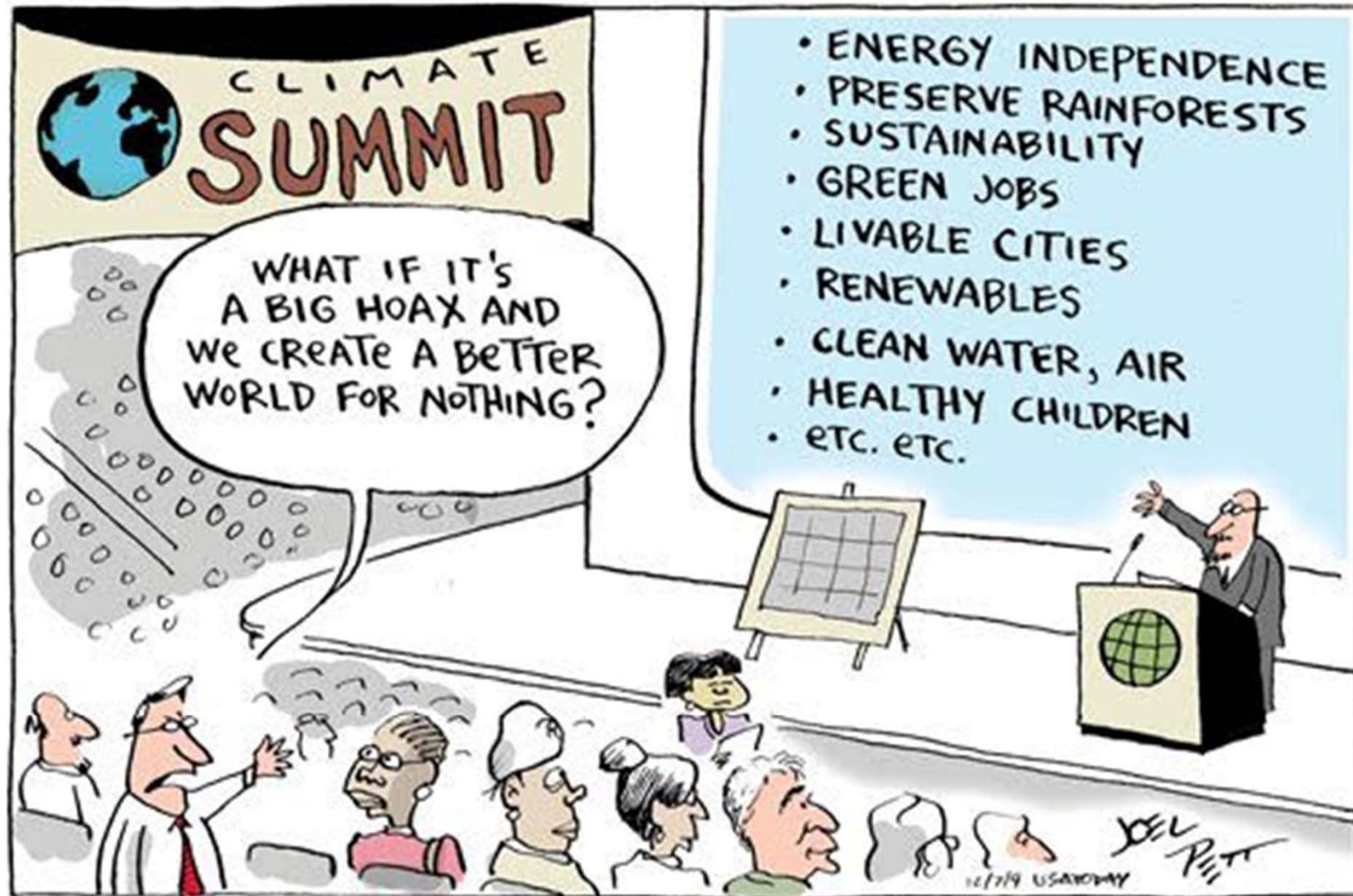
- Enercap Power Fund I
- DIF Renewable Energy
- Espirito Santo Infrastructure Fund
- Platina European Renewable Energy Fund
- Hg Capital
- Green for Growth SEE

OTHER FUNDS

- Dasos Forestry
- Ginkgo Soil Decontamination
- EcoEnterprises Partners II
- Bio Diversity

OTHER FUNDS UNDER PREPARATION

- [REDD+/PES](#) (payment for ecosystem services)
- Waste Recycling





EIB: expected lending programme 2013-2015

