Energy Efficiency Financing Gaps - opportunities for the InvestEU Programme

Extract from the

Final Report from the InvestEU Advisory Board

Subgroup on Energy Efficiency Financing Gaps

September 2023

ABBREVIATIONS

AWS	Austrian promotional bank
CDC	Caisse des Dépôts et Consignations
CDP	Cassa Depositi e Prestiti
CEB	Council of Europe Development Bank
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESCO	energy service company
GBER	General Block Exemption Regulation
NPBIs	National promotional banks and institutions

Foreword

As part of the InvestEU governance, the InvestEU Advisory Board created a subgroup on Energy Efficiency Financing Gaps. In line with its mandate, the subgroup was a forum for discussion on energy efficiency financing gaps and exchanged among others on best practices, experiences and lessons learnt in support and mobilisation of energy efficiency investments.

In December 2023, the InvestEU Advisory Board issued recommendations to the InvestEU Steering Board for its consideration[1]. One of the recommendations called for the Best Practice section of the report prepared by the sub-group to be made publicly available, as it may stimulate (potential) IPs to integrate energy efficiency aspects in their investments. The recommendation was endorsed in June 2024 by the InvestEU Steering Board which agreed that the best practices section is published on the InvestEU website.

[1] In accordance with Article 20 (7) of Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (the 'InvestEU Regulation').

Report on Energy Efficiency Financing Gaps - Opportunities for the InvestEU Programme

Extract – Section on Best Practice

Best practice

There is seldom a one-size-fits-all solution across all EU Member States for incentivising energy efficiency investment. The approach to improving the energy efficiency of buildings, industry and public infrastructure will depend on the specific characteristics of these energy efficiency domains in each Member State. For example, residential building ownership can differ substantially between Member States, as well as legislation and rules for renovation of co-owned buildings (e.g. multi-apartment buildings). Similarly, the energy efficiency approach of the overall industrial tissue will depend on the nature, concentration, location, etc. of the underlying industrial activity as well as the transport and logistics network in support of this tissue.

Each Member State has adopted its National Energy and Climate Plan[2] for 2021-2030 outlining measures for achieving its respective national climate and energy targets. The plans also include policy and financial measures with respect to energy efficiency.

Being aware that there is no one-size-fits-all solution that could be applied in its entirety under InvestEU, this best practice section presents solutions that have worked successfully in some Member States and could be partially applied under InvestEU.

Moreover, several financing and investment operations that include an energy efficiency component were approved by the InvestEU Investment Committee for the use of the EU guarantee[3]. *[NB: this part can be potentially expanded with new operations if requested by Implementing Partners*]

The best practice examples presented in this section include actions that have been implemented so far in the following Member States: Austria, Belgium, France, Latvia and Poland. In addition, the report contains information on products operating in Lithuania (as an example presented by the EBRD) and Ireland, as well as experience of the EIB Group and other InvestEU Implementing Partners.

Areas of best practice have been divided into those implemented by Member States (as national programmes) and those implemented by individual financial institutions.

1.1 Best practice applied by Member States outside InvestEU

1.1.1 Austria – AWS (Austrian Promotional Bank)

1. Advantageous guarantee conditions for EU Taxonomy-compliant projects

In Austria, the Austrian Promotional Bank (Austria Wirtschaftsservice, AWS) has enhanced the guarantee that it offers (mostly in cooperation with the EIF), for projects that comply with the conditions of the EU Taxonomy (Article 3 of Regulation (EU) 2020/852[4]) to qualify as investments that are environmentally sustainable.

The guarantee offers ecologically sustainable and/or digitalisation activities more attractive conditions than the standard guarantees provided by AWS.

[2] https://ec.europa.eu/info/energy-climate-change-environment/implementation-eu-countries/energy-and-climate-governance-and-reporting/national-energy-and-climate-plans_en

[3] Examples of InvestEU energy efficiency operations approved by the Investment Committee are listed in point 2.2.

[4] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

The focus is on activities that help achieve the six environmental objectives listed in Article 9 of the EU Taxonomy:

- climate change mitigation, notably by improving energy efficiency;
- adaptation to climate change;
- sustainable use and protection of water and marine resources;
- transition to a circulatory economy, including energy efficiency measures;
- pollution prevention and control; and
- protection and restoration of biodiversity and ecosystems.

A project's risk is usually divided between the creditor (33%), AWS (also 33%) and the debtor, e.g. a bank (33%).

These guarantees are mostly provided in cooperation with the EIF (originally based on the European Fund for Strategic Investments) and can become InvestEU-based once AWS has concluded its Guarantee Agreement.

2. Assistance for Energy Management Systems

AWS offers companies grants of up to EUR 50 000 for audits and technical assistance to implement Energy Management Systems. The scheme is grant-based because credit demand for Energy Management Systems would be very limited. Costs covered include external advice, certification of the new systems, schooling, and necessary investments.

1.1.2 Belgium

In Belgium, access to information on energy efficiency financing measures was simplified. A single point of information was put in place, both for private individuals and companies. A web portal gives an overview of available grant and loan programmes.

Furthermore, national promotional banks and institutions (NPBIs) are managing energy efficiency loan programmes on behalf of governments or under programmes that are guaranteed by the government, for example:

- the Easy'Green loan scheme by Sowalfin, with EU support;
- the Economic Transition Fund by finance&invest.brussels; or
- the building renovation loan scheme (VerbouwPremie) managed by the PMV Group.

Regional/national NPBIs participate in activities that aim to fill market gaps, to foster an efficient functioning of the commercial lending market:

- they focus on equity and subordinated loan schemes to support energy efficiency initiatives of companies;
- most NPBIs have set up dedicated programmes or teams with sector expertise and direct financing expertise;
- they have developed a track record in supporting projects and companies in the sectors of energy generation and efficiency; and
- the majority of the financing is provided by the private sector.

Success factors are in particular the possibility to apply for grants or loans online as well as in the availability of long-term loans (up to 25 years) with a low interest rate.

Since September 2022, in the Region of Flanders only, a total amount of EUR 132 million has been invested to provide close to 4 500 housing renovation loans.

InvestEU can play a role by supporting financial products that are tuned to specific energy efficiency needs and the national/regional circumstances, e.g. specific regulations or laws. Specific products can also be adapted to support the financing of the transition needs of energy-intensive industry sectors.

1.1.3 Ireland

In the summer of 2022, a loan guarantee scheme was launched in the Irish market to support SME investment in energy efficient equipment. The scheme was implemented through various bank and non-bank/alternative SME lenders. The experience of delivering the scheme has shown that it is relatively straightforward to structure a financial product using a guarantee that addresses common challenges (energy efficiency assets making poor collateral for the lender, requirement for longer tenors to match longer investment paybacks, etc.), but that significant challenges remain for SMEs, in particular in understanding the complex purchase decision, as SMEs may require a range of technical solutions.

1.1.4 Latvia

In Latvia, the Development Finance Institution Altum (an NPBI) put in place two initiatives to improve energy efficiency in residential buildings and companies.

1. Energy efficiency in multi-apartment residential buildings

   Financing can be provided through direct loans with capital rebate or loan guarantees and capital rebate. The capital rebate amounts to 49% of eligible costs, VAT being ineligible. A budget of EUR 57 million, based on Recovery and Resilience Facility financing, is available for implementation between 2022 and 2026. The de minimis State aid rule was applied (level of the apartment owner). The aim is to achieve primary energy savings of 30%.

   Financing may cover:

   - construction works in the building's enclosing structures and common spaces;
   - renovation, rebuilding or creation of engineering systems;
   - equipment for energy production from renewable energy sources for self-consumption;
   - other measures, if they are necessary to improve energy efficiency; and
   - measures necessary to ensure compliance with the 'do no significant harm' principle (costs for the supervision of the construction project, for the project management and for the preparation of technical documentation).

2. Energy efficiency of companies

   Financing covers energy efficiency, energy production from renewables, and sustainable transportation. It can be provided through direct loans with capital rebate or loan guarantees and capital rebate. The capital rebate amounts to 30% of the project's costs (investment and VAT). A budget of EUR 80.586 million, based on Recovery and Resilience Facility financing, is available for implementation between 2022 and 2026. The de minimis State aid rule or the General Block Exemption Regulation[5] (Articles 38 and 41) were applied.

   Energy efficiency projects must aim to achieve primary energy savings of at least 30%. Energy production from renewables should cover 80% of self-consumption. In the field of sustainable transportation, milage by electric vehicles should reach 20 000 km per year.

   Financing may cover:

   - construction works in the building's enclosing structures;
   - renovation, rebuilding or creation of engineering systems;
   - installation of more energy efficient production equipment and side-process equipment;
   - recovery of secondary energy resources from production technological processes;

[5] Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1)

- installation of energy efficient lighting;
- reconstruction of HVAC (heating, ventilation and air conditioning systems), including construction supervision of the project, arrangement of the construction site, and other measures that are necessary to improve energy efficiency;
- equipment for energy production for self-consumption from renewable energy sources (solar, wind, heat pumps, solid biomass technologies, biogas technologies) and construction costs associated with the installation of equipment; and
- purchase of electric vehicles.

For both projects, success factors are the combination of financial instruments, i.e. a direct loan with capital rebate or a loan guarantee and capital rebate. Financing was previously provided by grants for the 2007-2013 planning period and for the 2014-2020 planning period, by grants and financial instruments (direct loans, loan guarantee) under one operation. Cooperation with commercial banks was also a success factor.

Challenges lay in the application of the GBER (Articles 38 and 41) and the implementation of the capital rebate. The rebate is a part of the loan or part of the guarantee product, which is converted into a grant if the project is successful.

1.1.5 Lithuania (EBRD case study)

EBRD provided financing to a Multi-Apartment Building Renovation Programme ('MABRP') implemented by the Lithuanian Public Investment Development Agency ('VIPA'). This programme is a good example of how EU Member States' public agencies can leverage EU funds to mobilise additional financing in the market and thus increase the financial firepower of the instruments they offer.

VIPA

The Government of Lithuania established VIPA in 2012 to administer EU and government grants designed for building energy efficiency and social infrastructure projects through financially engineered products. VIPA acts as a financial intermediary aiming to catalyse long-term financing and address market failures in key strategic public infrastructure.

Throughout the years, VIPA has gained experience in on-lending funds for energy efficiency projects and has developed a proven track record of managing building renovation and modernisation funds. VIPA acts as a financial intermediary and on-lends these funds as subloans to residents, public or private entities. It also monitors repayment of these loans and ensures the reflow of funds. One of the programmes supporting energy efficiency that VIPA has been managing is the above-mentioned MABRP.

MABRP

The MABRP was launched by the Government of Lithuania in 2015 to kick-start the market for financing projects for the deep renovation of multi-apartment buildings in Lithuania.

Deep renovations require longer loan maturities to match payback, which local commercial banks are reluctant to offer. One of the reasons is that building-wide energy efficiency renovation is seen as riskier compared to loans for individual apartment renovation, which, however, brings fewer efficiency improvements.

In order to address this market failure, the Lithuanian Government launched the MABRP and endowed it with a EUR 74 million grant (the 'MABRP grant') from the Lithuanian allocation of the European Regional Development Fund (part of the EU Structural Funds). VIPA has been entrusted with the role of fund manager for resources allocated under the MABRP, and has become responsible for preparation, credit risk analysis, disbursement, implementation and monitoring of subloans that it provides directly to eligible borrowers (usually apartment building management associations representing apartment owners in multi-apartment buildings).

VIPA is further supported by the Lithuanian energy efficiency agency (BETA), which handles technical due diligence, monitors construction, and verifies energy savings upon completion of subprojects.

The MABRP grant is to be used principally for on-lending as soft loans with a fixed interest rate and long maturity. Nevertheless, there are also two subsidies which MABRP subloans benefit from:

- upon completion of the subproject, VIPA partially decreases the subloan principal, with this amount being absorbed by the MABRP grant; and
- additional partial write-down of the subloan principal takes place if 40% of energy is saved after completion. This amount is covered in cash from the Climate Change Incentive Grant payment made by the Ministry of Environment via BETA to VIPA's MABRP project account.

Further grants are available for covering up to 50% of costs for project preparation, energy certificates, the investment plan, and construction work supervision. Loans are available for up to 100% of investment costs helping to alleviate access-to-capital problems with post-completion grants. A gradual reduction in the rate of grant funding has been signalled, having already reduced from an earlier higher rate.

EBRD financing

EBRD financing has allowed VIPA and the Lithuanian Government to increase the financial firepower of the MABRP. The first loan of EUR 50 million was provided in 2017, when the MABRP's whole initial endowment had already been disbursed and an even bigger pipeline of subprojects had been approved and was awaiting financing. Subloan repayments along with the resources from the Climate Change Incentive Grant have been used to repay the EBRD loan.

The EBRD's second loan to VIPA for the MABRP followed in 2021 and amounted to EUR 67.5 million. The need for additional financing from the EBRD stemmed from the further build-up of a pipeline of subprojects for which there was no headroom under the MABRP's budget at that time.

The above-described scheme demonstrates an efficient blended approach, which uses a variety of funding sources that are channelled through a designated entity that is responsible for the deployment of the combination of financial instruments.

1.1.6 Poland

Many programmes have been implemented in Poland so far to support investment in the field of energy efficiency, among which the Clean Air Programme and the Thermal and Refurbishment Fund.

1. Clean Air Programme (CAP)[6]

   The programme aimed to improve air quality and reduce gas emissions by replacing heat sources and improving energy efficiency of single-family buildings.

   Financing (subsidies and loans) covers:

   - replacement of inefficient heat systems (solid fuel boilers) with new, efficient ones;
   - installation of central heating and hot water systems;
   - installation of renewable energy sources (photovoltaic panels, solar collectors, heat pumps);
   - insulation of external walls, replacement of external windows and doors (and other thermal renovation aspects);
   - documentation, e.g. energy audits; and
   - mechanical ventilation systems with heat recovery.

   Success factors are simplification of application rules and of the application form, with online application available. Supportive IT tools were developed, such as a dedicated website, an online Green Devices and

[6] More information about the Clean Air Programme can be found at https://czystepowietrze.gov.pl/

Materials List, and subsidy, thickness of insulation and energy savings calculators. Dedicated phone lines were also available for beneficiaries/households and municipalities. A nation-wide information campaign was conducted, and cooperation was established with municipalities, with technical assistance provided to regional municipalities. The introduction of commercial banks as one-stop shops and complementary loan providers was also a key to success.

2. Thermal and Refurbishment Fund

   The Fund supports thermo-modernisation and refurbishment projects.

   Financing covers, among others:

   - thermal refurbishment of all types of residential buildings;
   - buildings used by municipalities for public services (schools, hospitals, etc.);
   - local district heating networks and local heating sources; and
   - installation of renewable energy sources or high efficiency equipment.

   The subsidy is provided to the bank that finances the building's refurbishment. It covers 16% of the costs of the thermo-modernisation project or 21% of the costs of the thermo-modernisation project along with the installation of renewable energy sources.

   A reduction in annual energy consumption of at least 10% is expected in buildings where only the heating system is modernised, and a reduction of at least 25% in other buildings. Annual losses of primary energy in local grids are expected to be reduced by at least 25% if buildings fulfil the energy saving requirements. The loan amounts to at least 50% of the project costs.

1.2 Best practice applied by Implementing Partners

1.2.1 Caisse des Dépôts et Consignations

The Caisse des Dépôts et Consignations (CDC), a French NPBI, has put in place several offers to support energy efficiency in the public sector and in social housing. Two are further presented below.

1. Integrated support for local public actors:

The support offered to local public actors covers the various steps in the development of the investment project:

1. sensitise (understanding the importance of the renovation project) via CDC's in-house energy consumption comparison tool;
2. inform (energy audit and identifying needs), decide (developing the estate strategy, identifying priorities), and programme (definition of the operational modalities, designing the optimal financial package) via technical assistance financed or co-financed by CDC;
3. finance: dedicated loans, repayable advances ('intracting scheme' – the repayment schedule is based on the savings); and
4. monitor: piloting and measuring energy efficiency gains via CDC's in-house platform.

Success factors are in particular offering technical assistance at an early stage, triggering rising demand, and the consistent articulation between technical assistance and financial instruments. CDC's long-standing embedment in the local public sector is also a success factor.

2. Eco-loan for social housing

The eco-loan finances thermal renovation of social housing units. The loan amount per housing unit is based on the expected energy performance gain (in kWh/m²) and the lowering of the carbon footprint.

Between 2015 and 2019, 220 000 housing units were renovated, with EUR 3 billion of eco-loans for social housing, leveraging EUR 8 billion of total investment.

Success factors are in particular the very low interest rate offered, with a long maturity, and CDC's long-standing embedment in the local public sector.

1.2.2 EBRD

Energy efficiency has been one of the key focus areas for the EBRD since its establishment in 1991.

One of EBRD's long-standing products that offers a proven model for energy efficiency financing and which can be easily adapted to the conditions of the InvestEU programme is the Green Economy Financing Facility.

Green Economy Financing Facility (GEFF)

GEFF is an intermediated product that currently operates through a network of 188 local partner financial institutions ('PFIs') in 29 countries, providing financial support totalling EUR 6 bn of EBRD financing to date. It is estimated that the programme has so far led to over 220 000 investments resulting in avoided emissions of almost 9.9 million tonnes of CO_2 per year.

Implementation model

GEFF has two main pillars:

1. a financial pillar, in the form of 'credit lines' provided by the EBRD to PFIs for on-lending to final beneficiaries for pre-defined categories of sustainable investments; and
2. an advisory pillar, in the form of technical assistance provided to PFIs and their clients and potential clients for project identification, development, assessment and enhancement of their market practices, capacity building, and market development.

Financial pillar

EBRD lending through financial intermediaries has been a core strategic and business line, used widely and heavily across sectors and regions for many years. Intermediated structures enable the EBRD to meet smaller energy efficiency financing needs, mostly of SMEs and households. Financing for subprojects typically ranges from a few hundred euro to EUR 1 million, although GEFFs can normally provide up to EUR 5 million to a single borrower (higher financing needs are typically met through direct lending). As such, GEFFs, based on close cooperation with local PFIs, offer a chance to maximise the impact of the EBRD's operations beyond investments directly financed by the EBRD.

The EBRD's credit lines to PFIs under GEFFs are often accompanied by concessional resources funded by donors (incl. the EU) that incentivise PFIs and final beneficiaries to meet the ambitious objectives of the product. A standardised set of around 10 benchmarks covers quantity of expected energy and CO_2 savings, volume of installed renewable capacity, and other sustainability metrics.

Advisory pillar

In order to operationalise GEFFs, the EBRD engages project consultants, whose role is to support the preparation and implementation of the product, including processing applications by end-borrowers and verifying implementation of the investments (subprojects). Specifically, the consultants' tasks include:

- ensuring that the technical eligibility criteria are designed to meet the policy objectives, clearly defined and consistently applied;
- ensuring the financing is deployed for subprojects that meet the technical eligibility criteria and that subloans are processed according to the GEFF procedures;

- establishing an efficient tracking, monitoring and reporting system, e.g. the Digital MRV platform (a management information system to facilitate desk-based verification for 100% of applications in addition to statistical sampling);
- providing for the transfer of skills to PFIs' branch networks so they are equipped with the knowledge and tools to identify new financing opportunities, and to avoid some of the physical climate change and carbon transition risks that may be overlooked in PFIs' ordinary course of business[7]; and
- carrying out market development and awareness raising activities through dedicated workshops and conferences, direct work with suppliers of eligible technologies and materials, promotion materials, etc.

One of the key tools developed by the EBRD to support PFIs and final borrowers in implementing GEFFs is the 'Green Technology Selector'[8]. This is a portal that contains a catalogue of pre-approved technologies that meet certain GEFFs' loan criteria and that are appropriate in the local market context. Choice of such technologies by final beneficiaries accelerates the loan approval process and ultimately the deployment of financing and promotes the update of high-performing technologies.

If industrial or building projects are more complex, consultants procured by the EBRD support final borrowers in preparing and implementing subprojects.

GEFFs under InvestEU

The InvestEU Programme offers a very useful vehicle for extending GEFFs in the EBRD's EU Countries of Operations[9]. By supporting the EBRD's portfolio guarantees for PFIs with first-loss cover, InvestEU can incentivise local banks to extend financing to end borrowers for projects aligned with InvestEU sustainable infrastructure window policy objectives, while technical assistance funded from the InvestEU Advisory Hub will help PFIs and final recipients with the products implementation.

The EBRD has designed two portfolio guarantee products for intermediated finance that are supported by InvestEU:

- Green Uncapped Portfolio Guarantee; and
- Green Capped Portfolio Guarantee.

Both of these products support the policy objectives of InvestEU's sustainable infrastructure policy window and can be deployed in any of the EBRD's EU Countries of Operations. For more details about the EBRD's intermediated products under InvestEU, please refer to the Annex and the EBRD's dedicated website on InvestEU products[10].

1.2.3 EIB

The EIB has developed dedicated instruments for energy efficiency:

- Investment loans, focusing on large-scale investments in energy efficiency (i.e. social housing investment for new buildings).

  The challenge here is to promote higher building standards. The EIB offers solution support for going beyond nearly zero-energy buildings (NZEBs), in this case reaching passive house standard.

- Framework loans, such as for example climate action framework loan.

  For such loans, fragmentation is a barrier, which aggregation of projects via Energy Service Companies can overcome.

[7] See EBRD's e-learning platform developed for employees of partner financial institutions: https://ebrdgreenfinanceacademy.com/
[8] https://techselector.com/
[9] These include Bulgaria, Croatia, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.
[10] https://www.ebrd.com/who-we-are/structure-and-management/shareholders/european-union/investeu.html

- Investment funds, such as Energy Efficiency equity fund.

  Split incentives are barriers. A solution is aggregation via supporting ESCOs with equity capital.

- Dedicated instruments, such as PF4EE (Private Finance for Energy Efficiency), which was a risk-sharing facility to mitigate financial intermediaries' credit risk when financing energy efficiency projects.

- Technical assistance, through ELENA (European local ENergy assistance), which provides grants for project development (see point 2.3.1).

- Advisory support under InvestEU Advisory Hub mandate to promote energy efficiency investment. This includes initiatives such as the "Green Gateway" advisory programme (see point 2.3.2).

1.2.4 EIF

Under InvestEU, the EIF has launched a comprehensive product toolbox in support of energy efficiency / sustainable energy that will trigger investment in various markets and segments of the EU economy that are key for the transition of a net zero economy.

A. **The first pan-European guarantee product supporting the green transition of small enterprises and households**, the 'InvestEU Sustainability Guarantee Product', with a prominent focus on energy efficiency and renewables, including green buildings – both residential and commercial.

   A key feature of this product is the advisory support provided in its implementation via a webtool that is part of the EIB Group´s Green Gateway initiative and is funded with the support of the European Investment Advisory Hub. The tool allows financial intermediaries implementing the product and also final recipients to:
   - assess the eligibility criteria, e.g. by inputting basic characteristics of the energy efficiency measure/investment financed;
   - assess the climate impact estimations of the measure financed, calculating the contribution to InvestEU's KPIs;
   - provide guidance on the eligibility criteria – breaking 'knowledge' barriers of financial intermediaries and SMEs/households; and
   - support the reporting process to the EIF.

B. **Investing in venture capital and private equity funds supporting the climate & environmental technologies of tomorrow** via the thematic strategy 'Climate and Environmental Solution' under the InvestEU Equity Product, with a particular focus on the decarbonisation of energy generation and energy efficiency.

   Examples of activities supported under this product include:
   - energy efficiency generation; and clean energy generation, distribution, storage, grid management – including smart sensor building management systems, fittings, lighting, etc.;
   - high efficiency heating, cooling, heat capture, conversion and storage;
   - alternative fuels, fuel cells;
   - low GHG construction/materials/technologies; and
   - sustainable ICT – including technologies that demonstrate the potential to significantly reduce energy consumption / GHG emissions compared to currently used ICT technologies.

C. **Investing in infrastructure for the clean energy transition** under the InvestEU Climate & Infrastructure Funds. Under the thematic strategy 'Clean Energy Transition & Climate', the EIF will invest in funds whose investment strategy targets, among other things, some of the following areas:
   - renewable energy generation, transmission, distribution and storage, including hybrid projects of renewables with storage;
   - decarbonisation and energy efficiency of manufacturing facilities;

- digitalisation and modernisation of energy grids to facilitate the update of renewables;
- and well support the production of low carbon hydrogen, its storage and distribution; and
- support to energy efficiency projects based on EPCs or developing the market for Power Purchase Agreements (PPAs), Contract for Differences (CfDs), etc.

In the first months of implementation of InvestEU, the high demand received from across EU 27 proves the adequacy of EIF's InvestEU toolbox to serve market needs.

ANNEX

EBRD's intermediated products under InvestEU

The EBRD has designed two portfolio guarantee products for intermediated finance that are supported by InvestEU:

- Green Uncapped Portfolio Guarantee; and
- Green Capped Portfolio Guarantee.

Both of these products support the policy objectives of InvestEU's sustainable infrastructure policy window and can be deployed in any of the EBRD's EU Countries of Operations.

In line with the EBRD's general approach to intermediated products, including Green Economy Financing Facilities (GEFFs), these products entail full credit delegation to partner financial institutions (PFIs), with approval based on pre-defined eligibility criteria. Technical assistance supporting implementation of the products and funded from InvestEU Advisory Hub will comprise the GEFF standard advisory package, as described in point 3.2.2. Both products are expected to generate portfolios of PFIs of at least **EUR 700 million.**

In addition, under InvestEU, the EBRD will also co-finance green projects with PFIs, leveraging InvestEU guarantees, through various direct debt products where each subproject will be individually approved by the EBRD.

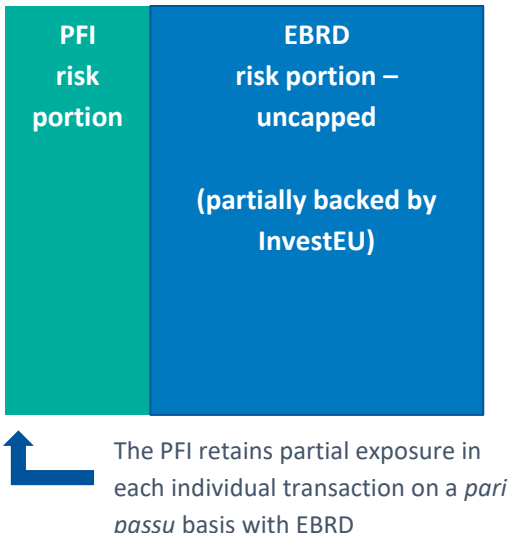
Specific features of the EBRD's InvestEU portfolio guarantee products are described in more detail below.

Green Uncapped Portfolio Guarantee

The Green Uncapped Portfolio Guarantee targets subprojects in renewable energy and energy efficiency in buildings, and sustainable transport. Eligible final beneficiaries are both natural and legal persons. Legal persons include MSMEs, mid-caps and large companies, housing associations or similar organisations, relevant service providers (incl. ESCOs), companies that either invest in or construct buildings, and public entities that own or manage buildings.

Through the product, the EBRD provides to PFIs a guarantee on the portfolio of subprojects meeting the product's eligibility criteria. While the EBRD's guarantee coverage extends to the whole portfolio, the product's conditions require PFIs to retain partial exposure of each subloan on *pari passu* basis with the EBRD. At the same time, the EBRD's exposure to the remaining part of each subloan in the covered portfolios is partially backed by InvestEU first-loss portfolio guarantee.

Green Uncapped Portfolio Guarantee structure



Green Capped Portfolio Guarantee

The Green Capped Portfolio Guarantee supports a portfolio of subloans for legal persons only, such as private enterprises (SMEs, mid-caps and large companies); public-sector entities and mixed entities (e.g. public-private partnerships). Eligible subprojects cover a range of sustainable investments across industry sectors.

Through this product, the EBRD provides to PFIs a guarantee capped at 35% of the portfolio of eligible subprojects. The EBRD's exposure is, in turn, partially backed by InvestEU. The senior portfolio tranche is retained by PFIs. At the same time, the same requirement applicable at the subloans level under the Green Uncapped Portfolio Guarantee also remains in force for this product: PFIs are required to retain partial exposure in each subloan on *pari passu* basis with the EBRD.

Green Capped Portfolio Guarantee structure