Summary Results of the EEFIG Survey for Poland 2015 – Final Report

Prepared by Peter Sweatman, CEO Climate Strategy supported by Marek Zaborowski and Jacek Peszko at IEE

14th February 2016, from workshops in Warsaw Poland.
“Poland EEFIG Survey” received 41 responses which were well distributed among various sectors…

- **Mandate of the Poland EEFIG:**
  - Identify and reach all relevant experts in the area of Energy Efficiency Investment & Finance;
  - Ensure adequate responses and representative input from Financial Institutions

- **41 participants in the EEFIG Poland survey (high response rate with 55 group members)**

- **Respondents included participants from:**
  - Public and Private Banks, Financial Associations, Experts from Sector, Consultants, Academics, NGOs, Local Authorities and others
Methodology: Using the EEFIG Tool

Table 3: EEFIG ranking of key drivers affecting supply of energy efficiency investment by market segment.

<table>
<thead>
<tr>
<th>Buildings Sector</th>
<th>Commercial</th>
<th>Public</th>
<th>Public Rental</th>
<th>Owner Occupied</th>
<th>Private Rental</th>
<th>Average Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardization</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td>Regulatory Stability</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td>Increased Investor Confidence &amp; Change in Risk Perception</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>5</td>
<td>4</td>
<td>4.6</td>
</tr>
<tr>
<td>Transaction costs / simplicity</td>
<td>7</td>
<td>10</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>5.2</td>
</tr>
<tr>
<td>Measurement, Reporting &amp; Verification (MRV) and Quality Assurance</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>10</td>
<td>8</td>
<td>5.6</td>
</tr>
<tr>
<td>Lender’s approach to risk assessment (non-recourse project financing vs. Borrower-based credit course)</td>
<td>8</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Risk-return targets</td>
<td>6</td>
<td>11</td>
<td>9</td>
<td>7</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Use of European Structural &amp; Investment Funds</td>
<td>18</td>
<td>3</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>10.8</td>
</tr>
<tr>
<td>Availability of Data</td>
<td>14</td>
<td>7</td>
<td>10</td>
<td>8</td>
<td>15</td>
<td>10.8</td>
</tr>
<tr>
<td>Price of energy</td>
<td>19</td>
<td>16</td>
<td>8</td>
<td>9</td>
<td>11</td>
<td>12.6</td>
</tr>
<tr>
<td>Aggregation Challenge</td>
<td>10</td>
<td>12</td>
<td>14</td>
<td>14</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Buildings Regulation, Certification and Energy Performance Certificates</td>
<td>12</td>
<td>8</td>
<td>15</td>
<td>17</td>
<td>18</td>
<td>14</td>
</tr>
</tbody>
</table>

Energy Efficiency
Financial Institutions Group
Use of Terms: Distinguishing between the “Demand” for Investment from the “Supply” of Investment

- **“Demand” for Investment (what drives asset owners):**
  - Drivers which create a need for funding which may include:
    - Buildings codes
    - People want to save energy
    - Regulatory pressure
    - Energy Performance Contracting models
    - New technology drivers

- **“Supply” of Investments (what drives banks & FIs):**
  - Factors which increase the supply of EE finance from Financial Institutions that may include:
    - Lower default rates
    - Interest to enter the market/ get more clients
    - Serve existing clients needs
    - Regulatory pressure
    - Profitable market segment
    - Growth
## Analysis: Top 10 Drivers of Demand and Supply of EEI in Poland...

<table>
<thead>
<tr>
<th>DEMAND</th>
<th>SUPPLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Support</td>
<td>Fiscal Support</td>
</tr>
<tr>
<td>Definition and common understanding of the value of energy cost savings</td>
<td>Price of energy</td>
</tr>
<tr>
<td>Human Capacity</td>
<td>Lender's approach to risk assessment (non-recourse project financing vs. Borrower-based credit recourse)</td>
</tr>
<tr>
<td>Price of energy</td>
<td>Finance Supply from EEO in Article 7 of EED</td>
</tr>
<tr>
<td>(Individual/ Owner) Payment Capacity</td>
<td>Transaction costs / simplicity</td>
</tr>
<tr>
<td>Awareness at Key Decision Maker Level &amp; Leadership</td>
<td>Risk-return targets</td>
</tr>
<tr>
<td>Clear Business Case</td>
<td>Awareness. Communication &amp; Marketing</td>
</tr>
<tr>
<td>Tailored Financial Product availability</td>
<td>Buildings Regulation, Certification and Energy Performance Certificates</td>
</tr>
<tr>
<td>Awareness. Communication &amp; Marketing</td>
<td>Increased Investor Confidence &amp; Change in Risk Perception</td>
</tr>
<tr>
<td>Facilitation/ Technical Assistance</td>
<td>Definition and common understanding of the value of energy cost savings</td>
</tr>
</tbody>
</table>
Analysis: Demand Drivers by Building Segment

- Financial Support
- Definition and common understanding of the value of energy cost savings
- Understanding at Senior Management Level
- Awareness at Key Decision Maker Level & Leadership
- Price of energy
- Tailored Financial Product availability
- (Individual/Owner) Payment Capacity
- Facilitation/Technical Assistance
- Regulatory Stability
- Clear Business Case
- Buildings Regulation, Certification and Energy Performance Certificates
- Awareness, Communication & Marketing
- Transaction costs/simplicity
- Effective enforcement of regulation
- Standardization
- Regulation which impacts on timing and scope of renovation
- Body of Evidence (including Social Benefits and Costs)
Analysis: Results for Demand Drivers

We note the following key trends and points of interest from the Survey Results for Demand Drivers:

- Financial support is clearly a key demand driver across all segments
- “Understanding at a Senior Management Level” is a key demand driver ESPECIALLY for public & commercial buildings
- Price of energy most important in residential, least in Public buildings
- Owner payment capacity is a key driver in all residential sectors
- Having a Clear Business Case is very important for Commercial and Public but NOT residential buildings
- Energy Certificates (EPC) are drivers for Public buildings and not others – but maybe more in the Technical Conditions than in the EPCs themselves
- Simplicity is key in all sectors but less so in commercial and public buildings
- Transaction costs more important in residential
Analysis: Poland vs EU Differences in Demand Drivers

Understanding at Senior Management Level
- Definition and common understanding of the value of energy cost savings
- Price of energy
- Financial Support
- (Individual/Owner) Payment Capacity
- Facilitation/Technical Assistance
- Awareness at Key Decision Maker Level & Leadership

Communication between market actors
- Tailored Financial Product availability

Awareness at Key Decision Maker Level & Leadership
- Regulatory Stability
- Awareness, Communication & Marketing

Availability of Data
- Buildings Regulation, Certification and Energy Performance Certificates
- Rules on public authority accounting, procurement and reporting
- Mandatory Energy Audits

Awareness of appropriate timing for energy efficiency measures within the traditional building cycle
- Body of Evidence (including Social Benefits and Costs)
- Regulation which impacts on timing and scope of renovation
- Measurement, Reporting & Verification (MRV) and Quality Assurance

Clear Business Case
- “Green Premium” / Brown Discount

Behavioral Economics (personal priorities)
- Transaction costs / simplicity
- Effective enforcement of regulation
- Standardization

Awareness of appropriate timing for energy efficiency measures within the traditional building cycle

Differences in Demand Drivers
+ve score = MORE important in Poland
-ve score = MORE important in EU

Ranking #

Comercial Owner Occupied Multi-family Owner Occupied Single-family Public Private Rented Homes

Poland vs EU

Analysis:

Demand Driver (All)
We note the following key trends and points of interest from the Survey Results for Demand Drivers:

- “Understanding at Senior Management Level” and “Understanding the value of energy savings” are much more important drivers of demand in Poland than EU
- “Price of Energy” is generally more important especially in rental homes
- “Financial Support” is targeted across all sectors in Poland but not as relevant for Public and Commercial buildings in the EU
- “Clear Business Case” is more important in EU, especially in Public Buildings
- Standards, Regulatory Stability and Including Upgrades in Traditional Building Renovation Cycle are much more important drivers in EU and less in Poland.
Analysis: Supply Drivers by Building Segment
We note the following key trends and points of interest from the Survey Results for Supply Drivers:

- “Financial support” is a key supply driver in all segments: From this we conclude public finance and risk-sharing finance to improve private transaction economics.
- Price of energy v. important in residential; less in Public and Commercial buildings.
- Lenders’ approach to risk (asset vs owner) critical in all but Public buildings.
- EED Article 7 finance supply crucial to all except Single Family Homes and Rentals.
- Risk-return targets drive Commercial sector then Residential but not really Public.
- Buildings Energy Certificates (EPCs) are apparently important supply drivers for Public buildings, but potentially only LEED and BREEAM for Commercial.
- EU Structural Funds primarily supply Public buildings; not driving other segments.
- On-bill Finance important to resolve Split incentives in Rental Buildings.
Analysis: Poland vs EU Differences in Supply Drivers
We note the following key trends and points of interest from the Survey Results for Supply Drivers:

- Financial Support and “Awareness, Communication & Marketing” are much more important across all sectors in Poland than in the EU.
- EED Article 7 Funding Sources are more critical to finance supply especially in Public, Commercial and then residential sectors (not rental).
- Aggregation challenge seen as less important in Poland – especially in Residential.
- Clear Business Case is more important in EU, especially in Public Buildings.
- Standards, Regulatory Stability and MRV are much more important in driving finance supply in the EU and less in Poland.
On 17th December 2015, in Warsaw, the EEFIG Tool survey was presented and discussed. The following slides summarise the conclusions from that workshop:

- Certain “language” and translation “issues” were identified and corrected.
- The content-based expert comments were focused in the following areas:
  - Regulatory Framework
  - White Certificate Programme
  - Cost of Energy
  - Financial Instruments
- Experts requested more time to review conclusions as the content is technical.
Diagnosis: Points to Remedy Demand Side

The following key points were raised by experts in the Survey on Demand Drivers:

- **Awareness, Communication and Marketing**: Key concepts for Poland “Value of Savings”, “well-organised campaign”, “common access to information” and “support from administration”

- **Standardization**: “good for all buildings, but hard to implement as technologies are changing quickly”, “to reduce transaction costs” (or shift to others) and “broad coverage”

- **Stable Legal Environment**: “State intervention should consider investors” and “programme should have all-stakeholder buy-in” (inc. FIs) “Building investments planned many years in advance”

- **Dealing with energy poverty**: “Deep thermo-renovation solves energy poverty” but “better/close cooperation between energy sector and users is needed”

- **Energy price**: “Common agreement over future trends” important.
Local experts raised the following issues regarding the Polish Regulatory Framework for EE Investment:

- While energy efficiency regulations in Poland are in line with EU law, in practice regulatory compliance is varied and tends to be focused on minimal-levels;

- A clear and tight regulatory framework is crucial to grow energy efficiency investments in Poland but laws need to be enforced more effectively;

- There is a notable gap between the Polish law’s aspirations and reality of the renovation market (particularly relevant in the implementation of energy performance certificates);

- Part of this can be identified as the lack of clear definition/coordination between the EPBD/EED implementation acts;

- A cultural bias to “reverse-engineer” the laws means that regulations alone are insufficient and Polish culture needs to move towards efficiency, benefits first.
Local experts raised the following issues regarding energy performance certificates and measurement of energy savings:

- In the absence of the maturing EU regulatory framework, nothing would have changed in Polish energy certification system;
- Currently the Commission is working to improve and tighten energy performance certificate regulations. No changes are expected to be made in Poland to their system until the new EE guidelines are released;
- There is a general need to measure the use of energy more effectively and transparently especially in public and commercial buildings;
- In energy performance certificates the focus should be on final non-renewable energy consumption (the actual amount of energy used in buildings) and not on primary energy.
Diagnosis: Financial Instrument design can be better tailored to the different building types and ownership…

Local experts raised the following issues regarding the design of financial instruments for energy efficiency:

- Financial instruments should be better tailored to reflect market diversity (different needs of building renovation in the different sectors);
- Instruments promoting deep renovations should be particularly developed, including consideration of “staged-deep renovations” for multi-annual actions;
- Reducing transaction costs and the costs of loans from financial providers (banks & non-banks) will certainly boost the building renovation market in Poland;
- The existing database of Polish buildings (produced by the Association of Polish Banks) should be better used as it is a good source of knowledge about current investment trends at the building renovation market.
Please visit www.eefig.org
Engage and join the conversation!

Users can access:

1. Latest EEFIG Report & supporting materials

2. Engage with the “Energy Efficiency De-risking Project”
   Become a user and/or become a data provider and engage in an expert dialogue which contributes to enhancement of the fundamentals of energy efficiency investments in the buildings and corporate sectors

3. Use the “EEFIG National” Tool & Database
   It relies on used a standardized method and process to engage with key expert stakeholders in Spain, France, Germany, Poland and Bulgaria over 12 months. Each country’s results can be found with a series of summaries as well as an interactive review of the EU data
Climate Strategy leads in Energy Efficiency Finance with 8 white papers written in the past 6 years and supporting international policy initiatives.

“Energy efficiency investing has a fundamental and beneficial role to play in the transition towards a more competitive, secure and sustainable energy system with an internal energy market at its core.”

Peter Sweatman CEO of Climate Strategy - EEFIG Launch Feb 26th 2015

Climate Strategy understands the interdependent relationships between:

- Environment
- Society
- Business
- and Government

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