



TRIPLE-A RECOMMENDATIONS: LESSONS LEARNT TOWARDS ENHANCING ENERGY EFFICIENCY INVESTMENTS

Briefing Note No.11, May 2022

SUMMARY

This Briefing Note summarises all lessons recommendations and learnt from Triple-A activities towards enhancing energy efficiency investments. A series of 9 in total recommendation sets have been developed as integrating highlights from work conducted during the Triple-A project activities. The fields covered in the recommendation sets are barriers and ways for boosting energy efficiency investments at EU and Member States level, risks to overcome, findings from the evaluation and benchmarking of energy efficiency investments, highlights from the development and implementation of Triple-A Web-based Database and the Triple-A Standardised Tools, stakeholder's outreach, and engagement outcomes, as well as lessons learnt from the exploitation strategy for the energy efficiency financing tools that was developed within the framework of the Triple-A project.

KEYWORDS

Recommendation Sets; Policy Making; Energy Efficiency Tools; Policy Framework; Market Architecture; Barriers; Key Outcomes; Synthesis Paper; Financiers; Project developers; EU.

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The Triple-A project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement no. 846569.

1 Introduction

Energy Efficiency (EE) actions are playing a vital role in national economic recovery plans as posed by the current covid-19 pandemic crisis and the current energy crisis, which is getting worse due to the recent war in Ukraine. External and internal factors triggered the current energy crisis leading in an increase of energy prices and a turmoil in energy sector. As EU accelerates its effort towards decarbonisation, policy decision making should focus on security, affordability, and sustainability to pursuit the EU emissions target. EE investments could boost economies and bring long-term benefits for consumers, businesses and environment. To reach these types of investments mobilisation of capital through public and private targeted use of funds, innovative support schemes and decision support tools are required.

2 Barriers opposed to EE investments

The barriers found during the implementation of Triple-A project and should be overcome for the increase of EE investments, separated into 3 main categories. These categories are the **regulatory framework**, as it sets the basis for EE financing, the **market framework** which clearly depicts the situation of the EE projects financing and implementation and, finally, the **key players** including mainly financial institutions and SMEs with the role of project developers.

Regulatory Framework

- **Unstable or misleading regulation** can hinder the implementation of EE projects by the unstable energy prices volatility.
- **Policy distortion by taxes**, subsidies or other policy interventions discourages the implementation of EE interventions.
- **Fluctuation of energy prices** plays significant role on the profitability of EE investments.
- The main factor that implies the financial risk is the **borrower's creditworthiness**, although several instruments and mitigation strategies exist that could be deployed.

Market Framework

- **SMEs focus on expanding their market size and product competitiveness**, leaving behind other factors, such as energy efficiency upgrades.
- **Investors do not perceive the profitability** of EE measures to a great extent.
- The **most numerous** EE projects identified in Triple-A are from **building sector**. However, a **more complete and multisectoral approach** could have more significant results.

Key Players

- **Financing bodies** and **project developers** are the main stakeholder groups actively engaged and triggered in this field of energy EE while **policy makers** followed.
- **Financing bodies** are more active in countries with stronger economy while in countries with strong industry or in economic recovery **project developers** were more active.

3 Stakeholders' perspective

The Triple-A's stakeholder engagement activities are captured through specific actions, such as workshops, webinars, meetings, and questionnaires, with shared interdependencies in the field of EE investments and how to enhance them. Indicative highlights are:

- Most tools and finance schemes available are in some way or another very similar. **What lacks is the room and flexibility to implement the innovative financing schemes** and apply them to existing situations or to introduce new schemes into upcoming projects.
- **Priority** should be given to EE investments - in the **industry and buildings** - in support of the strategy for sustainable finance.
- Provide **economic incentives**, such as **tax exemptions** and **grants** for the implementation of EE interventions.
- **Tools and databases provide benefits** by **building trust** between EE investors and project developers.

- The **inclusion of the EU Taxonomy** has been a hit-and-miss, and was deemed very relevant to some, and less-so for others due to prior knowledge.
- **Simple steps for evaluating EE projects are missing entirely** in several countries (especially amongst Southern and Eastern European locations) and therefore represent a great opportunity for companies and financial institutions to improve their EE investment strategy through Triple-A implementation.

4 Policy framework and market architecture

A set of the 8 Triple-A case study countries Synthesis papers prepared to depict the overview of the applicable regulatory forces, the market architecture and policy framework related to projects in the sectors of buildings, industry, transportation, district energy networks and outdoor lighting. These insights enable a further enhancing of EE investments and inspire decision making in MS and EU level.

- The focus is to increase countries' energy independence, transition to renewable energy sources, decreasing the energy consumption by implementing the modern **low energy technologies** etc.
- Countries with **leading economy** provides a **more complete and multisectoral approach** with support schemes covering a variety of sectors.
- Countries with **slow economic recovery** and prolonged severe recession have **starting to put more attention in EE** and embracing the green and digital transition. This is mainly observed in **building sector** and **renewable energy** respectively.

5 Boosting actions towards EE investments

Taking into consideration all the above, the scope is to gather actions in different aspects and stages for fostering EE investments and increase their impact.

- The regulatory national framework should be prepared to **comply with the EU Taxonomy standards**.
- **A rapid reflex to European Directives** should be guaranteed so as they are **embodied** in the **national legislation** on time and in a manner that they could be easily applied by public and private sector.
- **Relevant policies should be monitored and revised regularly** to ensure their continued effectiveness to accelerate investments in energy efficiency.
- **Partnerships with businesses on decarbonisation**, such as voluntary agreements, to ensure they work towards meeting the long-term climate and energy objectives should be developed.
- **Public grants and guarantees** should be used to support project development, quality assurance, de-risking and insurance costs of multiple EE investments to trigger private sector investments instead of limiting the public funds to fewer wholly funded projects.
- **Incentives should be provided to SMEs and industries** in order to proceed with EE measures.
- **A similar to renewable energy investments approach for boosting actions**, should be adopted towards EE investments, since they are strongly related, and both can have a high positive impact both environmental and economic.
- An appropriate **risk mitigation strategy** for the financial risk is hedging with future (forward) energy contracts or agreements on long term fixed-price energy contracts and long-term fixed interest rates.
- **EU and national policies and resources should work effectively to drive R&D** for optimal EE outcomes.
- **Industry benchmarks and technology maps** should be further developed. A typical evaluation framework should be adopted when a company is regarded as ESG ready.
- **Policymaking should stir towards the standardisation of project design**, in order to make easier the energy efficiency projects replicability.

- Establishment of [EU official tools and guidelines for standardised methods and procedures](#) in benchmarking energy efficiency projects. Outcomes and products of H2020 projects (and other research projects) can be incorporated for a holistic approach of standardisation of EE projects.

6 Benchmarking of EE investments

The Triple-A activities towards the evaluation and benchmarking process of EE investments aim to resolve the main barriers to reliable evaluation and benchmarking of energy efficiency projects' financing. Highlights are summarised below:

- [Building confidence between project developers and investors](#) could be achieved by introducing standardised underwriting methods.
- Standardisation could be achieved by establishing a common (even pan-European) framework of EE project fiches.
- The Triple-A project has deployed a benchmarking procedure in close cooperation with targeted stakeholders, motivating them to draft their EE project ideas into project fiches, insert them into the Triple-A Tools for efficient benchmarking and initiating matchmaking with financing schemes. These projects could be used as best practice approach which in turn can minimise development costs.
- [Replication of projects, either in terms of financing or/and technical solutions](#), is highly desired.
- [Aggregation of EE projects](#) seems to be more critical than other issues, as it has a positive impact on risk assessment and could provide economies of scale.

7 Triple-A Interactive Web-based Database

Another action to enhance trust between financiers and project developers is databases with relevant information. The Triple-A Web-

based Database which contains information about EE financing for the 8 Triple-A case study countries and EE sectors includes data from the Triple-A methodology and risk assessment as well as bottom-up stakeholder consultations. The main highlights emerged for risk mitigation strategies, and financial data that assist EE key actors in their decision-making process are listed below:

- The [creation of a unified creditworthiness system for green investments](#) will facilitate banks and financing institutes that aim to finance green projects as it will drastically simplify and speed up the undertaking procedure.
- Policymakers should focus on [well-structured subsidies for EE projects](#), taking in mind not to disrupt the private investments value chain of EE, as private financing is equally important.
- Policymakers should consider introducing [campaigns and capacity building actions visioning to reduce behavioural risk](#).
- Another mitigation strategy related to the energy market is the establishment of a [clear long-term government tax policy](#) on energy.
- An applicable risk mitigation strategy for the energy market and regulatory risk is [hedging with future \(forward\) energy contracts or agreements on long term fixed-price energy contracts and long-term fixed interest rates](#).
- [Proper accreditation and certification of technology](#) supplies and EE market solutions, mandatory insurances and standardised performance protocols could also play a significant role.

8 Exploitation of EE tools

Replication of projects is highly recommended. Similar projects allow project developers to demonstrate the proof of concept, promote them as a product, and minimise development costs. Therefore, a roadmap for the exploitation of EE efficiency financing tools, such as the Triple-A Tools, is important for their successful implementation, maintenance, and

interoperability along with the update of the new trends' identification of the EE market. The following should be taken into consideration:

- **Private and independent certification** by a reputable company is necessary to gain market position.
- Within the **integration strategy**, various approaches should be considered on how EE financing tools have the potential to generate value within the European EE market.
- Making a **controlled transition of dissemination and marketing efforts from the European project to commercial exploitation** can help maintain the user base and give a sense of coherence

9 Conclusions

The unstable or misleading regulation along with the market's economic uncertainties creates bottlenecks that need to be overcome to boost EE financing. Therefore, countries need a steady flow of financing to meet their long-term energy and climate obligations with the financial institutions (both private and public) are central to the strategy. However, the lack of standardisation procedures creates difficulties and highlights that the building of confidence between project developers and investors is mandatory. To this end, EE financing tools (such as the Triple-A Toolset) and finance schemes should be used widely with the room and flexibility to implement innovative financing schemes.

On top of that, the EU Taxonomy and the inclusion of the ESG criteria should work as the cornerstone of these investments and regulatory frameworks. Moreover, the regulatory frameworks should be ready for a rapid reflex to European Directives, so as to embody whatever required on time and in a manner to be easily applied both in public and private sector. Furthermore, introducing a governmental collateral system would be quite supportive along with a clear long-term government tax policy on energy.

Financing bodies and project developers are the main stakeholders actively engaged and triggered in this field, while policy makers and governmental actors follow. A combination of all of them might have more robust and efficient results as policy makers have the potential to introduce campaigns and capacity building actions vision to cover the abovementioned key issues.

Finally, the establishment of EU official tools and guidelines for standardised methods and procedures in benchmarking EE projects along with a unified creditworthiness system proved to be of great importance and will drastically simplify and speed up the undertaking procedures. Outcomes and products of Horizon 2020 projects (and other research projects) can be incorporated for a holistic approach of standardisation of energy efficiency projects. This could be supplemented by proper accreditation and certification of technologies.

TRIPLE-A IN BRIEF

Triple-A -Enhancing at an Early Stage the Investment Value Chain of Energy Efficiency Projects - is an EU-funded research project under the Horizon 2020 programme, aiming to assist financial institutions increase their deployment of capital in energy efficiency, making investments more transparent.

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