



European Regional
Development Fund
Investing in your future

Call for Expression of Interest:

Ref.: 927

Subject: Selection of Energy Efficiency Urban Development Fund

The European Investment Bank (EIB) is launching a Call for Expressions of Interest (Call for EoI), under the Joint European Support for Sustainable Investment in City Areas (JESSICA) initiative, with the aim of selecting an Urban Development Fund (UDF) that will receive financing of at least GBP 50 million from the London Green Fund to make repayable investments in public-private partnerships or other urban projects in the energy efficiency (EE) sector in Greater London, and included in Integrated Plans for Sustainable Urban Development (Urban Projects).

The selection of the UDF will proceed in two stages as described below. If you wish to participate in this Call for EoI, please forward your Expression of Interest (EoI) (prepared in accordance with the instructions in this document) enclosed in two sealed envelopes, the outer envelope bearing instructions not to open the inner envelope, which should be marked:

DO NOT OPEN:

Ref.: 927

Subject: Selection of Energy Efficiency Urban Development Fund

Deadline for receipt of expression of interest: 1st October 2010

and delivered either by:

(a) registered post, to the following address:

EUROPEAN INVESTMENT BANK
For the attention of Isabelle Rei
Purchasing and Administrative Services Division
98-100 boulevard Konrad Adenauer
L-2950 LUXEMBOURG

by midnight on 1 October 2010 at the latest, as evidenced by the postmark; or by,

(b) handing it in (by messenger or courier) at the reception desk of the

EUROPEAN INVESTMENT BANK
For the attention of Isabelle Rei
Purchasing and Administrative Services Division
98-100 boulevard Konrad Adenauer
L-2950 LUXEMBOURG

The EoI (representing the responses to Stage 1 as described below) must be posted or handed in by 1 October 2010 at the latest (up to midnight Luxembourg time in the case of delivery as described in (b) above).

Those applicants who are selected to proceed to Stage 2 will be notified in writing and advised at that time of the submission date for Stage 2 Offers (in the form of a Business Plan). It is anticipated that selected terms for the Operational Agreement will be provided during Stage 2.

It is expected at this stage that around 6 weeks will be allowed for selected applicants to prepare Offers (in the form of a Business Plan), although this period may be subject to change at EIB's discretion.

The indicative timetable for this Call for EoI, which may be subject to change, is therefore:

Activity	Timing
Issue of Call for EoI	6 September 2010
Call for EoI information event	17 September 2010
Deadline for Stage 1 requests for additional information	20 September 2010
Deadline for submission of Stage 1 EoI	1 October 2010
Notification to applicants of outcome of Stage 1 EoI assessment	15 October 2010
Deadline for submission of Stage 2 Offers (in the form of a Business Plan)	10 December 2010
Notification to applicants of outcome of Stage 2 Offers	Mid-January 2011
Start of negotiations on Operational Agreements following Investment Board approval	Mid-February 2011

The receipt dated and signed by the employee at the reception desk of the EIB who receives the EoI (reception desk open 24 hours a day) shall form the evidence of the EoI having been handed in.

Applications will not be accepted if they:

- a) are not sent in two sealed envelopes;
- b) are not sent or delivered by hand to the EIB before the specified deadline (as evidenced by the postmark or receipt signed and dated by the officer at the reception desk);
- c) do not conform to the provisions of this Call for EoI.

Applicants are directed to the important notices below. Unless expressly stated otherwise the terms and expressions used in this document shall have the meanings set out in Appendix C.

Applicants must take account of the following provisions (more detail is provided in Annex 3):

1. The selection of the UDF will proceed in two stages:
 - a. **Stage 1 (applying the Exclusion and Selection Criteria):** EoIs will first be assessed against the Exclusion Criteria (as outlined in Section III (a) of Annex 3). EoIs which

are not excluded in accordance with the Exclusion Criteria will be assessed on the basis of the Selection Criteria, which are included in Annex 2.

- b. **Stage 2 (applying the Award Criteria):** all applicants that meet the Selection Criteria will be invited to submit their Offers (in the form of a Business Plan). The Offers (in the form of a Business Plan) will be evaluated on the basis of the Award Criteria set out in Appendix A.
2. Information in respect of both Stages 1 and 2 is included in this document. However the first required submission relates solely to Stage 1, the EoI. Applicants wishing to commence work on the Offer (in the form of a Business Plan) required under Stage 2 prior to notification of selection will do so entirely at their own risk.
3. Offers must be firm and non-revisable, quoted in UK pounds sterling (GBP) and free of taxes and duties, the EIB being exempt there from under the Protocol on the Privileges and Immunities of the European Communities.
4. Each applicant must declare that it has taken note of the conditions of the Call for EoI and the Terms of Reference contained herein and has had the opportunity to gauge the scope and quality of the services required, as well as the possible difficulties.
5. An applicant cannot invoke any error, inaccuracy or omission in its application and/or Offer to call any contract into question or to attempt to have any contract amended.
6. The EIB reserves the right to reject any application that fails to comply with the specifications of this Call for EoI.
7. The EIB reserves the right to reject any applicant:-
 - (i) guilty of material misrepresentation;
 - (ii) who contravenes any of the terms of this document; and/or,
 - (iii) undergoing a change in identity, control, financial standing or other factor impacting on the selection and/or evaluation process affecting the applicant.
8. Applications must be drawn up in writing in English (applications in other languages will not be accepted). Any official documents in a language other than English must be accompanied by a certified translation.
9. Applicants must respond to the specifications item by item.
10. The EIB reserves the right to award a contract to the applicant of its choice (subject to the approval of the Investment Board), in accordance with the Award Criteria set out in the specifications, or not to award a contract to any applicant. The EIB may cancel this procurement procedure without notice at any time. Applicants should only participate in the UDF Selection process on the understanding that they would not be entitled to any form of compensation, should the EIB decide to interrupt the procurement procedure or cancel the procurement process before the contract is signed.
11. Participation in this Call for EoI shall be taken as acceptance of all the terms and conditions mentioned in this Call for EoI and the conditions of the specifications.
12. The following documents shall form an integral part of this Call for EoI:
 - Annex 1 -"Template for Expression of Interest"
 - Annex 2 -"Declaration to be made by the applicant"
 - Annex 3 -"Technical specifications" (Terms of Reference)
13. Any requests for additional information on Stage 1, the EoI, should be addressed in writing by 17:30 (Luxembourg time) on 20 September 2010 at the latest to Isabelle Rei, fax: +352 437 968 167 or e-mail: EIB.ASA@eib.org. The EIB will reply to requests before the deadline for submission of applications. Please note that the EIB responses to any queries or clarification requests may be circulated to all applicants at the EIB's discretion.
14. During Stage 2, a series of clarification meetings may be arranged with selected applicants after submission of Offers (in the form of a Business Plan). The EIB may arrange these meetings in due course with selected applicants following the completion of the Exclusion and Selection process under Stage 1. The EIB reserves the right to seek additional detail from an applicant to clarify any part of an applicant's submission.

15. EoI must be drawn up on paper, the original. **One electronic copy should also be submitted on CD or USB stick.**
16. Before the assignment begins, the selected applicant must undertake to comply with all current laws and provisions and to obtain all relevant permits required to provide the services described.
17. Applicants will be informed by post of the outcome of their applications.
18. Applicants should be aware the EIB may publicly announce the list of applicants that meet the Selection Criteria and are invited to submit Offers
19. Applicants may be invited to a presentation, if the EIB so decides. Applicants will not be permitted to modify the terms and conditions of their application during their presentation or at any other time after the application has been submitted to the EIB.
20. Any dispute concerning procurement conducted by the EIB falls under the jurisdiction of the European Court of Justice.

DISCLAIMER

The EIB (including any employees, officers, London Green Fund Investment Board members, employees and officers of the Agency, advisers and / or contractors of the EIB who contributed to the preparation of this document) make no representation, warranty or undertaking of any kind in relation to the accuracy or completeness of any information provided in, or in connection with, this Call for EoI (for the purposes of this section the "Information").

The EIB will not be liable or responsible to any person in relation to any inaccuracy, error, omission or misleading statements contained in the Information. The EIB will not be liable or responsible to any person in relation to any failure to inform any person of inaccuracy, error, omission or misleading statement contained in such Information of which it becomes aware after the date of release of that Information. The EIB shall not be liable to any person for any damages, losses, costs, liabilities or expenses of any kind which it may suffer as a consequence of relying upon such Information.

Any person considering making a decision to enter into contractual relationships with the EIB and/or any other person on the basis of the Information provided to (or otherwise received by) applicants (whether prior to this Call for EoI or at any point during the UDF selection process) in relation to the selection process should make their own investigations and form their own opinion. In particular, the distribution or receipt of this Call for EoI shall not constitute, or be construed as, the giving of investment advice or a recommendation by the EIB of any kind.

Only the express terms of any written contract (as and when it is executed) shall have any contractual effect.

All applicants are solely responsible for their costs and expenses incurred in connection with the UDF selection process including the preparation and submission of submissions and participation in all future stages of this process. Under no circumstances will the EIB be liable for any costs or expenses borne by applicants or any of its supply chain, partners or advisors in this process.

For the purposes of the selection process, all advisors of the EIB are acting exclusively as the advisors to the EIB and will not be responsible or owe any duty of care to anyone other than the EIB in respect of the selection process.

CONFLICTS

The EIB requires all actual or potential conflicts of interest to be resolved to the EIB's satisfaction prior to the delivery of an applicant's submission. Failure to declare such conflicts and/or failure to address such conflicts to the reasonable satisfaction of the EIB could result in an applicant being disqualified at the sole discretion of the EIB.

CANVASSING AND NON COLLUSION

The EIB reserves the right to disqualify (without prejudice to any other civil remedies available to the EIB and without prejudice to any criminal liability which such conduct by an applicant or consortium

member (as the case maybe) may attract) any applicant or consortium member who, in connection with this document:-

- (i) offers any inducement, fee or reward to any Investment Board member, employee or officer of EIB.
- (ii) contacts any Investment Board member, employee or officer of EIB about any aspect of this document in a manner not permitted by this document;
- (iii) fixes or adjusts the amount of his offer or submission by or in accordance with any agreement or arrangement with any other applicant or consortium member or supply chain member of any other applicant (other than its own consortium members or supply chain);
- (iv) enters into any agreement or arrangement with any other applicant or potential applicant or consortium member of any other applicant or potential applicant to the effect that it shall refrain from making a submission or as to the amount of any submission;
- (v) causes or induces any person to enter such agreement as is mentioned above or to inform the applicant or a consortium member of the applicant of the amount or approximate amount of any rival submission;
- (vi) canvasses any person in connection with this document who is not one of its own consortium members or one of its own team;
- (vii) offers or agrees to pay or give or does pay or give any sum of money, inducement or valuable consideration directly or indirectly to any person for doing or having done or causing or having caused to be done in relation to any other submission or proposed submission ; or
- (viii) communicates to any person other than EIB the amount or approximate amount of his proposed submission (except where such disclosure is made in confidence in order to obtain quotations necessary for the preparation of a submission).

INTELLECTUAL PROPERTY

The copyright in this document is vested in the EIB.

This document may not be reproduced, copied or stored in any medium without the prior written consent of the EIB except in relation to the preparation of a submission.

All documentation supplied by the EIB in relation to this UDF selection process is and shall remain the property of the EIB and must be returned on demand, without any copies being retained. Applicants are not authorised to copy, reproduce, or distribute such documents at any time except as is necessary to produce a submission.

PUBLICITY

Applicants shall not undertake (or permit to be undertaken) at any time, any publicity activity with any section of the media in relation to the UDF selection process other than with the prior written agreement of the EIB. Such agreement shall extend to the content of any publicity. In this paragraph the word "media" includes (but without limitation) radio, television, newspapers, trade and specialist press, the internet and email accessible by the public at large and the representatives of such media.

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ANNEX 1 – Template for Expression of Interest

TEMPLATE FOR EXPRESSION OF INTEREST

(name of an applicant)

EXPRESSION OF INTEREST

(place of signature)

(date)

(Stamp of the applicant – if available)

1. Information about the applicant

1.1. General information about the applicant

Expressions of Interest may be submitted by a consortium that, if awarded the contract, may assume a legal form by incorporation, partnership or otherwise which would enable the members of the consortium to contract as a single entity. Where such a consortium exists the applicant shall be responsible towards the EIB and shall act as the interface between the EIB and the members of the consortium.

Name of the applicant	
Address (registered office)	
Registration number (copy of certificate to be attached)	
Telephone No.	
Fax	
Email	
Names and organisation registration numbers of proposed subcontractors / consortium members if applicable	

1.2. Person authorised to submit the Eol*

Name, surname	
Position	
Contacts: Address Telephone No Fax Email	

* In case of the Eol being submitted by a consortium, a power of attorney or a cooperation agreement authorising the attorney to submit the Eol and the Offer (in the form of a Business Plan) and to represent the consortium at all stages of the selection procedure on behalf of the partners jointly applying for the contract.

1.3. Person for communications (if different from paragraph 1.2)

Name, surname	
Position	
Contacts: Address Telephone No Fax Email	

By submitting this Eol, the undersigned declare(s) that:

1. the applicant is fully aware that resources of the London Green Fund, which aims to finance energy efficiency and decentralised energy Urban Projects, via a UDF are part-funded by the European Regional Development Fund (ERDF) and that all resources are therefore subject to the EU Structural Funds Regulations; and,
2. the information contained in this Eol and accompanying Annex 2 is complete and correct in all its elements.

ENCLOSED:

1. Declaration to be made by the applicant in Annex 2

2. Supporting documents relating to Annex 2 (to be completed by the applicant):

- a) ...
- b) ...
- c) ...

3. Evidence relating to the Exclusion Criteria as set out in section III (a) of Annex 3 (Exclusion Criteria) below:

a) ...

b) ...

c) ...

(position)

(name, surname)

(signature)

- having taken note of this Call for EoI;
- having taken note of the specifications and the documents referred to therein; and,
- and having completed the requisite declaration (see Annex 2), hereby undertake unconditionally, in accordance with the provisions of the aforementioned documents, to supply the services on the terms set out below in this Call for EoI, this application being binding upon the organisation, however, only if its acceptance is notified by the EIB within 180 days of the date of opening of applications.
- Is authorised to do so on behalf of any subcontractors / consortium members listed in 1.1 of Annex 1 and in doing so commits those subcontractors / consortium members to supply the services on the terms set out below in this Call for EoI, for 180 days from the date of opening of applications.

ANNEX 2 – Declaration to be made by the applicant

STAGE 1 DECLARATION TO BE MADE BY THE APPLICANT

1. Name of the applicant

2. Type of business

3. Represented by (name and position).....

(in case of the EoI being submitted by a consortium provide evidence of a declaration, a power of attorney or a cooperation agreement authorizing the attorney to submit the EoI and the Offer (in the form of a Business Plan) and to represent the consortium at all stages of the selection procedure on behalf of the partners jointly applying for the contract)

4. The applicant (which is expected to be the UDF manager) warrants that it is regulated by the Financial Services Authority (FSA) in the UK as a Financial Services Firm under the Financial Services and Markets Act 2000 (FSMA) and that the applicant (and any such operator / manager as relevant) has all appropriate permissions under FSMA to carry out all FSMA regulated activities required of it as the UDF manager and that it will state to be carried out in the Stage 2 Offer (in the form of a Business Plan).

The applicant further warrants that an investment grade credit rated custodian bank will be used for deposits and transfers of any funds provided by, or to be returned to, the London Green Fund.

(provide company number and FSA registration number)
.....

Questions 5 to 11 should be answered on behalf of the applicant and any proposed subcontractors / consortium members. These questions will be assessed on a pass/fail basis. Responses should be stated in the form of “Yes” / “No” or “Certified” with accompanying detail provided where requested, either in the space provided or on separate sheets which should be referenced by the applicant.

5. Are there any liens or charges outstanding against the organisation at a commercial court (or any other relevant authority)?

6. Is the applicant in receivership (or the subject of equivalent proceedings)?.....

If so:

(a) date of the receivership order:

(b) on what terms is the applicant authorised to carry on its activity? Specify in particular:

the name and address of the receiver(s):

the date and period of validity of the authorisation given by the official receiver or the court to continue the business or activity:

7. The applicant certifies that neither the organisation nor any of the persons authorised to act on its behalf are in liquidation:.....
8. Has the applicant been the subject of any sentence, disqualification or penalty regarding the proper pursuit of commercial or industrial occupations, or under the rules on prices and competition?.....
9. Has the applicant or any of the persons authorised to act on its behalf a conflict of interest that may affect the performance of the tasks referred to into this Call for Eol?

10. The applicant certifies that it has complied with its tax and social obligations:

11. The applicant certifies the relevant experience of its team (including proposed subcontractors/advisors) in the targeted market of Urban Projects. Applicants are requested to provide:
- An explanation of its experience of and approach to working with its proposed team of subcontractors / consortium members (if applicable). This information should be provided on no more than two A4 pages.
 - An explanation of its experience of and approach to working with public and, where possible, voluntary sector stakeholders (with a focus on London based stakeholders, including, inter alia, local authorities, registered social landlords, primary care trusts) in the targeted market of Urban Project. This information should be provided on no more than two A4 pages.
 - Their track record in appraising, making and managing financial investments (in particular loans) made directly to the public and/or voluntary sector/s for energy efficiency projects. To illustrate their experience, applicants should provide examples (no more than one A4 page each) of up to four previous projects. Information provided should include: project name, project description, role in project, funding requirement, method and sources of funding and a clear statement of how it was funded and to whom the funding was provided, the term of the investment and exit strategy. Contact names and details should be provided for these example project investments where the EIB may seek a reference.
 - Their track record of financing EE projects “off” the public sector balance sheet (i.e. where the financing associated with EE assets does not count as public sector borrowing), for example, direct lending to special purpose EE asset financing vehicles established by, for example, energy service providers, banks, asset financing organisations for EE in public buildings and/or social housing. To illustrate their experience, applicants should provide examples (no more than one A4 page each) of up to two previous projects. Information provided should include: project name, project description, role in project, funding requirement, method and sources of funding and a clear statement of how it was funded and structured to ensure the project was considered “off” the public sector balance sheet. Contact names and details should be provided for these example project investments where the EIB may seek a reference.

12. Applicant certifies that the information given above is correct.

.....

Done at (date)

STAMP

NAME(S)

SIGNATURE(S)

ANNEX 3 – Technical Specification (terms of reference)

I. GENERAL INFORMATION

a. European Regional Development Fund in London

The London European Regional Development Fund (ERDF) Operational Programme 2007-2013¹ (the 'London OP') provides a framework for the investment of €182m of ERDF allocated to London for the period 2007-2013. The vision for the London OP, which was approved by the European Commission (Commission) in December 2007, is:

“to promote sustainable, environmentally efficient growth, capitalising on London’s innovation and knowledge resources with a focus on promoting social inclusion through extending economic opportunities to communities, in areas where this is most needed.”

The broad investment priorities (called 'Priority Axes' in Commission terminology) identified in the London OP, together with the European Union (EU) Structural Funds allocated are:

Priority Axis	Theme	ERDF allocated
1. Business innovation and research and promoting eco-efficiency	1. Developing a culture of, and capacity for, creating and using innovation throughout London’s businesses to create sustainable economic growth; and, 2. Leveraging value from London’s world-class knowledge base to benefit London’s economy.	£43m (revenue)
2. Access to new markets and access to finance	1. Enabling access to appropriate investment finance to support innovation and growth; and, 2. Improving small and medium enterprises' (SME) access to new market opportunities.	£44m (revenue)
3. Sustainable places for businesses	Environmental enhancement of working premises and surrounding spaces, and support for business clusters.	£62m (capital)
4. Technical assistance	1. Support, development and enhancement of the management of the London OP; and, 2. Support to strengthen the implementation of the London OP priorities	£6m (revenue)

Underpinning each of these priorities there is a commitment to equality of opportunity and environmental sustainability. In London EU Structural Funds are allocated to projects / initiatives through an open and competitive process.

b. Background to JESSICA

The Joint European Support for Sustainable Investment in City Areas (JESSICA) is an initiative developed by the European Commission and the EIB, in collaboration with the Council of Europe Development Bank (CEB). Under new procedures, Member States and regions are being given the option of using part of their EU Structural Fund allocation to make repayable investments in projects forming part of relevant Integrated Plans for Sustainable Urban Development.

JESSICA responds to the request by several Member States and the European Parliament to give special attention to the need for urban regeneration and urban investments, and is based on the scarcity of investment funds to finance integrated urban renewal and regeneration projects in pursuit of more sustainable urban communities. JESSICA has therefore been launched with a view to providing new opportunities for managing authorities responsible for the current generation of cohesion policy programmes by:

- ensuring long-term sustainability through the revolving character of the EU Structural Funds contribution to UDFs specialising in investing in Urban Projects;
- creating stronger incentives for successful implementation of Urban Projects by beneficiaries, by combining grants with loans and other financial instruments;

¹ See http://www.lda.gov.uk/Documents/London_ERDF_Operational_Programme_2007_to_2013_6282.pdf

- leveraging additional resources for Urban Projects with a focus on sustainability/recyclability in the regions of the EU;
- contributing financial and managerial expertise from specialist institutions such as EIB, CEB, and other international financial institutions.

More on the EU Structural Fund Regulations specifically related to JESSICA can be found at: http://ec.europa.eu/regional_policy/funds/2007/jii/jessica_en.htm

c. JESSICA in London

The London OP outlined the potential to invest a significant proportion of Priority Axis 3 funding through a JESSICA funding mechanism. The main objective of Priority Axis 3 is to improve the competitiveness of economically and socially deprived areas of London to secure their long term regeneration through supporting development of high quality working environments and low/zero carbon employment sites and premises. Energy efficiency is critical in reducing the capital's carbon footprint, and more efficient use of energy is at least as important for London's sustainable energy strategy (in addition to delivering low/zero carbon employment sites) as the development of renewable sources / low carbon demonstration projects. To test the commercial and financial feasibility of implementing the JESSICA initiative in London in line with the London OP the EIB, in conjunction with the Agency, commissioned a study² in 2008.

This study provided recommendations for the implementation of JESSICA in London through a holding fund structure and the feasibility of using JESSICA funding to accelerate investment in environmental projects to support sustainable development and regeneration in Greater London. This study formed the business case for the implementation of JESSICA in London. This subsequently led to a Memorandum of Understanding between the Agency and the EIB in December 2008 where it was agreed that a significant portion of the EU Structural Funds allocated to Priority Axis 3 would be invested in a holding fund to be established with and managed by the EIB. This holding fund, now called the London Green Fund, would invest in UDFs focusing on environmental infrastructure. In October 2009 a funding agreement was signed between the Agency, the EIB and the London Waste and Recycling Board (LWARB) setting out their respective roles in the operation of the London Green Fund.

d. Funding allocation to the energy efficiency UDF

The current allocation to the London Green Fund is £100m – comprising £50m of ERDF, £18m from the LWARB and £32m from the Agency. Approval for an additional £6m of ERDF was granted by the Mayor of London, and this may be made available at a later date at the discretion of the LGF

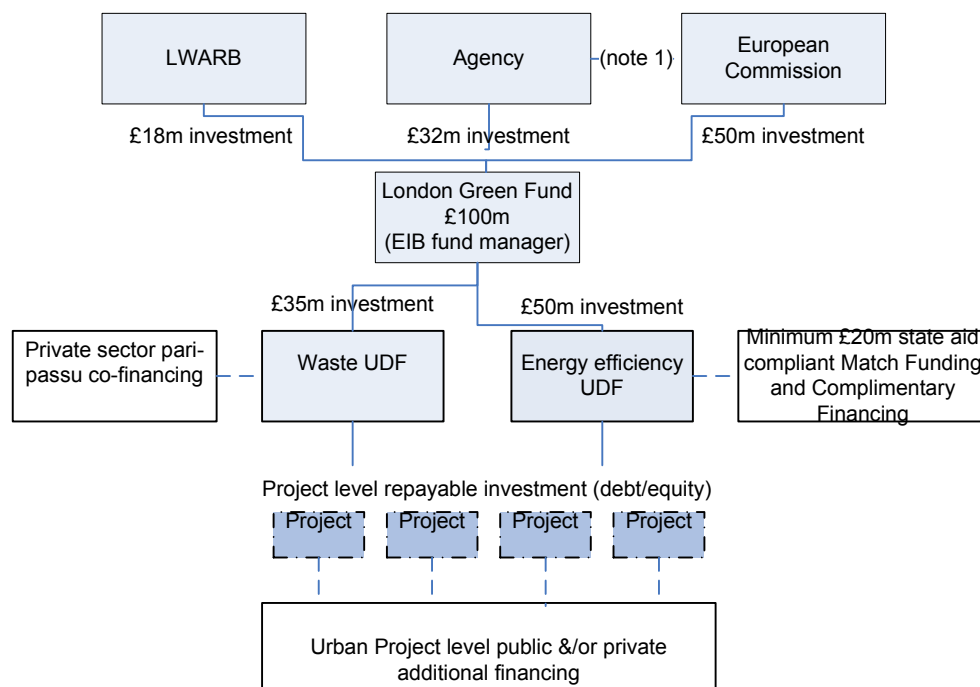
The London Green Fund will invest in climate change agenda sectors, eligible under the London OP, such as waste, energy efficiency (EE) and decentralised energy (DE). The EIB launched the procurement for a waste-focused UDF on 26 April 2010.

The initial allocation from the London Green Fund to the energy efficiency UDF is £50m, subject to the selected UDF fund manager securing a minimum additional Match Funding investment of £20m (please refer to Appendix C which outlines the exact requirements for Match Funding). The amount invested by the London Green Fund into this UDF may well be increased at a later stage using, inter alia, any returns on investment in the UDF, the London Green Fund's cash management activities or by additional funding (including the £6m of ERDF) made available to the London Green Fund.

The indicative funding structure of the London Green Fund and the waste and energy efficiency UDFs is set out in the diagram below. It should be noted that EU Structural Funds Regulations apply to the entire London Green Fund commitment to the UDF.

² "Scoping the use of JESSICA in London", Deloitte (September 2008)

Indicative London Green Fund and UDF funding structure



Note 1: the Agency is the designated 'Intermediate Body' of London's OP.

e. London Green Fund governance

An independent Investment Board has been established to oversee the London Green Fund. The Investment Board will, broadly, be responsible for approving or rejecting recommendations made to it by the EIB as the London Green Fund manager including the terms and conditions of contract with the UDFs.

The EIB, as the London Green Fund manager is broadly required to:

- Hold the assets of the London Green Fund and carry out temporary cash management of funds not yet invested in UDFs;
- Procure the UDFs through a transparent and competitive Call for EoI process. This will include reviewing the UDF structure put forward by UDF managers (being either independent legal entities or separate blocks of finance within financial institutions) and the management thereof;
- Investing, on behalf of the London Green Fund, in UDFs (via Operational Agreements). These Operational Agreements will also specify how the UDFs will invest in Urban Projects; and,
- Monitor and report on the actions of the UDFs and their investments in underlying Urban Projects.

f. Energy efficiency UDF

Key requirements

This Call for EoI relates specifically to the selection of a UDF which will invest in Energy Efficiency Urban Projects. While the detailed requirements of the energy efficiency UDF are set-out in section III below, the key roles envisaged for the UDF fund manager are to:

- Identify and lead the negotiation and structuring of financial investments in viable Urban Projects which fit within the agreed investment strategy of the energy efficiency UDF;
- Consider the pipeline of EE projects and initiatives identified by the Agency and other public sector stakeholders (see section 2a below) into which the energy efficiency UDF could invest that fit within the agreed investment strategy for the UDF. The energy efficiency UDF manager

will be expected to lead the negotiation and structuring of any financial investments made by the UDF into such projects. Applicants are strongly encouraged to consider how they may support public and/or voluntary sector led EE projects along with any other project pipelines they consider relevant to the UDF's investment strategy.

- Secure state aid compliant Match Funding, at a UDF level, of at least £20m, and, to the extent possible, additional Complementary Financing at the UDF level and/or Urban Project level to ensure that the London Green Fund's investment is leveraged and that sufficient Eligible Expenditure can be declared in those Urban Projects in accordance with EU Structural Fund Regulations;
- Ensure as far as possible that the London Green Fund's investment in the UDF represents an appropriate balance of risk, return and Output Targets;
- Monitor compliance and risk in accordance with the EU Structural Funds Regulations and applicable national rules; and,
- Identify and manage appropriate exit strategies from Urban Project investments with the aim of making returns from such investments available for recycling in further urban project opportunities.

These requirements are driven primarily by: EU Structural Funds Regulations and applicable national rules; state aid rules attaching to financial assistance provided by the public sector; and the aspirations of the EIB and the Agency for the energy efficiency UDF.

Components of an eligible Urban Project

Generally the energy efficiency UDF is required to make repayable investments in Urban Projects that are eligible for contributions as outlined in Section II point 3 of this Annex. An Urban Project may be eligible for investment if it is:

- Part of an Integrated Plan for Sustainable Urban Development, which for the energy efficiency UDF is the London Plan and the Mayor's draft Climate Change Mitigation and Energy Strategy³ (which is anticipated to be finalised late 2010/early 2011);
- Compliant with national eligibility rules within the meaning of Article 56(4) of Regulation No 1083/2006, as set out by the CLG and the specific criteria set out in this Call for EoI; and,
- Compliant with the EU Structural Funds Regulations⁴. Applicants should be aware that as the energy efficiency UDF will be investing public monies committed by the London Green Fund (from the ERDF and the Agency), they must ensure that the funding structure of the UDF and its investment into Urban Projects are state aid compliant⁵.

As is required of all EU Structural Funds initiatives, the energy efficiency UDF will be required to demonstrate additionality. The key aspects of additionality that the UDF should deliver include:

- Complementing similar London initiatives, such as the work of the Greater London Authority, the Agency, the National Housing Federation and the waste UDF (once operational) where appropriate.
- Delivering new and/or innovative funding mechanisms in support of public and voluntary sector led EE projects, which may assist in counteracting the effects of anticipated future government spending budget cuts.
- Addressing the general shortage of finance for environmental projects (both public and private), which is occurring due to:

³ <http://www.london.gov.uk/who-runs-london/mayor/publications/environment/mayors-draft-london-climate-change-mitigation-and-energy-strategy>

⁴ Further information on the EU Structural Fund regulations specifically related to JESSICA can be found at: http://ec.europa.eu/regional_policy/funds/2007/iii/jessica_en.htm

⁵ Further information on state aid, including the reference rate framework (where appropriate) can be found at: http://ec.europa.eu/competition/state_aid/legislation/reference.html

- Limited investor appetite for certain types of environmental infrastructure due to the perceived technology and/or demand risks which make the level of return sought by the larger investors/financial institutions prohibitive;
 - The relatively new and emerging nature of the EE investment market in the UK; and,
 - A general scarcity of commercial funding still prevalent in the market.
- Where possible, sourcing additional Complementary Financing, which is state aid compliant, ideally at both the UDF and Urban Project level to enable the investment made by the London Green Fund to be further leveraged for investment in Urban Projects in London.

II. THE NATURE OF THE ENERGY EFFICIENCY UDF

a. Background information

London generates around 47.5m tonnes of carbon per year. The Mayor of London's target is to reduce this by 60% from a 1990 baseline by 2025. The Agency is responding by investing in a number of programmes to cut London's carbon dioxide emissions and to adapt to climate change, including investing in improving the energy efficiency of London's buildings. In support of this agenda, the energy efficiency UDF will be required to invest in EE Urban Projects.

London's commercial, public and domestic buildings have the potential to cut CO2 emissions quickly through energy efficiency measures and significantly reduce costs to London's homes and business, and to the environment. Buildings represent 71% of London's CO2 emissions emitting a total of 31.5m tonnes CO2 emissions⁶.

Energy efficiency refers to products or systems using less energy to accomplish the same task, such as heating or lighting a building. This could include, inter alia, the following technologies:

Category	Technology/application	Category	Technology/application
Fabric measures	<ul style="list-style-type: none"> • thermal insulation • external shading • heat absorption • replacement glazing (double / triple) • secondary glazing • window films • changes to glazing areas • draft proofing 	Motors and controls	<ul style="list-style-type: none"> • Pumps, fans and lifts - variable speed controls
Infiltration	<ul style="list-style-type: none"> • caulking • weather-sealing • entry and exit (door-related) 	Public Health systems	<ul style="list-style-type: none"> • Central calorifiers • Direct-fired water heaters • Treatment systems • Outlet systems
Control systems	<ul style="list-style-type: none"> • Building Management Systems • Smart metering • Lighting controls (presence detection and daylight dimming) • Heating and cooling process controls • Zoning • Optimisation, compensation, sequencing 	Electrical Systems	<ul style="list-style-type: none"> • Lighting upgrades & replacement • Power conditioning • Power factor correction
Heating, Ventilation and Air Conditioning (HVAC)	Efficiency of: <ul style="list-style-type: none"> ○ Boilers & Chillers ○ Ventilation ○ Refrigeration <ul style="list-style-type: none"> • Energy recovery • Hot and Chilled water distribution systems 	Decentralised Energy	<ul style="list-style-type: none"> • Combined Heat & Power (CHP)⁷ • Combined Cooling Heat & Power (CCHP) • Solar thermal • Ground source heat pumps⁸ • Photovoltaic cells • Air source heat pumps⁹ ▪ Small Scale wind turbines

⁶ <http://www.lda.gov.uk/our-work/climate-change-and-the-environment/energy-efficiency/>

⁷ See Directive 2004/8/EC OF the European Parliament and of the Council on the promotion of cogeneration based on a useful heat demand in the internal energy market

⁸ Coefficient of Performance should be a minimum of 3.5

⁹ Coefficient of Performance should be a minimum of 3.5

b. Focus of the Energy Efficiency UDF

The Award Criteria for the selection of the energy efficiency UDF will favour initial investment strategies that focus on investing in EE initiatives in the **public and/or voluntary sector**. The key activities anticipated of the UDF include:

- Direct lending (senior, junior or mezzanine) to public sector bodies (e.g. local authorities, primary care trusts, registered social landlords) for EE in public sector buildings and/or social housing especially where the funds can be lent to public sector bodies on more preferential terms than the Public Works Loan Board (PWLB), or indeed to those public bodies that do not currently have access to PWLB financing such as Foundation Trusts, Primary Care Trusts, registered social landlords, etc.
- Direct lending (senior, junior or mezzanine) to voluntary sector organisations for EE investments in their building stock.
- Direct lending (senior, junior or mezzanine) to energy service providers that have been procured by the public sector to deliver a 'funded' energy service solution for EE in public buildings or social housing;
- Presenting their approach to financing EE projects "off" the public sector balance sheet (i.e. where the financing associated with EE assets does not count as public sector borrowing), taking account specifically of appropriate public accounting, procurement and state aid rules, and working with the EIB, the Agency and other appropriate stakeholders to develop the proposed financing model that would provide further investment opportunities to the UDF once operational. It is anticipated that future investment may then take the form of direct lending to a publicly procured panel of special purpose EE asset financing vehicles established by, for example, energy service providers, banks, and/or asset financing organisations for EE in public buildings and/or social housing.

There are a number of opportunities and challenges which also face the private sector in relation to energy efficiency. For example, the introduction of the UK Government's Carbon Reduction Commitment Energy Efficiency Scheme (CRC) and associated cash flow implications is a key emerging issue for many private sector building owners and occupiers, in addition to the public and voluntary sectors. Demand from businesses to secure finance to purchase CO2 allowances in 2011 under the CRC may therefore provide further investment opportunities for the UDF.

Over time, therefore, the investment strategy of the UDF may indeed evolve and, subject to agreement between the EIB and the Preferred Bidder, include a focus on the delivery of EE measures in the private sector, or indeed widen support for additional decentralised energy projects such as the establishment of local-area and/or area-wide heat networks and the establishment of medium to large-scale CHP district heating schemes. This broadening of the investment strategy may be supported by additional investment from the London Green Fund at a later stage, or via the recycling of returns from initial Urban Project investments.

c. Public sector led initiatives

The Agency, together with other stakeholders like the National Housing Federation¹⁰, are working to reduce the CO2 emissions associated with the supply of energy to London's buildings and improving the efficiency with which London's public sector businesses and homeowners use this energy. Applicants are therefore required, where possible, to develop an investment strategy for the energy efficiency UDF that supports, complements and/or builds upon one (or more) of these initiatives.

▪ Agency initiative

The Agency launched the Building Energy Efficiency Programme (BEEP) in 2009 (now renamed 'RE:FIT'), which allows public sector organisations to procure the services of an Energy Services Company (ESCo) via a mini-competition to assess, implement and manage EE measures to its building stock over a defined period (usually 7-10 years). RE:FIT is a 3 year framework with the potential for a one year extension.

The RE:FIT framework was designed for 'on-balance sheet' financing of public sector EE projects (i.e. associated EE assets, and any financing taken against that, are accounted for on the public sector balance sheet and count as public sector borrowing) and therefore it is currently the responsibility of

¹⁰ <http://www.housing.org.uk>

public sector project promoters to secure appropriate funding for the delivery of these measures either through existing budgets or from borrowing.

The Agency has identified, and continues to work with, a number of potential public sector 'early adopters' that may utilise the RE:FIT framework to deliver EE measures for their building stock. Subject to the outcome of an ELENA¹¹ application (anticipated in September 2010), the Agency intends to increase the resources and expertise it makes available to public sector bodies in Greater London in support of energy efficiency project development and ultimate procurement of services.

While applicants will be required to demonstrate their ability to develop a robust project pipeline, it is expected that they will also work with local stakeholders such as the Agency regarding the identification of EE Urban Projects.

The standard contractual documentation of the RE-FIT framework and further details on the initiative, including the potential project pipeline, may be obtained from Emma Strain at the Agency, <mailto:refit@lda.gov.uk>.

Going forward, the Agency is planning to procure a panel/framework of energy service providers (i.e. RE:FIT 2) which can be used by all public sector bodies that will provide an 'off-balance sheet' delivery and funding model for their energy efficiency projects (i.e. associated EE assets, and any financing taken against that, are classified off the public sector balance sheet for the purposes of public sector borrowing). As outlined above, it is envisaged that the UDF will be a key contributor in the development of the standard form framework contract to ensure it is fit-for-purpose and addresses the needs of public sector project promoters and potential funders, including the UDF.

▪ **National Housing Federation (NHF) initiative**

The NHF is working in partnership with other stakeholders, such as the Energy Efficiency Partnership for Homes, on the development of a commercial model, largely based on the use of Feed-in-Tariffs that will support the financing of low carbon retrofitting to social housing. This could offer investment opportunities for the energy efficiency UDF, which will be allowed to invest not more than £11m of ERDF plus Match Funding resources on EE measures in existing social housing (e.g. registered social landlords and council social housing) and vulnerable households in London, in line with recent changes to ERDF regulations that permit usage of structural funds for certain energy efficiency measures relating to social housing¹². The EE measures supported should be good quality, innovative proposals rather than basic measures, such as loft insulation or double glazing.

The definition of social housing is defined as in Articles 68 – 70 of the Housing and Regeneration Act 2008¹³, a summary of which is set out in Appendix D. Vulnerable households are defined for these purposes as those in receipt of at least one of the principal means tested or disability related benefits; more detail is included in Appendix D.

For the avoidance of doubt there are no limits on the use of Complementary Finance, secured by the UDF, for EE measures in existing social housing.

Further details on the NHF's approach to investment in social housing may be obtained from Olivia Powis at the NHF, oliviap@housing.org.uk.

d. Match funding and Complementary Financing

The energy efficiency UDF manager is required to identify and secure at least £20m of Match Funding at the UDF level. This Match Funding should ideally be sourced from private sector resources and may be provided by the UDF itself (i.e. where the UDF is established as a separate block of finance within a financial institution – see Section III 1, below). The Match Funding will need to be invested alongside the London Green Fund investment into Urban Projects by the UDF in compliance with applicable state aid rules. Pending any future changes in EC regulations, Match Funding must be

¹¹ The European Commission and the EIB have established the ELENA technical assistance facility (European Local ENergy Assistance), financed through the [Intelligent Energy-Europe](#) programme. ELENA support covers a share of the cost for technical support that is necessary to prepare, implement and finance sustainable energy projects. Funding can support feasibility and market studies, structuring of programmes, business plans, energy audits, preparation for tendering procedures, etc.

¹² See Reg 1080 (Reg397/2009)

¹³ http://www.opsi.gov.uk/acts/acts2008/pdf/ukpga_20080017_en.pdf

channelled through the UDF and cannot therefore be provided directly to Urban Projects. The EIB reserves the right to amend this requirement in the event that future changes in EC rules and guidance alters this position.

The Award Criteria for the selection of the energy efficiency UDF will also favour applicants that can identify and commit further state aid compliant financing beyond the minimum required £20m Match Funding.

Further guidance and details to applicants on Match Funding is provided in Appendix C. This guidance has been agreed with the Agency as the designated Managing Authority of the London OP.

III. KEY REQUIREMENTS OF THE UDF

The following table sets out the key requirements and principles that the energy efficiency UDF is required to adopt. Applicants that are successful in Stage 1 of this Call for EoI are encouraged to be mindful of these requirements when preparing their Offer (in the form of a Business Plan) in line with the Award Criteria set out in Appendix A.

Description	Requirement
1. Legal structure & jurisdiction	<p>a) The UDF can either be:</p> <ul style="list-style-type: none"> ▪ An independent legal entity governed by agreements between the co-financing partners or shareholders; or, ▪ A separate block of finance within a financial institution (i.e. without the need for establishing a separate legal entity).
2. UDF size, London Green Fund investment and other investors	<p>a) The initial amount that the London Green Fund will allocate to this Call for EoI for investment into the energy efficiency UDF is £50m. This investment into the UDF will be bound by EU Structural Funds Regulations.</p> <p>b) The amounts invested by the London Green Fund in the energy efficiency UDF may be increased at a later stage by, inter alia, any returns on investment in the UDF, the London Green Fund's cash management activities or by additional funding available to the London Green Fund.</p> <p>c) Applicants are required to demonstrate the ability and commitment to secure at least £20m of Match Funding at the UDF level that is state aid compliant. Applicants that can demonstrate that they commit to additional funding beyond this £20m will score more highly.</p> <p>d) Ideally such Match funds, or at least a portion thereof, will be provided on pari passu terms and conditions to the London Green Fund's investment in the UDF.</p> <p>e) It is anticipated that the UDF will invest in Urban Projects primarily through the provision of debt. The London Green Fund therefore anticipates making an investment into the UDF in the form of a contingent loan. The key parameters of this financial product are:</p> <ol style="list-style-type: none"> I. Repayment of both interest and capital of the loan provided from the London Green Fund to the UDF will be contingent upon the repayment of underlying loan investments made by that UDF in Urban Projects. II. Repayments and returns on investments made by the London Green Fund in the UDF will be treated as follows: <ol style="list-style-type: none"> i. It should be assumed that all payments of interest and repayments of capital generated on the London Green Fund element of the investment will be passed back to the London Green Fund whenever they arise in line with the terms of the Operational Agreement. However, interest payments may be remitted to the London Green Fund net of management fees if this is part of the fee structure

	<p>proposed by the applicant.</p> <ul style="list-style-type: none"> ii. The London Green Fund retains the discretion to allow the UDF to reinvest repayments from investments in Urban Projects into other urban projects, and perhaps even in other related sectors, such as decentralised energy. This will be subject to negotiation with the UDF manager in due course and the base assumption for the purposes of the Offer should be that repayments are passed back in the first instance to the London Green Fund. iii. Draw downs should only be made in line with the operational needs of the UDF, e.g. the payment of management fees, to meet costs associated with individual Urban Project investments. The key principles and conditions precedent to drawdown will be as agreed in the Operational Agreement with the Preferred Bidder. iv. The maximum drawdown period of the contingent loan from the London Green Fund is expected to be set in Operational Agreements so as to ensure that the UDF fully invests those funds in Urban Projects by 31 December 2015. Business Plan submissions, and particularly financial forecasts of funding for Urban Projects, should provide for a drawdown profile that meets this deadline. Material deviation from this drawdown profile may result in a cancellation of any undrawn amounts and/or an appropriate reduction in the UDF management fee. v. Any funds drawn down by the UDF, but not yet disbursed to Urban Projects, shall be kept as bank deposits unless otherwise indicated by EIB and agreed between the EIB and the UDF in the Operational Agreement. Interest on these deposits shall be used to meet UDF management costs or increase the amount of funds available for investment in Urban Projects. <p>The draft term sheet for the contingent loan product may be provided to applicants in Stage 2 of this Call for EoI.</p> <p>Alternative proposals from applicants as to the form of investment made by the London Green Fund into the UDF will be considered, where the rationale for this can be clearly demonstrated.</p>
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<p>3. Criteria for Urban Projects</p>	<p>All Urban Project investments should meet the following criteria:</p> <p>a) Technical focus Urban Projects must meet one or more of the following criteria:</p> <ul style="list-style-type: none"> ▪ the adaptation and/or refurbishment of existing public/voluntary sector buildings to make them more energy efficient, sustainable and environmentally friendly. ▪ improvements to existing social housing to make them more energy efficient, with not more than £11m of ERDF plus Match Funding resources invested in this way. <p>Over time the technical focus of the UDF may evolve and, subject to agreement between the EIB and the Preferred Bidder, include a focus on the delivery of EE measures in the private sector, or indeed widen support for additional decentralised energy projects such as the establishment of local-area and/or area-wide heat networks and the establishment of medium to large-scale CHP district heating schemes.</p> <p>Energy efficiency in this context has the meaning as set out in Section II a) above.</p>
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b) Project focus

The focus of the UDF must be on primary, rather than secondary market Urban Projects (i.e. those Urban Projects in the development or construction phase, rather than those already in the operating phase). Primary projects may include the extension of existing projects. EU Structural Funds Regulations stipulate that UDFs shall not re-finance acquisitions or participations in projects that have already been completed.

c) Geographic focus

Investments from the UDF should, where possible, be in Urban Projects located in opportunity, regeneration or intensification areas of London as set out in the London Plan¹⁴ (see Appendix B). However, this requirement may be relaxed to include eligible Urban Projects within Greater London if the impact of the Urban Project against, for example, the Output Targets of the UDF and/or wider London OP objectives can be clearly demonstrated.

d) Timing of investment

Investment into Urban Projects must be fully invested and expended as Eligible Expenditure by 31 December 2015.

e) Eligible expenditure

Urban Projects must contain sufficient Eligible Expenditure. For clarity, the London Green Fund's investment into Urban Projects via the UDF must be made into Eligible Expenditure. Applicants should note that it is possible to invest in Urban Projects where some components of the project are not Eligible Expenditure. Where this occurs, separate accounting systems/coding must be used for co-financed expenditure down to the Urban Project level for reporting purposes.

It should be noted that **not more** than £11m of ERDF together with Match Funding resources available to the UDF can be invested in energy efficiency improvements to existing social housing. Energy efficiency measures in any form of privately owned residential property are specifically **excluded** from receiving investment from the London Green Fund.

f) Project scale

The London Green Fund does not intend to place restrictions on the scale of Urban Projects that the UDF may invest in. However applicants should be mindful of the London Green Fund's requirement to ensure there is sufficient diversification amongst Urban Projects and that the UDF itself addresses the principle of additionality. Applicants should also be aware of the EU Structural Funds Regulations regarding Major Projects. Additional reporting obligations to the Agency and pre-approval from the Commission will be required of the energy efficiency UDF where total Urban Project costs exceed €50m equivalent. This threshold will trigger additional reporting obligations for the energy efficiency UDF irrespective of what proportion of these costs the UDF commits funding to support.

The UDF may provide 100 per cent of the capital funding required for individual Urban Projects, subject to ensuring state aid compliance and that all expenditure incurred is Eligible Expenditure. However, the UDF is expected to put in place investment restrictions to ensure that, as far as possible, the London Green Fund's investment into the energy efficiency UDF and the underlying Urban Project risks it is exposed to are mitigated through project portfolio diversification (e.g. maximum amount committed to any one Urban Project / contracting party). This may also improve the additionality of the energy efficiency UDF where additional leverage at either the UDF or Urban Project level can be achieved.

g) Output Targets

The energy efficiency UDF will be required to identify Urban Projects that will contribute to the following Output Target indicators:

Indicator	Description
CO2 reduction	<p>A reduction of greenhouse gases emissions measured in tonne equivalent of CO2 equal or greater than 20%, as measured on an annual basis, compared to conditions prior to the project being implemented.</p> <p>A reduction of greenhouse gas emissions measured in annual tonne equivalent of CO2 saved per £ of project investment.</p>
Energy Savings Ratio (ESR)	<p>An aggregate Energy Saving Ratio (ESR) across a portfolio of public sector buildings (if applicable) equal to/greater than 20%, as measured on an annual basis, compared to conditions prior to the project being implemented. The type of energy saved or produced (thermal or electricity) must be indicated.</p> <p>Investments which result in an increase in energy efficiency of less than 20% can also be eligible, provided that the energy savings can justify at least 50% of the investment cost and/or achieve an energy efficiency standard close to the maximum considered in national legislation.</p>
Full-time equivalent jobs created during construction phase (including evidence of non-discrimination)	<p>A new, permanent, paid, Full-Time Equivalent (FTE) post created as a direct consequence of the project intervention. This includes jobs created during the construction period. Each 'post created' should be counted only once, and when the position has been filled for the first time.</p> <p>FTE refers to paid work of 30 hours or more per week, with a life expectancy of at least 1 year from the point at which it is created.</p> <p>Part time jobs should be converted to FTE. If part-time freelance jobs are created, they must meet the same FTE requirements.</p>

The energy efficiency UDF will also be required to evidence Output Targets achieved against the following indicators. Applicants should note however, that these Output Targets are not intended to be used as the primary driver in selecting EE Urban Projects:

Indicator	Description
Number of demonstration projects show-casing latest co-generation or renewable energy technology systems	<p>Projects that have incorporated decentralised or on-site energy generating systems, using either co-generation and/or renewable energy technologies, to supply all or part of the energy required by a development, and which are planning to promote the system as an example of best practice.</p> <p>The project should be counted when the co-generation or renewable energy technology system is showcased or promoted to a wide audience. A 'demonstration project' incorporates best practice in a particular area of activity, in this case the use of co-generation or renewable energy technology to produce energy. It also actively promotes this within the relevant sector to develop and increase awareness, understanding and market acceptance of it (in this case innovative low/zero carbon energy generating technologies).</p>
Businesses supplied with zero carbon energy	The number of new or existing businesses that are or will be supplied with low or zero carbon energy from a new decentralised energy source part funded by ERDF.
MWe and/or MWth of installed capacity	The projected combined energy capacity of new co-generation and/or renewable energy systems installed to increase London's capacity to generate and supply decentralised energy.
Number of buildings retrofitted, including meter square equivalent	n/a

The UDF will be required to capture and report data such that these Output Targets can be measured reliably.

	<p>Recognising that achieving some of these Output Targets will be dependent on the level of Complementary Financing secured at the UDF level and the type of Urban Projects into which the UDF will invest, with the exception of CO2 savings and Energy Savings Ratio no minimum Output Targets have been set. It will be for applicants to propose appropriate targets for each indicator based on the investment strategy proposed in their Business Plan.</p> <p>h) Financial returns</p> <p>Investments made by the UDF to Urban Projects must comply with EC state aid requirements including the reference rate framework where appropriate (see http://ec.europa.eu/competition/state_aid/legislation/reference.html for further details). With respect to state aid, applicants are encouraged to take appropriate professional advice in this regard.</p> <p>It is recognised that financial returns may differ depending on the type of Urban Project. The criteria utilised to both set and monitor the financial performance of the UDF investment may include, inter alia: internal rate of return, net present value, pay-back period, cash flow profile, availability and form of collateral (if required), other financial indicators typically used in credit analysis, etc.</p> <p>No specific requirements will be imposed on Urban Projects with respect to financial criteria other than those described in the Regulations and by state aid rules. Applicants will be expected to provide indicative terms under which the UDF may lend both directly to the public sector and also to energy service providers as part of the role of the UDF anticipated per Section II b) above.</p>
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<p>4. Term of the UDF and exit provisions.</p>	<p>a) Applicants are required to present their proposals for the term of the energy efficiency UDF (including the operational period post-December 2015). This should be reflective of the nature of the underlying investments made. Listed or “evergreen”/ open-ended UDF structures are not permitted, although extensions to the life of the fund may be permitted in justified circumstances.</p> <p>b) Applicants will be expected to outline the exit strategies they may adopt in recovering the UDFs investment in Urban Projects. Strategies that demonstrate an ability to realise investment returns relatively quickly, thereby allowing for quicker recycling of the London Green Fund investment, is encouraged.</p>
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<p>5. UDF Fund Management costs/fees</p>	<p>The London Green Fund will compensate the UDF manager for its activities in the form of a management fee. Management fees will be paid by the London Green Fund to the UDF on a basis to be agreed in the Operational Agreement.</p> <p>In the event of non-performance by the UDF, for example, failure to invest in projects in line with the Business Plan and after a period to be defined in the Operational Agreement, the EIB may require the right to either reduce the London Green Fund’s commitment amount, a portion of the UDF management fee, and/or terminate the Operational Agreement as appropriate.</p> <p>As part of the UDF selection process the EIB will evaluate applicant proposals for how such costs will be structured in the UDF Business Plan and the applicant should present the level of the management fees required together with a narrative clearly explaining:</p> <ul style="list-style-type: none"> ▪ how the fund management fee (and any individual component parts of it such as set up costs, ‘off-balance sheet’ financing model development (i.e. where the financing associated with EE assets does not count as public sector borrowing), project appraisal, ERDF monitoring/reporting and loan administration) would be calculated and charged to the London Green Fund, other investors and the Urban Projects where appropriate; ▪ (if applicable) the inter-relationship between the component parts of the fee structure; ▪ how the fee structure incentivises the fund manager to both invest in Urban Projects and work with the Agency and other stakeholders to develop an ‘off-
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	<p>balance sheet' financing model for the public sector (i.e. where the financing associated with EE assets does not count as public sector borrowing) in a timely and efficient manner;</p> <ul style="list-style-type: none"> ▪ how the fee structure incentivises the fund manager to realise investments in Urban Projects by the UDF in a timely manner to allow further leverage of the London Green Fund allocation. ▪ how the applicant will ensure that the management fee does not adversely impact the ability of the UDF to raise Match Funding (and indeed how it will encourage this); ▪ how the fee structure demonstrates value for money for the London Green Fund. <p>Applicants' proposals must comply with the following requirements:</p> <ul style="list-style-type: none"> ▪ The management fee shall include all fees and expenses incurred by the UDF in relation to administration services and other auxiliary activities. ▪ The management fee proposed by the UDF shall be clearly indicated/detailed in the Offer submitted by each applicant for the entire period of the London Green Fund's investment. <p>EU Structural Fund Regulations indicate that management fees are not expected to exceed, on an annual average up to 31 December 2015, 3% p.a. of the capital contributed by the London Green Fund to the UDF. In light of the way the UDF is expected to invest in Urban Projects, EIB is expecting management fees to be well below this, as defined by the outcome of the competitive process and, especially for the period post initial identification and investment in Urban Projects.</p>
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<p>6. UDF Governance</p>	<p>a) Reporting/monitoring obligations</p> <p>The UDF will be required to set out the decision making, monitoring/reporting and control/risk management processes of the UDF including the role and responsibilities of the UDF manager, any supervisory bodies of the UDF and, where appropriate, EIB/co-investor involvement in the governance arrangements. If the London Green Fund is to invest in the UDF by way of contingent loan (as described in Part 2 of this Section), then involvement in the governance arrangements of the UDF, in line with market practice, is expected to be extremely limited.</p> <p>The origination, due diligence, credit rating, loss given default calculations, documentation, taking of security, and ongoing monitoring of investments made in Urban Projects will remain the responsibility of the UDF which will be required to act with an appropriate level of independence and due care and skill in undertaking such investments. As a result, the UDF manager will be required to demonstrate an appropriate level of governance, investment processes and procedures (including risk management procedures) to EIB's satisfaction. It is also for this reason that UDF applicants are required to be FSA regulated.</p> <p>Applicants should be mindful of:</p> <ul style="list-style-type: none"> ▪ Reporting and monitoring requirements of the EU Structural Funds Regulations and, in particular, performance against Output Targets (i.e. energy audits before and after works, certification of works in line with ex-ante energy audit). ▪ Its responsibilities for any additional reporting (including Major Project reporting) requirements the UDF may need to undertake under the EU Structural Funds Regulations. <p>b) Accounting/Audit</p> <p>The UDF will be required to prepare, or procure to be prepared and audited by the Auditor accounts of the UDF in respect of each annual accounting period in accordance with International Financial Reporting Standards.</p>
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IV. PROCUREMENT PROCESS FOR THE ENERGY EFFICIENCY UDF

a. Phase 1 – Call for EoI

Stages of the procurement process

- **Stage 1:** EoI which are not excluded in accordance with the Exclusion Criteria as presented in Annex 1 will be assessed on the basis of the Selection Criteria;
- **Stage 2:** all applicants that meet the Selection Criteria will be invited to submit their Offers (in the form of a Business Plan).

The Offers (in the form of a Business Plan) will be evaluated on the basis of the Award Criteria set out in Appendix A.

Submission requirements for Stage 1

The Stage 1 EoI submitted by an applicant shall be prepared in accordance with the template attached as Annex 1 and shall be accompanied by the following annexes:

- A declaration to be made by the applicant in the form attached as Annex 2; and,
- Any supporting documents.

Exclusion criteria for Stage 1

Applicants will be excluded from participating in this Call for EoI if any of the following Exclusion Criteria apply to them:

- a) they are bankrupt or are being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for under national laws or regulations;
- b) they have been convicted of an offence concerning their professional conduct by a judgment which has the force of *res judicata*;
- c) they have been guilty of grave professional misconduct proven by any means which the contracting authority can justify;
- d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the country of the contracting authority or those of the country where the contract is performed;
- e) they have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;
- f) they are guilty of misrepresentation in supplying the information required by the contracting authority as a condition for participation in this Call for EoI or fail to provide such information; Applicants must show that they are not in one or more of the situations listed above by providing the following evidence in relation to the items mentioned above:
 - in relation to items (a), (b), and (e) above, a recent extract from the judicial record or, failing that, an equivalent document recently issued by a judicial or administrative authority in the country of origin or provenance showing that those requirements are satisfied. Depending on the national legislation of the country in which they are established, these documents must relate to legal persons and/or natural persons, including, any person with powers of representation, decision-making or control in relation to the applicant. If such documents are not available in the country of origin or provenance the applicant may provide a solemn declaration declaring that such documents are not available and that exclusion criteria (a), (b) and (e) do not apply to it.

- in relation to item (d) above, the most recent certificates issued by the competent social security and tax authorities of the country where they are established. Where no such certificate is issued in that country, this can be replaced by a declaration on oath or solemn statement made before a competent judicial or administrative authority, a notary or a competent professional or trade body in that country. The declaration or statement provided must be dated less than 4 months before the final date for submission of applications. Depending on the national legislation of the country in which they are established, these documents must relate to entities with legal personality and/or natural persons; in the latter case, they shall relate to the person(s) empowered to represent the applicant and sign the contract if the tender is successful. If such documents are not available in the country or origin or provenance the applicant may provide a solemn declaration declaring that such documents are not available and that the exclusion criterion (d) does not apply to it.
- In relation to items (c), and (f) above, a solemn declaration stating that the applicant is not guilty of professional misconduct, and is supplying all the information required under this Call for EoI in good faith and without misrepresentation. This solemn declaration should be signed by the person(s) empowered to represent the applicant and sign the contract if the applicant is selected and dated less than 4 months before the final date for submission of applications.

Selection Criteria for Stage 1

Applications not excluded in accordance with the Exclusion Criteria, will be assessed on the basis of the following Selection Criteria.

- The EoI is prepared in accordance with Annex 1 and all supporting documents are provided; and,
- Declarations indicated in Annex 2 are completed and are acceptable to the EIB.

Submission requirements for Stage 2

Applicants that meet the Selection Criteria for Stage 1 will be invited to submit their Stage 2 Offers (in the form of a Business Plan).

The Offers (in the form of a Business Plan) will be evaluated on the basis of the Award Criteria, as described in Appendix A. Appendix A also gives guidance on the evaluation criteria which will be applied to assess each section of the Business Plan. While it is anticipated that key aspects of the Business Plan will be binding on the applicant whose Offer is evaluated as the most favourable (e.g. Match Funding/Complementary Financing commitment, organisational structure/management team, internal controls/due diligence processes), it is envisaged that elements of the Business Plan will be developed by the Preferred Bidder in conjunction with the EIB during the Operational Agreement negotiation period.

b. Phase 2 – Conclusion of Operational Agreements

The applicant whose Offer (in the form of a Business Plan) for the energy efficiency UDF is evaluated as the most favourable shall be invited to negotiations with the EIB concerning the terms and conditions of an Operational Agreement. The Operational Agreement will contain the contractual terms and conditions governing the obligations of each party, including the investment strategy of the UDF. Selected terms for the Operational Agreement may be provided to applicants at Stage 2 of this Call for EoI for agreement by applicants. During the period before the Operational Agreement is concluded the EIB will have the right, at its discretion, to undertake due diligence of the Preferred Bidder.

Based on the results of the negotiations, the EIB shall make proposals to the Investment Board on the execution of the Operational Agreement. Such proposal shall include the key terms and conditions of the Operational Agreement that has been negotiated.

c. Phase 3 – Operational Period

It is accepted that the UDF's investment strategy/policy may evolve throughout the operational period of the energy efficiency UDF. It will be important that the UDF continues to deliver investment in Urban Projects within the parameters of its investment strategy and policy. For this reason the EIB should

agree to any proposed changes to the UDF's investment strategy to ensure it continues to align with the London Green Fund's investment strategy.

Following signature of the Operational Agreement, it is expected that the UDF will bring forward individual Urban Project drawdown notices, which will be based on a standard format to be agreed with the EIB during Phase 2. This may be done on a project by project basis as each proposed Urban Project investment reaches the appropriate stage of readiness and a drawdown of funds under the Operational Agreement is anticipated/required.

The review and approval process may require the UDF to, inter alia demonstrate:

- That required Match Funding has been appropriately secured.
- That the Urban Project is in line with its investment strategy, including whether it fits within an Integrated Plan for Sustainable Urban Development, appropriate financial parameters and how it contributes to meeting Output Targets.
- Demonstrate that the Urban Project has sufficient Eligible Expenditure and the proposed investment in the Urban Project is state aid compliant.

There will be a general presumption by the EIB that all required due diligence, including credit risk appraisal, will have been conducted by the UDF and an appropriate credit assessment prior to submission to the EIB for approval/drawdown of funds, on the basis of the procedures established by the UDF manager.

APPENDIX A- Award Criteria

The Business Plans for use of resources received from the London Green Fund shall be completed and assessed on the basis set out below.

Criterion	Description and assessment rules	Weighting for criterion
1.GOVERNANCE AND LEGAL STRUCTURE	<p>The applicant shall describe the structure of the proposed UDF and the legal structure, governance, management and control procedures which will apply. This should include explanation of:</p> <p>Legal structure:</p> <ol style="list-style-type: none"> 1. Where a separate legal entity is envisaged, the legal structure and constitution of the UDF and, where appropriate, the fund management vehicle including where these will be/are domiciled, together with the form the London Green Fund's investment into the UDF will take. 2. Evidence of the robustness of the ownership structure of the UDF to ensure it's capability to continue to manage the requirements of the UDF throughout the term of the operation of the UDF. 3. The entity/individuals that will ensure that the UDF manager is FSA regulated and the provisions that will be put in place to ensure it retains its FSA regulated status throughout the term of the UDF. <p>UDF manager:</p> <p>The applicant shall set out the dedicated management team which shall be established and available in order to deliver the UDF's objectives. Applicants should provide:</p> <ol style="list-style-type: none"> 1. A structure diagram / table outlining key roles and responsibilities of each individual and the time they will dedicate to the UDF (e.g. deal sourcing / structuring, negotiation, monitoring, back office, relationship management with the Agency and the EIB); 2. 1 page Curriculum Vitae for key employees of the applicant (including sub-contractors and/or advisors where applicable) which outlines their relevant experience and competence in undertaking and managing investments specifically in the environmental sector. This should include, amongst other things, deal sourcing, negotiation, monitoring and back office skills; 3. Proposals for key man provisions that will apply to the UDF during the investment period (to 31 December 2015). This should include the rights of the EIB in the UDF in the event that the key individuals are unable to dedicate a significant proportion of their time to the activities of the UDF; and, <p>Management, governance and reporting procedures:</p> <ol style="list-style-type: none"> 1. A description of the decision making, monitoring/reporting and control/risk management processes of the UDF manager and, where appropriate, proposals regarding the London Green Fund involvement in the governance arrangements. Applicants should be mindful of the London Green Fund's requirement not to exercise a controlling interest in or be legally liable for the activities of, the UDF when considering any possible role it may have in this regard. 2. The processes that will be implemented to manage any possible conflicts of interest between the UDF and any other similar investments managed by the applicant. 	20%

Criterion	Description and assessment rules	Weighting for criterion
	<p>3. The reporting obligations of the UDF, covering both timing and content/format, to ensure that appropriate information is provided to the London Green Fund throughout the investment period (to 31 December 2015) and beyond.</p> <p>Winding up provisions:</p> <p>The winding up, termination and/or other provisions which will apply upon the ceasing of operations by the UDF. The applicant should also highlight the circumstances under which either the UDF manager and/or the London Green Fund can terminate any contracts with the UDF.</p> <p>Assessment rule: Offers will receive credit to the extent that they demonstrate:</p> <p>The professionalism, independence, reliability and credibility of the proposed structure, governance and risk management framework under which the UDF will operate;</p> <p>The relevant experience, structure and dedication of proposed team members;</p> <p>Robust winding up provisions.</p>	
2. INVESTMENT STRATEGY	<p>The applicant shall set out the UDF's investment strategy which will include, inter alia:</p> <p>Sourcing of Urban Projects: The proposed approach of the applicant to sourcing eligible Urban Projects for the UDF. This should include description of the following:</p> <ol style="list-style-type: none"> 1. The strategic focus of the UDF, for the delivery of energy efficiency Urban Projects in terms of the anticipated recipients of support (e.g. public and/or voluntary sector bodies, energy service providers); the target areas of London and expected type of EE works the applicant envisages investing in; 2. The approach to managing engagement with public sector stakeholders, including the Agency, and project delivery bodies such as local authorities, primary care trusts and the National Housing Federation as regards identification and financing of Urban Projects; 3. The investment process the applicant will put in place to ensure that the resources of the UDF are channelled into Urban Projects with sufficient Eligible Expenditure, which provide the most promising investment opportunities and the delivery of the requisite level of CO2 savings and Energy Savings Ratio and minimise the potential for deal abort costs. Applicants should explain: <ol style="list-style-type: none"> a. The key stages/parameters that will be used to assess Urban Projects; 	20%

Criterion	Description and assessment rules	Weighting for criterion
	<p>b. The individual roles the UDF management team will play (applicants may cross-refer to their response to 1 above);</p> <p>c. The role of any external advisory support.</p> <p>4. The project pipeline including an assessment of how these projects currently deliver against the investment process / parameters / Output Targets outlined in 3 above, as far as reasonably practicable. Applicants are encouraged to demonstrate 'quick wins' that are at an advanced stage of development and ready for delivery using the UDF investment.</p> <p>5. The investment restrictions the applicant will put in place to ensure sufficient Urban Project diversification for the UDF. This should include any provisions limiting the amount of the UDF funds that can be invested into any single Urban Project, with any one counterparty, and/or how minimum investment thresholds into any individual Urban Project, with any one counterparty will be managed etc.</p> <p>UDF Output Targets: Applicants are required to outline their proposals on the Output Target for each Output Target indicator (with the exception of CO2 reduction and Energy Savings Ratio, assuming £50m of the London Green Fund's investment and at least £20m Match Funding is used to fund eligible Urban Projects. This should reflect the applicant's assumptions regarding the diversification of the energy efficiency UDF and utilisation of any Complementary Financing.</p> <p><u>Assessment rule:</u> Offers will receive credit to the extent that they demonstrate:</p> <p>A robust and credible methodology for identifying and appraising EE projects;</p> <p>A significant focus on the public and/or voluntary sector and key relationships therewith;</p> <p>Delivery of investment in social housing;</p> <p>Delivery of Output Targets;</p> <p>A pipeline of eligible EE projects into which the UDF's investment can be fully made by 31 December 2015</p>	
3. TRANSACTION STRUCTURE	<p>The applicant should outline how it proposes to make investments into eligible EE projects by setting out:</p> <p>Funding mechanism:</p> <p>The funding mechanism/s (or model) that will be utilised by the UDF to make investments. This should include responses to the following questions:</p> <p>1. Will the UDF make loans and/or equity investments?</p>	25%

Criterion	Description and assessment rules	Weighting for criterion
	<p>2. Will the investments be provided directly to building owners, and/or to other parties such as energy service providers or special purpose financing vehicles?</p> <p>3. For proposals which involve lending to energy service providers or special purpose financing vehicles, will the EE assets and investment liabilities be “off balance sheet” to the building owner (in particular to public sector building owners)? If this is proposed, evidence should be provided that accounting treatment and public procurement issues have been addressed, including whether and how the RE:FIT framework features as part of the proposed approach.</p> <p>4. What are the proposed contractual arrangements?</p> <p>5. Does the applicant accept the proposed terms and conditions of the Operational Agreement (term sheet) to be issued during Stage 2?</p> <p>6. What evidence is there of attractiveness to the market (i.e. how competitive is the investment product)?</p> <p>7. What is the timescale to operational commencement?</p> <p>8. How will state aid compliance be achieved?</p> <p>Terms and conditions of investments: Each applicant shall present their views on:</p> <ul style="list-style-type: none"> ▪ the indicative financial terms to be applied to EE projects in the form of a term sheet; ▪ the indicative financial terms (in the form of a term sheet) that will be sought both for the London Green Fund and the provider/s of Match Funding (where these differ from the indicative financial terms set out above), including evidence that such proposals are state aid compliant and where possible on a pari passu basis; and, ▪ How the different forms of financing available to the UDF (i.e. from the London Green Fund, Match Funding and Complementary Financing) will be combined to offer the most competitive form of financing to the public sector energy efficiency project promoters. <p>Financial model and returns: The applicant’s business plan proposition, illustrated by way of a financial model that, as far as reasonably practicable, sets out the projected financial operations of the UDF. The financial model should show:</p> <ol style="list-style-type: none"> a. Timing and quantum of Management Fee components; b. Timing, form and quantum of Urban Project cashflows including: <ol style="list-style-type: none"> i. Drawdowns during construction period; and, ii. Repayment profile during operational period. c. Timing, form and quantum of London Green Fund / Match Funding /Complementary Financing cashflows including drawdown and repayment profile. d. The cashflow waterfall reflecting the ranking of payments by the UDF to its investors and the UDF manager. e. The investor IRR (net and gross of management fees etc) both at Urban Project and UDF level. 	

Criterion	Description and assessment rules	Weighting for criterion
	<p>In the accompanying commentary to the financial model, the applicant should outline the Internal Rate of Return (IRR) that the London Green Fund can expect to achieve for its £50m investment into the UDF over the expected life of the UDF.</p> <p>Urban Project exit strategy: The applicant should explain how and when investments will be repaid (both interest and capital) and their proposals for recycling initial investment.</p> <p><u>Assessment rule:</u> Offers will receive credit to the extent that they demonstrate:</p> <p>An approach which involves the provision of loans on appropriate terms and conditions and ideally on a pari passu basis with any Complementary Funding;</p> <p>A model which can allow eligible EE investments to be made in public sector buildings, without the assets and corresponding financing liability being recorded in the public sector's balance sheet, with the deliverability of this model being evidenced by accounting and legal advice;</p> <p>Evidence that the proposed approach will be attractive to the target investment market, being primarily public and/or voluntary sector promoters of energy efficiency projects ;</p> <p>A realistic and deliverable timescale which allows investment to commence in a timely manner;</p> <p>A balanced profile of investments that maximise the delivery of Output Targets while allowing some investment returns to be repaid to the London Green Fund recycled efficiently.</p> <p>Evidence of the state aid compliance of the proposed approach.</p>	

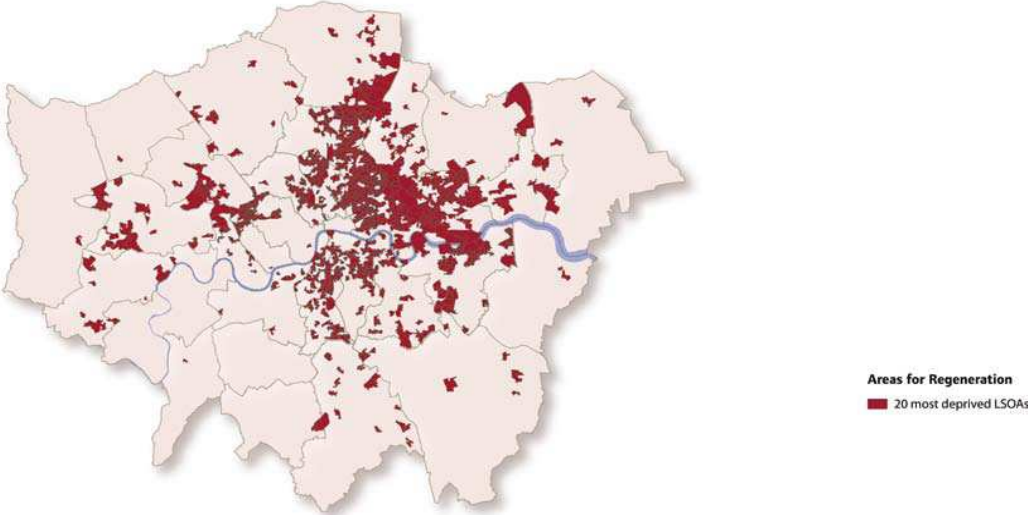
Criterion	Description and assessment rules	Weighting for criterion
4. SOURCING OF MATCH FUNDING AND COMPLEMENTARY FINANCING	<p>The applicant shall present the strategy for sourcing/providing Match Funding at the UDF level and Complementary Financing at the UDF and/or Urban Project level. In this section, the applicant should set out specifically:</p> <ol style="list-style-type: none"> 1. The private sector sources, quantum and intended applications of Match Funding and Complementary Financing; 2. Evidence of the level to which Match Funding and Complementary Financing (including those potentially provided by the applicant itself) are committed at this stage, and if they are not committed when this will happen; 3. The approach to drawdown of funds from investors and the policy/procedures for dealing with idle funds within the UDF, where appropriate including custodian bank services. <p>Assessment rule: Offers will receive credit to the extent that they demonstrate:</p> <p>Robust Match Funding and Complementary Financing proposals, including demonstrated support from private sector participants, preferably involving commitments to investment at UDF level at the outset.</p> <p>If applicable, robust fund raising plans.</p>	20%
5. MANAGEMENT FEES	<p>The applicant should present the level of the management fees required, in line with the methodology presented in the Terms of Reference, broken down by component. Specifically, the applicant should present the level of the management fees required together with a narrative clearly explaining:</p> <ol style="list-style-type: none"> 1. how the fund management fee (and any individual component parts of it such as set up , 'off-balance sheet' financing model development (i.e. where the financing associated with EE assets does not count as public sector borrowing), project appraisal, ERDF monitoring/reporting and loan administration costs) would be calculated and charged to the London Green Fund (with example calculations); 2. (if applicable) the inter-relationship between the component parts of the fee structure 3. how the fee structure incentivises the fund manager to invest in Urban Projects in a timely and efficient manner and maximise Output Targets; 4. how the applicant will ensure that the management fee does not adversely impact on the ability of the UDF to raise additional investment funding (and indeed how it will encourage this); 5. how the fee structure demonstrates value for money for the London Green Fund. <p>Assessment rule: Lower management fees with significance performance-related elements will receive greater credit under this criterion than higher fees and/or fee proposals with no or minimal performance related elements. Performance has, inter alia, three key aspects; (1) delivery of Output Targets; (2) investment of LGF resources by 31 December 2015; and (3) generation of financial returns on a timely basis.</p>	15%

APPENDIX B – Geographic focus of the energy efficiency UDF

- Areas of Opportunity and Intensification, draft Replacement London Plan (October 2009)



- Areas of Regeneration, draft Replacement London Plan (October 2009)



Source: Department for Communities and Local Government
ONS Super Output Area Boundaries.
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Greater London Authority 100032379 (2009)

The London Plan Review Draft Consultation Plan (2009)

APPENDIX C – Match Funding guidance

Introduction

Under the London OP, ERDF can fund up to a maximum of 50% of Eligible Expenditure (the ‘co-intervention’ rate) with the balance required to be ‘match funded’ by contributions from public and/or private resources (Match Funding).

For the purposes of ‘financial engineering instruments’ of Structural Funds (including JESSICA), the EU Structural Funds Regulations provide for this Match Funding to be contributed to the financial engineering instrument at the constitution (or creation) of either a holding fund (where the financial engineering instrument includes a holding fund such as the London Green Fund) or Urban Development Fund. Any additional funding/investment directly into Urban Projects or subsequently brought into either the holding fund, the UDF or the Urban Project once created would normally be treated as Complementary Financing. However, the Commission and the Managing Authority have agreed that it is possible to also substitute Match Funding at either the holding fund or UDF level after constitution of a holding fund (such as the London Green Fund).

As part of setting up the London Green Fund and drawing down ERDF funding in to it, the Agency and the LWARB needed to provide appropriate Match Funding (which was achieved through a combination of cash and land asset contributions).

The land asset Match Funding contribution provided by the Agency is considered ‘temporary’ finance. The investment strategy for the energy efficiency UDF, agreed between EIB, the Agency and the London Green Fund Investment Board therefore requires that substitute Match Funding of £20m will be sourced at the level of the energy efficiency UDF as part of the this UDF procurement process.

Mayoral approval has been received for an additional £6m of ERDF, which could be allocated to the London Green Fund via the waste and/or energy efficiency UDFs, or directed to the delivery of other initiatives allowable under priority 3 of the London OP, such as decentralised energy networks.

General Principles of Match Funding

Article 78(6) of Reg. 1083 sets out that, at the partial or final closure of the London OP, eligible expenditure shall be the total of:

- any payments from Urban Development Funds for investment in public private partnerships or other projects included in an integrated plan for urban development; or
- any guarantees provided including amounts committed as guarantees by guarantee funds; and
- eligible management costs.

In the energy efficiency UDF Match Funding is expected to take the form of cash investment from co-investors into the energy efficiency UDF.

As the London Green Fund invests the ERDF funds an equivalent amount of Match Funding will be required to be invested, i.e. the 50% Match Funding and 50% ERDF must be invested into Urban Projects at the same time. For the purposes of sound financial management, at all times any ERDF money within the JESSICA structure should have an equivalent amount of Match Funding invested. If at closure of the London OP the requisite level of Match Funding has not been invested, and therefore the full amount of the London Green Fund declared at its constitution has not been invested in Eligible

Expenditure, then, when the Commission applies the co-intervention rate at closure this may lead to a clawback of the ERDF.

Finally, and for the avoidance of doubt, land contributions, grants or other forms of funding invested directly in Urban Projects, other than by the UDF itself, currently do not qualify as Match Funding. Such funding is regarded as Complementary Financing. However, further guidance on 'financial engineering instruments' is anticipated from the Commission in the autumn where further guidance on Match Funding may be provided.

APPENDIX D – Definition of social housing and vulnerable households

Social Housing

1. Article 68 of the Housing and Regeneration Act 2008 defines social housing as (a) low cost rental accommodation and (b) low cost home ownership accommodation. In the case of (a), accommodation is low cost rental if:-
 - (a) it is made available for rent
 - (b) the rent is below the market rate, and
 - (c) the accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market

2. In the case of (b), accommodation is low cost home ownership accommodation if two conditions are satisfied:-
 - (a) The accommodation is occupied, or made available for occupation, in accordance with shared ownership arrangements, equity percentage arrangements, or shared ownership trusts.
 - (b) The accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.

A copy of the full Act can be found at

http://www.opsi.gov.uk/acts/acts2008/pdf/ukpga_20080017_en.pdf

Vulnerable Households

Vulnerable households are defined for these purposes as those in receipt of at least one of the principal means tested or disability related benefits. These include income support; housing benefit; council tax benefit; disabled persons tax credit; income based job seekers allowance; working families tax credit; attendance allowance; disability living allowance; industrial injuries disablement benefit; war disablement pension; child tax credit; working tax credit; pension credit. The detailed definition of qualifying benefits used to define vulnerable will be subject to change by CLG.

APPENDIX E – Definitions and abbreviations used for the purpose of this Call for Expressions of Interest

Abbreviation	Definition
“Agency”	means the London Development Agency;
“Annex”	means an annex to this Call for Expressions of Interest which shall form an integral part hereof;
“Appendix”	means an appendix to this Call for Expressions of Interest which shall form an integral part hereof;
“Auditor”	Means the auditor that may be appointed by the UDF manager from time to time (after consultation with the London Green Fund manager);
“Award Criteria”	means the criteria used to select the waste UDF Preferred Bidder;
“Business Plan”	means each business plan, relating to any UDF, prepared in accordance with the requirements of this Call for Eol;
“Call for Expressions of Interest” or “Call for Eol”	means this Call for Expression of Interest;
“CLG”	means the Department for Communities and Local Government;
“Commission”	means the Commission of the European Communities;
“Complementary Financing”	means any funding/investment in addition to the London Green Fund investment and which is made directly into Urban Projects or subsequently brought into either the London Green Fund or the UDF;
“EIB”	means the European Investment Bank;
“Eligible Expenditure”	means expenditure applied in compliance with the Eligibility Rules;
“Eligibility Rules”	means the rules on eligible expenditure contained in articles 48 to 53 of the Implementing Regulation, which apply in accordance with article 13 of Reg. 1080 (subject to the list of ineligible expenditure in article 7 of Reg. 1080) and those contained in articles 56 and 78 of Reg. 1083;
“Energy Efficiency” or “EE”	has the meaning as set out in Annex 3, Section 2a of this Call for Eol;
“ERDF”	Means the European Regional Development Fund;
“EU Rules”	means the EU Structural Funds Regulations and any other applicable EU Regulations, Directives or Guidelines;
“EU Structural Funds Regulations”	means Reg. 1080, Reg. 1081, Reg. 1083 and the Implementing Regulation, as well as any other EU legislation from time to time applicable to the EU Structural Funds;
“EU”	means European Union;
“Exclusion Criteria”	means the criteria used in Stage 1 of this Call for Expressions of Interest to exclude applicants;

Abbreviation	Definition
“Funding Agreement”	means an Agreement establishing the London Green Fund, signed by the Agency, the LWARB and the EIB on 21 October 2009;
“FSA”	means the Financial Services Authority;
“FSMA”	means Financial Services and Markets Act 2000;
“Greater London”	means all London Boroughs plus the City of London;
“Implementing Regulation”	means Commission Regulation (EC) No. 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund, as amended, supplemented or modified from time to time;
Information	means any information (irrespective of form or medium on which it is recorded) relating to the UDF selection process (including but not limited to this Call for EoI) made available to or received by applicants (whether prior to this Call for EoI or at any point during the UDF selection process)
“Investment Board”	means the board, established in accordance with the Funding Agreement, entrusted with responsibilities regarding the London Green Fund in accordance with Article 5 of the Funding Agreement;
“Integrated Plans for Sustainable Urban Development”	Plans defined by the Mayor of London, taking account of Article 8 of Regulation (EC) No 1080/2006 and the specific urban, administrative and legal context of London.
“London Green Fund”	means the JESSICA holding fund for London, established pursuant to a funding agreement, and in accordance with Council Regulation (EC) No. 1083/2006, as amended by Council Regulation (EC) No. 284/2009 and Commission Regulation (EC) No. 1828/2006;
“JESSICA”	means the initiative “Joint European Support for Sustainable Investment in City Areas” launched by the Commission and EIB in collaboration with the Council of Europe Development Bank, in order to promote sustainable investment, growth and jobs in urban areas;
“LWARB”	means the London Waste and Recycling Board;
“Major Project”	means a series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature, which has clearly identified goals and whose total cost exceeds €50 million as set out in Article 39 of Reg. 1083;
“Managing Authority”	means the Agency acting in its capacity as the national public authority designated by the European Regional Development Fund (London Operational Programme) (Implementation) Regulations 2007 (SI No 2007/3622) to act as the ‘intermediate body’ pursuant to Article 59.2 of Reg. 1083, and to carry out the functions of CLG (as set out in Article 60 of Reg. 1083) in relation to the management and implementation of the London OP;

Abbreviation	Definition
"Match Funding" or "Match"	means contributions at either the London Green Fund or UDF level to meet the balance of Eligible Expenditure not supported by the ERDF Contribution;
"Offer"	means the Business Plan to be submitted by applicants in Stage 2 of this Call for Expressions of Interest;
"Operational Agreement"	means an agreement providing for an investment by the London Green Fund into a UDF;
"London OP"	means the London ERDF Operational Programme 2007-2013;
"Output Targets"	means the targets relating to the London OP set out in the Investment Strategy and Planning Document to be met by the UDF(s) in complying with the obligations placed on them, in respect of investments in Urban Projects.
"Preferred Bidder"	means an applicant whose Offer (in the form of a Business Plan) is selected under this Call for EoI and with whom the EIB will proceed to negotiate an Operational Agreement
"Priority"	means a category of policy priority under the London ERDF Operating Programme 2007-13;
"Reg. 1080"	means Regulation (EC) No. 1080/2006 of the European Parliament and of the Council of 05 July 2006 on the European Regional Development Fund and repealing Regulation 1783/1999/EC, as amended, supplemented or modified from time to time;
"Reg. 1081"	means Regulation (EC) No. 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC). 1784/1999 as amended, supplemented or modified from time to time;
"Reg. 1083"	means Council Regulation (EC) No. 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 as amended, supplemented or modified from time to time;
"Selection Criteria"	means the criteria used in Stage 1 of this Call for Expressions of Interest to select those applicants who will be invited to submit an Offer (in the form of a Business Plan) under Stage 2;
"Terms of Reference"	means terms of reference for the selection of the UDF;
"Urban Development Fund" or "UDF"	means a vehicle investing in one or more Urban Projects as defined in Article 44 Reg. 1083;
"Urban Project"	means a public private partnership or other project included in an Integrated Plan for Sustainable Urban Development as described in Article 44 Reg. 1083.