



CITIZEE

CITIZEN FINANCING for
ENERGY EFFICIENCY

OPERATIONALIZATION REPORT (UPDATE 1)

GOPARITY

CitizEE

*Scaling up Public Energy Efficiency Investments via Standardising
Citizen Financing Schemes*

www.citizee.eu



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 847147

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TECHNICAL REFERENCES

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| PROJECT ACRONYM | CitizEE |
| PROJECT TITLE | Scaling up Public Energy Efficiency Investments via Standardising Citizen Financing Schemes |
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| PROJECT DURATION | May 2019 – April 2022 (36 months) |

| | |
|------------------------------|---|
| REPORT NAME | CitizEE_D2.5 |
| DOCUMENT: | D2.5 |
| WORK PACKAGE | WP2 - Set up and running of Citizen Investment Platforms |
| TASK | T2.2 - Operationalisation of the Citizen Investment Platforms |
| DISSEMINATION LEVEL* | PU |
| LEAD BENEFICIARY | GOPARITY |
| CONTRIBUTING BENEFICIARY/IES | All Partners |
| DUE DATE OF DELIVERABLE | 31 March 2022 |
| ACTUAL SUBMISSION DATE | 19 April 2022 |

PU = Public

CO = Confidential, only for members of the consortium (including the Commission Services)

| Version | Date | Beneficiary | Author | Comments |
|---------|---------------|-------------|------------|---------------------|
| V01 | 13 March 2022 | GoParity | Luis Couto | Sonja Wilhelm (WIP) |
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ACKNOWLEDGEMENTS

The work described in this publication has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 847147.

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1 EXECUTIVE SUMMARY

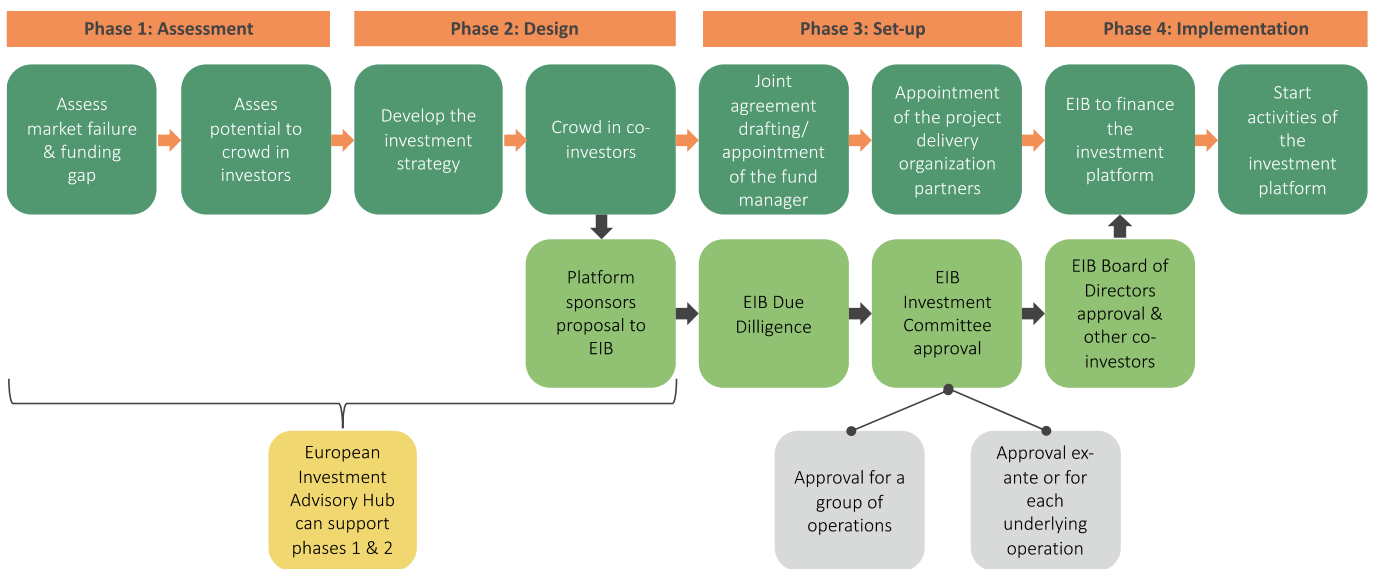
1.1 Description of the deliverable content and purpose

This report aims to report the progress of CitizEE Pilot Countries/Regions against the implementation of the Action Plan to operationalize the Citizen Investment Platforms in their region/country. The report is therefore based on the Master Action Plan to set-up and run Citizen Investment Platform.

The Master Action Plan is the working framework for the duration of the CitizEE project, making the link between the CitizEE Work Breakdown Structure and the steps to take and tasks to perform to establish Investment Platforms under European Fund for Strategic Investments (EFSI)/European Structural Investments Fund (ESIF) regulations. It has been structured according to the development stages of Investment Platforms (Assessment, Design, Set-up, Implementation) which align with the development phases of CF4EE Financing Scheme as detailed in the CitizEE grant agreement.

To set-up the Investment Platform supporting their CF4EE Financing Scheme, CitizEE Pilot Countries/Regions have to drive the process through the main steps described in the figure 1. Each phase and sub-phase of the process is described below according to their alignment on the CitizEE WBS. For more information on the process, we refer to the section 3. How to set-up an EFSI-backed Investment Platform.

Figure 1: The process to set-up an EFSI-backed Investment Platform



For this first operationalization report, each CitizEE Pilot Countries/Regions used an uniform tool to update their progress against the main steps of the implementation of the Action Plan to operationalize the Citizen Investment Platforms in the target regions/country Working planning, witch is part of this report. For this first operationalization report the focus has been on the assessment and design stages.

1.2 Main conclusions

The development of public-private financing instruments and investment platforms are very complex issues and cover a very wide range of options which have complicated the learning curve for members of the consortium with a significant impact on task efforts and timing. Investment platforms backed by EU guarantee are rather new instruments in the landscape of public-private financing with an on-going learning curve at all levels. The process and the pathway to set-up such an instrument is much more demanding than expected and require more task effort for the members of the consortium.



Their development relies also on several different regulations and / or legislative frameworks which are not always consistent with each other. This also had a significant impact of task efforts and timing. The CitizEE project schedule is also affected by the current situation of transition from one MFF (2014-2020) to another (2021-2027). This also applies to the EFSI framework replaced by Invest-EU in January 2021 and the accumulated delay at European level in the approval of the MFF.

Some legislative and regulatory barriers also had a relevant impact for some of the pilot regions. In Belgium, the development of the scheme relied on amendments to the Flemish administrative legislation applying for the regional education administration GO!, that finally didn't went trough, witch led to the revision of the financing shceme. In Lithuania, VIPA also strived with the objective to adapt the legislative framework applying to peer-to-peer lending operators in order to allow crowdfunding platforms to engage in on-lending operations, that finally was approved at the end of 2021 (although the limitation on the investment amount created another barrier, that finally led to the revision of the CsF4EE scheme).

Where pilot regions are led by public administrations and / or public energy agencies (Belgium, Lithuania and Croatia), the support of political and administrative authorities is easier to obtain and engage. This is not the case for Portugal, where GoParity is facing more difficulties to gain and engage the support of the public authorities. Nothwithstanding, for now, a partnership with national energy agencies was able to obtain in order to launch an online investment matchmaking tool.

In complement, during the course of the project, some of the pilots had the departure of relevant partners due to strategic reasons, as well as national reorientation priorities, witch in some cases led to the complete revision of the scheme. That was the case for VEB, were AGION left the local scheme, and the case of REGEA, were a readjustment of government priorities led to the need to rethink the scheme from scratch.

Finally, Covid 19 made the course of the project making even more challenging.

Considering the initial ambitiuous approach, as well as all the practical difficulties encountered during the project, the end outcome is still quite positive, with some of the schemes already implemented and funding, and others with the flexibility to adapt to the actual circunstances ant to find a revised framework. On the other hand, insightfull lessons have also been learned that can also be helpful for public authorities to fine tune their policies. Below a resumed overview of the atual implementation status of the pilots.

Regea Pilot Project

Initial project scope: CFs4EE Financing Scheme based on the development of a loan fund to fund EPC/ESC contracts in the public building sector.

Problems / obstacles encountered: the overall framework for energy retrofit of buildings (public, private, residential) in Croatia is set by the Long-Term Strategy for Mobilising Investment in the Renovation of the National Building Stock of the Republic of Croatia for 2050, which was officially adopted by the Croatian government on December 14, 2020. The Ministry of Spatial Planning, Construction and State Assets is responsible for the preparation and implementation of the strategy, and it was planned to adopt it in the first half of 2020. However, due to the strong earthquake in Croatia in March 2020, which caused significant damage, the above-mentioned strategy was revised and now includes specific measures to increase the seismic safety of buildings (which was the main reason for the delay in adoption). Based on the above-mentioned background and the COVID-19 pandemic, at the beginning of November 2020, and after a year of intense discussions, the Croatian government has finally not committed to the proposed CFs4EE Financing Scheme.

Mitigation actions: When it has been confirmed at the beginning of November 2020 that the Croatian government will not approve the proposed CFs4EE financing scheme, the CitizEE consortium immediately organized several team meetings in order to analyse with REGEA which mitigation strategy could be deployed. It clearly appeared that the EPC/ESCO contracting for public buildings scope was no more an option and that another sector of investment should be investigated. Taking into account the good relationship of REGEA with HBOR (Croatian Bank for Reconstruction



and Development) and the willingness of HEP (National Energy Utility company) to invest in the field of solar PV development, the option that has come to the top, at the time, was to replicate the VIPA model as HBOR and HEP were keen to engage discussions. This option had the advantage to build on an operational IP platform model already known by the EIB with similar partners to the VIPA model (National Promotional Bank as the investment platform operator and National Electric company as co-investor). Unfortunately, commitments from both HBOR, HEP, as well as commercial banks, remained purely declarative without any real legal commitment. In this phase REGEA had contact with other possible co-investors such as cooperatives which are getting more popular in Croatia but in the end of 2021 new initiative was initiated which opened new opportunity for CFs4EE. On 28th October 2021 the City Assembly of the City of Zagreb has officially adopted the Solar Roofs Program, which states the aim of achieving investment in over 50 MW of PVs in the City of Zagreb in the period 2022-2024. The estimated investments to achieve this goal amount to between 30 and 40 Meur, and the adopted document explicitly states that citizen financing is an important element of this investment. Thus establishment of an investment platform with citizen financing elements looks like an excellent solution to implement this investment.

Revised CFs4EE Financing Scheme design and implementation Status

- The business model of the CFs4EE Financing Scheme is being developed and is not yet operable.
- The scope of the business model is being enlarged to include cooperatives funding in addition to the crowdfunding channel.
- REGEA has not yet acquired the commitment of a platform sponsor to further develop the structuring of the Investment Platform.

Next steps & commitment during the Citizee framework

- REGEA will further develop the business model of the CFs4EE Financing Scheme by integrating cooperatives as possible funding channel additionally to the crowdfunding channel.
- In order to achieve the KPIs stated in CitizEE (investment in renewables with citizen-based finance), REGEA has established the first contact and agreed to provide technical support to a PV investment project planned by an energy cooperative to be legally established by the end of April 2021 by cities of Cres and Mali Lošinj (based on the islands of Cres and Lošinj).
- REGEA is looking for other potential similar projects in Croatia, in order to further increase the impact of CitizEE.
- City of Zagreb, besides the mentioned Programme, is constantly developing activities related to City's energy transition. In that regard, REGEA has constant contact (since City of Zagreb is one of the REGEA's founders) and regular weekly meetings related to the topic. In addition to CFs4EE and possible models (investment platform is one of the possible options), currently the establishment of One-stop shop for citizens is under way. Initial focus are citizens with own investments where technical, financial and legal advice, optimization of PV capacity and storage, calculation and modelling of financial feasibility and cash flow will be offered.

GoParity Pilot Project

Initial scope: CFs4EE Financing Scheme based on the development of a loan fund to fund EE/RE investments in public and private buildings.

Problems / obstacles encountered: GoParity has not yet succeeded in finding the IP sponsor/indicative investment fund manager. Some of the relevant potential sponsors with more deep discussions that have failed are:

- IfD (National promoter bank): GoParity maintained conversations at the board level, but IfD concluded their scope didn't allow them to be a sponsor for the time being, although interested in evaluating the possibility to be a co-investor. The government decided during 2020 to proceed with a complete rearrangement of the national promoter bank model, merging IfD with 2 other institutions (PME Investimentos and SPGM), which led to a complete paralysis of ongoing discussions.



- Banco Atlântico – Small local bank: GoParity initiated several negotiations at the board/corporate department level, however due to a change of ownership the negotiations were suspended.
- Grow Capital – Local fund manager: GoParity initiated first conversations, ultimately, they did not evolve.
- Grosvenor – advanced negotiations to create a sub fund for co-investment with the investment platform. More recently, for strategic reasons, Grosvenor put on hold the creation of the sub fund.
- Mitigation actions: GoParity revised their strategy to give more visibility to a potential and real pipeline of public and private projects that could serve as the kickoff of the project and support the value proposition to potential sponsors. GoParity has been working in another H2020 project, BundleUp, that started a second stage in June, called BundleNext. One of the main partners is Adene, the national energy agency, as well as RNAE, the national association of energy agencies - the main purpose of BundleNext is to bring to the investment ready stage a pipeline of energy efficiency projects from public administration. BundleNext will be operating with an online platform under the brand "Ponto Energia". GoParity has been in talks and Adene recognizes the potential fit for Citizee to be a financial instrument to fund the BundleNext pipeline, with an important focus on citizens, and GoParity hopes to bring a future stronger commitment on Adene side (Letter of Intent signed). The goal would be to extend the local brand "Ponto Energia" to Citizee, creating a fully integrated investment marketplace for energy efficiency. This online platform is in the final stage of revision and the public launch will occur in April.

During 2021, with a focus on further involvement and partnership with Adene (facilitator on the project pipeline side), we invited their President to be part of Citizee Advisory Board. Also, we reinforced the Advisory Board with Sofia Santos (facilitator on sponsor side), a well-known local expert in sustainable finance with a good network and knowledge of the financial sector (she is consultant of some local financial institutions and has previously been advisor to the Ministry of Environment and Energy Transition).

Sofia introduced GoParity to Grosvenor, a new local fund manager that recently saw their first investment fund for sustainable investments approved by the Portuguese securities commission (CMVM). Meetings have been made and the outlook seemed positive, but more recently Grosvenor decided to put on hold the potential creation of a sub fund for co-investment with Citizee, with no foreseeable change. Sofia also reintroduced us to Credito Agricola, a medium size bank that starts to be more active in terms of sustainable finance and were a first approach in 2019 didn't evolved.

In parallel we have been in negotiations with another fund manager, Bluecrow, were a partnership for co-investment was aligned (Letter of Intent signed) and flow of sharing of investment opportunities are already in place.

Revised CFs4EE Financing Scheme design and implementation Status

- The business model of the CFs4EE Financing Scheme is being finalized and will be soon operable. Up to this date GoParity has ongoing discussions with Adene and others as a Key delivery partner of the scheme to promote a pipeline of projects in technical development via BundleNext (a local project of which Adene and GoParity are main partners), as well as promote the CFs4EE Financing Scheme within the public sector.
- GoParity has not yet acquired the final commitment of the approached platform sponsors to set up the investment platform – for now, GoParity is assuming the condition of the platform sponsor. Nevertheless, GoParity signed a Letter of Intent with BlueCrow for an investment commitment under the umbrella of an energy efficiency fund under creation by them.

Next steps & commitment during the Citizee framework

- GoParity revised the initial ambitions of the project, with reasonable achievable goals until the end of the project. The focus is being put on the following objectives:
 - Fine tune and operationalization of the partnership with Adene (national energy agency – Letter of Intent signed) and BundleNext, in order to engage as soon as possible investment projects and integration with investment marketplace "Ponto Energia". Online marketplace being concluded and expected public launch to occur in april.



- o Fine tune and operationalization of the partnership with Bluecrow (Letter of Intent signed), in order to assure the commitment of a relevant amount for co-investment under the investment platform - flow of sharing of investment opportunities already in place.
- o In any case, GoParity will engage solo direct crowdfunding for energy efficiency via its existing P2P platform as a way to match the committed pipeline of citizen funding during the course of the project – 17 projects funded already representing 1,3M€ of investment from more than 2.900 citizen investors, with a strong pipeline of projects for the rest of the year.

VEB Pilot Project

Initial scope: CFs4EE Financing Scheme based on the development of a dedicated credit line from the Flemish government to fund alongside ESCOs/RESCoops deep energy refurbishing in public schools through EPC contracting.

Problems / obstacles encountered: At the beginning of October 2020, VEB lost one of its main stakeholders (AGION), which resulted in the adaptation of the Belgian scheme to the remaining partner GO!. The reason for AGION's withdrawal was that they already had a pilot program running on EPC that they wanted to complete first in order to learn from its results, before further developing a new pilot case on EPC. Furthermore, the promotion of citizen funding was not within the scope of their current policy targets.

As to Go!, the stakeholder meetings were unfortunately delayed due to the absence of the head of the Department responsible for energy and the building stock. Subsequently at the beginning of February 2021, GO! also announced their withdrawal from the CitizEE project, but only for the implementation of the pilot project that was foreseen in CitizEE (1 tendering on a pool of 10 schools). GO! is currently still interested to remain in discussion with VEB for further developments of the scheme. However, considering the duration of the GO! decision making process, this will extend beyond the CitizEE timeline. The work done with GO! is not lost, however, cannot serve to deliver the KPI within the CitizEE timeframe.

Mitigation actions: After AGION's withdrawal was confirmed in early October 2020, the consortium organized team meetings with VEB to consider how to reorganize the proposed scheme. Although the original plan was to combine the CFs4EE financing scheme for both education networks (AGION and GO!), the system was primarily designed to meet the needs of AGION, a public entity delivering funding to the subsidized schools of the official subsidized educational network and the free subsidized educational network. Final recipients were to be subsidized private entities allowed to take debt. The scheme was to be readapted to the specific situation of GO! a public administration that operates exclusively with the budget financing mechanism and is not allowed by administrative law to incur debt. For this reason, VEB held intensive discussions with GO! to further adapt the scheme to its specific needs. Since GO! has shown reluctance in starting up a pilot case, VEB is currently reconsidering its options.

- o Firstly, it will see if the financing scheme can be adapted to overcome the current thresholds for GO!.
- o Secondly, in order to meet the CitizEE KPI, VEB is analyzing within its clients base if another public body can replace GO! for a pilot based on the same scheme (see infra) and particularly with some municipalities that are willing to engage deep energy refurbishing through EPC contracts as well as having expressed their willingness to engage within citizen participation.
- o Depending on the public entity chosen, VEB will have to review the IP structuring, as a dedicated credit line from the Flemish government would no longer be the best possible solution. This further impacted the delay in producing the deliverables of Task 4.1 of WP4.

Second half of 2021, VEB worked on different paths to be able to restart successful projects within the CitizEE project period and to provide an EPC-investment platform. Different mitigation actions were successfully taken:

- o The Flemish Government has approved in principle means of the Climate funding source (Vlaams Klimaatfonds - VKF) into the investment platform for EPC deep retrofit funding channel towards Schoolinfrastructure and Care-infrastructure. The central bodies of the education sector (GO!) and Care sector (VIPA) have to co-finance in the IP-platform: 75% of the IP-funding comes from the



Climate fund, 25% of the grant budget comes from the central bodies. This is the approved in principle by all stakeholders (Flemish Government – board of GO! and VIPA):

- Education sector: € 7,5 Mio VKF and € 2,5 Mio GO! = € 10 Mio IP-platform
- Care sector: € 7,5 Mio VKF and € 3,2Mio VIPA= €10,7 Mio IP-platform
- o VEB will be the manager of this investment platform and will allocate the resources to the OEPC projects according to the agreed modalities. The decision of the Flemish government for transfer of the funds to the pilot program has been ratified for the Education sector mid December, 2021, the ratification for the Care sector will be done in April 2022
- o VEB calculated pilot-cases for ongoing ESCO-projects of municipalities combining ESCO and Rescoop financing on project level to get grip on the possible impact on their individual business model and the need of risk sharing between the 2 delivering parties: Rescoops (citizen financing through renewable energy cooperatives) will be asked to operate the PV-installations in an ESC-model, integrated in the ESCO-model. Three projects are being prepared and discussed with the client, ESCO and RESCOOPS to mitigate detected barriers and to be able to deploy this part of the business model sooner.

Revised CFs4EE Financing Scheme design and implementation Status

- CFs4EE Financing Scheme business model is being finalized and will be soon operable. VEB is currently developing the standardized EPC contract framework to make it operable and start project implementation.
- VEB has an agreement in principle with the main stakeholders of the CitizEE project (the Flemish education administration GO!) and a new stakeholder VIPA (the Flemish care sector administration) for a large-scale deployment of the scheme into their buildings stock. With these sector bodies, the modalities of the grant program are under development.
- The Flemish Government has ratified the Climate funding source (Vlaams Klimaatfonds - VKF) as IP sponsor into the investment platform for EPC deep retrofit funding channel towards Schoolinfrastructure and Care-infrastructure.
- The grant subsidy will be 35% of the OEPC-project CAPEX for the educational sector and 30 % CAPEX for the Care sector. On beside of the VKF grants and the ESCO (rescoop) investment, extra infrastructure budget of the sector/institute will be needed in order to reach an ambitious retrofitting project including the building envelope.

Next steps & commitment during the Citizee framework

- VEB is working with GO! and VIPA to implement ‘pilot program’ for the educational and care sector to test the CFs4EE Financing Scheme model in order to replicate it at a larger scale. The IP-platform related to the pilot program will be financed by Flemish Government (VKF) , GO! and VIPA. Citizen funding will be integrated at project level through ESCOs/ESCoops financing with SEC-neutrality treatment (the decision of the Flemish government for transfer of the funds to the pilot program is in preparation and has been ratified at the beginning of December 2021 for the education sector and the ratification for the Care sector will be done in April 2022).
- VEB has analyzed within its clients’ base if another public body can engage as an additional or alternative pilot case, particularly with some municipalities that are willing to engage deep energy refurbishing through EPC contracts as well as having expressed their willingness to engage with citizen participation: 3 pilots are presented right now to the different stakeholders.
- VEB has recruited a junior business developer with an economical background to co-operate on the CitizEE-project and work on financial services the upcoming years (beyond the CitizEE project timeline). Thijs Halewyck has started August 2nd 2021.
- VEB will analyse the overall conditions for the IP platform under the form of a public dedicated credit line from the Flemish government (or alternative) in close cooperation with PMV (Participatie Maatschappij Vlaanderen). The creation of an investment platform will depend upon different factors, namely: the outcome of the analysis (see supra); the scale of the investment target (pilot or dedicated pipeline, one target sector or overall public sector); the



commitment of a potential fund manager; potential investors will depend upon the investment target (EIB, PMV, Private banks).

- Designating a minimum set of criteria/requirements that school buildings need to fulfil in order to be eligible for the call: monitoring scores, investment worthiness, surface area, necessity for heating room replacements and others.

VIPA Pilot Project

Initial project scope: CFs4EE Financing Scheme based on the development of a loan fund to fund solar PV projects.

Problems / obstacles encountered: No particular problems or obstacles encountered besides legislative barriers.

Mitigation actions: In accordance with the previous Lithuanian Consumer Credit Law only natural persons could invest into P2P platform. It was restricted for the legal persons to participate in the P2P platforms' investments. Wherefore it was a legal barrier for VIPA Investment platform to invest together with citizens in RES and EE project. Therefore, it was necessary to amend this law. The initial amendment of the abovementioned law was prepared in the beginning of 2020 by the Lithuania P2P lending and crowdfunding association. VIPA together with this association introduced the necessity of this amendment to all relevant stakeholders. This amendment was adopted by the Parliament of Lithuania on the 15th of December 2020 (after submission periodic M1-M27 report). That means that from now VIPA Investment platform can participate in citizens financing schemes through P2P platforms. However, the limit of 500 Eur per loan that can be provided to the consumer from one creditor through the platform is prevailing, therefore VIPA was discussing with the national regulator of other investment options, that would allow to provide more funds per loan as VIPA is professional investor and does not require for protection when investing through the platforms. After the discussions it was agreed implement VIPA pilot through purchasing the rights of claims from P2P platform operator. It will enable to avoid 500 Eur per loan limitation.

Revised CFs4EE Financing Scheme design and implementation Status

- The Investment Platform is already set-up and operational and has already realized investments with private entities.
- Citizen Financing Scheme business model is being finalized and will be soon operable. Up to this date VIPA has identified general terms for the selection of the P2P platform operator. At this moment general terms are discussed among potential P2P platform operators and VIPA. VIPA was discussing the possibilities to provide funds to the prosumers exceeding 500 EUR limit per loan by buying right of recourse on loans instead of being a direct investor.
- Seeking to avoid 500 EUR limitation per loan VIPA together with P2P platform operators developed new financing scheme, which was introduced to the Bank of Lithuania. Under this scheme the loan will be disbursed to the prosumer by the P2P platform operators and VIPA will buy rights of claim from P2P platform operator.

Next steps & commitment during the Citizee framework

- VIPA applied for the opinion of Public Procurement Office regarding the need to procure the rights of claim under the light of Public procurement law.
- It is foreseen that till the end of the Q2 2022 VIPA will publish the open call. It is expected by the end of the project VIPA will have fully operational financing scheme and hopefully will deliver some investments.



2 ACTION PLAN OVERALL PROGRESS AND RESULTS - REGEA

2.1 Phase 1: Assessment of the Investment Platform/CFs4EE Financing Scheme

2.1.1 Step 1: Assess market demand/market failure(s) and existing financing supply-funding gap(s)

| 1.1. Analysis of the targeted investment sector (beneficiaries/final recipients/investment program) | | | |
|---|--------------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> In progress | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>The most recent development in the strategic context is that on 28 October 2021 the City Assembly of the City of Zagreb has officially adopted the Solar Roofs Program, which states the aim of achieving investment in over 50 MW of PVs in the City of Zagreb in the period 2022-2024. Thus, establishment of an investment platform with citizen financing elements looks like an excellent solution to implement this investment.</p> <p>For the IP, the investment objectives include investments in building integrated PV systems in general. Within the period 2022 to 2024 it is assumed that most of the investment will be realized in PVs integrated in public or commercial buildings (including buildings owned by companies owned/established by the City of Zagreb). The average volume of investment has been estimated at 50.000 eur (60-70 kW of installed capacity).</p> <p>The portfolio of potential projects thus includes a large number (about 550) of small to medium (30-250 kW) projects. The methodology of selecting projects should be based on cost effectiveness, however it should be simple and robust in order to allow evaluation of a large number of projects – i.e. the main selection criteria should be simple payback period.</p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> | | | |

| 1.2. Analysis of market failures and suboptimal investment situation for the targeted investment sector | | | |
|---|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>Based on data from the EU Observer Photovoltaic Barometer 2019 and 2020, Croatia ranks among the lowest per capita installation, despite having considerable solar potential due to geographical location. Even though economic and financial calculations indicate that PV installations can be feasible even without any subsidies (but with the removal of existing legal and organisational barriers), the progress of PV capacity installation in Croatia is very slow compared to other EU countries. This has been identified as a market failure.</p> <p>The main identified barriers responsible for the above described situation are legislative, organizational and in part financial.</p> <p>The main legal barrier is the prescribed purchase price for all building integrated PV electricity sold to the grid, which is considerably lower than the standard electricity price for consumers (bought from the grid). There is a different price for households (which is 90% of the electricity price from the grid for any surplus electricity) and for industry (basically all building integrated PV installations except households, electricity price is prescribed by a formula and in practice it can get as low as 50% or even lower than the electricity price from the grid). In practice this means that the only option in order for building integrated PV systems to be feasible is to consume all produced electricity at the point of production (i.e. by the building). The other legal barrier is that even if all electricity produced by the building integrated PV systems is consumed by the building, it still needs approval from HEP and this takes time.</p> | | | |



Organisational barriers include lack of knowledge and experience, and reluctance of electric utilities (mainly HEP, but also others) and private investors to devote financial means for the preparation and implementation of a large investment program focused on building integrated PVs.

The financial barriers include a lack of dedicated investment products for PV investment on the Croatian market, where commercial banks are offering standard loans in terms of interest rates and required collateral which do not take into account the specifics of PV projects (i.e. lower risks in comparison with most other types of investments due to practically guaranteed cash flow and very predictable maintenance and operation costs). REGEA has carried out dedicated meetings/consultations with representatives of commercial banks as well as HBOR (Croatian bank for reconstruction and development) and in principle the need for a dedicated investment product has been recognized.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

1.3. Evaluation of the financing needs of the targeted investment program

Not started On going Successfully closed Pending

Progress and results

The investment strategy is based on the project portfolio, i.e. the investment sector will consist of a large number of small to PV projects installed. The transaction size is estimated at up to 200.000 eur per project (up to 250 kW capacity).

The investment platform will directly invest in PV building integrated projects which will be realized either as PPA (Power Purchasing Agreement) or guaranteed premium price (based on Law on Renewable Energy Sources and High Efficiency Cogeneration (O.B. 100/15, 123/16, 131/17, 111/18)). In both cases a long-term contract of electricity supply (between 10 and 12 years) will be signed and act as guarantee of payment/revenues.

The total volume of investment is estimated at 27,5 million eur, where possible co-investment from citizens is estimated at maximum of 5 million eur. The citizens will get a guaranteed return rate of 5%.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

Continuous communication with all relevant stakeholders- the first big step was gathering all the important stakeholders on SEIF forum to discuss what are the requirements for implementation of investment programmes and energy projects, what are the practical examples and good practices and what are the roles of the key stakeholders (ministries, APN, public authorities, ESCOs, financial sector, energy agencies and others) in the implementation of the Programme based on the EPC/ESCO model.

1.4. Evaluation of the Financial products to address the financing needs

Not started On going Successfully closed Pending

Progress and results

Financial products have been evaluated during initial analysis- guarantees, loans, quasi-equity, equity, Interest rate or guarantee fees subsidies and grants. For all of these products the conclusion was that in our case they are all applicable except equity which will not be needed in first step.



Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

Development of financial instrument which would combine several financial products and provide final beneficiaries opportunity to develop their project with less risks and higher success rate

2.1.2 Step 2: Assess potential to crowd in investors in the Investment Platform**2.1. Evaluation of the barriers to investment in the targeted investment sector.**
 Not started

 On going

 Successfully closed

 Pending
Progress and results

The main barrier identified is that project developers from the energy sector in Croatia still overly rely on availability of traditional instruments such as European Structural and Investment Funds (ESIF) grants and soft loans from the state-owned Croatian Bank for Reconstruction and Development – HBOR, while supply of this kind of financing is not sufficient to meet the demand. Moreover, in the future, taking in consideration all the goals and targets set within the relevant strategic and legislative documents regarding energy efficiency and sustainable energy investment in general, this financing gap is further exacerbated. Innovative third-party financing and investment models are still not frequently used in Croatia for energy efficiency (EE) and renewable energy sources (RES) projects.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

1. Main task in the future will be encouraging the combining European structural and investment funds and private capital
2. Development of platform which will combine private and public funds
3. Raising awareness among stakeholders on innovative financing mechanisms

2.2. Evaluation of the public and private resources to be potentially raised by the IP.
 Not started

 On going

 Successfully closed

 Pending
Progress and results

During the evaluation process it is decided that designated Fund would be structured specifically to address problems with EPC model in building sector and would be able to address problems as they arise more effectively. Private capital would be mostly focused on forfeiting schemes once projects are developed and in operational phase. This would mean that projects have shown their performance records and the implementation risks and technical risks have mostly been resolved. Finance raised from forfeiting would go back in the fund creating a revolving scheme which then has potential of growth.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

1. The results from the first national SEIF forum will be incorporated in the evaluation process and accordingly implemented in development phase
- 2.
- 3.



2.3. Start discussions with co-investors to define what role they can play in supporting the IP.

Not started On going Successfully closed Pending

Progress and results

The SEIF forum has gathered all the relevant stakeholders- finance providers and project developers, the Ministry of Regional Development and EU Funds, Ministry of Economy and Sustainable Development, Ministry of Physical Planning, Construction and State Assets, Ministry of Finance, Croatian Bank for Reconstruction and Development (HBOR), Croatian Agency for SMEs, Innovations and Investments (HAMAG BICRO), commercial banks and Academia as well as the European Commission, and the European Investment Bank.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

Continuation of discussion with the following stakeholders:

- Commercial banks in Croatia
- Citizens are planned to be included as co-investors through offering guaranteed return on their investment (up to 5%).

2.2 Phase 2: Design of the Investment Platform/CFs4EE Financing Scheme**2.2.1 Step 3: Develop the investment strategy of the Investment Platform****Analysis and design of the Project Delivery Process to support the investment program.**

Not started On going Successfully closed Pending

Progress and results

The estimated organizational set up includes the following:

- *Project Delivery Unit (PDU) - The team assigned to carry out preparation and delivery of project on support or on behalf of the Final Beneficiaries/Recipients*
- *Fund Manager or Financial Intermediary - manages the funds allocated under the Investment Platform and deploy the financing products.*

Key partners organisations include the following:

- *City of Zagreb (establishment of investment platform)*
- *Financial institutions (Provision of capital)*
- *Technical experts (Subcontracted for technical expertise)*
- *Service providers (Supply of equipment and works for installation)*

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

Continuation of development of the applicable model according to market needs and in line with the needs identified by the relevant stakeholders.

Selection of the co-investors to crowd-in and analysis of their requirements to co-invest in the IP, including need for, and level of, preferential remuneration for private co-investors.



| | | | |
|---|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p><i>As a potential sponsors we have identified:</i> <i>HBOR/EIB - financing of first loss guarantee (EFSI)</i> <i>HAMG-BICRO – intermediary - performance risk guarantee (ESIF)</i> <i>HBOR (and commercial banks) – Loans for ESCO`s</i> <i>ESIF- MRDEUF – grants for assets and TA</i> <i>Forfaiting – private finance/Funds</i></p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i> Continuous communication with the relevant stakeholders</p> | | | |

| | | | |
|--|--|--|----------------------------------|
| Selection of the financial products to be offered to the Beneficiaries/Final Recipients and evaluation of the IP funding resources requirements. | | | |
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>It is planned that final recipients (ESCO`s) would have access to guarantees as well as loans and equity. This would help raise finance to develop and realize EPC projects. After initial operating phase, forfaiting schemes would free funds that could be used again for development of new EPC projects.</p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i> Development of financing scheme according to identified needs and parameters</p> | | | |

| | | | |
|---|-----------------------------------|--|----------------------------------|
| Analysis and selection of the appropriate structure for the IP (managed account, contract-based co-financing, risk-sharing arrangement, Special Purpose Vehicle) and definition of co-financing structure, including validation of the sponsor(s) of the IP. | | | |
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p><i>The task has not started yet and is in the process of planning the initial steps.</i></p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i> Actions to undertake are in the process of planning.</p> | | | |



| Elaboration of the investment guidelines of the IP, including terms and conditions for the co-investors, management fees and costs of the IP. | | | |
|--|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <i>The task has not started yet and is in the process of planning the initial steps.</i> | | | |
| Next actions to undertake | | | |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> Actions to undertake are in the process of planning. | | | |

| Set up and quantification of the expected results of the IP by means of output indicators, result indicators and IP-performance indicators as appropriate. | | | |
|--|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <i>The task has not started yet and is in the process of planning the initial steps.</i> | | | |
| Next actions to undertake | | | |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> Actions to undertake are in the process of planning. | | | |

| Definition of the monitoring and reporting systems to monitor the IP operations. | | | |
|--|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <i>The task has not started yet and is in the process of planning the initial steps.</i> | | | |
| Next actions to undertake | | | |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> Actions to undertake are in the process of planning. | | | |

| Assessment of risks and mitigation strategies for the IP. | | | |
|--|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| Critical risks and mitigation strategies: <ul style="list-style-type: none"> National Promotional Institution needs to get approval from shareholder to implement new project - Meetings with key stakeholders and possible investors/sponsors of the financing scheme (HBOR, HEP, commercial banks, City of Zagreb). | | | |



- 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 scheme operation in Croatia.- 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.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives
Continuous monitoring of the risks.

Elaboration of the Business/Financing plan of the IP.

Not started On going Successfully closed Pending

Progress and results

The investment strategy is based on the project portfolio, i.e. the investment sector will consist of a large number of small to PV projects installed. The transaction size is estimated at up to 200.000 eur per project (up to 250 kW capacity).

The investment platform will directly invest in PV building integrated projects which will be realized either as PPA (Power Purchasing Agreement) or guaranteed premium price (based on Law on Renewable Energy Sources and High Efficiency Cogeneration (O.B. 100/15, 123/16, 131/17, 111/18)). In both cases a long-term contract of electricity supply (between 10 and 12 years) will be signed and act as guarantee of payment/revenues.

The total volume of investment is estimated at 27,5 million eur, where possible co-investment from citizens is estimated at maximum of 5 million eur. The citizens will get a guaranteed return rate of 5%.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives
Actions to undertake are in the process of planning.

2.2.2 Step 4: Crowd in co-investors**3 4.1. Assessment of the additionality of the EFSI EU-backed guarantee.**

Not started On going Successfully closed Pending

Progress and results

The task has not started yet and is in the process of planning the initial steps.

Worth mentioning that REGEA is not an eligible applicant to access the EIB/EIAH technical support to set-up an EFSI backed investment platform as it has been confirmed during the previous development of CitizEE with the Croatian Ministry of Physical Planning, Construction and State Assets. EIB/EIAH gave instructions that a Ministry or similar national entity should directly apply.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives
Actions to undertake are in the process of planning.



| 4.2. Drafting of co-funding agreements with selected co-investors. | | | |
|--|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
| Progress and results | | | |
| <i>The task has not started yet and is in the process of planning the initial steps.</i> | | | |
| Next actions to undertake | | | |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> Actions to undertake are in the process of planning. | | | |

| 4.3. Drafting of EFSI Financing request, in line with EIB loan procedures. | | | |
|--|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
| Progress and results | | | |
| <i>The task has not started yet and is in the process of planning the initial steps.</i> | | | |
| Next actions to undertake | | | |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> Actions to undertake are in the process of planning. | | | |

| 4.4. Start EIB loan process & co-investors appraisal & approval process. | | | |
|--|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
| Progress and results | | | |
| <i>The task has not started yet and is in the process of planning the initial steps.</i> | | | |
| Next actions to undertake | | | |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> Actions to undertake are in the process of planning. | | | |

4 ACTION PLAN OVERALL PROGRESS AND RESULTS - GOPARITY

4.1 Phase 1: Assessment of the Investment Platform/CFs4EE Financing Scheme

4.1.1 Step 1: Assess market demand/market failure(s) and existing financing supply-funding gap(s)

| 1.5. Analysis of the targeted investment sector (beneficiaries/final recipients/investment program) | | | |
|---|--------------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> In progress | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>Energy efficiency is gaining dramatic focus of importance, which has been visibly emphasized in the European legal framework and is one of the key public priorities in the fight against climate change. The challenge ahead needs new innovative funding schemes to bring more private investment onboard.</p> <p>Crowdfunding is a highly functional mechanisms to accelerate the investment on energy efficiency. Accomplishing projects which are at the same time delivering evident impact on sustainability and bringing competitive return on investment, is making related platforms an attractive option for decreasing consumption and energy prices and investing in the future.</p> <p>We see the small/mid-market as an opportunity for citizen funding, namely SMEs, Social Institutions and Local Administration with relevant needs for investment in this area but at the same time with constrains in the access to funds that allow to accelerate the energy transition. These players traditionally have high levels of indebtedness or don't have the right KPIs for commercial banking. Less risk averse funding solutions, namely longer maturities, are needed. Complementary, off-balance sheet solutions via ESCOs might also reinforce the funding offer.</p> <p>The scheme intended for the IP will blend public and private institutional funds with citizen funds, in order to give scale and at the same time democratize the access to interesting investment opportunities.</p> | | | |
| Next actions to undertake | | | |
| | | | |

| 1.6. Analysis of market failures and suboptimal investment situation for the targeted investment sector | | | |
|--|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>Gap due to high (perceived) risks - in general when we look at the current market, there's a perceived higher risk on retail banking but, as referred, for lack of expertise. This should be looked as mini project finance, but because we are targeting the middle market transactions costs are high.</p> <p>But for our investment program this will not be an issue. We are also partnering with BundleUP, an H2020 program that works as a technical assistance scheme to bring more investment ready EE projects to the market.</p> <p>Gap due to limited access to (long-term) capital - there's limited access to long term funding. There are a couple exceptions, but there's a general lack of long-term, innovative and tailor-made solutions (less risk averse, more project finance approach and more volume).</p> | | | |
| Next actions to undertake | | | |
| | | | |

| 1.7. Evaluation of the financing needs of the targeted investment program | | | |
|---|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |



| |
|--|
| Progress and results |
| Lack of innovative and tailor-made funding solutions. Specific credit lines on retail banks for this area are limited, not because of higher perceived risk, but because it has not been a priority. |
| Next actions to undertake |
| |

| | | | |
|--|-----------------------------------|---|----------------------------------|
| 1.8. Evaluation of the Financial products to address the financing needs | | | |
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| Focus on Local Administration, Social Institutions and SMEs, the “middle market” that traditionally has constraints to access commercial banking and lacks scale for bigger investors appetite. Indicative investment period of 5 years with a proposed life span of 15 years for the scheme. Proposed types of financing products: | | | |
| <ul style="list-style-type: none"> • Loans with longer maturities on a project/bundle base (project holders as final beneficiaries). • Equity for ESCOs, in order to increase their project development capacity, especially for the public administration projects. Support of the off-balance sheet investment need in a relevant segment of the final beneficiaries (high debt levels). | | | |
| Next actions to undertake | | | |
| | | | |

4.1.2 Step 2: Assess potential to crowd in investors in the Investment Platform

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|---|--|--|----------------------------------|
| 2.4. Evaluation of the barriers to investment in the targeted investment sector. | | | |
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| On the public side we have a relevant pipeline of projects identified but that depends mainly on ESI funds to go ahead. These are not enough for the needs and public entities have limitations on their own funds or increase debt. There is an opportunity for private investor fulfill part of this gap, but there is a need to align interests. Public procurement is a complex area to navigate and public bodies don't proactively look at the private sector as a possible solution. | | | |
| New investment models that can blend public and private funds could be a solution to bring more business opportunities between private and public sectors. | | | |
| Next actions to undertake | | | |
| To continue actions to bring more institutional funds (public and private) to the scheme. | | | |

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|---|--|--|----------------------------------|
| 2.5. Evaluation of the public and private resources to be potentially raised by the IP. | | | |
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| Definitely on the public sector ESI funds are a key part of the solution, with the rest of the funding to potentially come from an IP platform and other private sources. | | | |



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|------------------------------------|
| Next actions to undertake |
| To validate NPDB main conclusions. |

| | | | |
|---|--|--|----------------------------------|
| 2.6. Start discussions with co-investors to define what role they can play in supporting the IP. | | | |
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>NDPB already approached on a previous stage. Although not interested to be a sponsor considering their framework, they were interested to explore opportunity of being a co-investor as soon as the development of the financial scheme is more advanced – talks to be resumed.</p> <p>On the private investor side multiple approaches to investment funds have been made. For now, a partnership with at least one (BlueCrow) has been made for investment commitment in shared opportunities.</p> <p>At last, on the crowd investment side, we have our own crowdfunding platform (GoParity), where we have experience in funding energy efficiency projects (private and not for profit organizations) and also an investment commitment to coinvest in the IP scheme.</p> | | | |
| Next actions to undertake | | | |
| With a visible pipeline of projects, to approach NPDB for an update on the development of the IP scheme and to broaden contacts with other investment funds. | | | |

4.2 Phase 2: Design of the Investment Platform/CFs4EE Financing Scheme

4.2.1 Step 3: Develop the investment strategy of the Investment Platform

| | | | |
|--|--|--|----------------------------------|
| Analysis and design of the Project Delivery Process to support the investment program. | | | |
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>In the end our approach for the CFs4EE Financing Scheme would be for a energy efficiency funding structure with, for now, a partnership between BlueCrow and GoParity as co-investors and with the potential to mobilize an estimated total of 20M€ in funds for loans plus 5M€ for equity. There are ongoing talks with other potential co-investors to enter the scheme.</p> <p>As funding sources, initially it was being considered public funds from NPB, but a more practical approach will be supported, for now, only on private funds from GoParity and BlueCrow community of investors, with an estimated 10M€ from GoParity and 15M€ from BlueCrow over a 5 years horizon period.</p> <p>The investment structure will have GoParity as the coordinator and manager of the IP. GoParity is preparing the launch of a revised online matchmaking investment platform, defining an operational structure and workflow alignment with the core partners of the platform: ADENE and RNAE on the lead generation side (via institutional communication) and, for now, GOPARITY and BLUECROW on the investment side (the intention is to bring on board more coinvestors).</p> | | | |
| Next actions to undertake | | | |
| Continuation of development of the applicable model according to market needs and in line with the needs identified by the relevant stakeholders. | | | |

Selection of the co-investors to crowd-in and analysis of their requirements to co-invest in the IP, including need for, and level of, preferential remuneration for private co-investors.



| | | | |
|--|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| For now only partnerships with BlueCrow and GoParity as coinvestors were set in place. | | | |
| Next actions to undertake | | | |
| Continuous communication with the relevant stakeholders and new potential institutional investors. | | | |

| | | | |
|---|--|--|----------------------------------|
| Selection of the financial products to be offered to the Beneficiaries/Final Recipients and evaluation of the IP funding resources requirements. | | | |
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| For now loans (crowdfunding and investment fund) and equity (investment fund) are the financial products to be offered. | | | |
| Next actions to undertake | | | |
| To bring onboard public funds and eventually other financial products, like guarantees. | | | |

| | | | |
|---|--|--|----------------------------------|
| Analysis and selection of the appropriate structure for the IP (managed account, contract-based co-financing, risk-sharing arrangement, Special Purpose Vehicle) and definition of co-financing structure, including validation of the sponsor(s) of the IP. | | | |
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>We will be advancing for a more lighter and flexible structure in legal and operational terms, under the umbrella of an online matchmaking investment platform that will join CitizEE and BundleNext efforts. This will be an online platform that will promoters and investors. The implementation of the financial products will be the responsibility of BlueCrow and GoParity (or other coinvestors joining the scheme in the future).</p> <p>The intention is to implement a revised matchmaking investment platform supported on the joining of forces between Citizee and BundleNext, with Goparity as the main coordinator.</p> <p>ADENE: partner in BundleNext, responsible for working a lead of public administration projects in order to bring them investment ready and to give visibility and communicate the investment platform solution to close the investment gap on projects that fit the need for funding.</p> <p>RNAE: partner in BundleNext, responsible for working a lead of public administration and private projects in order to bring them investment ready and to give visibility and communicate the investment platform solution to close the investment gap on projects that fit the need for funding.</p> <p>BLUECROW: investment fund with a broader partnership with GoParity and that's interested in investing in energy efficiency projects arising from the pipeline under BundeNext/GoParity umbrella.</p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>Actions to undertake are in the process of implementation, with the matchmaking tool to be launched in April 2022.</p> | | | |



| Elaboration of the investment guidelines of the IP, including terms and conditions for the co-investors, management fees and costs of the IP. | | | |
|--|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| As referred, GoParity and BlueCrow are the initial co-investors. A general framework as been defined for projects to be worked in partnership. Ongoing discussions to fine tune the model, but for know working on a case by case. | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>To continue fine tune of the initial framework partnership between GoParity and BlueCrow and advance for the onboarding of other institutional investors into the scheme.</p> | | | |

| Set up and quantification of the expected results of the IP by means of output indicators, result indicators and IP-performance indicators as appropriate. | | | |
|---|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <i>The task has not started yet and is in the process of planning the initial steps.</i> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>1. Actions to undertake are in the process of planning</p> <p>2.</p> <p>3.</p> | | | |

| Definition of the monitoring and reporting systems to monitor the IP operations. | | | |
|---|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <i>The task has not started yet and is in the process of planning the initial steps.</i> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>1. Actions to undertake are in the process of planning</p> <p>2.</p> <p>3.</p> | | | |

| Assessment of risks and mitigation strategies for the IP. | | | |
|---|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |



| |
|--|
| Progress and results |
| A framework for risk monitoring has been put in place, as referred in the “Global risk assessment and mitigation strategies report”. Considering the revised approach for a more light and flexible investment scheme, no critical risk has been identified. |
| Next actions to undertake |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> To continue the risk monitoring under the current framework. |

| | | | |
|--|--|--|----------------------------------|
| Elaboration of the Business/Financing plan of the IP. | | | |
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| In the end our approach for the CFs4EE Financing Scheme would be for a energy efficiency funding structure with, for now, a partnership between BlueCrow and GoParity as co-investors and with the potential to mobilize an estimated total of 20M€ in funds for loans plus 5M€ for equity. There are ongoing talks with other potential co-investors to enter the scheme. As funding sources, initially it was being considered public funds from NPB, but a more practical approach will be supported, for now, only on private funds from GoParity and BlueCrow community of investors, with an estimated 10M€ from GoParity and 15M€ from BlueCrow over a 5 years horizon period. | | | |
| Next actions to undertake | | | |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> | | | |

4.2.2 Step 4: Crowd in co-investors

| | | | |
|--|-----------------------------------|--|----------------------------------|
| 4.1. Assessment of the additionality of the EFSI EU-backed guarantee. | | | |
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <i>The task has not started yet and is in the process of planning the initial steps.</i> | | | |
| Next actions to undertake | | | |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> Actions to undertake are in the process of planning. | | | |

| | | | |
|---|--|--|----------------------------------|
| 4.2. Drafting of co-funding agreements with selected co-investors. | | | |
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
| Progress and results | | | |
| For now, a partnership between BlueCrow and GoParity as co-investors. There are ongoing talks with other potential co- investors to enter the scheme and the launch of the matchmaking tool in April will increase the potential for more investors to join the scheme. | | | |



| Next actions to undertake |
|--|
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>To launch the matchmaking tool in April 2022.</p> |

| 4.3. Drafting of EFSI Financing request, in line with EIB loan procedures. | | | |
|---|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
| Progress and results | | | |
| <p><i>The task has not started yet and is in the process of planning the initial steps.</i></p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>Actions to undertake are in the process of planning.</p> | | | |

| 4.4. Start EIB loan process & co-investors appraisal & approval process. | | | |
|---|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
| Progress and results | | | |
| <p><i>The task has not started yet and is in the process of planning the initial steps.</i></p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>Actions to undertake are in the process of planning.</p> | | | |



5 ACTION PLAN OVERALL PROGRESS AND RESULTS - VEB

5.1 Phase 1: Assessment of the Investment Platform/CFs4EE Financing Scheme

5.1.1 Step 1: Assess market demand/market failure(s) and existing financing supply-funding gap(s)

| 1.9. Analysis of the targeted investment sector (beneficiaries/final recipients/investment program) | | | |
|--|--------------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> In progress | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>The initial focus of the pilot project within CitizEE was to develop a CFs4EE Financing scheme based to co-finance school energy efficiency upgrades through EPC contracting.</p> <ol style="list-style-type: none"> 1. The first step was an analysis of the stakeholders. A broad stakeholder mapping was executed identifying the main stakeholders for a successful project. VEB has already several projects within the school sector in Flanders. Simultaneously, the project team read the existing reports about the school's building stock in Flanders. 2. In a second step meetings where planned with the main stakeholders to create a broad image of the beneficiaries, the final recipients and the investment program. 3. In a third step in depth conversations were held with the main stakeholders, AGION and GO!, which are the governmental agencies who are responsible for school infrastructure in Flanders. 4. The analysis has been written down in a report which was discussed with the main stakeholders. <p>In total there are approximately 17.995 school buildings in Flanders. There is no exclusion regarding type of school buildings (in grades, education type, funding,...). Regarding ownership, there are different situations (but all are included in the scope):</p> <ul style="list-style-type: none"> • 100% subsidized school buildings Flemish level (Financed by GO!) 'Gemeenschapsonderwijs' (25.34% of students) • <100% subsidized school buildings local authorities' level (co-financing AGION) 'Officieel Gesubsidieerd Onderwijs' (15.26% of students) • <100% subsidized school buildings (co-financing AGION) 'Vrij Gesubsidieerd Onderwijs' (59.40% of students) <p>Half of the educational buildings in Flanders are 50 years or older.</p> <p>At the beginning of October 2020, VEB lost one of its main stakeholders (AGION), which resulted in the adaptation of the Belgian scheme to the remaining partner GO! Also, the scope of the public infrastructure was broadened, to include not only school infrastructure but also healthcare infrastructure.</p> <p>During the pilot phase, in order to remove the existing thresholds and get more insight in the barriers in order to structure the financial instruments, we work together with the school network GO!= 100% subsidized school buildings Flemish level (Financed by GO!) 'Gemeenschapsonderwijs' (25.34% of students), with a building portfolio of 4000 buildings.</p> <p>Based on an analysis of the Flemish Energy and Climate agency (policy advisory department), there is also a huge investment gap for Energy renovation (deep retrofit) in the healthcare sector. This sector (Operating regime 7/7, 24/24 and energy intensive) fits well within the OEPC business model.</p> <p>Along the CitizEE project, we have decided to also work on a pilot investment project with the healthcare sector as risk mitigation action. This is to make sure that at least one pilot project would successfully start within the timeframe of the CitizEE project.</p> | | | |
| Next actions to undertake | | | |
| No further actions are needed. | | | |



1.10. Analysis of market failures and suboptimal investment situation for the targeted investment sector

Not started On going Successfully closed Pending

Progress and results

Based on several stakeholder meetings with AGIO, GO!, PMV (Flemish promotional bank), ESCOs and the expertise of the project partner Energinvest, the main market failures and suboptimal situations were identified and reported in the D2.12 CFs4EE Financing Scheme Pilot Projects Evaluation and Action Plan report. They are summarised below.

Failures

- **Limited balance sheet/borrowing capacity:** The Flemish government (and therefore, the subsidized entities such as the school building owners) is confronted with limited capacity to finance on-balance sheet due to limited internal funds (equity), budgetary priorities and the ESA regulation. Current structural resources cannot simply solemnly be used for energy-saving measures, given the urgency of comfort, safety and capacity problems in many school buildings that are being tackled with these resources.
- **High transaction costs** The project development within the procurement phase ('facilitators') has a perceived high cost for the building owner. Cost drivers are external studies and time intensive processes (many workshops, meetings, back-and-forward communication on the tendering documents, legal reviews, M&V planning, ...) A trade-off exists between higher up-front costs in the facilitation phase (condition surveys and detailed audits) and higher risk compensation from the ESCO's side. If the ESCO has not sufficient information to develop its offer: they will build upon assumption and calculate a risk-margin.
- **High upfront costs affecting the profitability** (*see above*)

Financing gap

- **Viability gap** The Viability gap exists on the public funding side: the high upfront investment, limited loan possibilities plus no adapted grant schemes prevents the right investment from happening.

Next actions to undertake

No further actions are needed.

1.11. Evaluation of the financing needs of the targeted investment program

Not started On going Successfully closed Pending

Progress and results

Provide a brief description of the work carried out and its progress towards the objective and give a summary of the financial needs you intend to cover with the IP/CFs4EE Financing Scheme.

In consultation with the main stakeholders and Energinvest, various financial simulations were drawn up in order to determine the financial need and consider various scenarios. The scheme will primarily focus on 'Comprehensive Energy Refurbishment' and NZEB Energy Refurbishment in line with the Flemish long-term renovation and climate strategy. It includes integrated energy conservation measures on the building envelope and the technical building systems to achieve very high energy performance levels. To fulfil the objectives of the Flemish long-term renovation and climate strategy an annual investment of €350 mio is required. However, currently, only €60 mio is available. This is current financial gap is to be addressed by the Financing Scheme.

Depending on the real estate strategy of the building stock, various levels of 'intensity' in renovations can occur. In some cases, when the building is labelled to be demolished after e.g. 10 years, only limited measures of energy refurbishment will be implemented. The aim is to define the right level of ambition and a right level of clustering to deploy cost-effective investments. Within a cluster to be procured, different levels of ambition can occur.



The following scheme gives an estimation of the possible investment. The scheme will start with several pilots during 2021 - 2025 to scale up in the following years. However, the estimations are strongly dependent on political approval, in line with the on-balance investment budgeting.

Additional towards the investment objectives are slightly adapted in line with the modalities of the funding source of the pilot investment platform (see below).

- Target of comprehensive energy refurbishment = at least 45% CO₂-reduction
- No technical lock-ins, integrating the building envelope and the technical building systems
- Projects will focus on buildings with a replacement need of HVAC (heating) and upgrading building envelope in the meantime (building age 30 – 40 years), in line with the ESCO-business model and the subsidy | infrastructure dotation
- The granted subsidy will amount to a total of 35% of the CAPEX

Next actions to undertake

No further actions are needed.

1.12. Evaluation of the Financial products to address the financing needs

Not started On going Successfully closed Pending

Progress and results

Provide a brief description of the work carried out and its progress towards the objective and give a summary of the financial products you intend to offer through the IP/CFs4EE Financing Scheme.

In consultation with the main stakeholders and Energinvest, various financial models were drawn up in order to address the financing needs.

In the end, and after the revision of the scope and stakeholders taking part in it, the indicative financial product to be offered by the investment platform will be concessional loans to public entities with terms up to 40 years, based on the general assumptions:

- ‘Comprehensive Energy Refurbishment’ and NZEB Energy Refurbishment in line with the Flemish long-term renovation and Climate Strategy to become Climate Neutral by 2045
- K-level 40 (EPC-label A)
- At least -45% CO₂ reduction in comparison to the current status of the building energy usage
- Capital grants are maximum 35% of the CAPEX
- Citizen co-financing for renewable energy (ESC) (equity) realized by local RESCOOPS (local economy) on project level

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

5.1.2 Step 2: Assess potential to crowd in investors in the Investment Platform

2.7. Evaluation of the barriers to investment in the targeted investment sector.

Not started On going Successfully closed Pending

Progress and results



Provide a brief description of the work carried out and its progress towards the objective and give a summary of the barriers faced by investors in the targeted investment sector.

VEB calculated pilot-cases for ongoing ESCO-projects of municipalities combining ESCO and Rescoop financing on project level to get grip on the possible impact on their individual business model and the need of risk sharing between the 2 delivering parties: Rescoops (citizen financing through renewable energy cooperatives) will be asked to operate the PV-installations in an ESC-model, integrated in the ESCO-model. Three projects are being prepared and discussed with the client, ESCO and RESCOOPS to mitigate detected barriers and to be able to deploy this part of the business model sooner.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

1. Decision on the financial model needs to be taken first.

2.8. Evaluation of the public and private resources to be potentially raised by the IP.

Not started On going Successfully closed Pending

Progress and results

Provide a brief description of the work carried out and its progress towards the objective and give a summary of the public and private resources to be potentially raised by the IP/CFs4EE Financing Scheme.

In consultation with the main stakeholders such as the public financing bodies for schools (GO! and AGIO) various financial resources were discussed. The conclusions were written down in a report. (See also 1.4)

Next actions to undertake

No further actions are needed.

2.9. Start discussions with co-investors to define what role they can play in supporting the IP.

Not started On going Successfully closed Pending

Progress and results

Provide a brief description of the work carried out and its progress towards the objective and give a summary of the discussions with co-investors in the IP/CFs4EE Financing Scheme.

The Flemish Government has approved in principle the financial resources of the Climate funding source (Vlaams Klimaatfonds - VKF) into the investment platform for EPC deep retrofit funding channel towards school infrastructure and healthcare infrastructure. The central bodies of the education sector (GO!) and healthcare sector (VIPA) have to co-finance in the IP-platform: 75% of the IP-funding comes from the Climate fund, 25% of the grant budget comes from the central bodies. This is approved in principle by all stakeholders (Flemish Government – board of Go! and VIPA):

- Education sector: € 7,5 Mio VKF and € 2,5 Mio GO! = € 10 Mio IP-platform
- Healthcare sector: € 7,5 Mio VKF and € 3,2 Mio VIPA = € 10,7 Mio IP-platform

VEB will be the manager of this investment platform and will allocate the resources to the OEPC projects according to the agreed modalities.

5.2 Phase 2: Design of the Investment Platform/CFs4EE Financing Scheme

5.2.1 Step 3: Develop the investment strategy of the Investment Platform

6 Analysis and design of the Project Delivery Process to support the investment program.



| | | | |
|--|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p><i>Provide a brief description of the work carried out and its progress towards the objective and give a summary of the project delivery organization and process to support your IP/CFs4EE Financing Scheme.</i></p> <p>We are currently in the phase of on going discussions with main stakeholders (central body of GO!) to design the project delivery process. This process will be based upon the previous experiences of the stakeholders.</p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <ol style="list-style-type: none"> 1. Elaboration of the Project delivery process 2. Cooperation agreement between the partners. | | | |

| | | | |
|---|-----------------------------------|--|----------------------------------|
| Selection of the co-investors to crowd-in and analysis of their requirements to co-invest in the IP, including need for, and level of, preferential remuneration for private co-investors. | | | |
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p><i>Provide a brief description of the work carried out and its progress towards the objective and give a summary of the status of discussions with co-investors and their requirements to co-invest.</i></p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <ol style="list-style-type: none"> 1. 2. 3. | | | |

| | | | |
|---|-----------------------------------|---|----------------------------------|
| Selection of the financial products to be offered to the Beneficiaries/Final Recipients and evaluation of the IP funding resources requirements. | | | |
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p><i>Provide a brief description of the work carried out and its progress towards the objective and give a summary of the financial product you intend to offer with the IP/CFs4EE Financing Scheme and the funding resources requirements.</i></p> <p>In consultation with the main stakeholders such as the public financing bodies for schools (GO!)the potential financial products were evaluated. See 1.4.</p> <p>As previously referred, after the revision of the scope and stakeholders taking part in it, the indicative financial product to be offered by the investment platform will be concessional loans to public entities with terms up to 40 years.</p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> | | | |



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Analysis and selection of the appropriate structure for the IP (managed account, contract-based co-financing, risk-sharing arrangement, Special Purpose Vehicle) and definition of co-financing structure, including validation of the sponsor(s) of the IP.

| | | | |
|---|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
|---|-----------------------------------|--|----------------------------------|

Progress and results

Provide a brief description of the work carried out and its progress towards the objective and give a summary of the IP structure you intend to set-up and the choice of the sponsor.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

- 1.
- 2.
- 3.

Elaboration of the investment guidelines of the IP, including terms and conditions for the co-investors, management fees and costs of the IP.

| | | | |
|---|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
|---|-----------------------------------|--|----------------------------------|

Progress and results

Provide a brief description of the work carried out and its progress towards the objective and give a summary of the investment guidelines of your Investment Platform.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

- 1.
- 2.
- 3.

Set up and quantification of the expected results of the IP by means of output indicators, result indicators and IP-performance indicators as appropriate.

| | | | |
|--------------------------------------|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
|--------------------------------------|--|--|----------------------------------|

Progress and results

Provide a brief description of the work carried out and its progress towards the objective and give a summary of the expected results and indicators to be used.

We are currently meeting with the main stakeholders on a regular basis.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

1. Workshop on quantification by Energinvest.
2. Decision on the scope of the pilots (i.e. buildings which are going to be renovated).



3. Refine the financing needs during workshops with the final beneficiaries (based on scope of renovation and other needs: comfort, water,...)
4. Develop final financial strategy together with GO!

Definition of the monitoring and reporting systems to monitor the IP operations.

Not started On going Successfully closed Pending

Progress and results

Provide a brief description of the work carried out and its progress towards the objective and give a summary of the monitoring and reporting systems to be used.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

- 1.
- 2.
- 3.

Assessment of risks and mitigation strategies for the IP.

Not started On going Successfully closed Pending

Progress and results

Provide a brief description of the work carried out and its progress towards the objective and give a summary of the risk and mitigation strategies for the IP.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

Elaboration of the Business/Financing plan of the IP.

Not started On going Successfully closed Pending

Progress and results

Provide a brief description of the work carried out and its progress towards the objective and give a summary of the Business/Financing plan.

For now we were working towards a 'pilot case' in which we want to try out the CFs4EE before scaling up to test broad applicability. The pilot would focus on an Energy Performance Contract (EPC) for deep renovation for a selected number of buildings of GO! And VIPA.

Due to the long preparation trajectory of an EPC, it is yet unclear, if the KPI's will be met within the duration of the project. We have analysed within our current EPC project pipeline for an EPC project which is eligible as a pilot case for the CFs4EE (part of the business case for Citizen Funding on project level).

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives



6.1.1 Step 4: Crowd in co-investors

| 4.1. Assessment of the additionality of the EFSI EU-backed guarantee. | | | |
|---|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <i>Provide a brief description of the work carried out and its progress towards the objective and give a summary of the additionality quantification.</i> | | | |
| Next actions to undertake | | | |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> | | | |

| 4.2. Drafting of co-funding agreements with selected co-investors. | | | |
|---|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
| Progress and results | | | |
| <i>Provide a brief description of the work carried out and its progress towards the objective and give a summary of key elements of the co-funding agreements.</i> | | | |
| <p>On the second half of 2021, VEB worked on different paths to be able to restart successful projects within the CitizEE project period and to provide an EPC-investment platform. Different mitigation actions were successfully taken, namely the Flemish Government has approved in principle means of the Climate funding source (Vlaams Klimaatfonds - VKF) into the investment platform for EPC deep retrofit funding channel towards Schoolinfrastructure and Care-infrastructure. The central bodies of the education sector (GO!) and Care sector (VIPA) have to co-finance in the IP-platform: 75% of the IP-funding comes from the Climate fund, 25% of the grant budget comes from the central bodies. This is the approved in principle by all stakeholders (Flemish Government – board of Go! and VIPA):</p> <ul style="list-style-type: none"> • Education sector: € 7,5 Mio VKF and € 2,5 Mio GO! = € 10 Mio IP-platform • Care sector: € 7,5 Mio VKF and € 3,2Mio VIPA= €10,7 Mio IP-platform | | | |
| Next actions to undertake | | | |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> | | | |
| The decision of the Flemish government for transfer of the funds to the pilot program is in preparation and has been ratified at the beginning of December 2021 for the education sector and the ratification for the Care sector will be done in April 2022. | | | |

| 4.3. Drafting of EFSI Financing request, in line with EIB loan procedures. | | | |
|---|-----------------------------------|--|----------------------------------|
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
| Progress and results | | | |
| <i>Provide a brief description of the work carried out and its progress towards the objective and give a summary of the key elements of the EFSI Financing request.</i> | | | |



| |
|--|
| Next actions to undertake |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> |

| | | | |
|--|-----------------------------------|--|----------------------------------|
| 4.4. Start EIB loan process & co-investors appraisal & approval process. | | | |
| <input checked="" type="checkbox"/> Not started | <input type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
| Progress and results | | | |
| <i>Provide a brief description of the work carried out and its progress towards the objective and give a summary of the appraisal & approval process status.</i> | | | |
| Next actions to undertake | | | |
| <i>Provide a brief description of the next actions to take to reach the objectives</i> | | | |



7 ACTION PLAN OVERALL PROGRESS AND RESULTS - VIPA

7.1 Phase 1: Assessment of the Investment Platform/CFs4EE Financing Scheme

7.1.1 Step 1: Assess market demand/market failure(s) and existing financing supply-funding gap(s)

7.1.2 Step 1: Assess market demand/market failure(s) and existing financing supply-funding gap(s)

| 1.13. Analysis of the targeted investment sector (beneficiaries/final recipients/investment program) | | | |
|--|--------------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> In progress | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>The ex – ante assessment was necessary for starting the Investment Platform activities. The ex – ante analysis aimed to identify: 1) The scope of market failures or suboptimal investment and the estimation of public investment needs, 2) The identification of the most suitable financial instrument for covering market gap and the estimation of public intervention as well as possible State aid implication, 3) The proposal of the investment strategies, financial instruments and products, target groups, final recipients and beneficiaries. 4) Specification of expected results including measurements as well as indicators. The ex – ante assessment was approved by the Ministry of Finance of the Republic of Lithuania. Identified market gap till 2030 – 1.187 million EUR. The main reason for this market gap is conservative risk assessment, which is applied to prosumers. Lithuania set a goal – till 2030 to have 500.000 prosumers. That means 30% of electricity users should be able partly or fully generate electricity from renewable energy sources such as a solar power plant for their needs. Investment strategy aims to provide a suitable financial instrument for Prosumers in Lithuanian Market. Prosumers are persons or legal entities (companies) as well as public sector, who generate electricity from renewable energy sources only for their own energy needs. However, investment platform will be focusing on Prosumers as natural persons. Since Lithuania approved Remote prosumers model, households can produce and use electricity for their own needs at different locations, using net metering principle. Prosumers can generate energy from any renewable source (wind, hydro, biogas, solar, geothermal, biomass etc.) However, investment program will focus on solar power plants. In ex ante assessment was stated, that one house use in average 2.750 kWh energy per year. To cover this electricity need, prosumer must install in average 2.75 kW capacity of solar power plant. Estimated instalment costs for 1 kW capacity of solar power plant are 914 EUR. The numbers of projects and households depend on attracting capital and the volume of investments</p> | | | |
| Next actions to undertake | | | |
| 1. Updating the ex – ante analysis if significant changes of market conditions appear. | | | |

| 1.14. Analysis of market failures and suboptimal investment situation for the targeted investment sector | | | |
|---|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>The investment platform will provide loans to Prosumers through financial intermediaries (for instance Crowdfunding platform operators). Financial intermediaries will be responsible for project implementation and will assure project technical and performance risk. Final recipients of the CFs4EE financing scheme will be prosumers – natural persons (citizens), who will generate electricity from renewable energy sources for their own energy need. The covered volume of final beneficiaries of the investment program depends on the into investment platform attracted and for this investment strategy dedicated amount of capital.</p> <p>Project developers are responsible for solar plant installation and maintenance. They are assuring all project technical and performance risks. Therefore, final recipient (prosumer) has no risks related to the performance and</p> | | | |



technical issues. However, project developers (companies) are in most cases too small and have limited access to finance. This implicates, that they cannot provide any partial sell options or financing to prosumers.

For prosumers (natural persons) the main hurdle is the high financing price, which is related to creditworthiness and lack of collateral.

Banks' lending is the only financing source so far for prosumers. There are no other financing offering or alternative funding on the Lithuanian market.

Potential prosumers have limited access to finance because they have restricted extent of private equity as well as risk mitigation elements. The second issue is that the payback period is longer than the loan tenor. These inefficiencies lead to long – term capital limitation.

Prosumers –natural persons, as well as project developers. The scope is to provide financial support to around 14.0000 prosumers. Project beneficiaries can also be project developers.

Next actions to undertake

To provide soft loans at preferential conditions to prosumers or project developers.

1.15. Evaluation of the financing needs of the targeted investment program

Not started On going Successfully closed Pending

Progress and results

Investment platform seeks the cooperation with peer – to – peer lending platforms. 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. Therefore, to finance prosumers the cooperation with peer – to – peer lending platforms are legal and wanted. Distribution channel of financial intermediaries allows not only to boost project pipeline, but also to attract more funding from private investors.

Next actions to undertake

1. N/A - action is finished

1.16. Evaluation of the Financial products to address the financing needs

Not started On going Successfully closed Pending

Progress and results

The financial instrument (loans) should open the access to long term funding. This funding option will unlock the prosumers market in general, which might have a positive impact on the financing supply side. On the other hand, this will boost technological development and increase efficiency. To foster Lithuanian prosumer market, financial instrument should cover more risks (like loss given default) or be able to mitigate as well as better estimate project risks.

Loans to prosumers) can cover up to 80 percent of the investment amount.

The loan tenor is up to 7 years.

Interest rates depend on many factors – risk assessment, term, , loan extent etc. However, high financing costs affect negative the demand of Prosumers projects. To boost the prosumer market in Lithuania IP provides loans with lower interest rates than commercial lender.

Next actions to undertake

Adopt financial product to the market needs.



7.1.3 Step 2: Assess potential to crowd in investors in the Investment Platform

| 2.10. Evaluation of the barriers to investment in the targeted investment sector. | | | |
|---|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>One of the targeted investment sectors – prosumers market. The best way to reach prosumers and to attract private funding to this market is P2P platforms. Here we faced a legal barrier - in accordance with previous the Law on Consumer Financing the loan providers in the P2P platforms could be only natural persons. The operators of P2P platforms have initiated amendment of the Law on Consumer Financing which would create a possibility for the legal entities, institutional investors, fund managers etc. to become investors in P2P platforms. This amendment came into force in the end of 2020.</p> | | | |
| Next actions to undertake | | | |
| N/A - action is finished | | | |

| 2.11. Evaluation of the public and private resources to be potentially raised by the IP. | | | |
|--|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>Now our Investment platform have signed financing agreement with the EIB. EIB will provide up to 12.5 million euros for EE (including prosumers) projects, the additional 12.5 million is under negotiation with the EBRD (due diligence is in process). Also, we have equity investor EEEF, which committed to invest in Investment platform 10 million Eur.</p> <p>IP also seeks to attract investments from private resources focusing on individuals. Private investments in IP could be possible through cooperation with peer to peer platform operators.</p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>Finish dd process with the EBRD and sign financing agreement</p> | | | |

| 2.12. Start discussions with co-investors to define what role they can play in supporting the IP. | | | |
|---|--|--|----------------------------------|
| <input type="checkbox"/> Not started | <input checked="" type="checkbox"/> On going | <input type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>There is a huge demand to finance prosumers. Prosumers financing could be provided through P2P platforms attracting additional private co-investors. Initial discussions with operators of P2P platforms has been started, possible cooperation strategy has been drafted.</p> <p>Operators of P2P platforms could benefit for reaching of high number of prosumers and attracting additional funding from private investors in P2P platforms.</p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>Further discussions with Association of crowdfunding and P2P.</p> | | | |



7.2 Phase 2: Design of the Investment Platform/CFs4EE Financing Scheme

7.2.1 Step 3: Develop the investment strategy of the Investment Platform

| 8 Analysis and design of the Project Delivery Process to support the investment program. | | | |
|--|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>The investment platform's strategy has been developed and approved by its management bodies. The organizational structure and the investment strategy of the Investment Platform set the project delivery organization and process.</p> <p>It is planned that VIPA would select a private P2P operator to implement the CFs4EE Financing Scheme. Private P2P operators would perform several functions, such as raising funding from citizens, administering the funds, administering the projects, assessing, and managing the risks, etc.</p> | | | |
| Next actions to undertake | | | |
| To launch the open call for P2P operators. | | | |

| Selection of the co-investors to crowd-in and analysis of their requirements to co-invest in the IP, including need for, and level of, preferential remuneration for private co-investors. | | | |
|--|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>VIPA's Investment platform has signed financing agreement with the EIB. EIB will provide up to 12.5 million euros for EE (including prosumers) projects, the additional 12.5 million is under negotiation with the EBRD (due diligence is in process). Also, we have equity investor EEEF, which committed to invest in Investment platform 10 million Eur.</p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>N/A - action is finished</p> | | | |

| Selection of the financial products to be offered to the Beneficiaries/Final Recipients and evaluation of the IP funding resources requirements. | | | |
|--|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| Loans to the prosumers to finance 80 percent of the PV installation costs. | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>N/A - action is finished.</p> | | | |

| Analysis and selection of the appropriate structure for the IP (managed account, contract-based co-financing, risk-sharing arrangement, Special Purpose Vehicle) and definition of co-financing structure, including validation of the sponsor(s) of the IP. | | | |
|--|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |



IP was established in 2018. IP is structured as separate legal entity (limited partnership) managed by VIPA, which acts as General partner and equity investor, which acts as Limited Partner.

Additional financing is attracted through EIB through the loan agreement. EBRD funding is under negotiation.

Also, possibility to co-invest in the project level is also foreseen (in the case of prosumer financing through P2P platforms).

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

N/A - action is finished.

Elaboration of the investment guidelines of the IP, including terms and conditions for the co-investors, management fees and costs of the IP.

Not started On going Successfully closed Pending

Progress and results

IP is structured as limited partnership. Existing investment strategies are part of limited partnership agreement. New investment strategies can be adopted in partners meeting.

Limited partnership is managed by general partner (VIPA). VIPA has a right to cover all incurred cost from the income of IP. If there is not enough income to cover incurred cost, limited partners are obliged to cover these costs for VIPA from their commitment to the equity.

Next actions to undertake

Provide a brief description of the next actions to take to reach the objectives

N/A - action is finished.

Set up and quantification of the expected results of the IP by means of output indicators, result indicators and IP-performance indicators as appropriate.

Not started On going Successfully closed Pending

Progress and results

VIPA has already establishes an IP for energy efficiency project financing and prosumer market. VIPA seeks to increase the investors' contribution and to achieve 1:5 leverage ratio. The significant part of this financing should be raised from individuals to co-finance and leverage IP's funding.

Second goal of the IP is to provide funding for financially viable projects, which have payback period less than 10 years. The expected outcome is to finance directly or through peer to peer platforms approx. 3.000 prosumers. One installation of PV generates 4.050 (4.5 kWp * 900 kWh) kWh green energy per year. The target is to generate 12.150 MWh (3.000 prosumers * 4.050 kWh) solar energy per year. This will help to reduce the emission factor in Lithuania not less than 0.153 tCO₂/MWh.

Next actions to undertake

Further adaptation of the condition of the financial product to achieve the outcome indicators.

Definition of the monitoring and reporting systems to monitor the IP operations.

Not started On going Successfully closed Pending

Progress and results



As it was mentioned above IP is structured as limited partnership. In accordance with the partnership agreement VIPA acts as a general partner and is obliged to report all activities to advisory committee.

Advisory committee comprises of representative of equity investors in IP. The main functions of advisory committee are to provide overall guidance to the general partner, review the activities and governance of the IP, etc.

Also, VIPA as general partner must submit reports to EIB under funding agreement.

Next actions to undertake

Assessment of risks and mitigation strategies for the IP.

Not started On going Successfully closed Pending

Progress and results

VIPA acts as a general partner in Limited partnership Energy Efficiency Financing Platform (EEFP). The general partner oversees and runs the business while limited partners do not partake in managing the business. For the sake of simplicity, and the management of conflict of interests that may arise between two entities, the risk governing structure applicable for the IP is the same as for VIPA. We apply 8 grades rating scale for credit risk valuations, same credit limits for the sector and for the client (interconnected group of clients). For the risk mitigation we use collaterals and guarantees, if these are available, together with the financial covenants. However particular measures depend on a product and client and are usually assessed individually.

For retail beneficiaries we would apply the creditworthiness assessment provided by credit bureaus and accept only clients with the high or medium grade. The risk mitigation tools are limited for VIPA and applicable ex-post very much depending on well-structured processes of debt recovery usually outsourced.

Next actions to undertake

Elaboration of the Business/Financing plan of the IP.

Not started On going Successfully closed Pending

Progress and results

The established investment platform has 10 million EUR private equity, which was attracted from private investor. European Investment Bank (EIB) landed to the investment platform 12.5 million EUR. Additional 12.5 million loan from EBRD is still under negotiation process. In this case the borrowed money is seen as public financing.

The national goal of Lithuania is till 2030 to have 500.000 Prosumers and to cover 1.187 million EUR financial gap. If the investment platform collects 35 million EUR, it will provide financing for around 14.0000 ((35.000.000/ (2,75*914)) Prosumers. The market gap would be covered by 3 presents.

P2P will provide loans to prosumers

According to financing plan IP is planning to provide till the end of 2023 approximately 22 million Eur loans to final beneficiaries. This should ensure over 1.5 million Eur income from Loan interest rates in year 2023 and generates over 600 thousand Eur net profit in the same year.

Next actions to undertake

To extend the project pipeline regarding to IP business and financing plan.



8.1.1 Step 4: Crowd in co-investors

| 9 4.1. Assessment of the additionality of the EFSI EU-backed guarantee. | | | |
|--|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Pending |
| Progress and results | | | |
| <p>One of the main operational objectives of EFSI is to finance operations that provide additionality. According to Article 5 of the original EFSI Regulation operations provide additionality when: (a) they address market failures or sub-optimal investment situations, and (b) they could not have been carried out in the period during which the EU guarantee can be used by the EIB.</p> <p>The first condition described above (addressing market failures) is in fact the “standard” requirement for a public institution in order not to crowd out/displace private sources of financing, but rather support projects which would not receive adequate financing with appropriate terms from the market (due to market failures). The second condition (operations could not have been carried out by the EIB Group or other existing Union financial instruments in the absence of EFSI) is specific to EFSI, and requires it to be additional not only to market sources, but also to the financing that would have been provided by the EIB Group and other Union financial instruments in its absence.</p> <p>EIB performed additionality assessment as one of their due diligence process steps, thus VIPA has provided EIB with market demand/supply/gap analysis which was performed before approaching EIB.</p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>N/A - action is finished</p> | | | |

| 4.2. Drafting of co-funding agreements with selected co-investors. | | | |
|--|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
| Progress and results | | | |
| <p>As already mentioned, IP attracted 12.5 million Eur from EIB as debt provider. The additional 12.5 million EUR is under negotiation with EBRD. Due diligence process is ongoing. IP’s equity investor is EEEF, which committed to invest in Investment platform 10 million Eur.</p> | | | |
| Next actions to undertake | | | |
| <p><i>Provide a brief description of the next actions to take to reach the objectives</i></p> <p>N/A - action is finished.</p> | | | |

| 4.3. Drafting of EFSI Financing request, in line with EIB loan procedures. | | | |
|---|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
| Progress and results | | | |
| <p>There is no specific EFSI financing request to be prepared. To benefit from EFSI resources deployed through the EIB, projects need to undergo the standard EIB due diligence process. This process helps to verify if your project is eligible for EIB financing. If it is and EIB operational department proposes that it be backed by EFSI, it will be presented to the independent Investment Committee to decide on the use of the EU-guarantee.</p> | | | |
| Next actions to undertake | | | |
| | | | |



4.4. Start EIB loan process & co-investors appraisal & approval process.

| | | | |
|--------------------------------------|-----------------------------------|---|----------------------------------|
| <input type="checkbox"/> Not started | <input type="checkbox"/> On going | <input checked="" type="checkbox"/> Successfully closed | <input type="checkbox"/> Aborted |
|--------------------------------------|-----------------------------------|---|----------------------------------|

Progress and results

Provide a brief description of the work carried out and its progress towards the objective and give a summary of the appraisal & approval process status.

In terms of EIB (EFSI backed) loan there are no special formalities involved for the submission of applications to the EIB. Project promoters are required simply to provide the EIB (Operations Directorate or countries representatives) with a detailed description of their investment together with the prospective financing arrangements (information about – project promoter, technical and environmental data, financial data, transaction structure, etc.). Initial contacts to discuss a proposed project can be in any form, by telephone, fax, e-mail, or letter. The project promoter should provide sufficient information to allow the EIB to assess whether the project adheres to EIB lending objectives and has a well-developed business plan.

The process of issuing of EIB loans is provided in the picture below:



Next actions to undertake

