Energy Savings Insurance Europe Project Summary

Summary

In February 2018, the Basel Agency for Sustainable Energy (BASE) Switzerland, BCSD Portugal, FIRE Italy, and EnergyLab Spain launched a three year project aimed at rolling out the successful Energy Savings Insurance (ESI) Model in Italy, Portugal, and Spain. The ESI Europe project has received funding from the European Union's Horizon 2020 research and innovation programme.

The ESI model aims to scale up investments in energy efficiency, facilitate the flow of financing for relevant technology solutions and address the large untapped market potential. The ESI model targets small and medium-sized enterprises (SMEs) and creates the conditions for them to upgrade specific old inefficient technologies to new EE technologies.

The ESI model has been successfully implemented in Colombia and Mexico, and is currently being developed or planned in ten other countries in Latin America, and Asia. ESI was recognized by the Global Innovation Lab for Climate Finance as one of the most promising instruments to mobilise private sector investments in energy efficiency. ESI also features in the G20 Energy Efficiency Investment Toolkit.

The expected outputs of the project are:

- Implementation of the ESI model in Italy, Spain, and Portugal. This includes setting up the mechanisms that compose the model, and training and up skilling of market stakeholders.
- Development of marketing material, an ESI Europe toolkit and video to promote the uptake and replication of the ESI model in other European countries.

Energy Savings Insurance model

Energy consumption constitutes a substantial proportion of production costs for many SMEs, particularly in energy-intensive sectors that rely on electricity or heating and cooling for their processes and service operations. Investments in new efficient technologies present attractive returns – often generating cash savings that allow the investors to recover their investment in a reasonable period of time, while also improving productivity, efficiency and reducing emissions. However, it can be observed that these investments are not happening.

There are barriers that inhibit enterprises from investing in EE, especially in SMEs, which represent the vast majority of enterprises. These barriers include:

- Lack of trust between the different actors.
- EE not usually being an investment priority.
- Lack of stable and accessible financing instruments.
- Lack of experience with financing EE.

The ESI model comprises financial and non-financial mechanisms designed to work together to overcome the described barriers, create trust and credibility among key actors, reduce the perceived risk of stakeholders.

The model consists of four main components as well as supporting activities:

Standardised Contract: Standardised and simplified contracts offer a clear and transparent framework for negotiations between key actors (SMEs, technology providers and financial institutions) on how the projects energy savings are guaranteed. This reduces the risks involved in energy efficiency projects, distributes the remaining risk to appropriate actors, and fosters trust among them.

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Insurance: The strategy facilitates access to a risk coverage product provided by a third party to insure against the provider failing to fulfil its contractual obligations regarding the energy savings. The insurance creates trust between the SME and the technology provider, and also reduces the credit risk of the SME.

Technical Validation: An independent technical validation process is integrated into the project, to overcome the perceived high performance risk of energy efficiency projects. An independent validation entity evaluates the capacity of the project to deliver the promised energy savings, verifies the installation, and acts as an arbitrator if required.

Financing: Competitive credit conditions, suitable tenors and support to access collateral can help SMEs in financing these technology solutions. The project identifies and links existing financial instruments to enable EE projects, using ESI. The FIs benefit from the ESI mechanism by reducing the credit risk of their borrower, and mobilising green finance.

Supporting activities: The project also includes supporting activities, such as communication, promotion and marketing activities, capacity building for key market stakeholders, and support to build initial pipelines of EE projects.

Dissemination across Europe and development of long-lasting training tools: The project also involves dissemination efforts to promote the model more broadly across Europe, and the development of long lasting training tools. As part of the project, an ESI Europe toolkit and short video will be developed to enable the roll out of the model in other interested countries and sectors.

Project Consortium Parnterns

Basel Agency for Sustainable Energy – coordinator: Established in 2001, BASE is a Swiss non-profit foundation and Specialized Partner of United Nations Environment. Around the world, BASE develops innovative ideas and tailored market-driven solutions to drive investment in sustainable energy and to meet the challenge of climate change. BASE conceptualized the ESI model together with the Inter-American Development Bank, which has been and is being implemented in various countries in Latin America: www.energy-base.org

FIRE Italy: FIRE is an independent non-profit organization, whose purpose is to promote the efficient use of energy. Founded in 1987, FIRE supports companies and people involved in the energy efficiency sector both on the supply and demand side. FIRE has more than 400 members, which cover the entire energy sector including technologies producers, large and medium enterprises, universities and research centres, energy managers and energy professionals: www.fire-italia.org

BCSD Portugal: BCSD Portugal is a non-profit association of public interest representing companies engaged with sustainability created in 2001. BSCD Portugal has more than 85 member companies and has involved its members in public policy development including green fiscal reform, green economy growth policy, circular economy projects, revisions of environmental law, and EU consultations. BCSD Portugal is part of the global network of the World Business Council for Sustainable Development: www.bcsdportugal.org

EnergyLab Spain: EnergyLab is a non-profit public-private foundation set up on 2008. EnergyLab is a technology centre specialized in EE and sustainability, who identifies, develops and promotes technologies, processes, products and consumption behaviours to contribute to the improvement of energy efficiency and sustainability through its applications in industry, domestic products, mobility and buildings: www.energylab.es

Supporting partner – UNEP FI: UNEP FI is a partnership between United Nations Environment and the global financial sector with a mission to promote sustainable finance. UNEP FI has a membership of over 200 financial institutions, including banks, insurers and investors. Together UNEP FI works to bring about systematic change and finance to support a sustainable world. UNEP FI is also a co-founder of the Energy Efficiency Financial Institutions Group ("EEFIG"), along with the European Commission: www.unepfi.org