



# EEFIG - the Energy Efficiency Financial Institutions Group

Updates on financing energy efficiency from EEFIG  
October 5<sup>th</sup>, 2022



# The Energy Efficiency Financial Institutions Group ‘EEFIG’

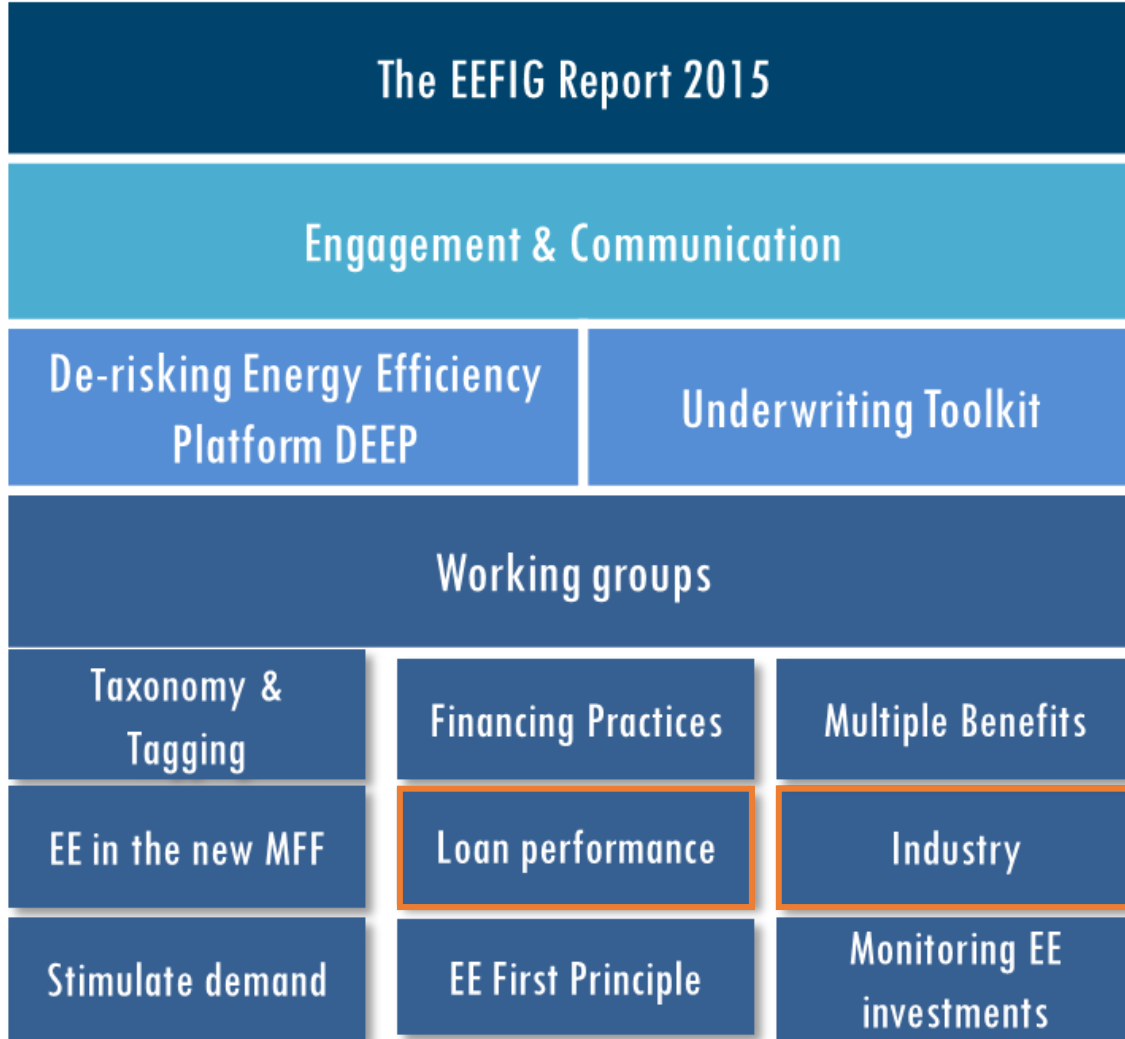
- The EEFIG was established in 2013 by DG Energy and UNEP FI as is platform for public and private financial institutions, industry representatives, sector experts and policy makers to **identify barriers to the long-term financing for energy efficiency and propose solutions.**
- The EEFIG 2015 report “**Energy Efficiency – the first fuel for the EU Economy**” highlighted that:
- EE Investment is strategically important for the EU
  - Public-private collaboration is required
  - Lack of evidence on the performance of EE investments makes the benefits and the financial risk harder to assess
  - Lack of commonly agreed procedures and standards for EE investment underwriting increase transaction costs
- The report has been a key source of inspiration for EU policy in the area and formative for the continued work of EEFIG.

## The EEFIG members


- Public and private financial institutions (banks, investors, insurers etc.)
- Banking associations and investor groups
- Industry representatives and associations
- Energy efficiency industry experts
- Energy efficiency services representatives
- SME associations and expert representatives
- Civil society experts representing diverse energy efficiency stakeholder groups
- International Energy Agency (IEA)
- European Commission
- UNEP FI

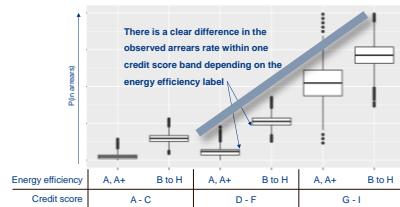
# Overview | EEFIG as a Catalyst for Deep Decarbonization

Phase 1 ..  
Phase 2 ..  
Phase 3 ..




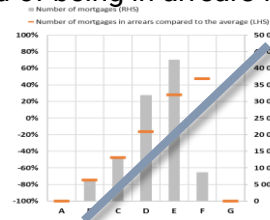
# Risk WG | The Working Group and Member Banks performed new data analyses to reveal the impact on credit risk

 **Allianz Baufinanzierung** – better energy efficiency leads to lower likelihood of being in arrears




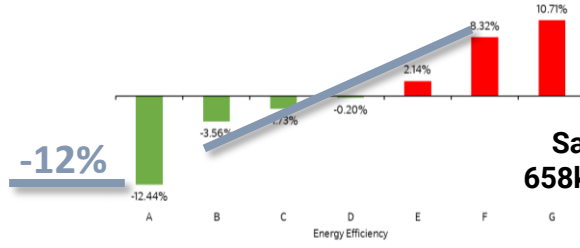
Sample size  
35k mortgages

 **OP Financial** better energy efficiency leads to lower likelihood of being in arrears for retail mortgages



Sample size  
102k mortgages

 **Nationwide Building Society** successfully tested the inclusion of EE in IRB capital models



Sample size  
658k mortgages

- **Clear statistical relationship** between energy performance of the collateral and credit risk of the associated loan
- EE improvements lead to **less risk capital requirements** and lower interest rates on loans
- Financial institutions should **tag loan collateral** and underlying assets based on their energy performance

Report officially published by the European Commission (April 8<sup>th</sup> 2022)

EBA discussion paper on the role of environmental risk in the prudential framework (May 2<sup>nd</sup> 2022)

Publications Office of the European Union

Law European data Public procurement

Publication detail

Publication detail > The quantitative relationship

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**The quantitative relationship probability of default of assets**

Final report on risk assessment

In 2015, a GRESB real estate lender institutions towards engaging in particular highlight that banks and seeing no upside to promote

EU publications View more

THE ROLE OF ENVIRONMENTAL RISKS IN THE PRUDENTIAL FRAMEWORK


DISCUSSION PAPER

14 November 2022


1 May 2022

EBA


# Industry WG | The Working Group identifies and assesses obstacles and drivers for improving energy efficiency industry

 Energy-intensive industries

- Deep decarbonization
- Major changes of production through
  - improved energy efficiency
  - renewable energy
  - electrification
  - new products
  - circular business models
- Partnerships with EC and governments on stable long-term policy frameworks

 Small and Medium-sized Enterprises

- SMEs understand need to improve competitiveness through energy efficiency improvements
- No capacity and capital and thus need supportive approach from intermediaries
- Concerns about financing have been exacerbated in the current Covid-19 crisis
- Rises in natural gas and petroleum, have motivated SMEs to reduce their energy consumption to avoid profit losses

 Financial Institutions

- Industry needs a steady flow of financing to meet its long-term energy and climate obligations
- FIs provide an important signal to industry
- Financial Institutions will increasingly look to the EU Taxonomy
- Industrial energy efficiency tends to be embedded in corporate balance sheet-based lending programs and thus a corporate risk

- Industry should implement **Energy Management Systems (EMS)**, **audits**, and **engage with governments** on stable long-term frameworks for ambitious climate commitments
- Member States should **engage with industry** on the long-term framework for decarbonization, provide **targeted support**, and **embed EE 1st in public procurement** decisions
- Financial institutions should embed EE 1st principles in **lending policies**, integrate EE in **risk assessment** and **product development**, and use available de-risking tools to support EE financing market development

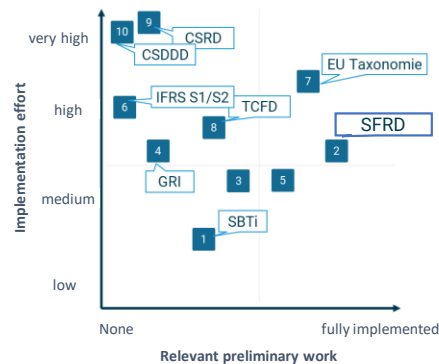
# d-fine's contribution | Supporting EEFIG and clients with expert advice on managing the climate transition using modern technology



## Sustainability reporting

Reporting requirements are increasing and must be operationalised:

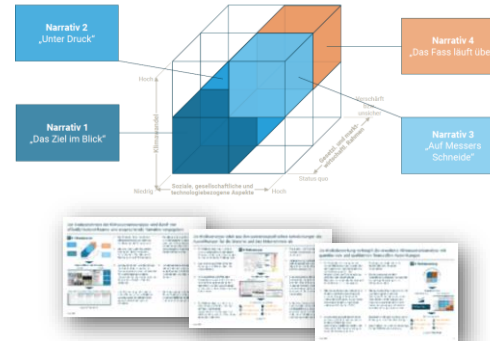
- Analysis of requirements and structuring of needs for action
- Creation of a company-specific reporting roadmap
- Technical implementation of data preparation and reporting routes



## Climate scenarios & risks

The influence of climate-related risks is increasing and must be considered:

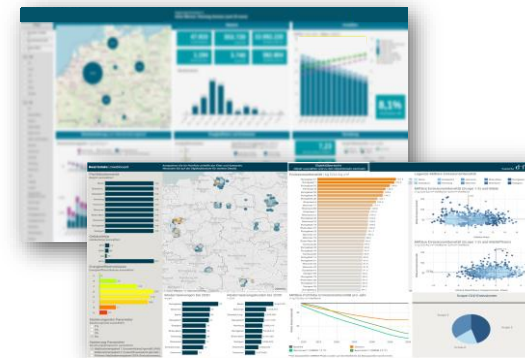
- Identification of physical and transitory risk drivers
- Analysis of exposure, vulnerability and criticality in differentiated scenarios
- Department-specific preparation of impact and mitigation strategies



## Decarbonisation strategy

Compliance with climate pathways is integrated into the corporate strategy:

- Analysis of Scope 1-3 emissions according to the GHG Protocol.
- Identification of (regional) decarbonisation measures
- Derivation of a strategy and formulation of targets (e.g. Net-Zero)



## Selected industry expertise d-fine



### Financial Sector:

- Strategy & risk management
- Capital markets & regulation
- IT ecosystems



### Energy:

- Energy system modelling
- Asset & network optimisation
- Portfolio and risk management



### Real Estate:

- Forecast redevelopment measures
- Economic development
- Quarters management



# Annex – Further EEFIG initiatives





# The EEFIG De-risking Energy Efficiency Platform (DEEP)

- An open-source database for energy efficiency investments performance monitoring and benchmarking.
- Provides improved understanding of the real risks and benefits of energy efficiency investments by providing market evidence and investment track records.
- Now includes 24,000+ energy efficiency projects in buildings and industry from 32 data providers.
- New data and improved functionality is added regularly.
- Improvements in DEEP 2.0 launched in June 2021:
  - New data fields for buildings integrated RE and fields aligning with the new EU taxonomy
  - Improved benchmarking tool
  - More advanced risk indicators
  - Easier to access DEEP analysis through API with worked example
- DEEP can be accessed at [deep.eefig.eu](https://deep.eefig.eu)





# The EEFIG Underwriting Guide

- The EEFIG Underwriting Guide aims to assist financial institutions to scale up their deployment of capital into energy efficiency. It has several purposes:
- to help originators, analysts and risk departments within financial institutions better understand the nature of energy efficiency investments and therefore better evaluate both their value and the risks.
- to provide a common framework for underwriting energy efficiency investments that will allow training and capacity building around standardised processes and understanding.
- to help developers and owners seeking to attract external capital for energy efficiency projects to develop projects in a way that better addresses the needs of financial institutions.
- to foster a common language between project developers, project owners and financial institutions.
- The Toolkit is accessible online through [valueandrisk.eeig.eu](http://valueandrisk.eeig.eu)



## Recommendations from the European Commission and UN Environment:

- "I strongly recommend this toolkit to project promoters, banks, financial institutions and anyone else interested in financing energy efficiency", Maroš Šefčovič, Vice-President, Energy Union, European Commission
- "I recommend this toolkit to any policy maker, investor, business, developer or citizen seeking a more inclusive, green economy", Erik Solheim, Executive Director, UN Environment

**EEFIG**

ENERGY EFFICIENCY  
FINANCIAL INSTITUTIONS GROUP

Thanks a lot!

