

European Energy Efficiency Fund - Frequently Asked Questions

General Information

What is the European Energy Efficiency Fund (eeef or Fund)?

The eeef aims to provide market-based financing for commercially viable public energy efficiency, renewable energy and clean urban transport projects related to public sector activities in the 28 EU member countries. It contributes with a layered risk/return structure to enhance energy efficiency and foster renewable energy in the form of a public private partnership (PPP), primarily through the provision of dedicated financing via direct finance or/and partnering with financial institutions. The eeef supports the 20/20/20 goals of the European Union Member States. These aim to reduce greenhouse gas emissions by 20%, increase the use of renewable energy by 20% and reduce energy consumption through energy efficiency measures by 20% until 2020.

Who are the beneficiaries of the Fund? What is the municipal link?

Beneficiaries of the Fund are municipal, local and regional authorities as well as public and private entities acting on behalf of those authorities, such as local energy utilities, Energy Service Companies (ESCOs), district heating combined heat and power (CHP) companies or public transport providers. Hence, there has to be a direct or indirect municipal link in the project. This can be achieved either by a direct involvement of a municipality (e.g. building owner, investor) or by a long-term contract between the municipality and a third party (e.g. concession for public transport, Energy Performance Contract (EPC) for a public building).

Which financing instruments and additional services does the Fund provide?

The eeef provides financing for projects on municipal, local and regional level. The instruments, which the Fund can provide include senior and junior debt, mezzanine instruments, guarantees, and equity as well as leasing structures and forfeiting loans. In addition, EUR 20mn of the funding was available for project development services (technical assistance) related to the preparation of projects.

What is the role of Deutsche Bank?

Deutsche Bank acts as the Investment Manager of the Fund. This means Deutsche Bank is responsible for sourcing and evaluation of investments, their due diligence and preparation of the investment proposals. The final decision about the investment will be made by the governing bodies of the Fund.

Is Deutsche Bank invested in the Fund? Can Deutsche Bank co-invest into other larger-scale projects?

Deutsche Bank is one of the Fund's investors. Investments of Deutsche Bank in other larger scale projects are not related to its activities as Investment Manager of eeef.

What is the value added by eeef?

The eeef provides eligible projects with a fast and flexible financing. The Fund offers both debt and equity instruments, and is more flexible with respect to maturities, although the maturity of the financing cannot be longer than the asset life. Equity can be adapted to the needs of the project, debt can be provided for maturities up to 15 years. Despite the commitment of the European Commission, the Fund does not provide subsidies.

What type of investments can the Fund make?

The eeef provides financing for projects on municipal, regional and local level. Investment instruments include senior debt, mezzanine instruments and equity, but also leasing structures and forfeiting loans. Debt instruments can have a maturity of up to 15 years; equity can be adapted to the various needs of project phases. The Fund can co-invest as part of a consortium and participate through risk sharing with a local bank.

Who can invest in the Fund?

The European Energy Efficiency Fund (EEEF) is a public-private partnership open to investments from institutional investors, professional investors and other well informed investors within the meaning of the Luxembourg SIF law. In particular targeted investors are donor agencies, governments, international financial institutions, and professional private investors. Interested investors can contact EEEF.

Eligibility of Projects for eeef Financing

What kind of projects are eligible to be financed by eeef?

eeef will invest in energy efficiency, renewable energy projects and clean urban transport, particularly in urban settings. Sustainable energy investments promoted by local, regional and (where justified) national public authorities, could include but are not limited to energy saving measures in public buildings; investments in high efficient combined heat and power (CHP), including micro-cogeneration and district heating/cooling networks; investments in decentralized renewable energy sources, including micro-generation; clean urban transport; the modernization of infrastructure, such as street lighting and smart grids, as well as investments in sustainable energies with a potential for innovation and growth.

What are the project selection criteria of the Fund?

Investments must achieve at least 20% primary energy savings for EE projects, except for the building sector where a higher percentage is required. Investments in the transport sector will also target a 20% reduction of CO2 emissions. A calculation of actual CO2 savings and of primary energy savings needs to be provided. Details that need to be included are the assumptions and the method of calculation. Public authorities requesting financing for eligible projects should have concrete objectives in place to mitigate climate change (i.e. increasing energy efficiency or use of energy from renewable energy through e.g. the Covenant of Mayors Initiative¹) as well as multi-annual strategies in doing that. The fund only invests in proven technologies. Further criteria apply for specific technologies. To check whether the project meets the eligibility criteria, please refer to the eligibility check available on the eeef website.

Are there preferences on the type of public body or local authority involved?

The level of the authority should preferably be regional or local, but the Fund can also consider projects on a national level.

¹ The Covenant of Mayors is a commitment by more than 2000 signatory towns and cities to go beyond the objectives of EU energy policy in terms of reduction in CO2 emissions through enhanced EE and cleaner energy production and use. For more information please go to: http://www.eumayors.eu/home_en.htm

Are there preferences or quota for specific projects?

The focus of the Fund is on energy efficiency, and in the medium term the portfolio share of energy efficiency is expected to be 70%. Nevertheless no project type is preferred, but the eeef will consider each project that is in line with its investment guidelines.

Are projects with a total volume of less than EUR 5mn excluded from financing via eeef?

Yes, the minimum project size is EUR 5mn (range of EUR 5-25mn).

Are projects with a total volume of more than EUR 25mn excluded from financing via eeef?

No, the EUR 25mn refer to the volume invested by eeef. The Fund can also co-invest in projects with a total size of more than EUR 25mn.

Can national and local funding schemes be combined with eeef?

From the eeef's perspective there is no problem to combine national or local incentive schemes with eeef financing. However, an eeef investment is generally not possible, if the project receives subsidies from other EU programs (Structural Funds, Cohesion Funds etc.). A complementary financing between eeef and above mentioned EU programs is possible if the project can be divided in separate project phases, thereby eeef and other EU programs financing different phases. The principle of 'which EUR buys what' is being applied here.

What criteria have to be met by the participating local authorities?

The public authorities requesting financing for eligible projects should have concrete objectives in place to mitigate climate change (i.e. increasing energy efficiency or use of energy from renewable energy through e.g. the Covenant of Mayors Initiative) as well as multi-annual strategies in doing that. **Is there only a limited amount per country available?**

In the medium term the Fund targets a geographical balance across the EU member states. However, currently and also in the near future this will not constitute a limiting factor for projects and their financing via eeef.

Can eeef invest in projects in EU candidate countries?

No, eeef's activities are limited to the territory of the EU member states.

Can eeef invest in R&D projects?

No, eeef can only provide financing for proven technologies. This means the suggested technology has been successfully implemented on a commercial scale in some projects.

Are projects targeting private households eligible for eeef?

No, eeef is targeting municipal, local and regional authorities and public and private entities acting on behalf of those authorities. At a direct investment level, only social housing projects that generally have a private character are eligible for funding.

Application for eeef Financing

How can we apply for eeef?

Deutsche Bank, as the Fund Manager of eeef, conducts the initial screening and, in case of a positive outcome of this first stage, detailed due diligence of the project. To check the eligibility of the project for eeef please refer to the eligibility check on our website.

Who can apply?

The final beneficiaries of eeef are municipal, local and regional authorities as well as public and private entities acting on behalf of those authorities such as utilities, public transportation providers, social housing associations, energy service companies etc. Projects can directly be submitted by any counterparty involved in the project.

What is the procedure to receive funding?

The Investment Manager will conduct a first assessment about the eligibility of the project and alignment with Fund's investment guidelines, and the overall portfolio fit. If the outcome of the first screening is positive, the Investment Manager will start a due diligence process.

For the due diligence process further project information, such as a financial model, comprehensive project description and technical details are required. Project evaluation will first focus on the portfolio fit with respect to applicable risk ratios and risk-return considerations. The Investment Manager will also analyze whether the Fund's environmental and social objectives are met prior to assessing the project's legal, financial and technical specifications. If necessary, the Investment Manager will support the potential beneficiary to identify more feasible financing structures. Subject to a successful outcome of this analysis, the Investment Manager will prepare an Investment Proposal and the project will be presented to the Investment Committee.

Upon approval by the Investment Committee and by the Management Board, the Investment Manager will prepare the financial closing. The Investment Manager will ensure that all projects comply with the terms and conditions agreed upon prior to the investment. This includes regular (quarterly and annual) review of financial, social and environmental performance.

Can municipal or regional authorities directly submit a project to be financed by eeef, or is the involvement of an ESCO or other advisor/consultant necessary?

Projects can be directly submitted by any counterparty involved in the project, without necessarily participation of an ESCO or broker.

Can the applicant be a private company?

Yes, the final beneficiaries of eeef are municipal, local and regional authorities as well as public and private entities acting on behalf of those authorities such as utilities, public transportation providers, social housing associations, energy service companies etc. The applicant can therefore be a private company, however looking at the complete project there must be involvement of a municipality (e.g. a concession or long-term contract with the municipality, or a co-investment of the municipality).

How to submit a project? Which documents are required?

Deutsche Bank, as the Investment Manager of eeef, would be the first contact with regard to projects. Should you have information on the envisaged project/s (e.g. project teaser or even if available comprehensive project description/investment memo, a financial model, technical and

environmental details etc.), please submit them together with all other information via the eligibility check. The Investment Manager conducts pre due diligence discussions with potential partners to identify how the Fund could fit with the project strategy.

Who is taking the decision, if eeef invests in a project or not?

As Deutsche Bank is the Investment Manager, it screens the projects and conducts the due diligence. However, the investment decision is taken by the governing bodies of the Fund representing its major shareholders.

Is there a call for proposals?

No. Projects can be submitted at any time to the Investment Manager.

What is the application deadline?

There is no deadline for applications as the Fund is investing on an ongoing basis.

Where can I find the application form?

There is no application form for eeef. To check your general eeef eligibility and forward your project details to the Investment Manager, please refer to the eligibility check on our website.

How long does it take to receive financing?

The time between the first screening of the project and the final decision will not exceed six months – provided that all required information is submitted and all contracts are in place.

At which stage should the project be presented to the Investment Manager?

The project can be submitted via the eligibility check at any stage during the development process, preferably once the public procurement process is running or finalized. However, it will be difficult to check eligibility, if the project is at the first days of planning; the general information of the project should be ready to be presented to the eeef. Please note that eeef cannot finance projects that are already implemented and financed.

Financing Terms

Does eeef provide subsidies or grants?

No, eeef has the aim to provide market based financing, and does not provide subsidies or grants. It can provide financing in the form of debt, mezzanine or equity as well as leasing structures and forfeiting loans for specific industry partners.

What interest rates are offered by eeef?

The fund offers market-based financing, so that the interest rate depends on the risk structure of the investment (counterparty risk, technology risk etc.). eeef can provide debt financing with floating and fixed interest rates. In most cases the base rate is EURIBOR and is swapped, if a fixed interest rate is needed.

Do I have to pay back the full amount?

Yes, the eeef provides debt, mezzanine or equity financing. **Is it correct, that eeef essentially provides loans at very low interest rates?**

No, the eeef aims to provide market-based financing. The eeef can provide financing in the form of debt, mezzanine or equity as well as leasing structures and forfeiting loans for specific industry partners. The interest rate depends on the risk structure of the investment (counterparty and technology risk).

How much will eeef invest in the project and what amount of equity is required?

This depends on the respective project. In general eeef can invest up to a maximum of EUR 25mn per project, but the amount will vary between different projects and will be subject to the structure, the project needs and the risk associated with the investment. In case the total Debt/Equity ratio is above a certain level (depending on the single project) and eeef considers it as being insufficient, financing via eeef is not feasible.

Can eeef invest in projects that are already implemented?

The eeef can only invest in new projects, and cannot refinance existing obligations. If the project can be divided into several distinctive project phases, eeef can invest in one of the later project stages.