

EUROPEAN BANKING FEDERATION

RESPONSE TO THE CONSULTATION – CLEAN ENERGY INVESTMENT STRATEGY

4 APRIL 2025

QUESTION 1

(a) How do you assess the role of aggregators, technical assistance and capacity buildings, to structure the market and develop robust investment pipelines for energy efficiency?

Aggregators, technical assistance, and capacity-building initiatives play a fundamental role in structuring the energy efficiency investment market, in particular:

- Aggregators play a crucial role in bundling smaller energy efficiency projects into larger (pooling smaller-scale energy efficiency projects), making these projects more attractive to investors by increasing scale, enhancing creditworthiness, standardising contracts and reducing transaction costs.
- Technical assistance ensures that projects meet the necessary quality and performance standards, reducing perceived risks. It helps to bridge knowledge gaps by providing feasibility studies, financial modelling, and risk analysis for energy efficiency projects and ensures projects are designed to meet investor requirements, improving bankability.
- Capacity building supports the development of expertise among stakeholders, including financial institutions, project developers, and policymakers, thus fostering a more robust investment ecosystem.
- Aggregators are critical in countries with large SME representation.

(b) What can be done to increase aggregation of energy efficiency investments to improve attractiveness for investors and returns?

- Standardised solutions: Particularly for SMEs can significantly reduce transaction costs and streamline project development. These solutions could include pre-approved

technical templates, contract models (such as standardized energy performance contracts), and simplified monitoring and verification protocols, all of which would facilitate bundling small-scale projects into investable portfolios.

- Raising awareness: Many SMEs and local authorities (and even financial institutions and investors) lack awareness of the benefits of energy efficiency, as well as the expertise to structure viable projects. Training programs, online toolkits, and advisory services can empower stakeholders to identify, aggregate, and prepare projects that meet investor requirements. Therefore, targeted information dissemination and capacity-building initiatives are crucial. Public institutions, with adequate resources and support, should take on a more proactive role in market engagement and communication, helping to bridge the information gap.
- Blended finance: Instruments such as guarantees, co-investment schemes, and blended finance structures help lower the perceived risk for commercial banks and unlock capital. They can increase the bankability of energy efficiency projects.
- Simplification: the development of a more flexible and innovation-friendly regulatory framework is essential. Clearer definitions of green products especially for smaller actor will facilitate product development and market growth. Simplifying criteria for green classification and enabling faster approval processes will empower financial institutions to expand their offerings and better serve diverse customer segments.
- Tax incentives: Remain one of the most effective and tangible tools to stimulate private investment. Well-targeted tax benefits are not only well received by the market but also have a clear and measurable impact on project uptake, particularly among households and SMEs.
- Other fiscal incentives: Subsidies or VAT reductions can act as strong enablers of investment aggregation. When combined with credit guarantees such measures can substantially increase the volume and bankability of aggregated energy efficiency pipelines. Also, public entities can lead by example by aggregating projects in public buildings, facilitating market confidence.
- Leveraging data analytics: Data analytics can optimize risk assessment and portfolio management, improving project aggregation efficiency. To that end, data aggregation on retrofitting costs, energy efficiency improvements and type of intervention and building characteristics, have to be massively available.

QUESTION 2

The Action Plan for Affordable Energy sets forward an action to boost the development of the market for energy efficiency by focusing on the key role of guarantee schemes and de-risking initiatives for energy efficiency services.

(a) What should in your view be the scope of such a guarantee instrument?

- De-risking across the full lifecycle: De-risk energy efficiency investments across their full lifecycle, with a particular focus on mitigating the key barriers that currently hinder private-sector engagement. This includes addressing credit risk for financial institutions

providing loans to energy efficiency projects, especially where borrowers – such as SMEs or ESCOs – lack sufficient collateral or credit history.

- Target risks linked to long payback periods: Target risks linked to long payback periods, performance uncertainty, and potential technological obsolescence, all of which contribute to investor hesitation. To enhance its effectiveness, it should provide partial guarantees for loans or leasing schemes, particularly in the context of EPCs, where future energy savings are used to repay investments.
- Target sectors & technologies: Prioritize residential & commercial buildings, SMEs, and industrial processes where energy efficiency is underfinanced. Cover key energy efficiency measures such as building retrofits, efficient heating (replacing fossil fuels to increase energy independence), ventilation and air conditioning and smart grids.
- Aggregation and Standardisation: Facilitate the aggregation of small-scale energy efficiency projects into larger, investable portfolios by covering risks at the portfolio level, thus enabling economies of scale and increasing appeal for institutional investors. Standardize contracts, risk assessment, measurement and verification to reduce costs.
- Delivery through EIB and EIF: These institutions could partner with commercial banks to deploy guarantees, while final beneficiaries, particularly SMEs and ESCOs would benefit from improved access to finance, lower interest rates, and reduced collateral requirements. Aligning the guarantee scope with existing EU initiatives such as InvestEU would further streamline market uptake and maximize impact.

(b) Are you aware of successful best practices examples of guarantee instruments lowering risk for energy efficiency investments via energy services?

- The European Energy Efficiency Fund (EEEE), managed by the EIB, has played a central role by offering credit risk guarantees and junior debt instruments. These financial tools have improved access to capital for Energy Service Companies (ESCOs), enabling them to implement large-scale energy retrofits, LED street lighting upgrades, and smart grid projects. The fund has been particularly effective in mobilizing both public and private capital into energy efficiency projects, especially at the municipal level.
- The ELENA (European Local Energy Assistance) facility provides technical assistance and project development support to public and private actors. ELENA contributes to risk mitigation by enhancing project bankability and implementation readiness—especially for bundled or aggregated EE investments.
- Private Finance for Energy Efficiency (PF4EE) program, a joint initiative between the EIB and the European Commission. It integrates a risk-sharing mechanism for commercial banks with long-term financing and technical assistance, thereby encouraging them to extend credit to EE projects in buildings, SMEs, and industry.
- The InvestEU Sustainability Guarantee Facility further expands de-risking options by offering partial guarantees that cover up to 75% of credit risk for energy efficiency projects. This has led to lower financing costs and greater confidence among private investors, especially in segments like deep building renovation, district heating, and industrial efficiency.

- Some of the national examples (Portugal):
 - IFRRU 2020, which blends EU structural funds with financing from the EIB, the Council of Europe Development Bank, and commercial banks. The program offers long-term loans and guarantees—covering up to 70% of loan value—for urban regeneration projects that include energy efficiency measures.
 - Support Program for More Sustainable Buildings targets the residential sector by offering grants covering 50% to 70% of renovation costs, with special provisions for low-income households. By reducing upfront costs and providing direct incentives, the program effectively reduces the financial risk associated with energy renovations and promotes widespread adoption of EE measures in private dwellings.
 - Energy Efficiency Fund (FEE) provides risk-sharing guarantees and direct incentives for energy performance contracting (EPCs). This has contributed to increased adoption of EPC models and encouraged financial institutions to broaden their EE financing portfolios.

(c) What are the relevant barriers in term of national differences preventing the European upscaling of the market for energy efficiency services?

- National disparities in regulatory frameworks, fiscal incentives, and administrative procedures. Market fragmentation, making it difficult for service providers, especially ESCOs to operate across borders or replicate successful models EU-wide. Diverging legal structures for energy performance contracts, procurement rules, and licensing create uncertainty and limit project bankability.
- Low awareness among businesses and households about energy efficiency financing options (and savings) limits market adoption.
- Lack of adequate blended finance products. The scope of blended finance products should take into account both the larger industrial projects as well as loans to households, which are especially vulnerable. In the context of energy poverty, targeted actions are needed to ensure inclusion and mitigate risk. For vulnerable consumers, state-backed guarantees can cover the social risk layer, making underlying loans more secure and attractive for secondary market players.
- The lack of standardised methodologies for project evaluation, measurement, and verification prevents project aggregation and cross-country investment. Administrative burdens and varying approval processes increase transaction costs, especially for SMEs.

QUESTION 3

Energy service companies play a key role in mobilising private investments in energy efficiency.

(a) What are the key issues preventing the upscale of the EU market for energy services?

- **Regulatory and Policy Barriers:** Lack of clear, standardized contracts across member states, divergent national regulations and different taxation create complexity for cross-border operations. Inconsistent methodologies for quantifying energy savings reduce investor confidence in business models. Savings in non-renewable kwh/m2 (as per EPC) are not directly translated into estimated energy cost savings. Focus on energy efficiency disregarding Heating systems' use of fossil fuels.
- **Financial Barriers:** High perceived risks and long payback periods. Upfront costs barriers. Public sector budget constraints limiting demand for energy services.
- **Market and Awareness Barriers:** Low awareness among potential clients about benefits and ESCO models. Perceived complexity of energy efficiency, leading to reluctance from businesses and individuals. Weak demand-side interest due to split incentives (e.g., tenants vs. landlords).
- **Operational and Technical Barriers:** Shortage of skilled professionals in energy services. Difficulty in aggregating small projects to create viable business cases.

(b) What regulatory and non-regulatory actions / financial and non-financial actions might support ESCOs to increase their market shares and take full advantage of the EU single market to upscale their activities?

The ESCO market across the EU is still dominated by large players, with complex regulations and limited incentives for innovation, particularly for SMEs. To support the upscaling of ESCOs and enable them to benefit from the EU single market, a mix of actions is essential.

- **Regulatory and Policy Actions:** The harmonization of Energy Performance Contracting (EPC) frameworks across Member States would reduce legal uncertainty and support cross-border operations. Coupled with tax incentives such as VAT reductions or accelerated depreciation for EE investments, these measures would enhance the competitiveness of ESCOs. Stronger enforcement of EU directives ensuring member states fully implement energy efficiency targets.
- **Financial Actions:** EU-backed de-risking mechanisms (e.g., loan guarantees, blended finance) to attract private investors. Tax incentives and subsidies for businesses engaging in energy efficiency. Risk-sharing mechanisms (e.g. guarantees and subordinated debt) would ease access to capital, especially for smaller ESCOs. Public institutions like the EIB can play a key role in delivering these tools through commercial banks.

- Non-regulatory actions, such as ESCO certification schemes and standardized performance monitoring, would help build trust and transparency, attracting more clients and investors to the model. Capacity-building programs for public authorities and businesses. Knowledge-sharing platforms for best practices and cross-border cooperation. Promotion of digital tools (e.g., smart meters, AI-based energy management) to enhance M&V reliability.

In Portugal, the Portuguese ECO.AP program has illustrated both potential and challenges: while it facilitated EPCs in public buildings, administrative complexity and policy inconsistency have limited its impact. Addressing such barriers is crucial for scaling similar initiatives EU-wide.

QUESTION 4

Financial products for energy efficiency: origination and securitisation. Several financial institutions already offer dedicated energy efficiency loans and mortgages as part of their green products. The European Banking Authority has issued an [opinion and report on green loans and mortgages](#).

(a) What actions can be taken to increase financial institutions origination of dedicated energy efficiency lending products – mortgages and loans, and the demand for these products?

- Increase awareness on the advantages, related costs, payback periods of energy efficiency improvements. Consumer demand must be stimulated through awareness-raising campaigns, financial literacy initiatives, and incentives for households to invest in energy renovations. A well-informed public is more likely to seek out green financial products, especially when combined with fiscal benefits like tax deductions or subsidies.
- Incentives: The origination of these products needs to be incentivized somehow. Guarantees and de-risking are a good start. The public sector in Europe should pave way for a successful transition by offering the incentives.
- Blended finance products can improve the risk-return profile of EE loans and attract broader participation from banks and investors. These instruments can be deployed through national promotional banks and European mechanisms such as InvestEU.
- The Taxonomy regulation should avoid overly burdensome criteria, and for retail exposures there should not be Do No Significant Harm (DNSH) assessments or minimum safeguard requirements. They add complexity and cost without proportionate benefits, especially in early stages of market development.
- Other obstacles to overcome include:
 - Multi-family-homes majorities to approve EE projects.
 - Negative impact on Financial Institutions' capital due to lack of Financial Statements and therefore impossibility to assign a credit rating to a multi-family communities.

- Data protection sanctions when offering financial products to our clients based on collaterals' EPCs.
- Guarantees for vulnerable households' loans.
- Excessive bureaucracy in granting economic support.
- Lack of real data on:
 - EPCs
 - Real final energy consumption,
 - retrofitting real costs and associated energy savings
 - Which homes are inhabited / vacant.

(b) What actions can be taken to favour attractiveness for secondary market investors in such securities?

- Increase awareness of all the parties involved, in particular public organizations, banks, ESCOs about the advantages of implementing energy efficiency measures, not only related with CO2 reduction, as mainly with bill savings.
- The application of robust green bond frameworks, such as the EU Green Bond Standard, is another crucial enabler. These frameworks provide clear guidelines on use of proceeds, verification, and impact reporting, making it easier to package EE loans into green securitized assets that meet the sustainability requirements of institutional investors.
- Tax incentives for both issuers and investors can enhance the risk-return profile of green securities. Boost Tax Incentives (in addition to subsidies), as it means a lower cost of energy efficiency investment and financing.

QUESTION 5

There are several products under the InvestEU Programme that financial intermediaries use to offer private financing to SMEs, individuals and housing associations for energy efficiency projects.

(a) Do you see this as an effective EU level model?

(b) Do you have any experience and/or recommendations in relation to the use of InvestEU for energy efficiency investments?

- Lack of public funding: Overall, the InvestEU Programme provides a valuable and well-structured EU-level model to support private financing for energy efficiency projects. However, the scale of funding currently made available has been insufficient to incentivize widespread participation from private commercial banks or to drive large-scale market transformation. To enhance its effectiveness, budget allocations should be

reviewed and significantly increased, particularly for instruments that support green lending, risk-sharing, and technical assistance.

- Lack of awareness: Additionally, the program's impact is constrained by a lack of visibility and outreach. Many potential beneficiaries and local financial institutions are unaware of the available support or unclear about how to access it. Stronger communication strategies, capacity-building efforts, and clearer guidance for intermediaries are essential to improve uptake and ensure the program reaches its full potential across Member States.
- Lack of internal capacity: Based on our experience with energy efficiency investments under the InvestEU framework, we have identified both valuable opportunities and key challenges—particularly for SMEs. While InvestEU provides important financial instruments to support energy efficiency, many smaller companies lack the internal resources, technical capacity, or financial expertise to prepare the detailed business plans and documentation required to access these funds.
- Simplification and More assistance: We recommend that InvestEU be complemented by simplified application procedures and tailored technical assistance specifically designed for SMEs. Establishing pre-approved templates, sector-specific guidelines, and advisory support would reduce complexity and lower transaction costs for smaller firms.
- Focus on smaller-scale projects: Creating dedicated financing solutions for smaller-scale energy efficiency projects could significantly increase participation and impact.