



SF Energy Invest Conference 09 09 11

JESSICA Experience in the UK
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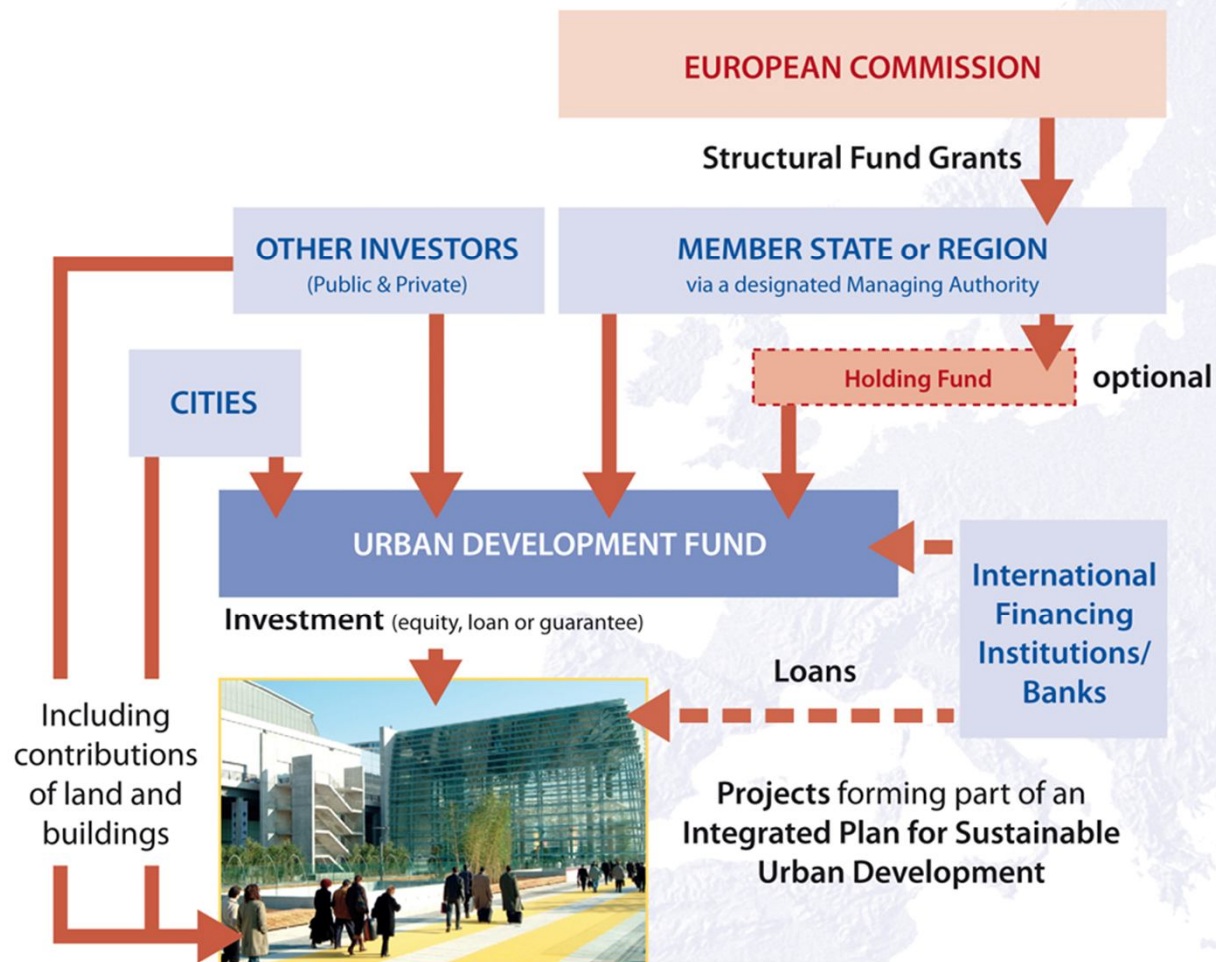


JESSICA – a new form of public-private investment

Joint
European
Support for
Sustainable
Investment in
City
Areas

- **Financial Engineering Instrument** introduced by the European Commission in collaboration with the European Investment Bank (EIB)
- Use existing **European Regional Development Fund** (ERDF) grant allocations;
- A revolving fund for investment in regeneration projects
- intended to gaps in provision of development finance
- Provides senior/ mezzanine loans, senior loan guarantee or equity.
- ERDF and match must be invested by 2015
- Initial restrictions on use of ERDF for eligible activities/ sector focus (e.g.. Energy, SMEs, Regen)
- Projects must be part of **Integrated Plan for Sustainable Urban Development**

JESSICA Structure



JESSICA and Sustainable Energy Investments in the UK

- 7 Urban Development Funds (UDFs) established/ under procurement
- UDFs have specific focus, including urban regeneration, environmental infrastructure, SMEs and Energy Efficiency (EE)
- Other UK regions considering JESSICA
- Amber Green Consortium bid for 3 UDFs which include an Energy component:
 - Wales - £55m Regeneration fund
 - London - £70m EE fund
 - Scotland - £15m for EE in Social Housing
- Commercial finance market for Energy Efficiency and Renewables immature; limited private finance available – JESSICA can fill this gap



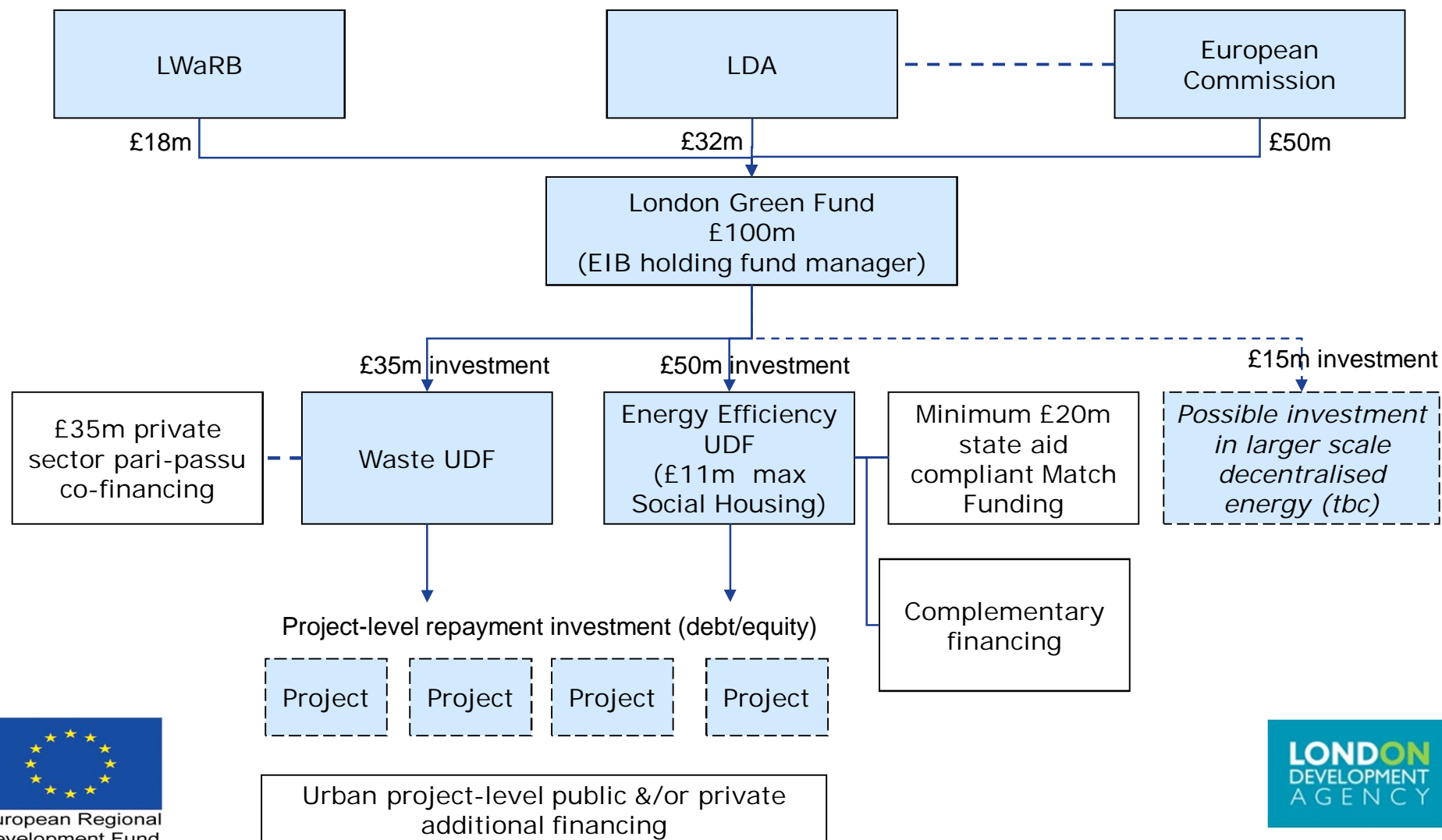
Case Studies

- **RIFW** - £55m funded by ERDF and Welsh Government match funding
- Arms length vehicle managed by Amber Infrastructure as Fund Manager
- Focus on £3-10m loans for Regeneration, can include Energy related projects e.g..
 - Community energy facilities, including combined heat and power
 - Renewable Energy
 - Energy Efficiency improvements to commercial premises, social housing, and public sector buildings
 - Waste treatment facilities for an urban area, including waste to energy

www.rifw.co.uk

- **London Green Fund – Energy Efficiency UDF**
 - £70m focussed on EE retrofit in public sector buildings, including £11m for Social Housing
 - Requirement for **£20m private sector match** finance as additional leverage for fund
 - Senior debt, junior debt or equity investments into eligible urban projects
 - Targeting Energy Conservation Measures with a payback of 5-7 years
 - Output targets for the fund include **20% Energy Savings Ratio** and over **46,000 tonnes of CO2** saved
 - RE:FIT Energy Performance Guarantee Contract can be used supported by ELENA

London Green Fund – JESSICA Holding Fund & UDFs

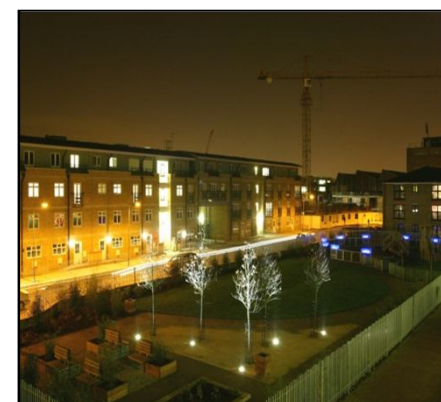


Poplar HARCA



- Poplar Housing and Regeneration Community Association
- Set up by LB Tower Hamlets in 1998
- Stock transfer
- Resident-leadership
 - Better Homes
 - Better Services
 - Better Places
 - Better Opportunities
- EE retrofit as part of major refurbishment programme
 - Tackle fuel poverty
 - Improve appearance of blocks
 - Debt repaid via development sites

Ward	Local Authority	London Rank Most Deprived
East India and Lansbury	Tower Hamlets	1
Bromley-by-Bow	Tower Hamlets	2
Northumberland Park	Haringey	3
Canning Town North	Newham	4
Canning Town South	Newham	5
Wick	Hackney	6
Mile End East	Tower Hamlets	7
St Dunstan's and Stepney Green (Ocean)	Tower Hamlets	8

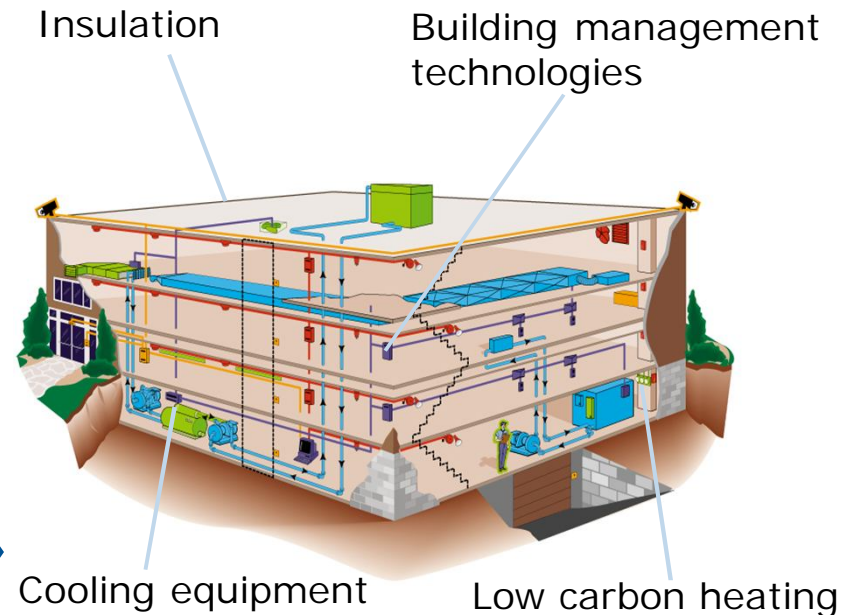


Procurement & Delivery - RE:FIT building energy efficiency programme

- **Energy Performance Contracting approach:** The public sector building owner identifies a portfolio of buildings they would like to retrofit, sets a target percentage energy savings and a payback period

- **An Energy service companies (ESCOs)** carry out the works and guarantee the resulting energy savings

- **This guarantees the payback of the initial investment** with the delivery risk transferred to the ESCO.
- Hence this is a cost neutral means to reduce energy bills and carbon footprint of buildings



Challenges of Implementing JESSICA in UK

State Aid

- Investments must be on commercial terms and generate a return
- State aid notifications are being progressed with the Commission

Revenues to Repay Debt

- Energy savings are difficult to prove, technologies are new
- Energy savings generally retained by housing tenants, so does not provide revenue stream to repay debt
- FIT can provide a source of income, but may not deliver against carbon reduction targets

Project Pipeline

- Projects need to be investor ready – feasibility studies undertaken, internal approvals in place
- Projects need to be of sufficient value to warrant transaction costs

Structural Funds Conditions

- Compliance requirements with regards to eligibility of expenditure, reporting, monitoring, procurement & 'regulatory repayment requirements' may be unpalatable
- Investments must be made by 2015 - UDFs needed now

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