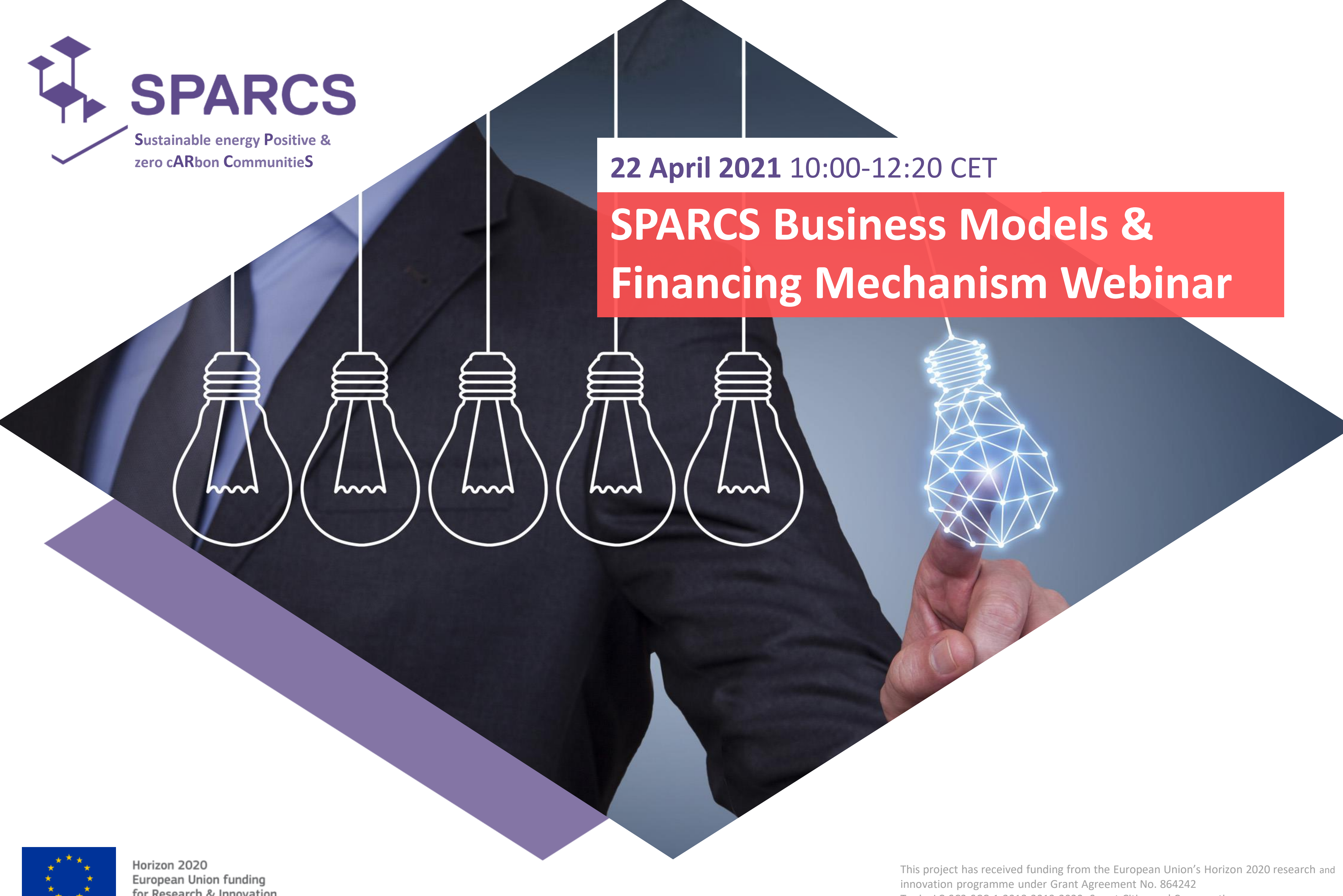

22 April 2021 10:00-12:20 CET

SPARCS Business Models & Financing Mechanism Webinar

Horizon 2020
European Union funding
for Research & Innovation

This project has received funding from the European Union's Horizon 2020 research and innovation programme under Grant Agreement No. 864242
Topic: LC-SC3-SCC-1-2018-2019-2020: Smart Cities and Communties

Meeting etiquette

- Turn off your camera
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- Choose setting 'active speaker view' for a better meeting experience (Top right of your screen)
- You can ask questions during the session.

Please go on www.slido.com and use the event code #723092 or scan the QR CODE

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Funding Scheme for Espoo and Leipzig

- A deep analysis of **"what if"** an Urban Authority, even a non-institutional aggregator of project developments, **collects funds before** starting the implementation phase (time 0), discloses an **higher cost of the "funding product"** due to the static time required to start-up the process and the amortization.

- On the other end, the operational requirement leveraging money for Positive Energy District implementation is referred to the **"as is"** of the **energy consumption** compared to record in the balance sheet of the subsequent **energy savings** during the OpEx phase.

The optimal solution seems to be a **two-steps funding process**:

- At the beginning, **attracting funds during** the implementation phase by **short/medium-term financial products**, through the credit channels (both traditional and unconventional).

- Later, when the amortization period starts, it could be possible to **securitize the EPC contract by long-term financial products**. This is possible considering PEDs as energy-centric projects.

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Going **beyond** the current funding schemes is mandatory: currently, the capital expectations <from the **short terms' earnings** into **longer**> is **a trend**, but not enough for the smart city market.

Indeed, it is made up of innovative actions, **not fully de-risked**, and start-ups, largely **undercapitalized companies** <too many shortages in the balance sheets>.

The banking system is unable to make a sustainability assessment on energy efficiency or a savings figure.

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So far, the **maximum eligibility** banking terms for loans is **5-to-7 years**: but not compliant with a PED/Smart City intervention.

On top of this, the banking legislation provides an automatic staging system of the risk and an increase in capital absorption in relation of it: that means an **increase of the cost of funding** and the **need of collaterals**.

The Financial Leverage must be contained to prevent it from undermining the non-cyclical nature of the investment

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Good news corner

The financial and banking legislations **are changing**

Thanks to enter into force of the **Taxonomy** and to the introduction of the European directive **SFDR** (Sustainable Finance Disclosure Regulation) the financial originators are asked to declare in their financial product whether ESG principles are present and in which percentage.

This is a first step against "**greenwashing**".

As well, EBA (European Banking Authority) will introduce the ESG principles in the **SREP** (Supervisory Review and Evaluation Process).

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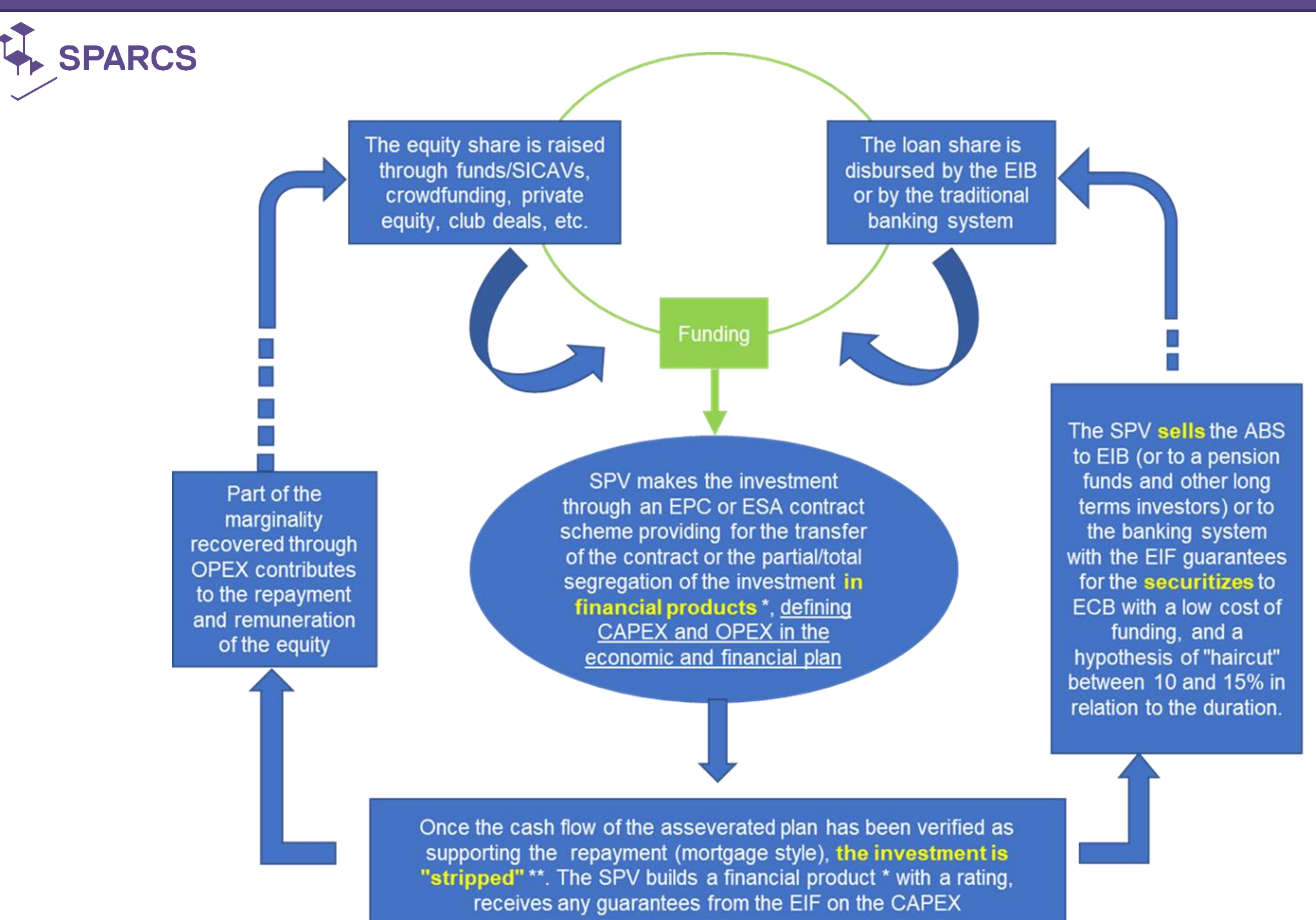

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CÂMARA MUNICIPAL DA MAIA

SIEMENS

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