

The Power and Challenge of Energy Efficiency Finance in the European market

IEECB&SC'20, 2 December 2020

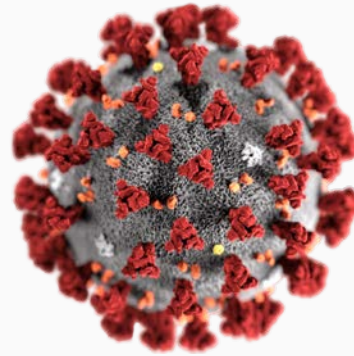
Michael Pachlatko

Multiple Challenges

CLIMATE CRISIS



COVID-19



WHERE DO WE GO FROM HERE?

CO₂ levels still rising

Millions of jobs lost or at risk

More time spent indoors

Focus on wellbeing

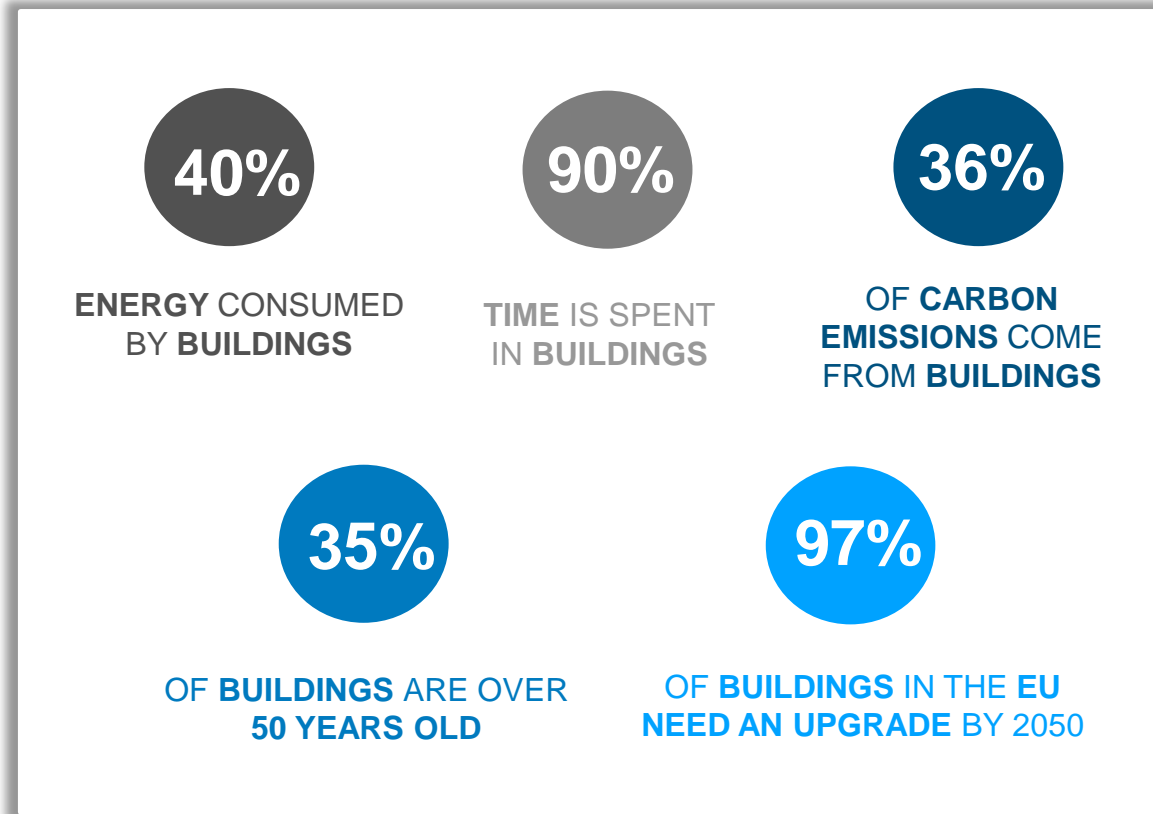
Massive stimulus packages

Sustainable investment growth

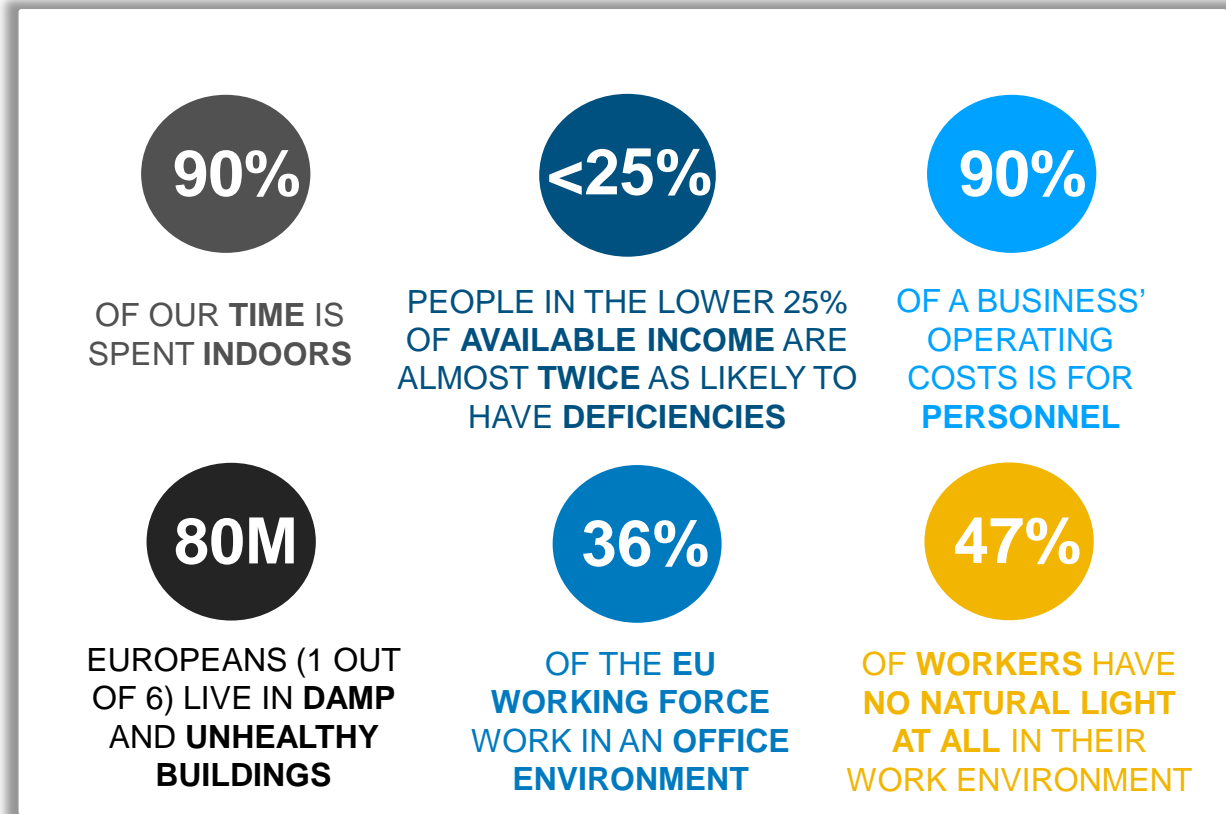
ESG becoming commonplace

Benefits of energy efficiency:

Focus on buildings



Focus on people



The current **renovation rate of 1%** needs to **increase to 3%** to meet 2030 goals, which would require massive amounts of investment, over 200 billion euros per year.

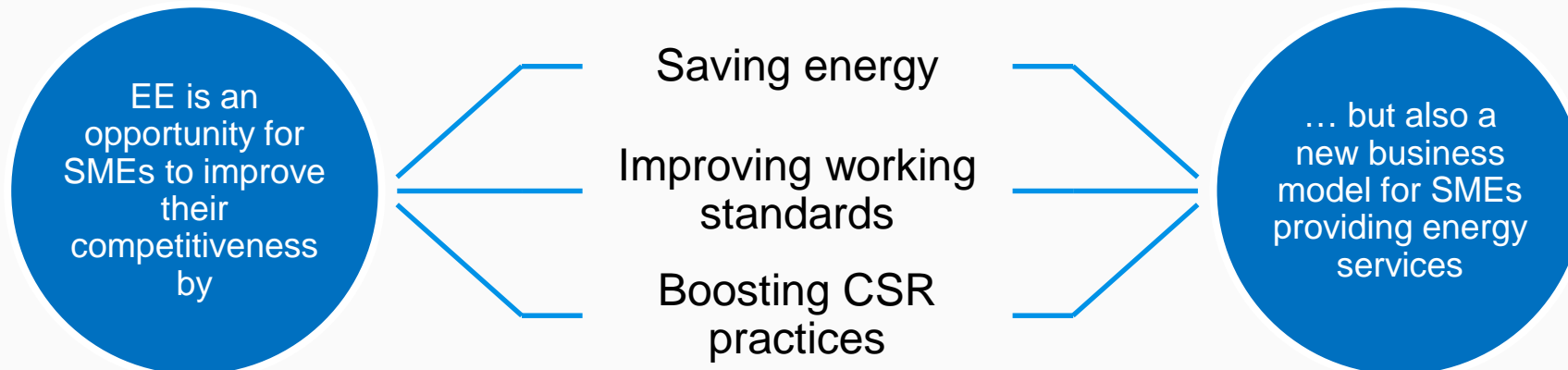
SME Development

In the EU, there are **22 million SMEs** (Small and Medium-sized Enterprises), which provide around **89 million jobs** and represent **99% of all enterprises**.

SMEs are responsible for **110 Million tonnes of CO₂ Emissions** Each Year

EE projects in SMEs are often much more cost-effective than larger industrial projects

Eurochambers estimates a **short-term 10-20% “win-win” energy reduction potential** among its 20 million EU members



Key Barriers

SUITABILITY

Opportunities need to be located in the right **country**, at the right **time**, with the right **technology**, matching the **risk appetite** – financing is not only a struggle for the project developers!

CREDIT RISK

The **KEY** risk category for investors, usually assessed only towards the end of the due diligence process, and often representing an unsurmountable hurdle.

INVESTMENT SIZE

Single projects of <100k€ rarely get financed, as the **due diligence costs quickly outweigh the investment returns**. Standardization enables project aggregation.

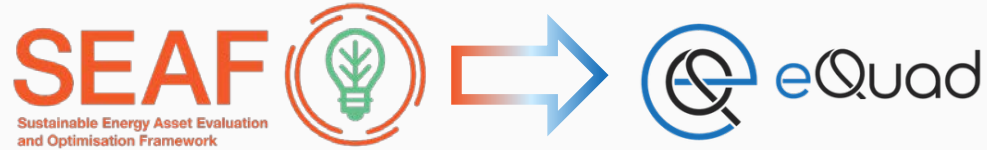
CONTRACTUAL TERMS

Investors require **protection from the end-client contract** (change in control, occupancy, etc.).
Standardization could reduce due diligence costs significantly.

DEBT BURDEN

Many contract types (EPC, BOOT, ...) transfer ownership of equipment to the end-client, increasing their balance sheet debt. Off-balance sheet solutions address this e.g. through servitization (EaaS, HaaS, ...).

LAUNCH H2020



2016 - 2018

2018 –



2019 – 2021

- Standardized project processing
- Pre-due diligence
- Matchmaking with Investors
- **160M€+** of project opportunities processed

- 5 Project partners
- 1,5M € Grant
- **360+ Stakeholders** engaged
- **25+ Members** of the LAUNCH Investor Board, representing **12bn+ € AUM**



LAUNCH H2020: Contracting and Risk Assessment



Standardised Client Agreement

- Designed as an “**as-a-service**” agreement
- **Off-balance sheet** (compliant with IFRS-16)
- **Securizable** (allows for sale of receivables)
- **Standardized terms** – fixed body of the agreement cannot be changed → allows for aggregation, even across multiple contractors



Standardized Risk Assessment Protocol

- Contains **17 risk types**: credit risk, performance risk, technical risk, etc.
- Allows for a quick review of all key risk-relevant aspects of projects
- Incorporates an industry-benchmark ESG framework – aligned with the EU Taxonomy

3 ways in which stakeholders can engage with the project:



- **Sign-up** to the email distribution list
- **Receive updates** on the project materials and LAUNCH events e.g. future webinars and workshops

1. Join community



- **Receive material and provide feedback** to inform development
- Feedback may be related to e.g. fit-for-purpose or ease-of-use

2. Provide feedback



- **Apply material in practice** e.g. project development, capital raising
- Identify deal-breakers / key challenges in their application

3. Pilot



Thank you!

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Joule Assets Europe