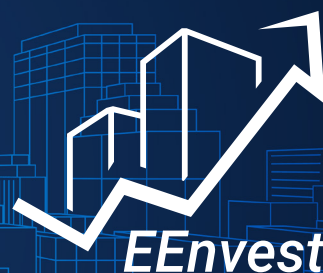


NEWSLETTER



August 2020 - Second Issue

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Dear Readers,

EEnvest has just celebrated its first birthday and at the beginning of July the project's partners met remotely to share progress of their activities. To date, the combined technical-financial risk evaluation methodology is 70% complete and will be delivered at the beginning of 2021.

The consortium is also taking the chance to validate several assumptions on its evaluation approach thanks to the contribution of two local demo-case working groups involving asset owners, managers and investors from EEnvest case study buildings located in Italy and Spain.

This issue of EEnvest newsletter will give you a glimpse of what's going on within the project. Enjoy your reading!

Annalisa Andoloro
*EEnvest Project Coordinator,
Eurac Research*



Interview with Gabriele Fregonese, Sinloc

Tell us about Sinloc. What's your core business and what are you doing in the project?

Sinloc is a leading advisory and investment impact company in the local development and infrastructural marketplace with a relevant institutional network and consolidated track record of energy transition and social projects, also financed by the H2020 programme. Sinloc promotes local development initiatives, operating both as advisor and as equity investor in PPP initiatives with a particular expertise in economic and financial, procedural and social aspects. In the EEnvest project, Sinloc is responsible for the development of the financial risk evaluation model, which will basically be the "engine" of the platform to calculate financial indicators of the investments and the potential impact of risks.



**Gabriele
Fregonese**

*Consultant - Public
Administrations Team*
Sinloc

www.sinloc.com

What are the most common risks related to energy efficiency renovation projects?

In our experience, the main risks in energy efficiency projects are typically related to poor quality of energy audits and lack of data about current energy consumption. During the first month of the EEnvest project, by interviewing different type of stakeholders, we have noticed that every actor involved has a different perception of risk. Banks for example are more worried about the financial performance of the investments while property owners are more worried about the potential increase of construction costs. In any case, a common factor in the energy efficiency sector is a widespread lack of information to correctly assess risks.

What's innovative about the financial risk evaluation platform that you are developing in EEnvest?

Who is your target user?

The main innovation that will be brought by the EEnvest platform is that it will be able to provide each different type of users with the answers to their main concerns about energy efficiency projects. It will be a very flexible tool, that will support a wide range of stakeholders in evaluating projects and making a more informed investment decision. Since one of the main objectives of the project is to foster investments in the energy efficiency sector, target users of the platform are financiers (i.e. banks and investment funds) but, as the platform will also feature a search&match function, it will be a very useful tool also for property owners and ESCOs bringing their projects to the market.

Interview with Fernando Salat, GNE Finance

Tell us about GNE. What's your core business and what's your role in the project?

GNE Finance is a high-impact investment company, focused on designing and managing eco-sustainable home renovation programs in Europe. In line with several UN Sustainable Development Goals, our programs foster the creation of energy efficient and healthy homes, generating high social, economic and environmental impact.

We are experts in affordable financing solutions and smart funding. We work with cities and regions to design tailored financial tools that provide affordable financing to all citizens, including vulnerable groups.



Fernando Salat

Head of product
GNE Finance

www.gnefinance.com

GNE Finance's main role in the EEnvest project is to develop an evaluation methodology for energy efficiency investment focused on non-energy benefits. Besides EEnvest, we are involved in other EU-funded projects like EuroPACE, Hiross4All, ORFEE and FITHOME.

To what extent can non-energy related factors affect the value of an asset?

Measuring the impact of non-energy related factors on the asset value is a challenging task. The level of such impact can be affected by many elements, that vary from asset to asset. Nevertheless, there are strong evidences that building renovations can generate non-energy benefits, such as increase in productivity and improvement of health and comfort for individuals living or working in buildings. Therefore, a building renovated with a strong focus on the occupants' health and wellbeing provides more comfort and productivity gains to its occupants and is, thus, more valuable. It is estimated that the increase on the value of an asset is between the range of 5% and 25%.

How can you quantify non-energy related benefits?

What does your method consist of?

There are a number of approaches to quantify non-energy benefits. Some approaches are quite costly due to complexity of evaluation, while others are too invasive and time-consuming to building users. Our approach is focused on practical solutions that can be implemented all over Europe, not only on the markets that the project is focusing on. Our method relies on both quantitative and qualitative aspects as certain indoor environmental factors, such as visual, acoustic and thermal comfort, can be quantified with smart meters and equipment, while other more subjective factors can only be assessed with surveys administered to building occupants.

Bringing together construction and finance



Players in the construction and the financial sector are known not to speak the same language. To get over this hurdle, **EEnvest is defining a high-level, cost effective due diligence methodology** to engage both sides of the value chain and establish a common ground.

Two local demo-case working groups, one for each case study examined in EEnvest, have been set up to validate the project's approach. The working groups are made up of both members of the project and external stakeholders, including real-estate owners and developers, banks, investment advisors, energy service companies, certification bodies and energy agencies. Over the next year, they will be interviewed to collect data for EEnvest technical/financial due diligence exercise, which will **assess the overall quality of the energy efficiency renovation project and will provide information on the risks and financial KPIs of the energy efficiency measures applied to the demo-case**. The input coming from the working groups will serve to fine-tune the model with the expectations of the market and make it more appealing for investors.

Investment on the energy efficiency renovation of the demo case buildings will be analysed in terms of IRR and risk adjusted value after renovation. EEnvest methodology will be tested through a two-step process that will compare results of the combined technical/financial due diligence, which takes into consideration the impact of multiple benefits on commercial value, with those obtained with a traditional due diligence approach. Due diligence exercises will be performed on a desktop basis, as performing a thorough documental due diligence is not in scope for EEnvest.

In line with the Smart finance for Smart Buildings Initiative launched by the Board of the European Investment Bank (EIB), **EEnvest technical/financial due diligence framework will contribute to making investments in energy efficiency projects more attractive to private investors.** The model will be integrated in an interactive web-based platform for both investors and property owners' communities to evaluate profitability of building energy renovation, inclusive of the risk premium.

Activities 2020

April

Advisory Board kick-off meeting

June

- Definition of a framework for technical and financial risk evaluation
- First workshops of the local Demo-Case Working Groups

July

Online project meeting

September

EEnvest platform testing with investor experts

October

Assessment of desktop classical due diligence

December

Next online project meeting

CONSORTIUM



Eurac Research
(Italy)



GNE Finance
(Spain)



Sinloc
(Italy)



Energinvest
(Belgium)



IES
(United Kingdom)



R2M Solution
(France)



Politecnico di Milano
(Italy)



UIPI
(Belgium)



Ecrowd!
(Spain)

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