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FINANCING ENERGY TRANSITION IN CITIES

Financing schemes increasing energy efficiency and renewable energy use in public and private buildings

COMPARATIVE STUDY



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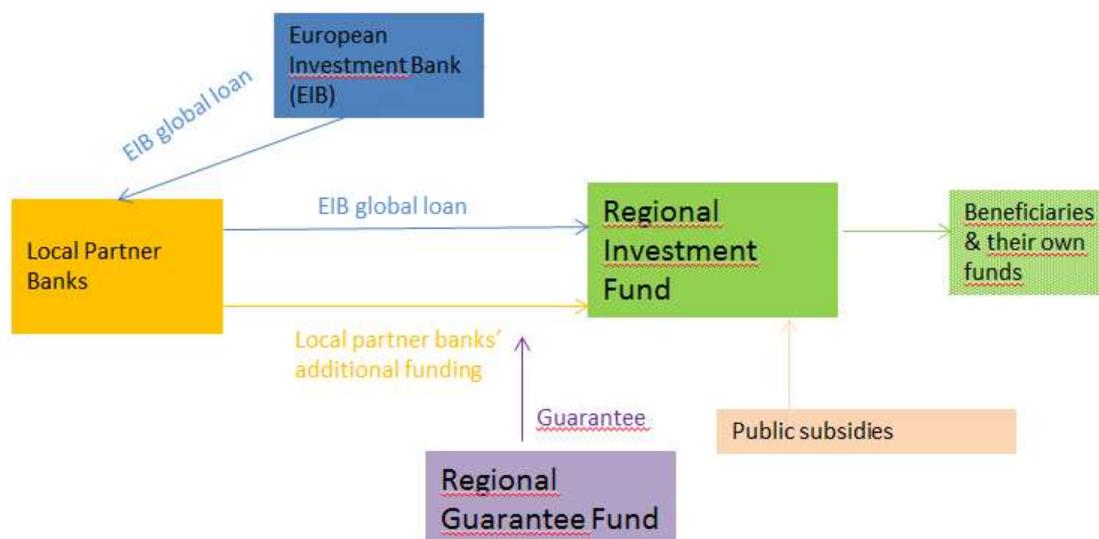
Regional Investment & Guarantee Fund, Regional Schemes Targeting Private Housing *Centre Region, France*



1. The financing scheme at a glance

One of the political priorities of the region Centre in France for the years 2010-2014 was to make out of the region the 'eco-region for all'. After adoption of the Agenda 21, the region started to define its long-term vision and developed a Territorial Climate Plan with an objective to reduce the greenhouse gases emissions on the territory by 40% by 2020. To enable the Climate Plan implementation, the region set up an '**Investment Fund for Green Economy**' and the '**Regional Guarantee Fund**' supporting sustainable energy projects in local authorities in enterprises via **soft loans and guarantees**. It also supports home owners of individual houses and condominiums via soft loans, zero-interest loans and grants.

2. Business model - How is the financing scheme implemented?



Description

The Region aims at supporting renewable energy production and energy renovation of existing buildings via two financing instruments:

The Investment Fund for Green Economy – ‘Preveo’

Several partner banks contribute to the Investment Fund:

- **The European Investment Bank (EIB)** which is committed to finance 50% of envisaged investments in 2012-2015 by the release of a credit line of € 150 million. This credit line is disbursed by the local partner banks if the project value is lower than € 25 million. For the projects of higher value, an approval of the EIB is necessary.
- **Local partner banks** - Banque Populaire Val de France, Caisse d'Epargne, regional banks Crédit Agricole de la Touraine et du Poitou, Centre Ouest, Centre Loire et Val de France - which will provide additional funding of at least equivalent value.

Leverage of at least **€ 300 million** is thus obtained to encourage decentralized renewable energy production (solar, wind, biomass, geothermal and biogas) on the one hand, and the construction of low energy buildings or energy renovation of existing buildings on the other hand.

The Regional Guarantee Fund

This Fund was set up in partnership with **OSEO** to support Very Small Enterprises (VSE) and Small & Medium Enterprises (SME). OSEO is a public company which provides financing to French SMEs with the aim to support their creation, growth, innovation, foreign investments as well as creation of new jobs.

Date of creation	2012
Fund size	<u>Initial fund size:</u> The Investment Fund ‘Preveo’: €300 million The Regional Guarantee Fund: unknown <u>Annual budget:</u> not applicable
Financial sources	The Investment Fund: <ul style="list-style-type: none">- European Investment Bank - €150 million- Local commercial banks (Crédit Agricole, Caisse d’Epargne et Banque Populaire) - €150 million The Regional Guarantee Fund: <ul style="list-style-type: none">- Region Centre- Oséo
Fund character	Revolving
Operational costs of the scheme	Unknown

Organisation & partnerships

- **The Region Centre:** takes political decisions, initiates the creation of the Funds, develops strategies and plans, supervises the management of the Funds, contributes to both Funds
- **EIB and local partner banks:** contribute to the Funds, manage and disburse the Funds
- **OSEO:** contributes to and manages the Regional Guarantee Fund

Internally, within the regional administration, the following actors have been involved in the Funds set up and operation:

- **Political committee:** political representatives (vice-presidents) responsible for finance, economic development, environment & energy and innovation
- **Technical committee:** a project team comprised of administrative staff responsible for finance and budget, energy efficiency, legislation
- **Project Director:** responsible for the management of the project team, reporting to the Political Committee and ensuring link between the both committees

3. Beneficiaries - How do they benefit from the scheme?

Beneficiaries:	Any client without restriction on the legal status with the exception of physical persons: craftsmen, businesses of all sizes and in all sectors of activity (VSE, SMEs, large companies), local authorities, associations, social housing organisations, etc.
Types of projects:	<ul style="list-style-type: none"> Decentralised renewable energy production in the region: solar, wind, biogas, biomass, geothermal Energy renovation of existing buildings achieving minimum 20% energy consumption reduction Construction of new low energy buildings achieving the label "BBC Effinergie +"
Type of financial support	<p>Soft loans: Loans at preferential rates are offered to beneficiaries. The interest rate is lower than the actual market rates at the date. The interest rates vary depending on the duration of the loan and type of project. The Regional Guarantee Fund significantly improves the financial conditions for the VSE and SME.</p> <p>Other tools set up by the Region to support certain beneficiaries:</p> <ul style="list-style-type: none"> A Mutual Fund Equity investments in SMEs

The beneficiaries follow this procedure:

- **They contact one of the local partner banks** and check whether they are eligible for the financial support.
- If the beneficiary is eligible, the bank helps him establish the most appropriate financing plan, taking into account type of the project and financial situation of the beneficiary. If the project is accepted, the bank offers a soft loan to the beneficiary.

The Regional Guarantee Fund managed by OSEO provides guarantee for 50% of the loan granted by the local partner banks (excluding the EIB loan). The Region implement a simple and practical procedure: no additional action is to be taken by the beneficiaries since the guarantee request will be addressed to OSEO directly by local partner banks.

4. Results

The first 'Preveo' soft loan was signed in April 2013 between the Caisse d'Epargne and the Beauval ZOO, in partnership with the Centre Region and the European Investment Bank. A loan of €2 million was granted on a total investment of € 2.3 million for the construction of a biogas plant. The Centre Region and OSEO guarantee part of the loan. This project will reduce the gas consumption by 40%, green electricity will be sold to the EDF and fertilizers will be provided to local farmers.

5. Promotion

The Region communicates about the funds and other complementary schemes via:

- Brochures, leaflets (see page 21), newsletters, press releases, etc.
- Energy Info Centres (Espaces INFO Energie)
- Website (in French): <http://energies-centre.regioncentre.fr>