



Global risk assessment and mitigation strategies – update 1

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CitizEE

Scaling up Public Energy Efficiency Investments via Standardising Citizen Financing Schemes

www.citizee.eu



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2 TECHNICAL REFERENCES

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PU = Public

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5 DISCLAIMER

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6 DESCRIPTION OF THE REPORT

This report provides an update of the map of potential risks and the associated assessment of mitigation and actions of the CFs4EE financing scheme in each pilot country/region.

7 SCOPE OF THE RISK MITIGATION ASSESSMENT

The Risk mitigation assessment focuses on the CFs4EE Financing Scheme as a “project” for which risk mitigation measures should be required in view to ensure the full completion of the objectives of the project: financing energy efficiency projects. The risk analysis therefore concentrates on the processes and activities related to the key following aspects :

- The CFs4EE Financing Scheme development and provisions, meaning all processes and activities required to set-up and operate the scheme. This includes the design of the scheme, the contractualisation and agreements between the scheme stakeholders and the implementation of the scheme.
- The CFs4EE Financing Scheme operations, meaning all processes and activities required to finance energy efficiency projects from identification to completion.
- The CFs4EE Financing Scheme governance and coordination, meaning all processes and activities to ensure a proper governance and coordination of the CFs4EE Financing Scheme stakeholders (e.g. Program authority, co-investors, program or project delivery unit, fund manager, financial intermediary, etc.)

It is understood that the risk mitigation strategy does not focus at this stage on the energy efficiency projects and/or final recipients risks related. This will have to be performed by the scheme management entity when it will be operational.

The main steps of the risk mitigation strategy are listed below:

- Risk identification: comprises listing the different risks and dependencies associated with the implementation and operation of the CFs4EE Financing Scheme, i.e. any uncertain event or condition the realisation or occurrence of which may have a negative impact on the scheme, such as time, cost, scope or quality;
- Risk assessment: the systematic and regular evaluation of the probability and potential impact of the identified risk occurring. Lessons learnt could facilitate the estimation of the probability as well as the impact of the risks. This step is essential to raise awareness among all stakeholders of the possible risks;
- Risk response: the definition of the appropriate required response to the risk. This could be a preventive action to avoid risk occurrence or a corrective action to reduce its impact. Three main types of risks responses can be considered:
 - Avoidance (change the initial plan);
 - Mitigation (reduce the probability or impact);
 - Acceptance (no change to the initial plans).
- Risk monitoring and control: comprises tracking and reviewing identified risks and associated risk response, and identifying and assessing new ones. This is an ongoing process with the review of the report all along the CitizEE project.



8 PILOT PROJECT RISK MITIGATION ASSESSMENT

8.1 VIPA pilot project

Risk	Impact	Priority	Mitigation actions	Contingency action
CFs4EE Financing Scheme development and provisions				
RISK R001: National Promotional Institution needs to get approval from shareholder to implement new project.	CFs4EE Financing Scheme will not be implemented.	HIGH	Regular meetings with Ministry of Finance. VIPA prepared Exante assessment, which includes market funding gap analysis regarding boosting prosumer market.	There is no alternate solution.
RISK R002: Legal acts barriers.	To provide loans for prosumers (individuals) investment platform must cooperate with peer-to-peer lending platforms, because these legal entities are licensed to fund natural persons. However, the Lithuanian Law on consumer credits did not allow legal entities (investment platform) to invest or cooperate in one or other form with peer – to peer platforms till December 2020. The limitation of 500 per one prosumer in above mentioned Law still remains.	LOW	Meetings with the Bank of Lithuania and P2P operators, suggestions for the amendment of the Law on consumer credit.	Alternative solutions for the implementation agreed with the Bank of Lithuania.
RISK R003: Pricing.	The final price to prosumers will be too high which depends on individual investors required rate return.	MODERATE	In order to decrease final return rate, it is possible to enlarge VIPA loan part up to 80 percent.	Search of additional institutional investors.



RISK R004: Channeling.	The product channeling will not reach the target groups (prosumers).	MODERATE	Active P2P operator communication and dissemination campaign.	Additional dissemination actions, campaigns, events.
CFs4EE Financing Scheme operations				
RISK R005: Non eligible costs.	P2P operator will not ensure that funding will be dedicated for EE projects (will be disbursed to the general consumer needs).	MODERATE	Clear procedures.	Refinancing of the loan.
RISK R007: Bankruptcy of P2P operator.	Bankruptcy of P2P operator may disrupt financial operations and accounting.	LOW	P2P operators are obliged by the Law to have business continuity plan.	New P2P operator will be selected.
RISK R008: Loan default.	Loan recipient default rate will be higher than estimated.	MODERATE	Creditability assessments of loan recipients. It is foreseen to finance only low risk loan recipients.	There is no alternate solution
CFs4EE Financing Scheme governance and coordination				
RISK R006: Investment strategy	Investment strategy approved by investors will not be in line with citizen financing.	MODERATE	Change of financing structure and sources.	Funding will be provided directly from VIPA.

IMPACT	Critical			R001		
	Major		R005, R008	R003, R004		
	Medium		R007			
	Minor		R002		R006	
	Negligible					
		Unlikely	Rare	Possible	Likely	Certain
PROBABILITY						

Figure 1: VIPA Risk matrix

8.2 VEB pilot project

Risk	Impact	Priority	Mitigation actions	Contingency action
CFs4EE Financing Scheme development and provisions				
RISK R001: The Flemish Government has to approve the Climate funding source (Vlaamse Klimaatfonds - VKF) into the investment platform for EPC deep retrofit funding channel towards Schoolinfrastructure.	CFs4EE Financing scheme will not be implemented.	LOW	Meetings with key stakeholders (Flemish Cabinet of Energy, Flemish administration Energy and Climate) which are involved to specify the conditions in allocating the financial means in accordance with the terms of the grant agreement.	Finding another grant program which could contribute to the investment platform.
RISK R002: The educational networks (central body) has to co-finance in the EPC deep retrofit invest platform (25% of the grant budget) in order to receive climate funding (VKF) for their sector.	CFs4EE Financing scheme will not be implemented.	LOW	Meetings with key stakeholders (GO! and AGION) which are (mainly) responsible for infrastructure budget for school infrastructure, to let them understand the benefits to leverage the resources through this innovative investment model. Parallel, we started negotiations with the healthcare sector to	Finding another sector to pilot the investment scheme (e.g. healthcare sector). After successful negotiations, it was decided together with VIPA (central body for



			present them the deep retrofit EPC model with co-financing.	infrastructure in the healthcare sector in Flanders), the investment scheme will also be adopted in the healthcare sector.
RISK R003: On beside of the VKF grants (35% of the project Capex) and the ESCO (rescoop) investment, extra infrastructure budget of the school will be needed in order to reach an ambitious retrofitting project including the building envelope. In the classic renovation financing model, without leverage of the resources by the ESCO and VKF-grants, the school can receive more funding for implementing building envelope measures via infrastructure dotation than via the VKF investment platform.	If the OEPC funding model relies on VKF grants and ESCO-financing, without receiving the common resources (infrastructure dotation of the central school body), the schools will doubt to integrate building envelope measures into the OEPC-model deep retrofit model - which is necessary to reach the climate ambitions.	MODERATE	Meetings with the Flemish department of finance and the central bodies of the educational sector (GO! and AGION) in order to discuss to possibility of combining the grants in order to reach the same subsidy rate for building envelope measures as in the common resources (infrastructure dotation model).	There is no alternate solution.
CFs4EE Financing Scheme operations				
RISK R004: Combining ESCO and Rescoop financing on project level and possible impact on their individual business model and the need of risk sharing.	In order to combine ESCO and RESCOOP financing in the project, Rescoops (citizen financing through renewable energy cooperatives) will be asked to operate the PV-installations in an ESC-model, integrated in the ESCO-model.	MODERATE	Meetings with BELESCO and Rescoop Vlaanderen in order to discuss the (potential) impact on their business model, based on 3 pilot cases comparing an integrated project ESCO RESCOOP or stand-alone projects.	There is no alternate solution besides working with a crowdfunding model instead of using the RESCOOP-model for citizen financing.
CFs4EE Financing Scheme governance and coordination				
RISK R005: ESCO contract duration for 20 years or more related to bankruptcy of the ESCO and possibly problems to refinance ESCO's through a forfeiting scheme.	In order to realise resources leverage, a contract duration of 20 years is needed instead of the 10-15 years contract duration	MODERATE	Meetings with the financial sector (private banks) in order to see if a first loss guarantee is needed or not.	Support scheme for ESCO's via Equity.



	which is accepted on the Belgian market right now.			
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IMPACT	Critical	R001				
	Major	R002	R003			
	Medium			R004, R005		
	Minor					
	Negligible					
		Unlikely	Rare	Possible	Likely	Certain
		PROBABILITY				

Figure 2: VEB Risk matrix

8.3 REGEA pilot project

Risk	Impact	Priority	Mitigation actions	Contingency action
CFs4EE Financing Scheme development and provisions				
RISK R001: National Promotional Institution needs to get approval from shareholder to implement new project.	CFs4EE Financing Scheme will not be implemented.	HIGH	Meetings with key stakeholders and possible investors/sponsors of the financing scheme (HBOR, HEP, commercial banks, City of Zagreb).	There is no alternate solution.
RISK R002: Lack of market gap for PV project financing. Based on discussions with potential investors/sponsor and potential clients (investors in PV projects which would use the financing scheme), there is a rather limited scope for the investment	CFs4EE Financing Scheme will not be implemented.	HIGH	Preparation of large pipeline of PV projects in Croatia (through ELENA PVMax project). However, the results will not be visible within the framework of the CitizEE project.	There is no alternate solution.



scheme operation in Croatia.				
CFs4EE Financing Scheme operations				
RISK R003: Non eligible costs.	P2P operator will not ensure that funding will be dedicated for EE projects (will be disbursed to the general consumer needs).	MODERATE	Clear procedures.	Refinancing of the loan.
RISK R005: Bankruptcy of P2P operator.	Investment strategy approved by investors will not be in line with citizen financing.	LOW	Change of financing structure and sources.	There is no alternate solution.
CFs4EE Financing Scheme governance and coordination				
RISK R004: Investment strategy.	Bankruptcy of P2P operator may disrupt financial operations and accounting.	MODERATE	P2P operators are obliged by the Law to have business continuity plan.	New P2P operator will be selected.

IMPACT	Critical				R001, R002	
	Major		R003			
	Medium	R005				
	Minor					R004
	Negligible					
		Unlikely	Rare	Possible	Likely	Certain
PROBABILITY						

Figure 3: Regea Risk matrix

8.4 GOPARITY pilot project

Risk	Impact	Priority	Mitigation actions	Contingency action
CFs4EE Financing Scheme development and provisions				
Risk R001: Investment Platform transition from EFSI to InvestEU not occurring in the timing and conditions expected.	CFs4EE Financing Scheme will not be implemented with the initial intended framework.	MODERATE	Investment platform framework adapted to the actual circumstances.	Work exclusively on model adapted to actual circumstances.
Risk R002: Limitation on access to detailed information of the pipeline of public projects from ADENE due to public contracting/competition regulation.	Less interest from potential partners on the investment side.	MODERATE	Investment platform framework adapted to the actual circumstances.	Besides public projects, intention to bring onboard a relevant component of private projects with less restrains on the information/competition side.
CFs4EE Financing Scheme operations				
Risk R003: Pricing conditions	Mismatch between accepted pricing on beneficiary side and	MODERATE	Potential for structuring the operation with different yields for crowdlending investors and institutional investors.	Search for additional institutional investors.



	minimum searched yield on investor side.			
Risk R004: Lack of investor commitment for longer term loans	Relevant component of the pipeline not finding interested investors, especially on the crowdlending side.	MODERATE	Agreement with BLUECROW with expectations/commitments clearly defined.	Search for additional institutional investors.
CFs4EE Financing Scheme governance and coordination				
Risk R005: Ongoing coordination	No clear commitment from the leader/sponsor and main partners could lead the model not reaching minimum viable scale.	MODERATE	Roles for the main partners (ADENE/GOPARITY/BLUECROW) clearly defined upfront.	GoParity always with a lead role on the coordination.

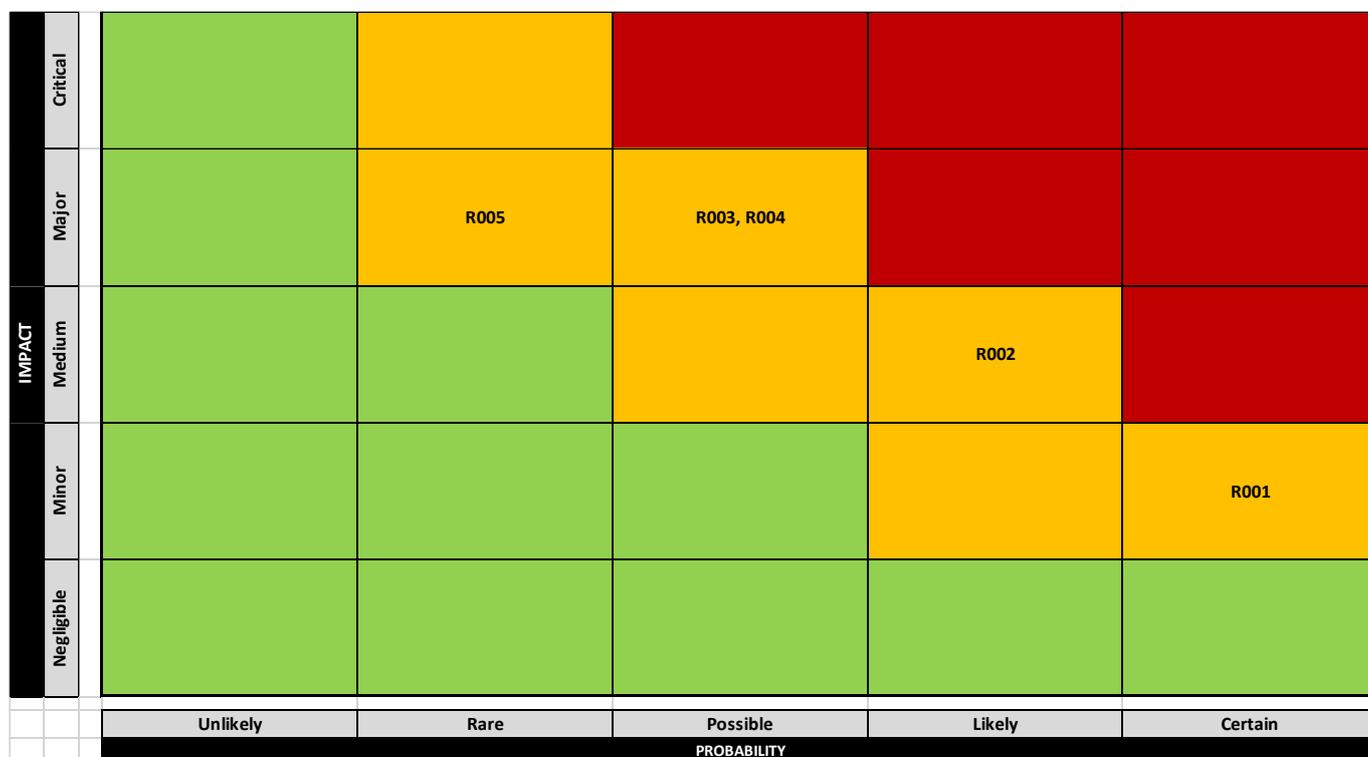


Figure 4: GoParity Risk matrix

