SAVE ENERGY IN TEXTILE SMEs

Report on financial incentives to support textile companies' investments in energy efficiency – Europe

Overview of the European financial incentives addressing energy efficiency and which are of interest for the Textile Industry.

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Last update: **September 2016**

www.euratex.eu/set

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Legal and or official documentation released at EU level or the national legislation shall be consulted.

Acknowledgments

The SET project (contract n° IEE/13/557/SI2.675575) is co-funded by the IEE Intelligent Energy Europe programme of the European Union managed by EASME, the European Commission executive agency for SMEs.

Co-funded by the Intelligent Energy Europe
Programme of the European Union

About SET

SET, Save Energy in Textile SMEs, is a collaborative project launched to enable the European textile SMEs to improve their energy efficiency, achieving tangible and countable economic and resource-efficiency benefits.

More information on SET can be found on the official website www.eurate.eu/set

The SET project is a part of Energy Made-to-Measure information campaign running until 2016 to empower over 300 textile & clothing companies, notably SMEs, to become more energy efficient.

Quick updates can be also found in the Energy Made-to-Measure group on LinkedIn.

1 Overview- Financial incentives in Europe

1.1 Intelligent Energy – Europe

The Intelligent Energy – Europe (IEE) [1] was launched in 2003 by the European Commission as part of a broader push to create an energy-intelligent future for us all. It supports EU energy efficiency and renewable energy policies, with a view to reaching the EU 2020 targets (20% cut in greenhouse gas emissions, 20% improvement in energy efficiency and 20% of renewables in EU energy consumption).

Funding under the IEE programme was available until 2013 for different types of actions furthering the EU's efforts towards clean and sustainable energy. Each annual call for proposal sets its own priority areas for funding. A large part of the programme budget was made available through annual calls for proposals to support projects putting the concept of 'intelligent energy' in practice. Carried out by public, private or non-governmental European organisations, they support three main objectives - more energy efficiency, more renewables, and better transport and mobility. This covers for instance new training schemes, promotion campaigns, or the transfer of good practices between EU countries.

The IEE programme funded three different types of activities: projects pioneering sustainable energy ideas in practice; products and services procured to meet the needs of the European Commission and/or the EACI; and the project development assistance facilities to mobilise funds for investments in sustainable energy at local level.

From 2014 onwards the type of activities supported by Intelligent Energy Europe are funded under the European Union’s Research & Innovation Programme Horizon 2020.

1.2 Energy Performance Contracting Campaign

Energy Performance Contracting Campaign (EPCC) [2]

The new Multiannual Financial Framework for 2014 to 2020 was adopted in June 2013 and the Commission has proposed to increase the funding available for energy efficiency measures and renewable energy. In addition, Energy Efficiency Directive obliges Member States to renovate public buildings, to introduce energy efficiency obligations and to establish financing facilities for energy efficiency measures. The binding measures contained within the Directive will require considerable investment by Member States at an early stage.

In response to this changing financial and regulatory landscape, the Commission's Directorate General for Energy (DG ENER) in cooperation with the EIB's PPP expertise centre (EPEC), ManagEnergy Initiative and the Covenant of Mayors launches an EU-Energy Performance Contracting Campaign, that to support Member States and market actors with rolling out of functioning energy services market.

1.3 Horizon 2020: Secure, Clean and Efficient Energy

Horizon 2020 is the main EU instrument and the world largest public scheme to support research and innovation.

Horizon 2020 support Energy Efficiency through many of its sub-programmes including calls of:

- **Energy Efficiency calls,** in particular the **Market Uptake**

The work programme of such calls is called 'Secure, Clean and Efficient Energy' [3] challenge and it is designed to support the transition to a reliable, sustainable and competitive energy system. To make the transition to a competitive energy system, we need to overcome a number of challenges, such as increasingly scarce resources, growing energy needs and climate change.

The Energy challenge is structured around seven specific objectives and research areas:

- Reducing energy consumption and carbon footprint
- Low-cost, low-carbon electricity supply
- Alternative fuels and mobile energy sources
- A single, smart European electricity grid
- New knowledge and technologies
- Robust decision-making and public engagement
- Market uptake of energy and ICT innovation.

In the field of energy, the Horizon 2020 Energy Challenge is designed to support the transition to a secure, clean and efficient energy system for Europe and the Work Programme 2016-2017 for 'Secure, clean and efficient energy' is split into four main areas: Energy-efficiency; Competitive Low Carbon Energy; Smart Cities & Communities; and SME Instrument.

The Horizon 2020 Work Programme 2016-2017 for Energy Efficiency was officially adopted on 13 October 2015. The total budget for the Energy Efficiency Calls amounts to approximately €194 million for 2016 and 2017.

The Horizon 2020 Energy Efficiency call 2016-2017 provides support for innovation through:

- Research and demonstration of more energy-efficient technologies and solutions;
- Market uptake measures to remove market and governance barriers by addressing financing, regulations and the improvement of skills and knowledge

and focuses on six areas:

Overview of type of actions supported by the H2020 Energy Efficiency call, source EASME

As for the underlying principles, there are considerable changes between the previous research framework programme FP7 and Horizon 2020. First of all, work programmes are biannual under Horizon 2020, to allow better preparation of applicants. Secondly, Horizon 2020 takes a challenge-based approach giving the researchers more freedom to come up with innovative technology solutions. Crosscutting actions have also been introduced under Horizon 2020. Last but not least, Technology Readiness Level (TRL) should be applied under this Programme in order to better specify the scope of activities.

Horizon 2020 topics facilitating the market uptake of energy technologies and services, fostering social innovation, removing non-technological barriers, promoting standards and accelerating the cost effective implementation of the Union's energy policies, are currently open. The projects can be submitted via the Participant Portal with deadline 15th September 2016.

1.4 Life Grants

The LIFE (the Financial Instrument for the Environment and Climate Action) Regulation, which was published on 20 December 2013, sets a budget for the funding period 2014–2020 of €3.4 billion. For the sub-programme for Environment, this call will include LIFE Environment & Resource Efficiency 'traditional projects' .

The priority area Environment and Resource Efficiency focuses on:

- developing, testing and demonstrating policy or management approaches, best practices and solutions to environmental challenges, and in support of resource efficiency-related policy and legislation, including the Roadmap to a Resource Efficient Europe.
- improving the knowledge base for the development, implementation, assessment, monitoring and evaluation of Union environmental policy and legislation, and for the assessment and monitoring of the factors, pressures and responses that impact on the environment within and outside the Union.

This includes projects implementing new business models for resource efficiency, including establishing resource efficiency practices in SMEs, focussing on the environmental impact, durability, reuse, repair and recycling of their products and processes – including sharing or leasing products rather than selling them. This should involve one of the industrial sectors considered as a priority in the Roadmap for a Resource Efficient Europe; the new business model should result in a reduction in material use and/or energy and water use.

This call for proposals was open on 19 May 2016 and will last until 12 September 2016.

1.5 Cohesion policy 2014-2020

Cohesion Policy 2014-2020 [6] will make available up to EUR 351,8 billion to invest in Europe's regions, cities and the real economy. It will be the EU's principle investment tool for delivering the Europe 2020 goals: creating growth and jobs, tackling climate change and energy dependence, and reducing poverty and social exclusion.

The cohesion policy funding is expected to trigger private funding, in particular by encouraging the use of private financial instruments, to bridge the investment gap between energy efficiency potential and energy efficiency investments, which is key to achieving 2020 targets.

This will be helped through targeting the European Regional Development Fund at key priorities such as support for small and medium-sized enterprises where the objective is

to double support from EUR 70 to 140 billion over the 7 years. There will be stronger result-orientation and a new performance reserve in all European Structural and Investment Funds that incentivises good projects. Finally, efficiency in cohesion policy, rural development and the fisheries fund will also be linked to economic governance to encourage compliance of Member States with the EU's recommendations under the European Semester.

Cohesion Policy 2014-2020 will be targeting investments on Key Growth Priorities:

- Research and Innovation
- Information and Communication Technologies (ICT)
- Enhancing the competitiveness of small and medium-sized enterprises (SMEs)
- Supporting the shift towards a low-carbon economy

The new Regional Policy Commissioner, Ms. Creţu who has just started at her mandate confirmed her backing for significantly increased investments to boost building energy efficiency. The new 2014-2020 programming period regional policy is aiming to help member states to significantly increased investments in energy and the shift to a low-carbon economy, particularly improving energy efficiency in buildings [7].

1.6 European Energy Efficiency Fund

The European Energy Efficiency Fund [8] is a public-private partnership dedicated to mitigating climate change through energy efficiency measures and the use of renewable energy in the member states of the European Union.

It focuses on financing energy efficiency, small-scale renewable energy, and clean urban transport projects (at market rates) targeting municipal, local and regional authorities and public and private entities acting on behalf of those authorities.

The Fund was launched on 1st July 2011 with a global volume of EUR 265 million, providing tailor-made debt and equity instruments to local, regional and (if justified) national public authorities or public or private entities acting on their behalf. The Fund aims at financing bankable projects in energy efficiency (70%), renewable energy (20%) and clean urban transport (10%) through innovative instruments and in particular promoting the application of the EPC. A technical assistance grant support (EUR 20 million) is available for project development services (technical, financial) linked to the investments financed by the Fund.

The Fund aims to provide market-based financing for commercially viable public energy efficiency, renewable energy and clean urban transport projects related to public sector activities in the 28 EU member countries. It contributes with a layered risk/return structure to enhance energy efficiency and foster renewable energy in the form of a public private partnership (PPP), primarily through the provision of dedicated financing via direct finance or/and partnering with financial institutions. The Fund supports the '20/20/20' goals of the European Union Member States.

Beneficiaries of the Fund are municipal, local and regional authorities as well as public and private entities acting on behalf of those authorities, such as local energy utilities, Energy Service Companies (ESCOs), district heating combined heat and power (CHP) companies or public transport providers. Hence, there has to be a direct or indirect municipal link in the project. This can be achieved either by a direct involvement of a municipality (e.g. building owner, investor) or by a long-term contract between the municipality and a third party (e.g. concession for public transport, Energy Performance Contract (EPC) for a public building).

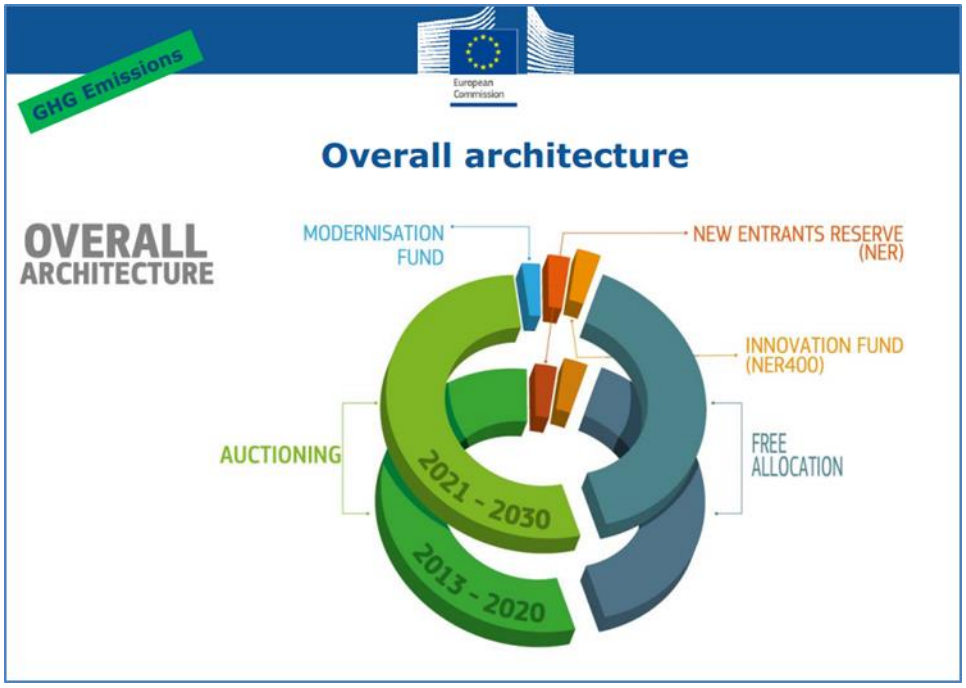
1.6 The 2030 Climate and Energy Policy Framework

In the European Council Conclusions [9] on 2030 Climate and Energy Policy Framework on 23/24 October 2014 three other energy efficiency funds were set out.

First, as foreseen in drafts leading up to the summit, the NER300 facility – a carbon-market fed fund for carbon capture and storage (CCS) and renewables today – will be bulked up into an NER400 facility and its scope extended to support low-carbon innovation in the manufacturing sector (steel, cement etc.).

Second, also as foreseen, 2% of EU ETS allowances will be set aside to address "particularly high additional investment needs in low income member states" – i.e. with GDP per capita below 60% of the EU average. Funds will be distributed "based on the combination of a 50% share of verified emissions and a 50% share of GDP criteria". How projects are selected, will be reviewed by the end of 2024.

And 10% of EU ETS allowances to be auctioned to industry by member states will be distributed among those countries whose GDP per capita did not exceed 90% of the EU average in 2013.



Slide from EC presentation on 2030 Framework for Climate and Energy [10] 1.7 The

1.7 Sustainable Energy Initiative (SEI) of the European Bank for Reconstruction and Development (EBRD)

The Sustainable Resource Initiative (SRI) is an umbrella initiative which promotes efficiency and innovation in three areas vital for countries where the EBRD invests: energy, water and materials.

The EBRD addresses energy efficiency and climate change projects including renewable energy and adaptation projects through its Sustainable Energy Initiative (SEI) . The SEI was launched in 2006 with the aim of scaling up sustainable energy investments in the Bank's region, improving the business environment for sustainable investments and removing key barriers to market development.

The SEI uses the full range of the Bank's financial instruments to finance sustainable energy projects across the bank. SEI projects are diverse – the EBRD supports energy efficiency improvements in the corporate sector, including the agribusiness, manufacturing and service sector.

Furthermore, the EBRD invests in upgrades and the modernisation of the energy sector across the region with a focus on scaling-up renewable energy projects, and increasing the efficiency of energy production and networks. It also provides credit lines to local

financial institutions in 30 countries, which allow these institutions to on-lend to funds to their clients to enable them to finance sustainable energy projects. As the impacts of climate change become more apparent, climate change adaptation is emerging as an important part of the SEI.

When market barriers are too high to allow projects to go forward, the Bank can support eligible clients by obtaining donor funds from bilateral and global partners such as the Climate Investment Funds (CIF), the Global Environmental Facility (GEF), the EU, and others.

SEI projects also benefit from the Bank's ability to deliver technical assistance to its clients and governments. For example, to support its clients with project preparation and implementation, the Bank can offer technical assistance products such as market analyses, feasibility studies, energy audits, and training and awareness raising. As part of its policy dialogue activities, the SEI works with governments to support the development of strong institutional and regulatory frameworks that incentivise sustainable energy investments.

1.8 Private Finance for Energy Efficiency (PF4EE)

Private Finance for Energy Efficiency (PF4EE) instrument is a joint agreement between the EIB and the European Commission launched in December 2014 which aims to address the limited access to adequate and affordable commercial financing for energy efficiency investments.

The instrument targets projects which support the implementation of National Energy Efficiency Action Plans or other energy efficiency programmes of EU Member States.

The instrument is managed by the EIB and funded by the Programme for the Environment and Climate Action (LIFE programme). The LIFE Programme committed EUR 80m to fund the credit risk protection and expert support services. The EIB will leverage this amount, making a minimum of EUR 480m available in long term financing.

The PF4EE instrument will provide:

- a portfolio-based credit risk protection provided by means of cash-collateral (Risk Sharing Facility), together with
- long-term financing from the EIB (EIB Loan for Energy Efficiency) and
- expert support services for the Financial Intermediaries (Expert Support Facility)

1.9 The Energy Efficiency Financial Institutions Group

The Energy Efficiency Financial Institutions Group ("EEFIG") was established as a permanent working group by the European Commission, in late 2013, as a result of the dialogue between Directorate-General for Energy ("DG Energy") and United Nations Environment Programme Finance Initiative ("UNEP FI"), as both institutions were engaging with financial institutions to determine how to overcome the well documented challenges inherent to obtaining long-term financing for energy efficiency.

EEFIG resulted from the joining of these forces to engage with the sector's stakeholders and financial institutions to create an open dialogue and work platform with the European Commission; and with UNEP FI helping to convene meetings and bring in a variety of active and interested players, among its members and beyond, as per its mission statement of "changing finance, financing change". Founders believe that the creation of EEFIG represents the first time such a dialogue and work platform has been established between the Commission and the financial sector on the topic of energy efficiency finance.

The membership of EEFIG is comprised of 51 individuals drawn from the following organizations:

- Public and private financial institutions (banks, investors, insurers etc.);
- Banking associations and investor groups;
- Energy efficiency industry experts;
- Energy efficiency services representatives;
- Civil society experts representing diverse energy efficiency stakeholder groups;
- European Commission; and
- UNEP FI.

EEFIG is supported by Climate Strategy and Partners (www.climatestrategy.com) which was contracted to support the coordination and drafting of this report on behalf of EEFIG and whose Chief Executive is also a member of the group. EEFIG meetings are convened and chaired by DG Energy. The final EEFIG report has already been published 'Energy Efficiency – the first fuel for the EU Economy. How to drive new finance for energy efficiency investments. Final Report covering Buildings, Industry and SMEs' (The Section 3 'Corporate Energy Efficiency Investments (Industry & SMEs)' of special interest).

1.10 The Industrial energy efficiency and climate change of UNIDO

United Nations Industrial Development Organisation (UNIDO) adopts a comprehensive approach to promoting and supporting continuous improvement of industrial energy efficiency in developing countries and emerging economies. The Organization currently offers the following assistance: policy support, capacity-building and technology transfer and Global Forum.

Improving energy efficiency in industry is one of the most cost-effective measures to help supply-constrained developing and emerging countries meet their increasing energy demand and loosen the link between economic growth and environmental degradation, such as climate change.

The UNIDO Industrial Energy Efficiency (IEE) programme builds on more than three decades of experience and unique expertise in the field of sustainable industrial development. Combining the provision of policy development assistance and capacity-building for all market players, UNIDO aims at removing the key barriers to continuous improvement of energy efficiency in industries and ultimately transforming the market for industrial energy efficiency.

The UNIDO IEE programme hinges on two core concepts:
Industrial energy system optimization
Energy management standards

Outlook and Conclusions

At the time this document is released, the implementation of energy efficiency commitments aimed to meet Europe 2020 targets and to support its industry is supported by some clearly defined mechanisms which falls primarly under either the Horizon 2020 programme or the Cohesion and Regional Funds.

The Energy Challenge of Horizon 2020 is designed to support the transition to a reliable, sustainable and competitive energy system providing funding for non-nuclear energy research for the period 2014-2020.

Cohesion Policy is meant to support the European regions and cities to shift towards a low-carbon economy.

Other sizeable funds or instruments exit limited information have been gathered at this stage on the use of such means by European Textile or Apparel manufacturing industries.

Future outlook shall consider that the new European Commission has started its mandate in November 2014, and it has already given high political priority to the Energy Union concept. Accordingly major policy developments as well as revision of funding opportunities is expected.

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Co-funded by the Intelligent Energy Europe
Programme of the European Union