

The development in the Energy Services Market in the EU: barriers and solutions

March 27th, 2019











The EU ESCO market

Main characteristics at present

- Slow but <u>steady rise</u> for the last decades. The total EU market was estimated at €2.4 billion ESCO revenue in 2015, with a forecasted growth to €2.8 billion at a 1.7% compound annual growth rate.
- Growth is not as widespread across countries. In 2014-16 only the large and medium ones have been growing.
- · The national ESCO markets attract in many cases international/multinational actors.
- Growth is expected to be driven by <u>demand for capital</u> to overcome the challenges of deferred maintenance, mounting regulatory and policy pressures, and growing interest in more comprehensive energy management strategies.

Source: JRC 2017





ESCO market by sector



Source: Energy efficiency 2018, International Energy Agency

Financing and other common barriers to EPC projects







Agenda



2 The eeef approach and two case studies

3 Key takeaways

eeef EUROPEAN ENERGY EFFICIENCY FUND

The eeef at a glance



Investments summary





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CIMAC: aggregation of projects facilitated from the design phase, through Technical Assistance and an inter-municipal facility



Partners:	 CIMAC inter-municipality organisation (beneficiary) I-sete, Foment Efficiency (ESCO, co-investors)
Measures: Energy efficiency Street lighting	 Replacement of existing street lights with ca. 56,000 energy efficient LED lighting points to upgrade among others UNESCO World Heritage site of Évora
Results:	 CO2e savings of 5,192 t/yr and primary energy savings of 40,655 MWh/yr (74% savings compared to baseline) The project will also generate €7.1 million of
	monetary benefits for the 14 municipalities

Project structure





EFFICIENCY FUND

Investment features

Key data:

- Total project volume: €13.5m
- eeef funded volume:€12.1m via forfaiting agreement
- Duration: 12.25 years

Highlights:

- Project will bring positive change to 14 municipalities with approx.
 167,000 inhabitants and a high number of historical buildings
- 2nd country where eeef successfully financed the street lighting upgrade via forfaiting facility
- Project emerged from the COM Technical Assistance facility and aggregated numerous smaller projects into a single sizeable project

Illuminated Cities: aggregation of projects through a portfolio approach with standardized eligibility mechanisms

Project description

Partners:	 Siram by Veolia (co-investor and EPC partner)
	 Various municipalities in Northern Italy
Measures: Energy	 Upgrade of the public lighting infrastructure to LED technology according to a full smart city approach
efficiency Street lighting	 Lighting integrates multiple services, including applications such as remote control and management systems, video surveillance, wi- fi and charging stations for electric vehicles
Results:	 Reduction of primary energy savings by 56% at the portfolio level, up to 78% for some projects

Project structure





Investment features

Key data:

- Total project volume: €20m, VAT excluded. Possibility to grow further by raising debt.
- eeef funded volume: €16m via junior funds
- Duration: 12 years, of which 18 months for portfolio ramp-up

Highlights:

- The JV between eeef and Siram targets to aggregate smaller projects under one umbrella, to be funded on a project finance basis, with significantly lower structuring costs
- Through such aggregation, eeef addresses one of the key challenges of financing EE projects of low investment volumes







Agenda



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Key takeaways



Look at the size

 Economies of scale as well as necessary skills require a certain critical mass per project. <u>Aggregation can</u> be the enabler.

Pre-investment assistance

Many projects need assistance to fund preinvestment phases (audit, tech/ec/fin feasibility, structuring, tendering etc.)

Financing first

 To <u>develop financing</u> structure <u>in parallel to</u> <u>project</u> development

> Widespread energy efficiency projects

Multiple role of public entitites

 Local governments can act as owners/investors, conveners/facilitators, and regulators. <u>In all cases, a</u> <u>strong and stable</u> <u>political support is key</u>.

Contacts



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