

# ELENA

**A new KfW-Facility in favour of sustainable investments of small and medium sized municipalities**

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Die Zukunftsförderer



# ELENA

## Objective of the Facility



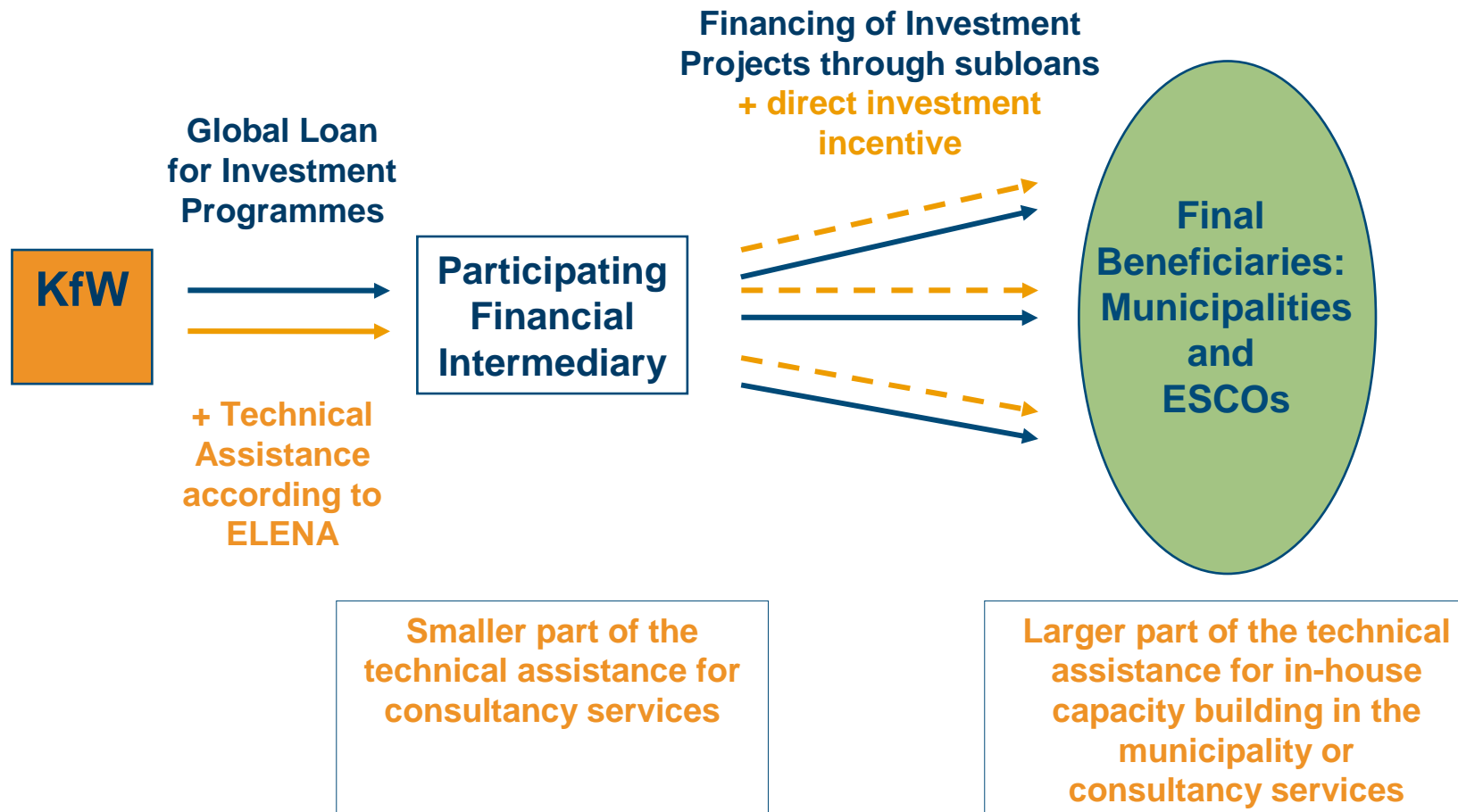
- ELENA: a IEE (Intelligent Energy Europe II) technical assistance facility in order to support the local and regional authorities in contributing to the “20-20-20” initiative of the European Union:
  - reduce greenhouse gas emissions by at least 20% and/or
  - increase the share of renewable energies in energy consumption to at least 20% and/or
  - improve energy efficiency by at least 20%, all by 2020.
- Since 2010 the EIB is running a pilot project on ELENA in order to support investment projects above EUR 50 million.

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## The new KfW Facility



- The new KfW-ELENA facility offers a complementary approach in order to mobilize **sustainable investments of small and medium sized municipalities and, where appropriate, Energy Service Companies (ESCOs).**
- KfW-ELENA consists of two innovative and complementary financing schemes
  - global loans to local participating financial intermediaries (PFIs) in order to target **smaller investments (volume up to EUR 50 million)**
  - and **carbon crediting** as a new financing element.
- Global loan and carbon crediting can be combined or offered separately.



- **Eligible Participating Financial Intermediaries** are banks operating in the eligible countries (EU member states, Norway, Iceland, Liechtenstein and Croatia) motivated to expand their lending to municipalities for the financing of sustainable energy projects.
- **Eligible Participating Coordinating Entities** must have the required institutional capacity and experience to coordinate a carbon credit programme.
- **Eligible Final Beneficiaries** of Technical Assistance are local or regional authorities and other public bodies within IEE participating countries (EU 27 + Norway, Iceland, Liechtenstein and Croatia) including those under the Covenant of Mayors Initiative, or groupings of such bodies, mainly in the small and medium-sized range.

- public and private buildings, including social housing and street and traffic lighting, to support increased energy efficiency (energetical refurbishment of buildings);
- integration of renewable energy sources into the built environment — such as solar photovoltaic, solar thermal collectors and biomass;
- investments in renovation, extension or new district heating/cooling networks;
- urban transport to increase energy efficiency and support integration of renewable energy sources, e.g. clean and energy-efficient road transport vehicles, trams, trolleybuses, metros, and trains; investments to improve public transport and its seamless link to private transport;
- investments in clean and energy-efficient solutions for freight logistics in urban areas;
- local infrastructure including smart grids, information and communication technology infrastructure for energy efficiency, energy-efficient urban equipment, inter-modal transport facilities and refuelling infrastructure for alternative fuel vehicles;
- municipal waste-to-energy projects including biogas generation for small-scale heat production;
- municipal programmes for energy-efficient equipment and appliances in SMEs and households;
- multi-technology approaches combining the aforementioned activities within a comprehensive city-wide or regional approach.

- Eligible costs for ELENA support correspond to any technical support that is necessary to prepare, implement and finance the investment programme:
  - feasibility and market studies,
  - structuring of programmes,
  - business plans,
  - energy audits,
  - preparation of tendering procedures and contractual arrangements
  - project implementation units (incl. staff).
- ELENA covers up to 90% of eligible costs required for technical support related to a clearly identified investment programme.

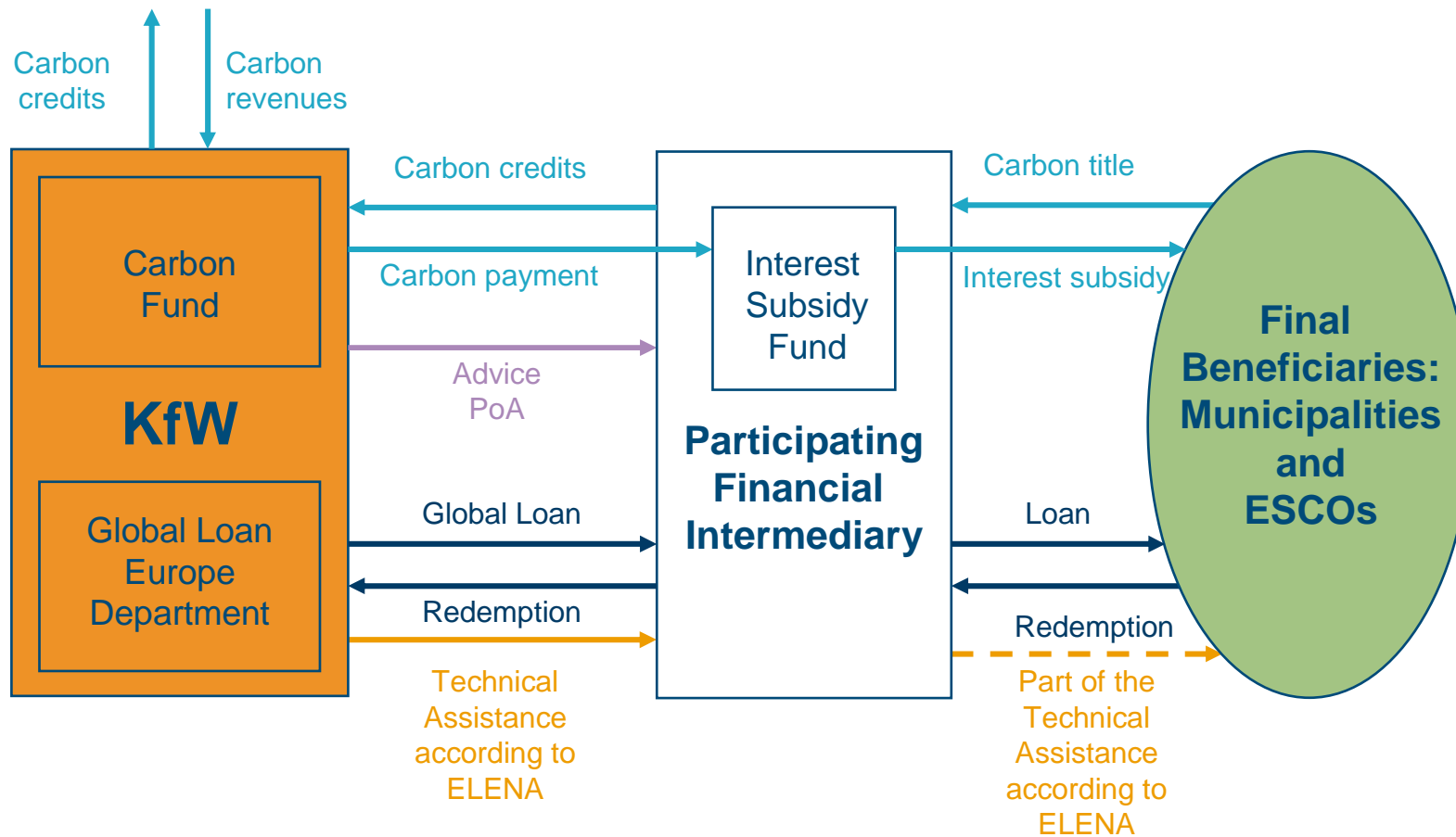
- Certification of achieved CO2 emission reductions over time:
  - Additional cash flows for climate protection projects;
  - Cost efficiency: market price signal;
  - Exact quantification of achieved emission reductions.
- Broad range of flexible approaches including:
  - Use of Joint Implementation (JI) including programmatic JI: e.g. buildings;
  - Potential use of European Allowances (EUAs): e.g. street lighting;
  - Potential of Assigned Amount Units (AAUs): e.g. urban infrastructure;
  - Voluntary market carbon crediting.
- Technical assistance:
  - To municipalities: e.g. identification of projects/programs;
  - To implementing entities (financial intermediaries or other coordinating entities): e.g. program development.
  - Focus: programmatic approaches targeting small and micro activities.



- Requirements for the carbon credit projects/programs:
  - Proof of additionality of the project/program (determination of the „baseline“)
  - Homogeneity of the bundle of emission reduction measures and standardized program monitoring
  - Minimum size of the project/program: 50,000 t CO<sub>2</sub> p.a. (for a crediting period of 10 years)
- Designing an adequate incentive structure by using the carbon credit proceeds and via seed funding (prefinancing of the carbon credit proceeds by PFI):
  - Direct payment to the Final Beneficiaries in line with the incoming carbon credit proceeds
  - Setting off with the repayment installments (redemption)
  - Interest rate subsidy or subsidization of the fees

# ELENA

## Financing model through participating financial intermediaries



- **Option 1**  
3 components:
  - Global Loan
  - ELENA Technical Assistance
  - Carbon Credits
  
- **Option 2**  
2 components:
  - Global Loan
  - ELENA Technical Assistance
  
- **Option 3**  
2 components:
  - Carbon Credits
  - ELENA Technical Assistance

KfW will base the selection of the PFI on the following:

- **Risk assessment criteria, market position** and **expertise of the PFI** and interest to participate and promote the KfW-ELENA Facility and its objectives
- In case the PFI is a state-owned bank it must have clear financial and commercial autonomy.
- **Expected contribution to the objectives of the EU '20-20-20' Initiative** in terms of reducing greenhouse gas emissions, increasing the share of renewable energies in energy consumption and improving energy efficiency.
- **Expected Leverage Factor** (at least 1/20).
- European Union added value (EU sustainable energy policies, EU Cohesion Policy, impact on the local/regional development, including a positive impact on SMEs, contribution to dissemination of good practices or technologies).
- Absence of other European Commission support granted to the same Applicant for Technical Assistance for the same Investment Programme.

The PFIs will select the Investment Projects of the Final Beneficiaries in line with criteria agreed with KfW. The criteria will include:

- Eligibility of an applicant from a Participating Country.
- **Potential bankability of the Investment Project.**
- Applicant's **financial and technical capacity** to implement and complete the Project.
- Expected contribution to the objectives of the EU '20-20-20' Initiative in terms of reducing greenhouse gas emissions, increasing the share of renewable energies in energy consumption and improving energy efficiency.
- European Union added value (EU sustainable energy policies, EU Cohesion Policy, impact on the local/regional development, including a positive impact on SMEs, contribution to dissemination of good practices or technologies).
- Absence of other European Commission support granted to the same Applicant for Technical Assistance for the same Investment Project.
- **Credit and other banking risks** of the Investment Projects of the Final Beneficiaries will be **borne by the PFI** .

For application KfW requires the following details in relation to the Investment Programme:

- Statement of candidate's **commitment** to the objectives of the Facility
- Description of the planned Investment Programme (**Loan Amount, targeted Region, estimate number and type of Investment Projects**)
- Expected overall **investment costs**
- Expected **leverage factor**
- National targets under the “20-20-20” initiative
- Expected contribution to the “20-20-20” objectives (Estimated results in terms of increase in energy efficiency, decrease in energy consumption, renewable energy production or reduction of greenhouse gas emissions)
- Implementation **timetable** for the Investment Programme
- **Amount, scope and main needs** to be addressed by the requested technical assistance.

For application the following details in relation to the Investment Project are required:

- Sector
- Description of the main impact
- Market replication potential for other municipalities
- Compliance with EU policies
- PFIs assessment of the bankability of the Investment Project
- Financing plan
- Description of the major elements of the institutional, organisational and contractual set-up
- Intended procurement procedure
- Description of previous assessments and studies, if any

In relation to the ELENA technical support

- Total amount requested
- Description of the expected support and its scope
- Description of the major elements of the support
- Detailed cost breakdown of the support
- Implementation timetable and disbursement forecast
- Information on other subsidies or grants received, if applicable
- Description of the main expected impacts of the project development support
- Market replication potential for other municipalities or public bodies
- Draft of the Terms of Reference for launching the technical support.

- Final beneficiaries can **only apply to the ELENA Technical Assistance via Partnering Financial Intermediaries.**
- As soon as the first agreements are signed between KfW and PFIs we will inform on our website.
- Application for ELENA Technical Assistance is combined with **application for financing of the Investment Project.**
- **KfW cannot receive direct applications from local and regional authorities.**



- KfW's proposal is complementary to already existing ELENA approaches:
  - Focus on **small and medium sized municipalities** / investment projects under EUR 50 million,
  - Financing of the projects alongside with the approval for Technical Assistance and
  - Possibility to **combine global loan funding** with **carbon crediting**.
- Providing funding through banks is an **efficient channel of distribution** and a **complementary approach to the EIB Programme**, it supports the creation of a sustainable network of local banks financing energy efficiency investments in municipalities.

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