



Report on regional/national funding sources

ESCAN

Summarise the main existing grants/subsidies/incentives for streetlight projects and ESCO companies.

a) JESSICA FIDAE

JESSICA-F.I.D.A.E. is an Investment Fund to support energy efficiency projects (including outdoor lighting) and renewable energies, which provides funding for Company Projects, Organisms and ESCO.

To be granted with this fund, projects must be located in one of the following regions: Andalusia, Canary Islands, Castilla y Leon, Castilla-La Mancha, Comunidad Valenciana, Extremadura, Galicia, Murcia, Ceuta and Melilla.

ESCOs:

These are subsidies available for Public Services' infrastructures energy related, which cover up to 70% of the eligible expense.

- 15 years term grant with 3 years of shortage
- Type of interest: Euribor + 0,75 to E + 4% .

Municipalities and other public bodies:

Local Governments, as the rest of public entities and administrations can obtain a 100% of funding with a 0% of interest from JESSICA-FIDAE.

b) IDAE in Investment Projects, Funding Project and Leasing Services

This type of financing is applicable to investment projects in saving, energy efficiency and renewable energies.

It is a model of financial collaboration by the IDAE. On the one hand, it provides advice and coordination services in all phases of implementation and operation of an investment project and, on the other hand, it finances it. It involves the formalization of two contracts:

- Framework agreement for cooperation and leasing services.
- Project financing contract.

Conditions are specific for each project.

Existing Insurance schemes for ESCOs

One reference was found as specific insurance scheme for ESCOs in Spain, with limited application. RIBÉ SALAT BROKER has created insurance for ESCOs to get funding and minimize risks associated with the development and implementation of energy efficiency projects. This product covers during 5 years the possible deficient performance of an energetic project and protects the financier, investor, ESCO and the owner/customer. The insurance pays annually the difference between savings really achieved and savings predicted and also covers completely the equipment and machinery installed by the company during the same period.

- **Summarise available EU funding sources for streetlight projects.**

FEDER Operative Program

Through OP4 line, FEDER focuses investment on reach a transition to a low carbon economy in all sectors.

Among the regions benefited are:

a) Madrid FEDER 2014-2020

36,5 million € of the total grant this program is focused on low carbon economy. Supporting energy efficiency and renewable energy use in public infrastructures.

33 M€ to improve energy efficiency and reduce CO₂ emissions in edification, infrastructures and public services. Improvements in isolation, lighting, HVAC and energy management.

One of the investment lines is Control and regulation of the efficient lighting system through the supply and installation of regulation systems in lighting equipment, including detectors, natural light meters, lighting systems, more efficient luminaires, etc.

b) Cantabria FEDER 2014-2020

Similar to Madrid, UE subsidy of 6.538.023 € to achieve a low carbon economy in all sectors, which include energy efficiency support.

c) Castilla La Mancha

Energy efficiency will be improved in buildings and public infrastructures in Castilla-La Mancha region. Investment of 46 M€ to promote a low carbon economy.

HORIZON 2020: H2020-EE-2015-4-PDA, Project development assistance for innovative bankable and aggregated sustainable energy investment schemes and projects

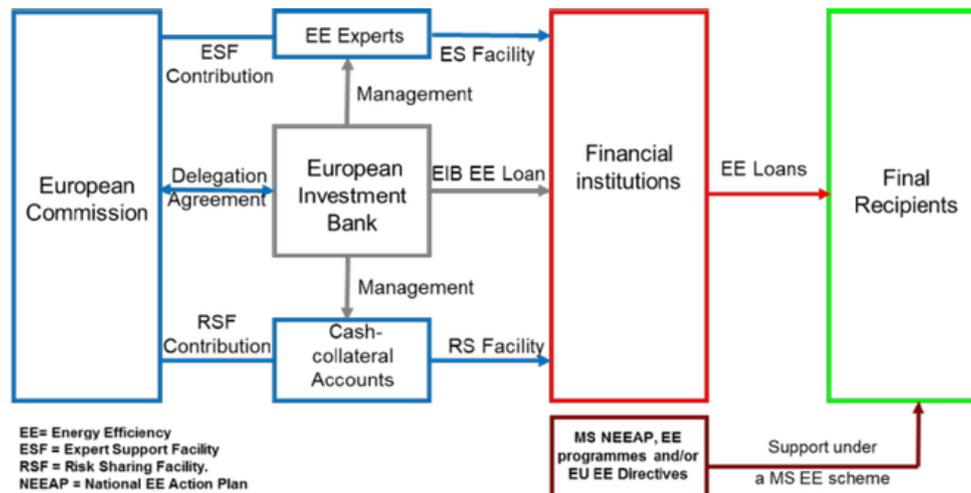
The support will be conditional on mobilized investments. The focus should be on existing public and private buildings, retail energy market infrastructure (smart grids, e-mobility charging points, public lighting networks, district heating networks, distributed renewables).

Private Finance for Energy Efficiency

Private Finance for Energy Efficiency (PF4EE) instrument is a joint agreement between the EIB and the European Commission which aims to address the limited access to adequate and affordable commercial financing for energy efficiency investments.

The PF4EE will combine lending from the EIB to intermediary banks in Member States with protection against losses associated with making loans for energy efficiency projects, and technical assistance aiming at increasing the technical capacity of the financial intermediaries. The beneficiaries could include SMEs, private individuals, small municipalities or other public sector bodies. The size of the energy efficiency loans to be provided to the final beneficiaries could range from €40 000 up to €5 million and higher in exceptional cases.

The PF4EE instrument will provide a portfolio-based credit risk protection provided by means of cash-collateral (Risk Sharing Facility), together with long-term financing from the EIB (EIB Loan for Energy Efficiency) and expert support services for the Financial Intermediaries (Expert Support Facility).



✓ Natural Capital Financing Facility

The Natural Capital Financing Facility (NCF) will be a new financial instrument that will be created by blending EIB funding with EC financing funded by the LIFE budget. The NCF will provide innovative financial solutions to support bankable projects, which are or have the potential to be revenue-generating or cost saving.

The Facility will be managed by the European Investment Bank (EIB). The EIB is the EU's bank and it works closely with other EU institutions to implement EU policy. Final beneficiaries are

private and public entities and the focus will be on projects which are at an advanced stage of development and which have the potential to be replicated within the EU.

The NCFE will start with a pilot phase of 3 to 4 years (2014-2017) with a total amount of EUR 100m for the financing of 9 to 12 operations, with an additional grant support facility of EUR 10m for technical assistance. For this phase, target operations will typically have a size of EUR 5-15m. The term of the debt and equity instruments will typically be up to 10 years plus potential extensions. The Facility will finance projects located in the EU-28.

Which innovative financing schemes are in place?

JESSICA FIDAE, described above.

Are there specific bottlenecks in public lighting projects realized by EPC financial model (ESCO companies) in your country and what are potential solutions?

As regards energy efficiency barriers, one of the most important for financing technologies might be lack of trust by potential beneficiaries. They could not believe that Energy E investments would actually result in enough energy savings so as to repay the initial investment in a reasonable period of time. Therefore, the lack of understanding by clients and Local Financial Institutions regarding the potential returns of energy savings, the high perceived risk of new more efficient technologies, and the need to secure external guarantees of a certain level of energy savings are actually typical barriers for investments in energy efficiency projects.

To create a framework that enables access to the necessary funding required for the development of energy efficiency services it is necessary to overcome a number of barriers:

- Lack of knowledge about the energy efficiency sector by the financial sector.
- Establishment of operations guarantee.
- Develop models to measure savings (financial protocols).
- Overcome credit restrictions of financial entities.

To overcome these bottlenecks we should carry out several kinds of solutions:

- **Technical:** Clients and Local Financial Institutions need to have independent assurances that the providers of technical services and technologies have the technical expertise and equipment's, respectively, to support the structuring and implementation of successful energy efficiency projects, and are able to provide the warranties.
- **Legal:** The contractual arrangements between clients and service providers need to be transparent and standardized with regards to what type of services are provided, how service providers guarantee the performance of their EE projects, and what is the arbitration and remedies if promised savings do not materialize.
- **Insurance:** Clients need to be offered compensation / insurance schemes in case the promised financial flows (return on the investment) associated with energy savings do not occur.
- **Standards:** There also exists the need to have clear standards for monitoring and verifying energy savings, and a reliable system to carry out these two very important activities.

Possibilities for establishing a regional/national fund to provide financing for smaller projects?

Some financing institutions, energy companies or product providers already provide or held to reach funding for viable smaller projects. This solution was already found and at present is not considered as a bottleneck. The fact that requirements for financing are high now in Spain might be an undesirable factor.