
The Energy Savings Insurance Model

ECEEE – European Council for an Energy Efficient Economy

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2018 Industrial Energy Efficiency Conference

Panel 5 Business models & financing New financing approaches involving digital platforms and de-risking initiatives

Berlin, 11-13 June 2018



This project has received funding
from the European Union's Horizon
2020 research and innovation
programme under grant agreement
No 785061





Agenda

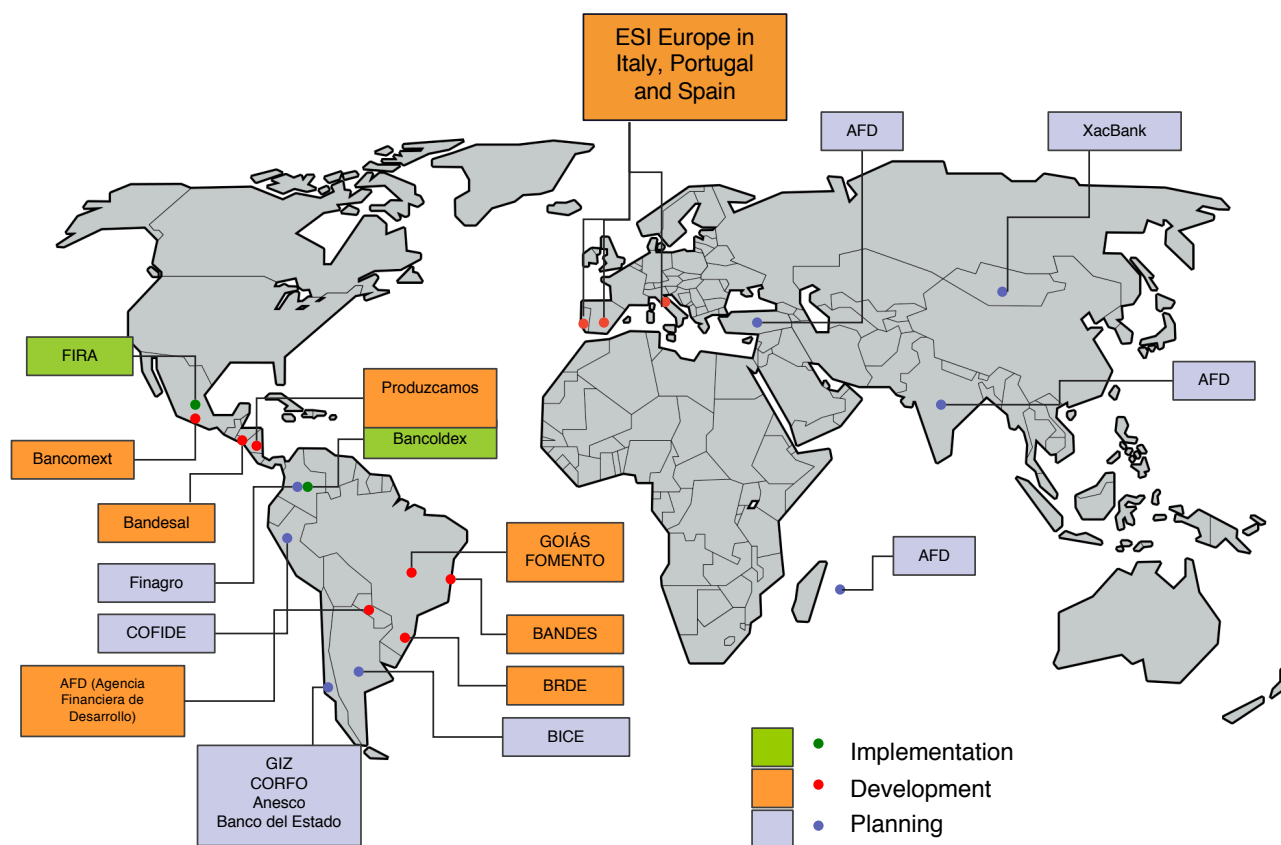
- The ESI Model around the world
- The ESI Europe Project
- Risk perception of Energy Efficiency
- The Energy Savings Insurance Model
- Insured Energy Savings
- Financing Strategy for the ESI Model
- Summary



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The ESI Model around the world



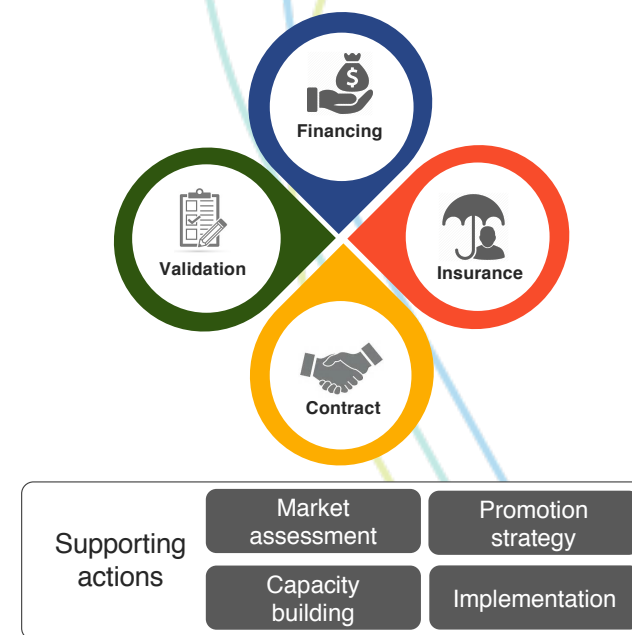
ESI was recognized by the Global Innovation Lab for Climate Finance as one of the most promising instruments to mobilize private sector investments in energy efficiency.

ESI also features in the G20 Energy Efficiency Investment Toolkit.

The ESI Europe project

GOAL: Development of the **Energy Savings Insurance (ESI)** Model in Italy, Portugal, and Spain

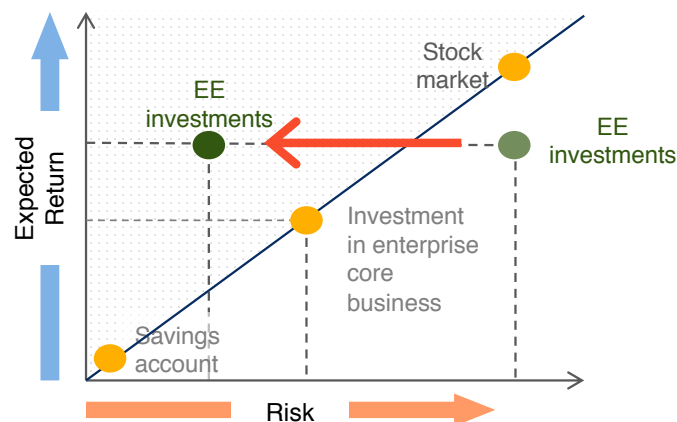
- 3 year project started in February 2018
- Consortium Partners:
 - ✓ Coordinator Basel Agency for Sustainable Energy (BASE) - CH
 - ✓ FIRE implementation in Italy
 - ✓ BCSD Portugal, implementation in Portugal
 - ✓ EnergyLab implementation in Spain
- The expected outputs of the project are:
 - ✓ Setting 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.



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Risk perception of Energy Efficiency



Barriers inhibit enterprises - especially in SMEs - from investing in EE 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 barriers, create **trust** and **credibility** among key actors, **reduce the perceived risk** of stakeholders.



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The Energy Savings Insurance Model

Validation

By an independent technical validation entity

- Evaluation of the experience and credentials of the Technology Provider (TP)
- Technical evaluation of the project to deliver the promised energy savings
- Referee in case of a disagreement between SME and TP when EE results are reported
- Validation Standards (simple, low cost, technology focus, credible, replicable, etc.)



Standardised Contract

Between SMEs and Technology Provider

- Clear and transparent framework for negotiations
- Standard turn-key contract with additional clauses
- Expected efficiency performance, measurement methodology and indicators and reporting requirement of TP

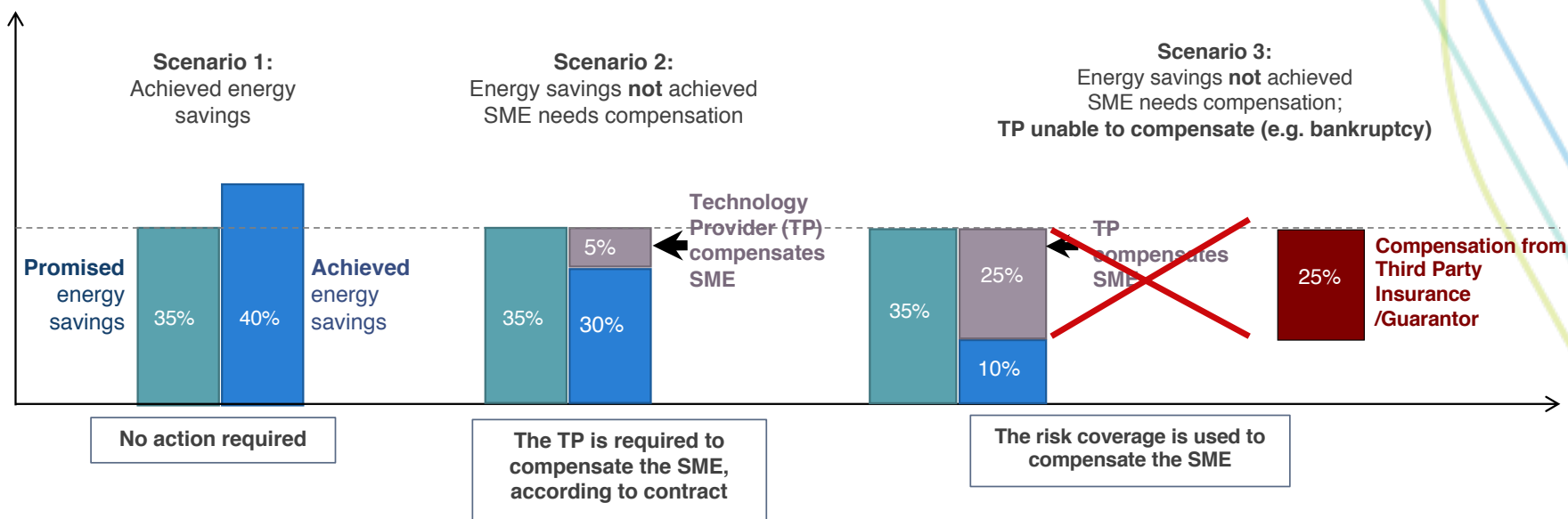
Energy Savings Insurance

By an insurance company (third party), providing a risk coverage product

- Insurance as part of the contract for the technology upgrade
- Insures against the provider failing to fulfil its contractual obligations regarding the energy savings promised to the SME
- The insurance **creates trust** between the SME and the TP, and reduces the risks for the FI in providing loans to SMEs for EE projects.



Insured Energy Savings



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In summary...

- The ESI Model create **trust** and credibility among key actors, reduce the perceived **risk** of stakeholders
- The ESI Model is based on key elements:
 - **Standardised Contract**: provides a clear and transparent framework for negotiations
 - **Validation Standards**: simple, low cost, technology focus, credible, replicable, etc. and an **independent** technical validation entity to provide trust to SMEs, FIs and Insurance
 - **Energy Savings Insurance**: insures against the provider failing to fulfil its contractual obligations regarding the energy savings promised to the SME
- As a financing strategy, The ESI model provides de-risking mechanisms for SMEs – can improve credit conditions (interest and tenor) offered by the FI to the SME; allows banks mobilise their green credit lines



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Thank you for your attention!

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ESI Europe website available soon ...



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