



Making financial instruments
work for cities

CSI EUROPE CASE STUDY

ELENA – EUROPEAN LOCAL ENERGY ASSISTANCE

A CSI EUROPE CASE STUDY ON TECHNICAL ASSISTANCE



URBACT II



Connecting cities
Building successes



ELENA – EUROPEAN LOCAL ENERGY ASSISTANCED

A CSI EUROPE CASE STUDY

INTRODUCTION

The ELENA fund is part of the European Investment Bank's (EIB) efforts to support the EU's climate and energy policy objectives. The initiative, developed jointly by the EIB and the European Commission, assists local and regional authorities to prepare energy efficiency or renewable energy projects. ELENA is run by the EIB and is funded through the European Commission's Intelligent Energy-Europe programme¹.

Given that urban areas account for around 70% of the energy consumption of the EU, there is massive potential for growth in the field of sustainable energy. The EU's ELENA facility assists in this endeavour by helping public authorities exploit the inherent potential by attracting external finance.

A large number of European cities have committed to ambitious greenhouse gas emission reduction targets as well as a host of other indicators, as well as signing up to the Covenant of Mayors initiative. The ELENA facility aims to incentivise authorities across the EU to develop ambitious plans to enhance energy efficiency and long-term sustainability, which may serve as an example in the field of energy policy.

This paper explores the main characteristics of the ELENA facility and considers as case studies a number of projects that have been implemented with ELENA funding. The case studies include two examples of where ELENA Funding has been used to support the development of a project pipeline of investment ready projects for a financial instrument.



¹ http://www.eib.org/attachments/thematic/elena_en.pdf

EUROPEAN ENERGY TARGETS (20-20-20)²

ELENA is designed primarily to support local and regional authorities to reach the EU's 20-20-20 targets through technical assistance (TA). Those targets relate to:

- A 20% reduction in EU greenhouse gas emissions from 1990 levels;
- Raising the share of EU energy consumption produced from renewable resources to 20%;
- A 20% improvement in the EU's energy efficiency

ELENA FRAMEWORK

The ELENA facility operates along three priority axes:

- 1) Energy efficiency and renewable energy
- 2) Urban transport
- 3) Local energy infrastructure



**ELENA – European Local
ENergy Assistance**

CONTRACTS

ELENA contracts have the following characteristics:

- Duration: 3 years (maximum)
- A typical grant disbursement schedule is:
 - 40% at the start of the project
 - 30% after validation of interim report
 - 30% after validation of final report
- Description of the work programme for Project Development and an outline of the planned Investment Programme to measure the leverage factor
- Estimated budget
- Reporting requirements

² <http://ec.europa.eu/clima/policies/package/>

PROJECTS

ZEALAND REGION (DENMARK) – ENERGY EFFICIENCY AND RENEWABLE ENERGY³



The ELENA facility contributed €2.5m to the Danish region of Zealand to provide technical assistance for the development of energy efficiency and renewable energy sources, such as photovoltaic facilities (above image on completion of the project) and geothermal heating⁴. The EU's investment has a leverage factor of 25 times the original investment, mobilising €62.4m in total.



This provides indispensable funding to enhance this area, as well as furthering the knowledge of municipal authorities in the region as to implementing other similar projects in the future.

In addition to the infrastructure benefits, the investment led to the recruitment of 3 members of staff.

³ <http://www.greengoenergy.com/news/30/123/Region-Zealand-establishes-Zealand-s-largest-solar-portfolio>

⁴ http://www.eib.org/attachments/documents/reeez_project_factsheet_en.pdf

BARCELONA (SPAIN) – URBAN TRANSPORT⁵

In April 2011 an ELENA contract was signed with the Barcelona Transport Authority to provide technical assistance for a large scale investment programme to retrofit existing diesel and GNC buses into hybrids. This involved supporting the expansion of financial instruments to finance the renewal of the bus fleet, background studies on a new bus network,

and new signals network and LED technology.

The funding contributed €1.9m in ELENA finance, which leveraged to a factor of 85 – leading to a €164m total investment⁶.



⁵ <http://www.tmb.cat/en/sala-de-premsa/-/seccio/noticies/entorn/noticies-bus-hibrid-gnc-20110330-transport>

⁶ http://www.eib.org/attachments/documents/electrobus_project_factsheet_en.pdf

GREEK ISLANDS (GREECE) – LOCAL ENERGY INFRASTRUCTURE

The ELENA facility provided €688,670 in funding to assist in the development of an investment programme (over 2011–2014) in smart grids infrastructure, photovoltaic systems and charging stations for electric vehicles in the 5 islands covered by the 'DAFNI' fund – Lesvos, Limnos, Milos, Kythnos and Santorini. The fund leveraged at a factor of 77, mobilising an overall investment of approximately €52m⁷.

The DAFNI fund is designed to bridge the gap between the Greek mainland and the islands by developing sustainable projects in the Aegean Sea region⁸. This covers around 150,000 individuals and has made a significant contribution to renewable energy targets.

LONDON – ENERGY EFFICIENCY

In May 2011, ELENA investment was confirmed to support the development and establishment of RE-FIT – a retrofit programme, which comprises the retrofit of over 100 public buildings, including Colleges, Universities and Hospitals. ELENA funding of €2.8m has been provided which is forecast to lever in over €100m of other investment.

The programme is being managed by the Greater London Authority (GLA) and also has strong links with the GLA sponsored London Green Fund – a JESSICA holding fund, which through three urban development funds is investing in projects to generate carbon savings. One of the urban development funds under the London Green Fund is the London Energy Efficiency Fund (LEEF). This financial instrument was set up in August 2011 with £50 million allocated from the London Green Fund.

LEEF provides primarily debt financing (where applicable, equity can be provided) to projects involving:

- The adaptation or refurbishment of existing public, private and voluntary sector buildings to make them more sustainable and environmentally friendly; and
- Decentralised energy systems

The ELENA investment and technical support allowed RE-FIT team to work with the LEEF urban development fund to identify potential projects for the LEEF pipeline and facilitate the pre-development process of some of LEEFs projects.

⁷ http://www.eib.org/attachments/documents/dafni_project_factsheet_en.pdf

⁸ http://www.managenergy.net/lib/documents/223/original_6_smartgrid_chatzimpiros.pdf

CONCLUSION

The Case Study shows how a technical assistance platform such as ELENA which provides both funding and expertise can play a positive role in kick starting new forms of investment. As financial instruments remain relatively unknown in many cities, a similar product would be helpful to Managing Authorities, Cities and other stakeholders to implement proposals more quickly and efficiently.

For this reason the establishment of the fi-compass platform by the EIB is to be welcomed as this will provide a valuable source of knowledge and expertise as well as allowing for the exchange of lessons learned between practitioners.



The aim of CSI Europe is to build on the different experiences of the partners in relation to financial instruments and urban investment. By working together we will seek to: identify common issues that affect financial instruments and work together to identify solutions; work at a local level to translate our experience to the delivery of projects and act as a voice for cities in the development of future investment models at both a local and EU level.

The key themes that the network will seek to explore are: Governance, State Aid, Technical Assistance and Regulation and through this work we will seek to identify new models for investment through financial instruments.

The URBACT II Operational programme will support the partners' work over the next three years, providing a framework

for joint working and supporting the partners' local activities. The partners will work together through thematic partnerships where two or more partners will work together to explore, in depth, a key theme; transnational conferences where all the partners will come together to consider the key themes, share experiences, celebrate success and exchange ideas; and URBACT Local Support Groups established in each city, bringing together key public and private sector stakeholders to deliver a Local Action Plan reflecting the city's priorities for the network.

The network will also seek to develop links with the European Commission, Managing Authorities and other organisations who will help shape the role of financial instruments in the next Structural Fund programme. This may allow CSI Europe to play a constructive role in the development of financial instruments for the future support of urban development across the EU area.

URBACT II

URBACT is a European exchange and learning programme promoting sustainable urban development. It enables cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal challenges. It helps them to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. It enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe. URBACT is 181 cities, 29 countries, and 5,000 active participants.

www.urbact.eu/csieurope