

FAQ - European Energy Efficiency Facility

Why is a European Energy Efficiency facility being set up?

The Council of Ministers and the European Parliament agreed in December 2010 to a European Commission proposal, made the same year in May, to allocate approximately EUR 146 million from the European Energy Programme for Recovery (i.e. 3.7% of the total EEPR envelope) towards a new financial facility dedicated to sustainable energy. The EU contribution comes from funds mobilised for the EEPR in 2009 which could not immediately be allocated to projects in the sectors of infrastructure, off-shore wind and carbon capture and storage (CCS).

What structure will the new financial facility have?

The new facility will take the form of an investment fund complemented by technical assistance (TA) and awareness raising. The EU will contribute about EUR 146 million to the facility, of which about EUR 125 million to the fund and about EUR 20 million to TA. The European Investment Bank will invest up to EUR 75 million, resulting in an initial fund volume of at least EUR 200 million. Other financial institutions at Member State level have been invited and could also join the fund. The objective is to launch the facility in the second quarter of 2011. The final size of the fund will depend on additional investors (public but also private) and the eventual investment portfolio.

What type of investment projects will the facility support?

The EEE-F will invest in energy saving, energy efficiency and renewable energy projects, particularly in urban settings. Sustainable energy investments promoted by local, regional and (where justified) national public authorities, could include: energy saving measures in public and private buildings; investments in high efficient combined heat and power (CHP), including micro-cogeneration and district heating/cooling networks; investment in decentralised renewable energy sources, including micro-generation; clean urban transport; the modernisation of infrastructure, such as street lighting and smart grids, as well as investment in sustainable energies with a potential for innovation and growth.

What finance and additional services will this financial facility offer?

About EUR 125 million (85% of the available EU funding) will be placed as risk capital into a dedicated "European Energy Efficiency Fund". The fund, which will be operated by a professional fund manager, will provide finance for investment projects by addressing market needs at municipal and local level. The fund will cover a large range of financial products such as senior and junior loans, guarantees or equity participation.

In addition, about EUR 20 million of the EU funding will be made available as grants for project development services (technical assistance) related to technical and financial preparation of projects. Finally, awareness-raising activities for national/regional authorities managing cohesion/structural funds in the field of sustainable energy are also envisaged.

How does the support for technical assistance relate to the existing ELENA - European Local Energy Assistance - Facility?

The existing ELENA facility (www.eib.org/elena), which was launched jointly in December 2009 by the Commission and the European Investment Bank, provides grants covering up to 90% of the technical assistance costs for local authorities preparing sustainable energy investment programmes greater than EUR 50 million. ELENA does not provide finance towards final investment costs but prepares projects for financing by other sources of public or private finance.

The technical assistance offered under this new facility targets investment projects (incl. projects smaller than EUR 50 million), which will be financed by the fund, by applying the successful ELENA model. The fund and the associated technical assistance are complementary to the support provided under ELENA.

Who are the potential beneficiaries of this money?

Potential beneficiaries are public authorities (e.g. municipalities), preferably at local and regional level, and public or private companies, which are acting on behalf of those public authorities, such as local energy utilities, Energy Service Companies (ESCOs), district heating combined heat and power (CHP) companies or public transport providers.

How can municipal/ regional authorities apply for finance and/or technical assistance?

It is not yet possible to make applications. Full details of how to apply and to whom will be made available once the fund is operational (see last question).

For how long will the funds be available?

EU funds will have to be allocated to investment projects, project development services and technical assistance during a period of 3 years, which will end on 31st March 2014.

Next steps

The Commission and the European Investment Bank plan to conclude a formal agreement to set up the facility by the end of March. The aim is to present the fund at a specific session on financing during the European Sustainable Energy Week, which will take place from 12 – 15 April in Brussels (www.eusew.eu). The session is planned for 13 April afternoon.