REHVA Brussels Summit 2023 – Energate expert talk

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THE ENERGATE PROJECT:

ENERGATE will provide a smart energy marketplace for sustainable investments in buildings. The ENERGATE marketplace will be implemented through an ICT-based platform, which, on the one hand will aim to mobilise and accelerate the creation of National Energy and Climate Plans (NECP)-compatible credible project pipeline and on the other, it will aim to facilitate the financial closure and project implementation by offering standardisation, risk mitigation and appropriate "packaging" of investments. This will require a fully integrated matching and blending mechanism, fund management and of course the appropriate measuring and verification protocols. Here is a link to the website: https://energate-project.eu/.

THE ENERGATE EXPERT TALK:

The ENERGATE Expert Talk commenced with a keynote address by **Peter Sweatman**, Chief Executive and Founder at Climate Strategy & Partners. Peter, as sustainable finance expert, highlighted key points regarding the EU Renovation wave, emphasizing the untapped opportunities it presents, juxtaposed with the dearth of information and qualified services hindering renovations.

The discussion brought forth several pivotal insights regarding the imperative nature of annual deep renovations, estimated at 3.5 million, to effectively propel the energy transition. This staggering figure underscores the urgency and scale required to meet the evolving energy efficiency goals. A significant opportunity emerged from recognizing the vast potential locked within the €10 trillion home equity in Energy

ENERGATE ENERGY EFFICIENCY MARKETPLACE

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Renovation Loans (ERLs). This substantial equity represents a formidable resource that could be harnessed to provide substantial financial support for renovation endeavours. Amidst these deliberations, the importance of standardized processes offered by numerous authorized lenders stood out prominently. These standardized procedures are instrumental in streamlining the complex financing landscape, ensuring efficiency and reliability in securing funds for such critical projects. Peter advocated for the strategic utilization of existing financial tools like Zero Coupon, Guarantee, and Targeted Longer-Term Refinancing Operations (TLTRO) to further facilitate and bolster these renovation initiatives. Leveraging these established mechanisms could significantly support the financial aspects of the projects. Furthermore, the conversation underscored the necessity of aligning the interests of lending institutions with those of EU entities and customers. A concerted effort in this alignment is crucial to foster a collaborative approach that ensures sustainable financing and promotes the common objectives of all stakeholders involved. There was a clear call for instilling confidence among Member States to actively engage in renovation projects. Building this confidence is essential to encourage their enthusiastic participation and commitment toward achieving sustainable development goals within the region. Finally, the discourse emphasized the vital need for standardized legal contractual frameworks. These frameworks play a pivotal role in providing transparency, consistency, and security in financial agreements, ensuring that these initiatives are underpinned by robust and reliable contractual structures.

Following Peter, **Csaba de Csiky**, from the ENERGATE consortium, introduced the project, portraying it as a milestone initiative in energy project financing. He stressed the project's ability to bridge the institutional investor gap by amalgamating assets from various developers within a standardized quality and legal contractual framework.

The emphasis was placed on the importance of standardization across multiple dimensions within the project. This included standardization in three critical aspects: legal contractual frameworks, defining energy parameters for sustainable buildings, and standardizing data formats.

The key conclusions drawn from the discussion were centered on the pivotal role of finance in scaling sustainable energy assets in both the EU's Business-to-Consumer (B2C) and Business-to-Business (B2B) markets. It was underscored that standardized contracts play a crucial role in facilitating scalability. These contracts serve as the fundamental basis for trading Sustainable Energy Assets through securitization, thereby expediting deal closures and fostering market growth in energy efficiency. The discourse emphasized the importance of transitioning the HVAC (Heating, Ventilation, and Air Conditioning) sector to adopt an "HVAC as a Service" model. This transition was highlighted as crucial by REHVA Supporters, as it not only opens avenues for new potential clients but also standardizes services through the ENERGATE platform. ENERGATE's Smart Marketplace for Sustainable Investments was outlined as a platform that streamlines access to sustainable finance for renovation projects. It achieves this through matchmaking mechanisms and standardized presentations to potential investors. Furthermore, the advantages of employing standardized contracts were elucidated. These advantages include enabling contract multiplication and replication, providing off-balance sheet treatment, offering standardized flexibility for multipurpose use, and ultimately supporting the process of securitization. The role of securitization was underscored as a catalyst in meeting institutional investor requirements by commingling Energy Service Company (ESCO) receivables. This strategic approach is seen as a significant driver in propelling market growth in energy efficiency initiatives.

After Csaba, **Johann Zirngibl**, REHVA Vice- President, emphasized the importance of standardization across the renovation value chain and the crucial role of financial markets in driving the energy transition. There is a need for a common language between financial institutions and REHVA HVAC experts. Financial markets must play an important role in helping to address environmental issues. Therefore, Green bonds, the taxonomy, etc are defining what is green or not green to allow investors to assess and allocate capital to environmentally sustainable investments

After the presentation followed a panel discussion with:

- **Céline Carré**, Head of European Public Affairs, Saint-Gobain
- **Emil Iakabos**, CEO, East European Business Center E.E.B.C. (2-3 min intro)
- **Henk Kranenberg**, Senior Manager, Daikin Europe (2-3 min intro)

Céline Carré, provided insights emphasizing the acceleration of EU renovation objectives through financial standardization. She highlighted the significance of aligning the perspectives of financial institutions and consumers. Céline emphasized the necessity for standardized scaling methods and enhanced information dissemination strategies to achieve these goals. Henk Kranenberg, emphasized the pivotal role of trust-building in the renovation landscape. He underscored the importance of fostering partnerships based on mutual trust. Henk also discussed the transition towards selling services among the array of solutions being considered. Emil Iakabos expressed concerns about standardized contracts potentially favouring financial institutions' interests over those of customers. He brought attention to the need for balancing the advantages of financial standardization with the protection of customers' interests. Peter, during the discussion, advocated for a low-trust system, placing emphasis on leveraging data and evidence for informed decision-making processes. Csaba, offering his perspective, highlighted institutional reluctance stemming from apprehensions about stranded assets. He stressed the importance of incentivizing renovations to address these concerns and encourage participation.

The discussion also delved into the potential use of Lifecycle Assessment as a tool for bankers. While recognized as having potential value, its effectiveness in justifying 'green premiums' within the dynamic market was questioned.

In the closing remarks, there was an emphasis on the crucial role of regulations in driving the renovation market. Public funding was underscored as indispensable for ensuring energy security and delivering returns to the state, thereby solidifying the significance of governmental support in this domain.

WHAT ENERGATE SHOULD AIM FOR FOLLOWING THE DISCUSSION?

- ✓ *Bridge for Institutional Investors*: ENERGATE is positioned as a crucial initiative aiming to bridge the gap for institutional investors in energy project financing. The project intends to aggregate assets from various developers within a standardized quality and legal contractual framework. This approach aims to make these investments more attractive and feasible for institutional investors.
- ✓ Standardization for Financial Scaling: The platform emphasizes the significance of standardization in legal contractual frameworks, energy parameters for sustainable buildings, and potentially in other unspecified areas. Standardized approaches are seen as pivotal for scaling financial support in the energy sector.
- ✓ Advantages of Standardized Contracts: The platform promotes the use of standardized contracts, highlighting their benefits such as enabling contract multiplication, providing off-balance sheet treatment, offering standardized flexibility, and serving multiple purposes within energy project financing.
- ✓ Securitization and Market Growth: ENERGATE explores the role of securitization in energy financing, allowing the comingling of ESCO's (Energy Service Company) receivables. This process aims to meet institutional investor requirements and expedite market growth within the energy efficiency sector.
- ✓ Transition to Sustainable Buildings: ENERGATE's role is not solely financial but also about facilitating the transition to sustainable buildings. It aims to create opportunities for HVAC providers and other stakeholders to find potential clients within its platform, encouraging standardization of services aligned with the platform's categorization. ■

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