

Energy Efficiency (EE) Financing in Greece

The importance of establishing a National Energy Efficiency Fund



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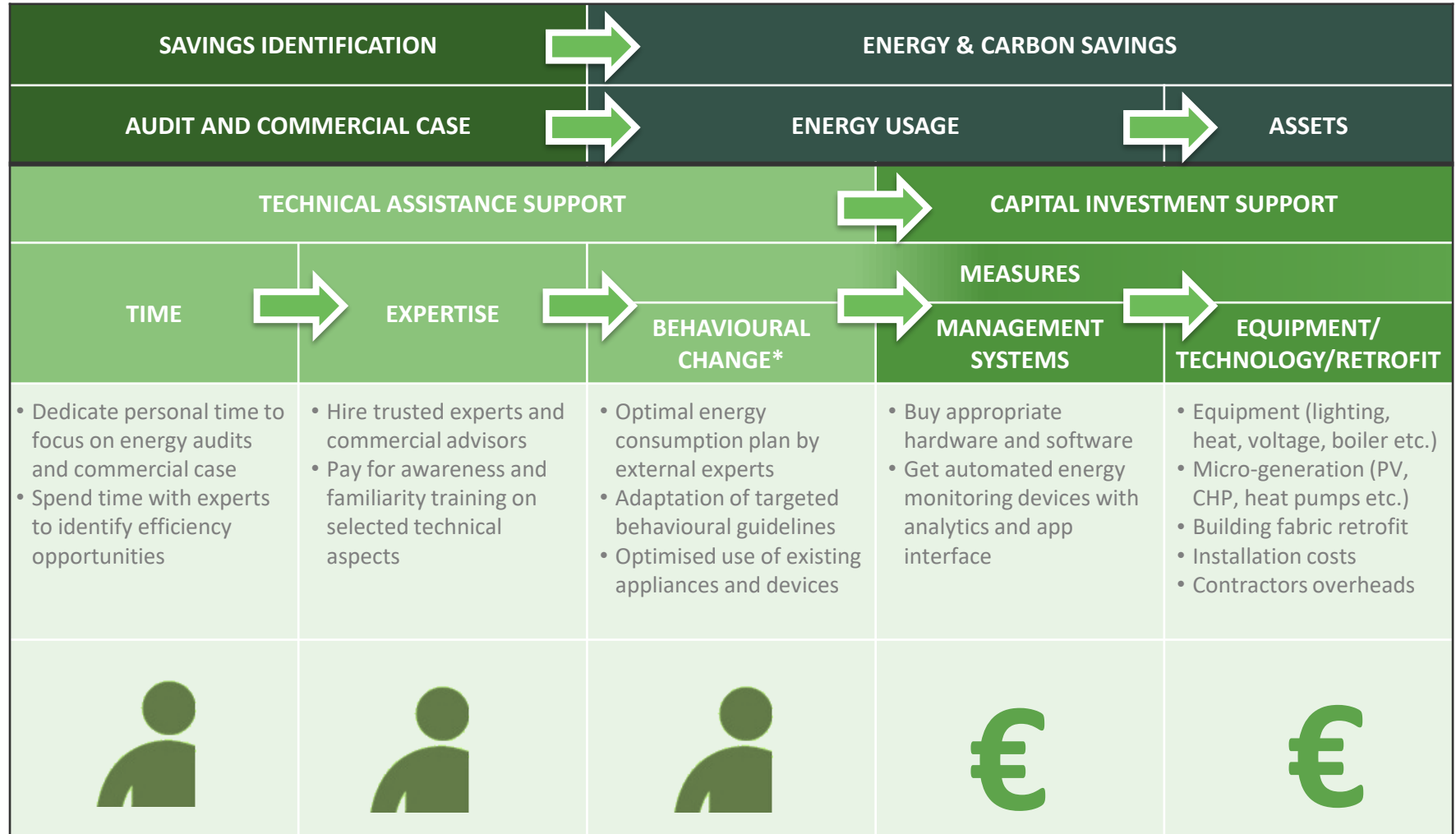
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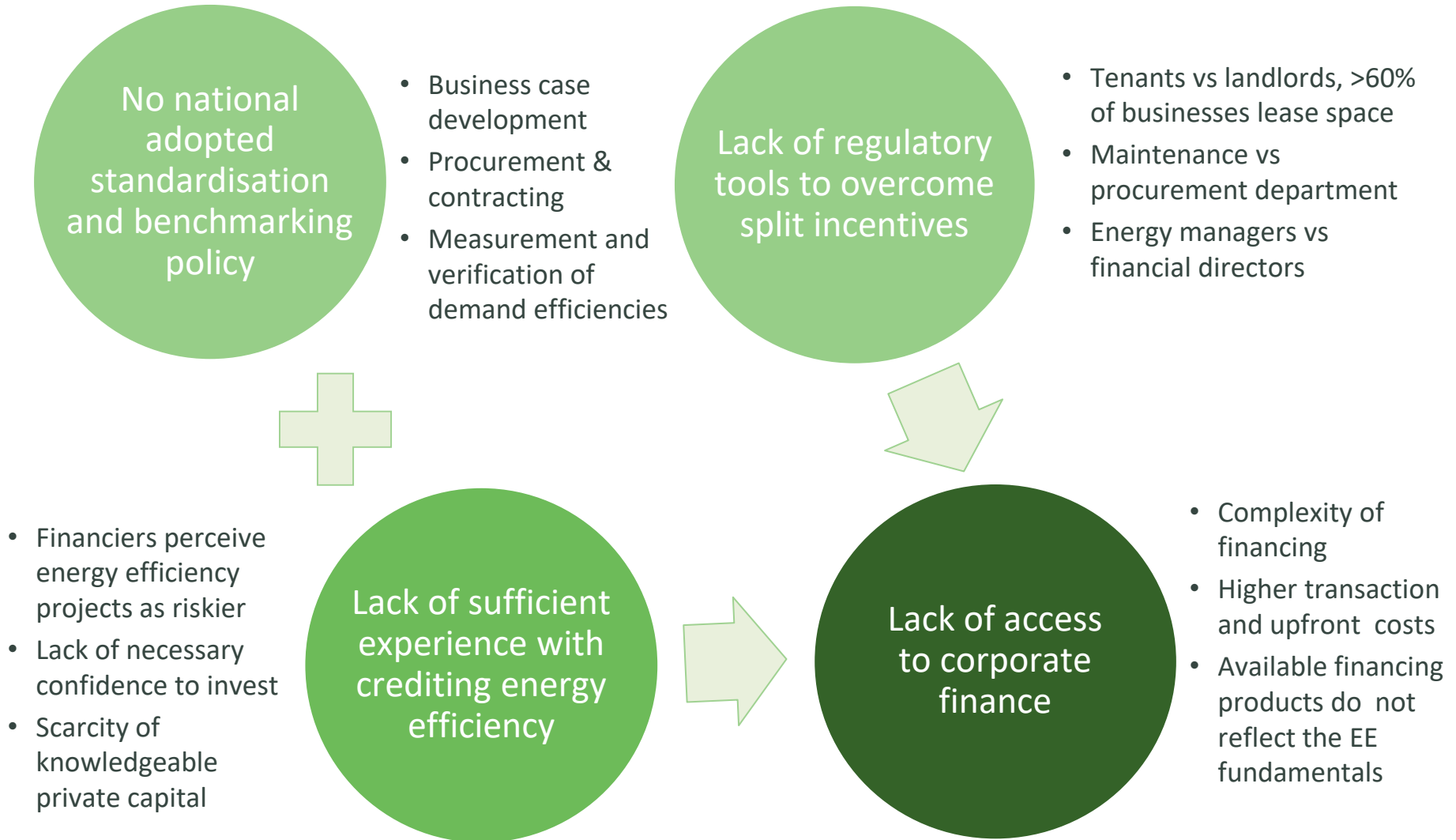
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General introduction to the EE finance value chain



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General market barriers to EE finance uptake



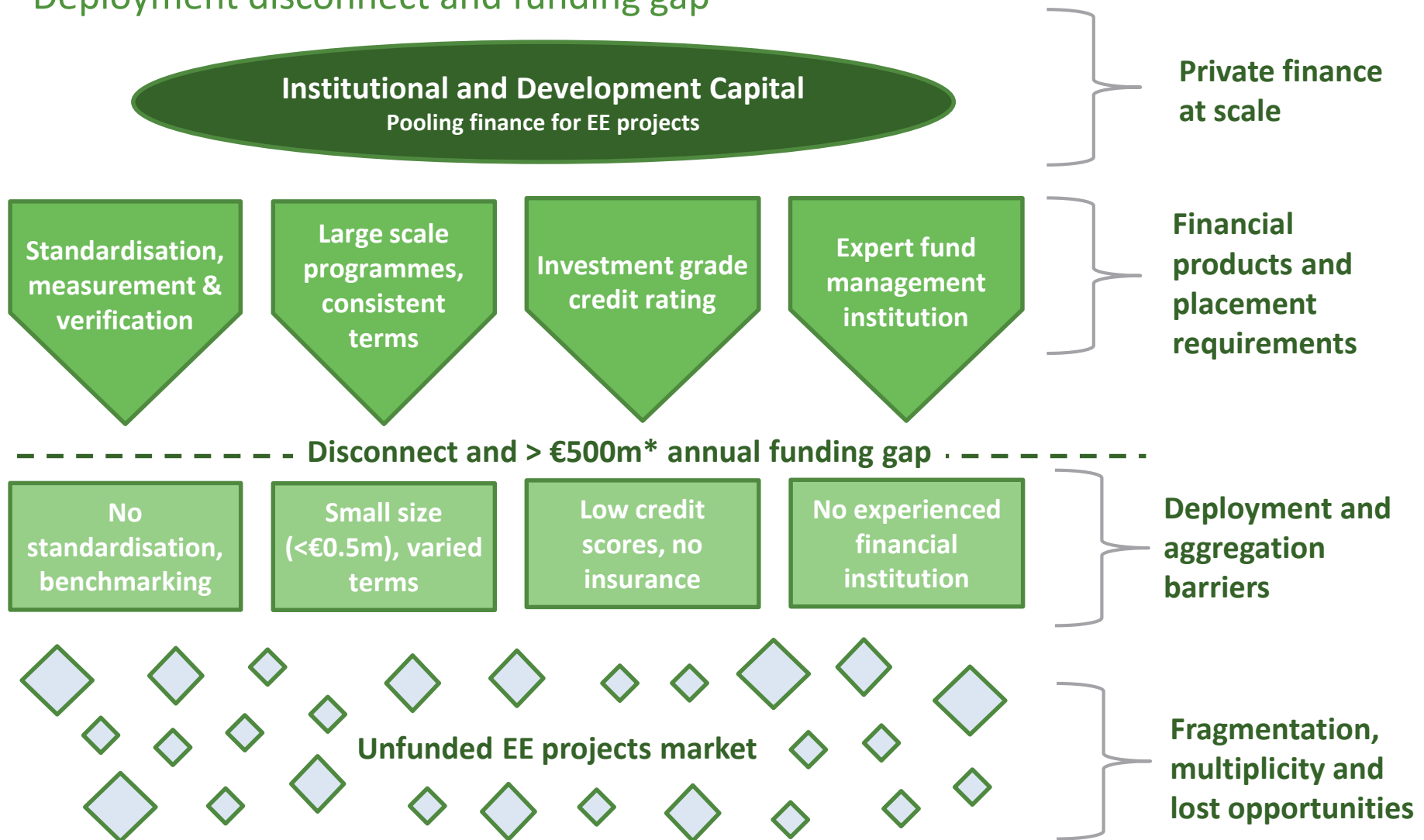
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Improvement of EE remains a big national challenge

<p>Tariffs of public utility services</p>	<p>They have been kept for many years artificially low, i.e. in certain cases below cost-recoverable levels. In certain cases, the energy tariff policies have resulted into a series of subsidies and over-indebted utilities.</p>
<p>Lack of renovations</p>	<p>The historically fragmented ownership of the building stock has led to a lack of renovation in the sector and owners expect renovation programmes and incentives (in the form of grants mainly) sponsored and/or financed by the state to decide on targeted projects.</p>
<p>Lack of own financing</p>	<p>There is limited availability of private capital to finance energy performance upgrades, especially due to the prolonged economic crisis since 2008. At the same time, lack of incentives and lower purchasing power have led building owners to contribute little, if anything, to the renovation of their property assets.</p>
<p>No third party financing</p>	<p>Third-party investments to fund energy saving measures are not applied in practice because of legal challenges, high credit risks and lack of trust in energy service companies and providers capabilities.</p>
<p>Institutional and administrative</p>	<p>There is still incomplete regulation to promote, incentivise and accelerate energy efficiency and lack of resourcing capability in governmental institutions to improve market capacities and develop the needed expertise.</p>
<p>Information and awareness</p>	<p>There is a lack of information in the benefits of energy efficiency. It is considered as lower priority and its benefits are underestimated. Therefore, a mature pipeline of EE projects seeking finance is simply not existent.</p>

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Deployment disconnect and funding gap



*Note: According to published estimates, the annual funding gap for EE investments only in buildings amounts to c.€315 million. The total funding gap is greater given the potential in other sectors (such as heat, infrastructure, transportation, farming, industry etc.)

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A National Energy Efficiency Fund (NEEF) based on Article 21 of L.4342/2015



In view of the **current problems in the banking sector**, the **crucial role of a National Energy Efficiency Fund is evident** in order to address financing in all sectors of the economy, including industrial and commercial.

Under Article 21 of L.4342/2015, the **National Energy Efficiency Fund (NEEF) would be a Public Fund**, designed to serve public policies in the field of energy efficiency. Furthermore, in defining the resources of the fund Article 21 provides that the NEEF may be required to collect and manage funds which are actually public, e.g. contributions of energy services companies or fines.

The NEEF can be designed:

- (i) **Either as a new public organisation or company** (actually a fund manager public entity);
- (ii) **Or as a special account of funds**, which however will have to be managed (in its core issues) by a public organization or by any new entity in which a public organization has a defining participation.

***Note:** According to published estimates, the annual funding gap for EE investments only in buildings amounts to c.€315 million. The total funding gap is greater given the potential in other sectors (such as heat, infrastructure, transportation, farming, industry etc.)

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Our identified long list of potential NEEF structures

<p>Option 1: New Fund of Funds</p>	<p>A new Public Entity managing one or several “Funds” It refers to a Public Fund of Funds as separate legal entity (<i>according to the typical model of Public Funds in Greek legal framework</i>) founded and regulated by a Presidential Decree.</p>
<p>Option 2: A new “Fund” as special account</p>	<p>A new “Fund” as special account managed by other public entity It refers to a fund set-up with diverse financing objectives, but as one special account. The interpretation of the term “fund” as “special account” is done using the most recently introduced terminology by ESIF.</p>
<p>Option 3: Set up as an ESIF financing instrument</p>	<p>A new “Fund” as special account set up as an ESIF financing instrument It refers to a fund that will be set-up using the ESIF financial instrument process. It will have financing objectives provided in ESIF Operational Programs. The interpretation of the term “fund” as “special account” is done using the most recently introduced terminology by ESIF.</p>
<p>Option 4: Enhancement of Green Fund</p>	<p>It refers to a fund solution that will not actually take advantage of the discretion provided in Article 21 and will make use of the transitional provision for the Green Fund. The enhanced Green Fund will use all potential resources in a different mix based on its financing objectives.</p>
<p>Option 5: Platform of ESIF & Green Fund</p>	<p>Platform of ESIF financing Instrument & Green Fund An ESIF financing instrument is set up, with separate management by Public Entity such as ETEAN and at the same time operation of the Green Fund as “NEEF”.</p>
<p>Option 6: Platform of ESIF projects</p>	<p>No Fund is set up but just a scheme of parallel and combined ESIF projects managed by competent authorities, which will be linked and mutually bound by relevant programming contracts.</p>

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Assessment criteria for NEEF options

1. Saving potential / Coverage	The impact in achieving carbon and energy savings through its sectors coverage, including those that have not yet had support from existing government and ESIF led support schemes
2. Leverage funding	The effectiveness to leverage other sources of funding outside the potential resources provided in Article 21 of L.4342/2015 and ESIF.
3. Mixed financing	The ability to design and implement support schemes that in addition to grants could include other instruments such as guarantees, concessionary (revolving) loans, dedicated credit facilities etc.
4. Human resourcing	The ability to bring in personnel with technical expertise to manage the Fund and its ease to attract, recruit and retain suitable experienced and talented professionals.
5. Centre of excellence	The effectiveness to offer bespoke TA advice, training and project development assistance to support business cases, accelerate uptake and develop a mature pipeline.
6. Flexibility	The ability to take advantage of market capabilities to allow the effective targeting of sectors with great energy efficiency potential while complying with the rules applicable to a public fund.
7. Legal obligations	The ability to fulfill and comply with Article 21 of Law 4342/2015 obligations, NEEAP and ESIF objectives and as well as the rules applying on a public fund institution.
8. Social impact	The ability to finance fuel poverty tackling projects, fund community EE projects and support training and awareness campaigns.
9. Viability	The economic sustainability as a stand-alone entity that would not require continuous support from public funding to cover administration and operational expenses
10. Transition	The ability to encompass existing programs and to build on existing bespoke initiatives from ESIF, EIB and other IFIs as well as the requirements and respective time in order to be activated..

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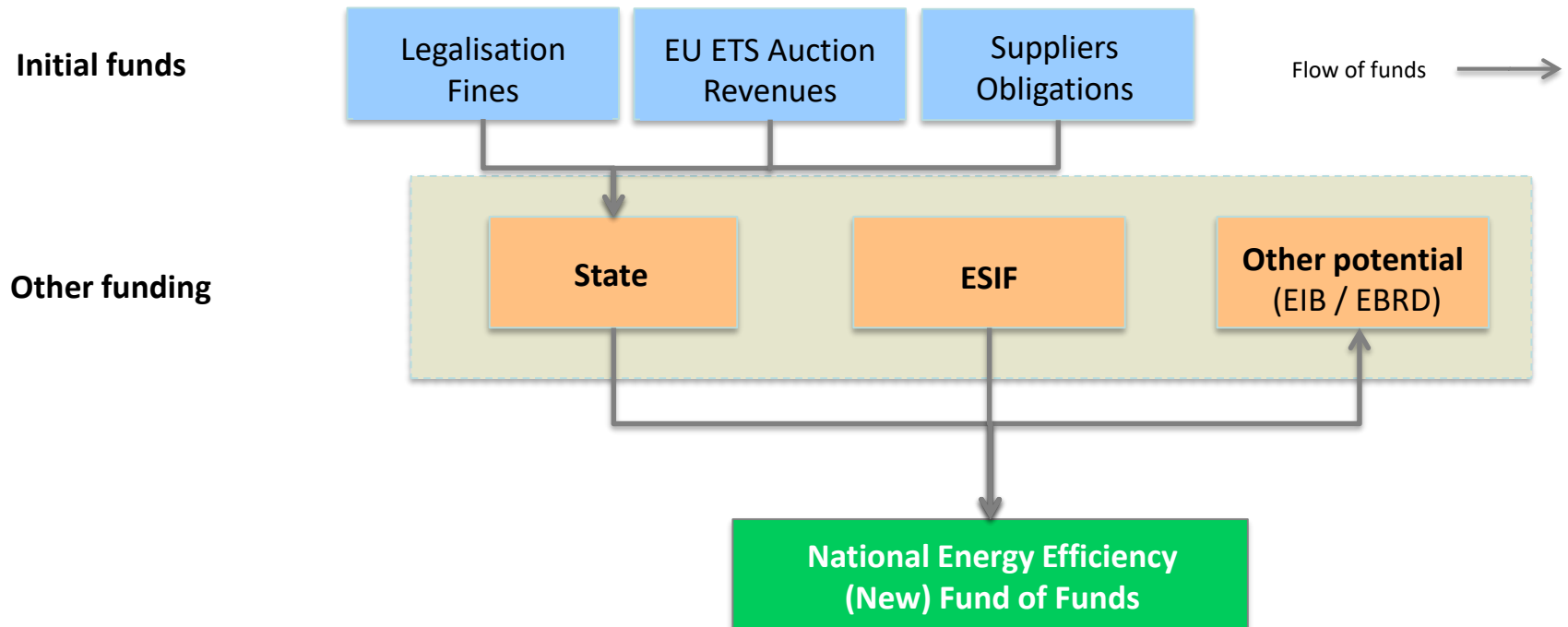
Options assessment for a NEEF structure

1	++	++	++	++	++	++	+	++	+	+
2	+	+	+	N	-	+	+	+	N	+
3	+	+	++	+	N	+	N	++	-	-
4	+	-	-	+	-	-	+	+	-	+
5	+	+	++	+	N	+	+	++	-	+
6	+	N	+	N	-	+	N	+	--	+
	Saving potential / Coverage	Leverage funding	Mixed financing	Human resourcing	Centre of excellence	Flexibility	Legal obligations	Social impact	Viability	Transition

Key: ++ : Major positive impact, + : Positive Impact, N : Neutral, - : Negative Impact, -- : Major negative impact

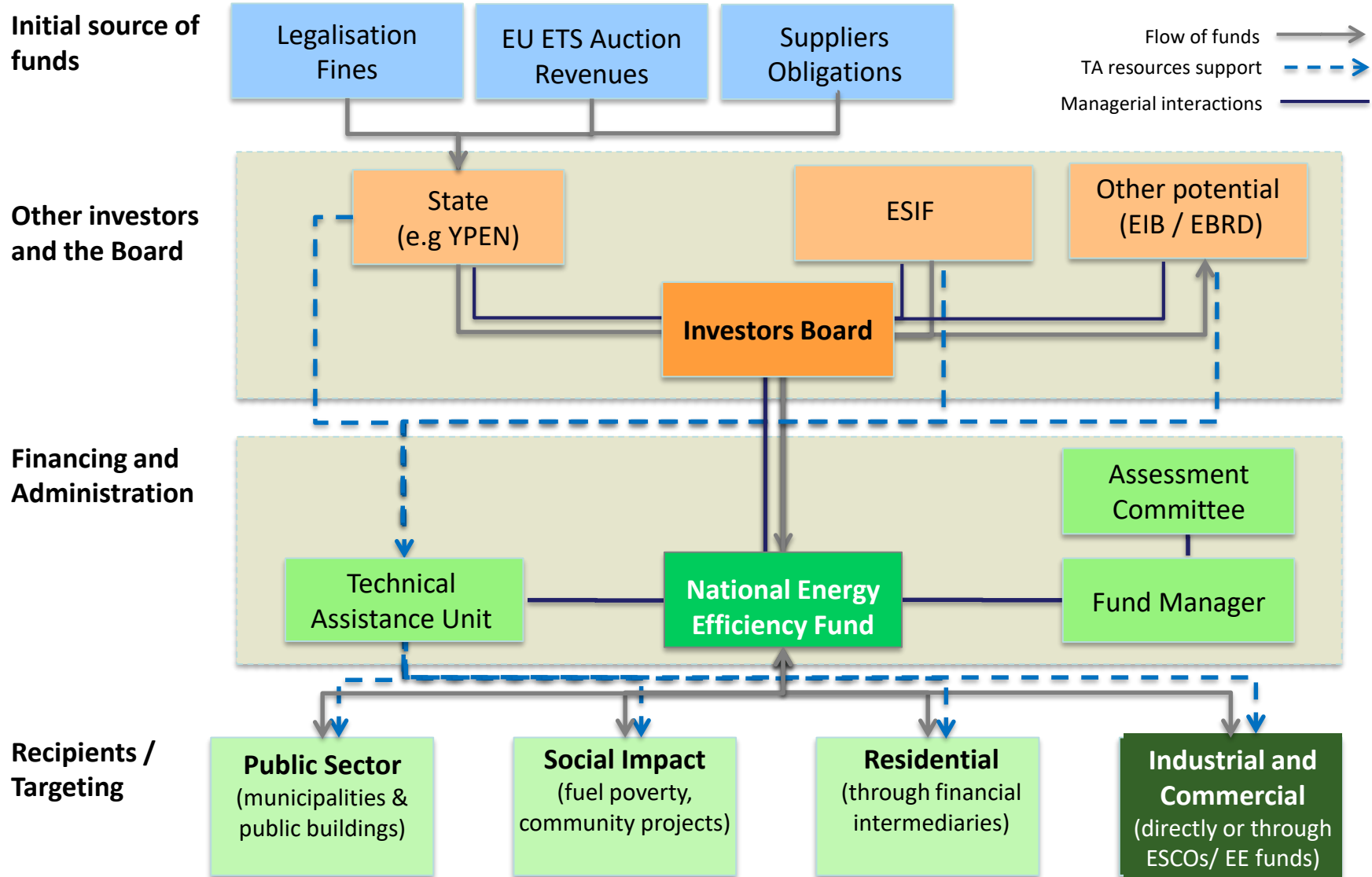
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A Fund of Funds (Option 1) as the recommended NEEF option



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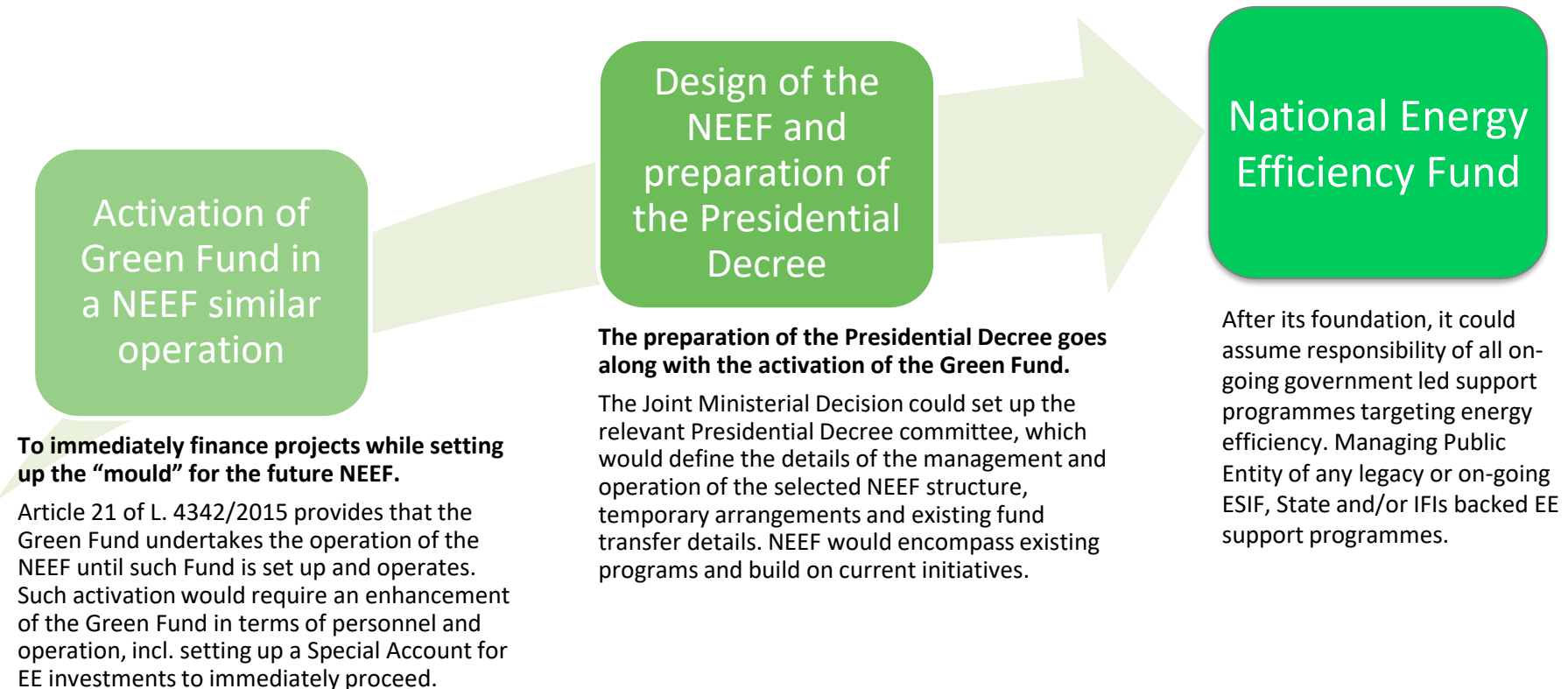
Recommended NEEF option and structure



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Transitional arrangements for the establishment of a NEEF

Given the funding gap, **it is imperative to proceed to the creation of the NEEF as soon as that could be feasible.** Such immediate **effective action would include** through a relevant Joint Ministerial Decision:



Government and public administration support would remain fundamental throughout this transitional period.

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Disclaimer

This presentation document is prepared only for the purposes of the Energy Efficiency Conference 2019 in Athens. It contains views on financing energy efficiency in Greece and the importance of establishment of a National Energy Efficiency Fund according to Article 21 of L.4342/2015. You should seek independent professional advice from a person or a firm who is licensed and/or knowledgeable in the applicable area before acting upon any information contained in this document.

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