GUIDE
ENERGY INVESTMENT FUNDING

Interreg Baltic Sea Region

EUROPEAN UNION

EUROPEAN REGIONAL DEVELOPMENT FUND

EFFECT4buildings

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Investments in energy efficiency are not currently happening at the rate needed, hindered by barriers such as high upfront costs, lack of access to finance, high perceived risk, lack of trust in new technologies, competing investment priorities, lack of knowledge, awareness and personal resources, and split incentives. Many of these barriers can be overcome, at least significant part, with well-designed financial tools and instruments.

The Interreg Baltic Sea Region Program 2014-2020 project EFFECT4buildings is providing building owners and managers with a set of financial tools and instruments to support the implementation of more energy efficiency measures, developed, and improved in real cases.

The main target group is building managers in charge of public or privately owned building portfolio.

The nine tools are:
- Convincing Decision makers
- Financial calculations
- Bundling
- Funding
- Energy Performance Contracting
- Multi Service Contracting
- Green Lease Contracting
- Prosumerism

EFFECT4buildings was implemented from 2017 to 2020 with the support from the Interreg Baltic Sea Region Programme 2014-2020. There were seven partner countries – Denmark, Estonia, Finland, Latvia, Norway, Poland, Sweden.

The project was also a part of the implementation of the EU Strategy for the Baltic Sea Region (EUSBSR), being a flagship project under policy area Energy and the horizonal action Sustainable development. Flagship projects demonstrate the progress of the EUSBSR and serve as pilot examples for desired change.

The full toolbox can be found on project webpage: www.effect4buildings.se

FUNDING

The Energy Investment Funding tool deals with broadening the knowledge of the target group on existing energy-investment–related funding sources and mechanisms, other than public funding sources.

The tool helps also share the knowledge and experience among project partners on the existing funding mechanisms in their countries, which can help them promote and adapt similar solutions in their countries. It can also facilitate finding sources to finance energy efficiency investments, both public and private ones, in the project partner countries.

Let's understand the problem

Limited financing possibilities from own funds often hinder energy efficiency investments in municipal buildings. The survey conducted among public building managers has shown that their knowledge is limited mostly to existing public funding schemes, but also that they are interested in broadening it. Each project country has front runners that improve funding schemes for energy efficiency invest-ments, and they can inspire others.

The implementation of energy efficiency investments in the public sector may be based on:
• a traditional formula for financing public investments, i.e., budget funds; and
• financing from external funds: subsidies and grants, loans and credits, and other means (e.g., bonds, public-private partnership, and leasing).

Local governments usually plan investments for which funding is easiest to obtain and which are most desirable from a social point of view (e.g., improving the welfare of inhabitants), like thermo-modernization of buildings and renewable energy.

Local governments in Poland and the Baltic countries wanting to follow sustainable development will have to face important challenges, such as a reduced availability of non-returnable grants after 2020. This will require not only their active involvement but also support from other institutions, which can help them participate in the dialogue and the exchange of know-how, proven technologies, and good practices with other municipalities.

Solution

We have prepared a guide presenting all funding possibilities for public building managers in a systematic way. It gives the target group a good overview of funding sources, facilitating them to find one.
The presented broad catalogue of funding possibilities in energy investments will help convince decision makers during the phase of energy efficiency project management. Together with experiences from those that have already used new funding sources, it can inspire organizations to try new funding strategies.

Buildings can be either public or private, and can be used for public or private purposes. The analysis and mapping of funding possibilities in this project has focused on funding for publicly owned buildings, regardless of how they are used; thus, it included administrative buildings, other non-private institutions, and some residential buildings.

The below table summarises the types of funding sources:

Type of funding sources:	Description	Examples
Public	Analysis of the available public funding sources and mechanisms for financing investment projects in the field of energy efficiency in publicly owned buildings.	EU funding, state funding, financing by banks owned by the Treasury of State, other public financing.
Non-public	Analysis of the available non-public sources and mechanisms for financing investment projects in the field of energy efficiency in publicly used buildings in individual project countries.	Private resources of business entities, including those taking part in ESCO projects; commercial bank offers dedicated exclusively to such enterprises.
Mixed	Analysis of the available mixed (public and non-public) sources and mechanisms for financing investment projects in the field of energy efficiency in publicly owned buildings.	

Public funding sources

National funding papers for the project partners show mapped funding possibilities from public funding sources. The mapping shows that the most common funding source is loans from municipal financial institutions, in the form of either ordinary investment loans or special environmental/energy loans (e.g., Kommunekredit in Denmark, Kommuninvest in Sweden, and Kommunalbanken in Norway).

Non-refundable grants and aid for investments in energy efficiency in municipalities are much more common in Poland, Estonia and Latvia. For the Nordic countries, such funding is rarer; if available, it focuses on planning investments. It is expected that municipalities in all the countries in the Baltic Sea Region will have less possibilities to obtain grants for investments in the forthcoming EU program period, making it even more important for all member states to find alternative funding sources.

Private funding sources

Private funding is still rare for public organizations, and it is very difficult for the public service sector to apply for preferential financing of investments from international non-public financing sources. Such an offer is almost absent on the market. The potential for innovative forms of private-public partnerships in terms of energy efficiency investments is large, however.

Budgetary units face frequent financial constraints, a constant compulsion among self-government authorities to seek savings, an unquestionable need to improve energy efficiency, and the lack of sufficiently qualified and experienced technical staff enabling the efficient and effective preparation and subsequent implementation of energy investments. One possibility for them is to try to finance investments under public-private partnerships, like with ESCO companies, in a formula that will allow financing a given modernization investment from future savings in energy costs.

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Funding possibilities for managing authorities

Public organizations can act as managing authorities for EU funding and other national funding. Regardless of whether the program is targeting public or private organizations, funding possibilities can be destinated for energy efficiency investments. Aid for SME to invest in energy-efficient solutions can be granted according to the EU Commission Regulation No 651/2014 and 1407/2013, but there is a need to better define eligible types of measures. For that reason, we have produced related guidelines, together with implementation of a framework program for energy efficiency in SME in Sweden.

Results from testing and recommendations

As part of the project, we supported building managers applying from new sources they had never used before. This experiment succeeded: clearly, they both needed and appreciated support in filling out applications. We also helped them share experiences with other building managers. It resulted in several new investments that otherwise would not have been implemented, because of a lack of both capital and skills in writing applications.

From our experience, it clearly follows that the target group needs both training in funding sources and guidance in how to apply for funding. To this end, workshops during which building managers present their experience and best practices as well as exchange ideas can help.

Combination with other tools

External funding and subsidies play a major role in energy efficiency related projects due to relatively high costs. This tool is broadening the knowledge of various funding sources at EU and national level. This is a supportive tool and can be used together with all other tools. In some cases, external funding helps to continue with energy efficiency projects e.g. EPC, MSC and sometimes it is necessary to use EPC, MSC, Prosumerism etc. models to get funding.

Conclusions

Thanks to producing energy and returning the surplus to the grid or other energy consumers, prosumerism helps reduce electricity bills and become more environmentally friendly. Before deciding whether to become a prosumer, one needs to analyse the current situation in terms of legislation, laws, and support mechanisms in one's country. Existing tools, including the EFFECT4buildings tool for prosumers, can help calculate the project's profitability. Deciding to become a prosumer, one should follow existing guidelines and instructions to implement the chosen PV system.

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TOOLS

1. Funding possibilities
2. Funding possibilities in Poland (Polish)
3. Funding possibilities in Finland (Finish)
4. Funding possibilities in Sweden (Swedish)

FIND ALL TOOLS HERE

www.effect4buildings.se/toolbox/funding


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