



The new LIFE Programme 2014-2020

New aspects - Integrated Projects & Financial Instruments

LIFE Climate Action and Environment workshop
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Outline

- Concept of integrated projects
- Examples under the sub-programme for Environment
- Difference compared to "traditional projects"
- Financial instruments
- Other project and funding types





Concept of integrated projects

- Definition
- Purpose and means
- The concept
- The mechanisms





LIFE Integrated Projects (IPs)

What is it?

"projects **implementing** on a **large territorial scale**, in particular, regional, multi-regional, national or trans-national scale, **environmental or climate plans or strategies** required by specific Union environmental or climate legislation, developed pursuant to other Union acts or developed by Member States' authorities, primarily in the areas of nature, including, inter alia, Natura 2000 network management, water, waste, air and climate change mitigation and adaptation, while **ensuring involvement of stakeholders** and **promoting the coordination with and mobilisation of at least one other relevant Union, national or private funding source**"

- Article 2(d) of the LIFE Regulation-



IPs – purpose & means

- Integrate/mainstream environmental/climate policy in other EU policies
- Implementation of an EU Plan or Strategy
 - Water: River Basin Management Plan (RBMP)
 - Air: Air Quality Management Plans (AQMP)
 - Waste: Waste Management Plans (WMP)
 - Nature: Prioritised Action Frameworks (PAF)
 - Climate Mitigation: greenhouse gases strategies
 - Climate Adaptation: low carbon economy, climate resilient society plans and strategies
- Ensure supplementary funding sources for complementary actions, preferably EU funding
- Involve all relevant stakeholders - and think BIG!



IPs – For whom, what size...

For whom?

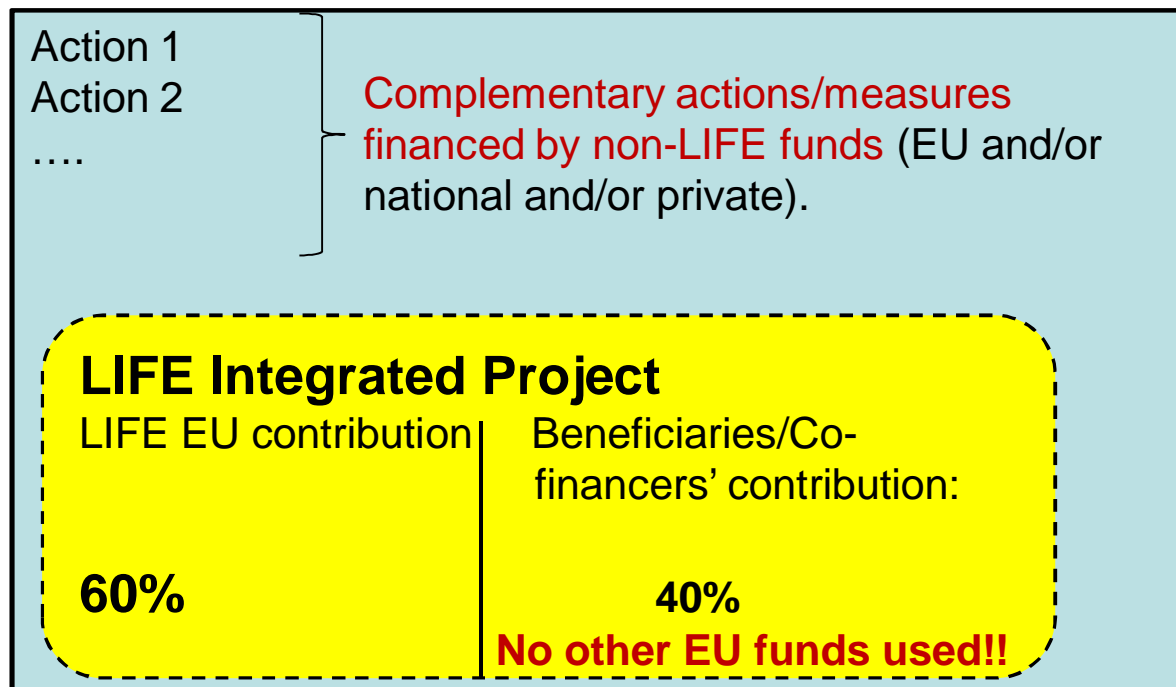
- *Coordinating beneficiaries*: Competent authorities or entities empowered to act for them capable of coordinating, besides the IP, complementary actions co-funded by additional private, public (preferably EU) funds.
- *Associated beneficiaries*: public and/or private commercial and/or non-profit organisation

Average size and number?

- 5 to 10 beneficiaries; EU contribution: €10 million; 3 IPs per Member State in 7 years (1 ENV, 1 NAT, 1 CCM/CCA).

IPs – the concept

Illustration of a plan/strategy implemented by the IP and by complementary actions:





LIFE – IPs – the concept (cont.)

Implementation of a Plan or Strategy means:

- Ultimate goal: implementation of all elements/actions of the plan in question
- There have to be longterm commitments to implement the entire plan in the given geographical area / cities by all relevant actors
- Not all aspects have to be covered by the LIFE IP itself
- In a large geographical area/ covering a significant number of cities



LIFE – IPs – the concept (cont.)

Implementation of a Plan or Strategy means:

- IPs provide examples of good practice for efficient and well-coordinated implementation of Union environmental and climate policy in Member States and regions.
- IPs help competent authorities to fulfil their legal obligations!



Project Mechanisms

Submission (only for sub-programme for Environment in 2014)

- Off-line (PDF on data carrier)
- Two stage approach:
 - 1st stage: Concept Note, environmental plan/strategy and finance plan
 - 2nd stage: Full proposal including a letter of intent from at least one other funding source.

Implementation:

- A cyclical reporting/planning mechanism (not everything planned in detail from the beginning)
- More flexibility (including cascading grants)
- Payments following periodic planning



Examples of IP under the sub-programme for Environment

- Water
- Air
- Waste
- Nature





Water IPs

- **Implement a River Basin Management Plan (RMBP)** pursuant to Annex VII of the Water Framework Directive (a part through the IP, part outside)
- Draw in and target **supplementary funding from EU sources** (e.g. EARDF), **public funding sources** (e.g. funds floods), **private finance** (e.g. water companies, local business) and commitments to implement the whole plan in a significant part of the catchment area,
- Involve **local stakeholders** and **NGOs** in decision making
- Offer a blueprint for how to **integrate EU, national and local priorities** on the ground



Water IPs

- IP water projects should focus on **large scale** (eg. sub-catchment or river basin) planning and establishment of measures to increase water retention in urban and rural areas, enhance infiltration, increase water storage capacity and remove pollutants through natural or 'nature-like' processes.
- They should seek **synergies** to implement actions that will redress existing hydromorphological pressures and improve biodiversity and amenity value.



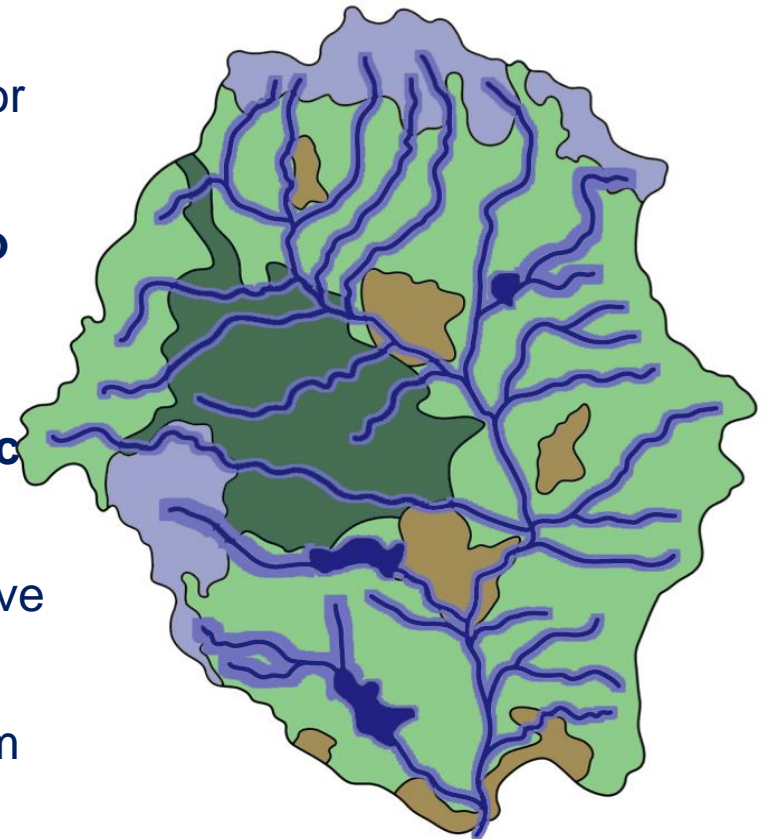
Water IP example

- Objective: to implement the target plan and thereby provide flood protection, environment's capacity for water retention, water quantity, water quality, biodiversity and/or recreation benefits
- Desired additional outcomes:
contribute to improving ecosystem services;
deliver also for N2000 in a whole river basin or large catchment resilience to future climate change
- Necessary elements: according to the target plan (incl. targeted infrastructure investment, use of low impact measures like green infrastructure for depollution, land management and land use change); supplementary funding and complementary actions outside the LIFE programme.

Water IP example

Target: whole river basin district

- Seek out **synergies** at the outset and plan for multiple benefits
- Plan and implement **measures to restore to good status** and **achieve protected area objectives**
- Focus on **improving compliance with basic measures**
- Targeted **land use change** to protect sensitive areas and achieve good status
- **Remove hydromorphological barriers** from source to sea





Water IP - example

Continuous 5 m buffer strips on all watercourses - protecting water and offering terrestrial biodiversity benefits

Competent authority

Regular management & control:

Local public authority

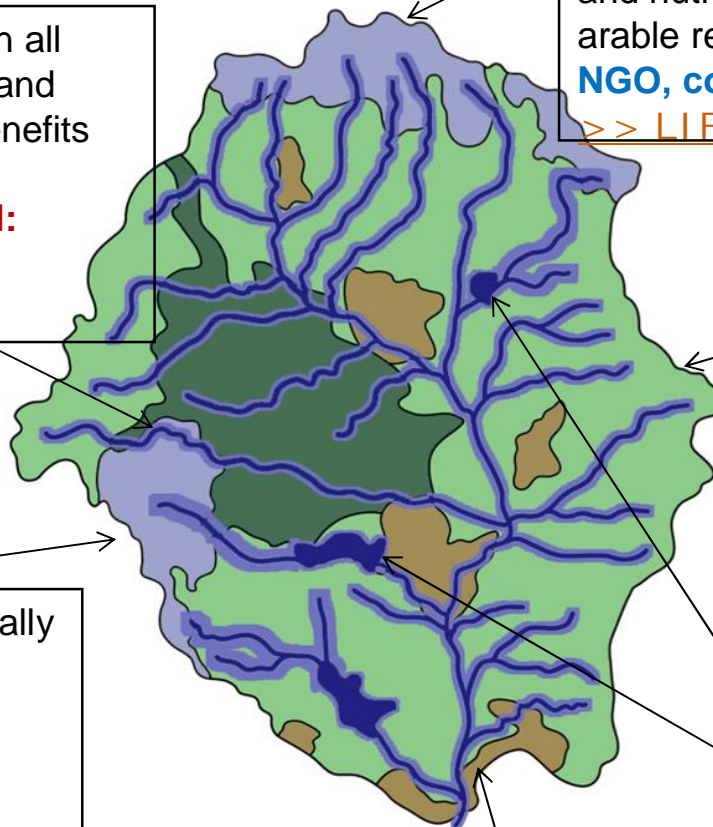
>> LIFE IP

Bathing waters (land hydrologically connected to bathing water):

Target uptake of measures that reduce likelihood of faecal pathogens entering waters

Local authorities

>> LIFE IP



Drinking water protected areas: Target uptake of measures that reduce pesticides and nutrients in binding agreements (e.g. arable reversion, forestry)

NGO, competent authorities

>> LIFE IP

Reduce pollutant loss from all agricultural land through targeted advice and inspections EU directive and WFD basic measures
Competent authorities, stakeholders

European Agricultural Fund for Rural Development (EAFRD)

Remove all hydromorphological barriers

European Structural and Investment Funds (ESIF)

Wetland creation/restoration

To reduce nutrients, recreate pre-existing wetlands, store flood waters

Pilot: NGO, competent authorities

Large scale: ESIF



Air IPs

- Implement and monitor local and regional Air quality management plans pursuant to the Air Quality Directive 2008/50/EC
- Contribute to National Air Pollution Reduction Programmes
- Involve at least 5 cities
- Regional Air Quality Plan: coordination and cooperation between all local administrations and the regional administration





Air IPs

- Implement and monitor local and regional Air quality management plans pursuant to the Air Quality Directive 2008/50/EC Contribute to National Air Pollution Reduction Programmes
- Local Air Quality Plans: IPs should include coordination and cooperation between *at least 5 cities* with such plans
- Regional Air Quality Plans: coordination and cooperation between all local administrations and the regional administration





Air IP example

5 cities – 1 LIFE IP – 5 complementary projects

- The coordinating beneficiary (CB) is the regional authority for all 5 cities/the most representative city
- All cities are associated beneficiaries (AB) for dissemination and stakeholder involvement
- In the most representative city: The competent authority sets the legal framework
- All priority actions foreseen for one or several cities in the AQMP/demonstrative actions are implemented (filters, measuring, traffic management) under the LIFE IP
- **Still, polluters take measures at the source/pay fines/fees**



Air IP example (cont.)

- The other cities commit to implement equivalent actions in their cities with their own funding/private polluter contribution /ESIF co-funding
- The coordinating beneficiary (CB) coordinates/follows-up on commitments of the actors of the complementary actions (outside of the LIFE IP).



Waste IPs

- Implement Waste Management Plans (WMP) (Article 28 Waste Framework Directive 2008/98)
- Contribution to the implementation of the waste hierarchy (art. 4 of the WFD), the achievement of the recycling targets included in the EU waste legislation, as well as the implementation of necessary measures to support those objectives.
- Link with other sources of funding or initiatives: Structural funds for large investments (waste collection and treatment); private companies and households; utilities; local, regional and national funds
- Implementation of the Roadmap of recommendations arising from an upcoming compliance and assessment exercise.



Waste IP example

Implementation of a Regional Waste Management Plan

- Contribution to the organisation of specific collection for household hazardous waste, furniture, textile, WEEE, construction waste in view of recycling/reuse: **local authorities, NGOs** >> LIFE IP
- Civic amenity sites, distribution of compost bins for home composting, bins for separate collection (dry recyclables, bio waste): **local authorities, NGOs** >> LIFE IP
- Prevention campaigns for specific targets (citizens, retailers, offices, schools) or specific waste streams (food waste, reuse/repair, packaging, textile, etc.) >> LIFE traditional project
- Creation of reuse centres: **ESIF, Local authorities**



Waste IP example (cont.)

- ➔ Implementation of PAYT (Pay-as-you-throw) schemes or landfill tax: **competent authority** >> LIFE IP
- ➔ Development of a monitoring system for waste collection and treatment (including waste composition analysis, generation, collection, treatment and costs) in one municipality; rolling out the system across all municipalities in the region: **competent authorities, ESIF**
- ➔ Development administrative and operational forces at public level, for the follow-up of implementation and inspections; setting up training courses: **ESF**
- ➔ The CB coordinates/follows-up on commitments of the actors of the complementary actions.



Nature IPs

Objective

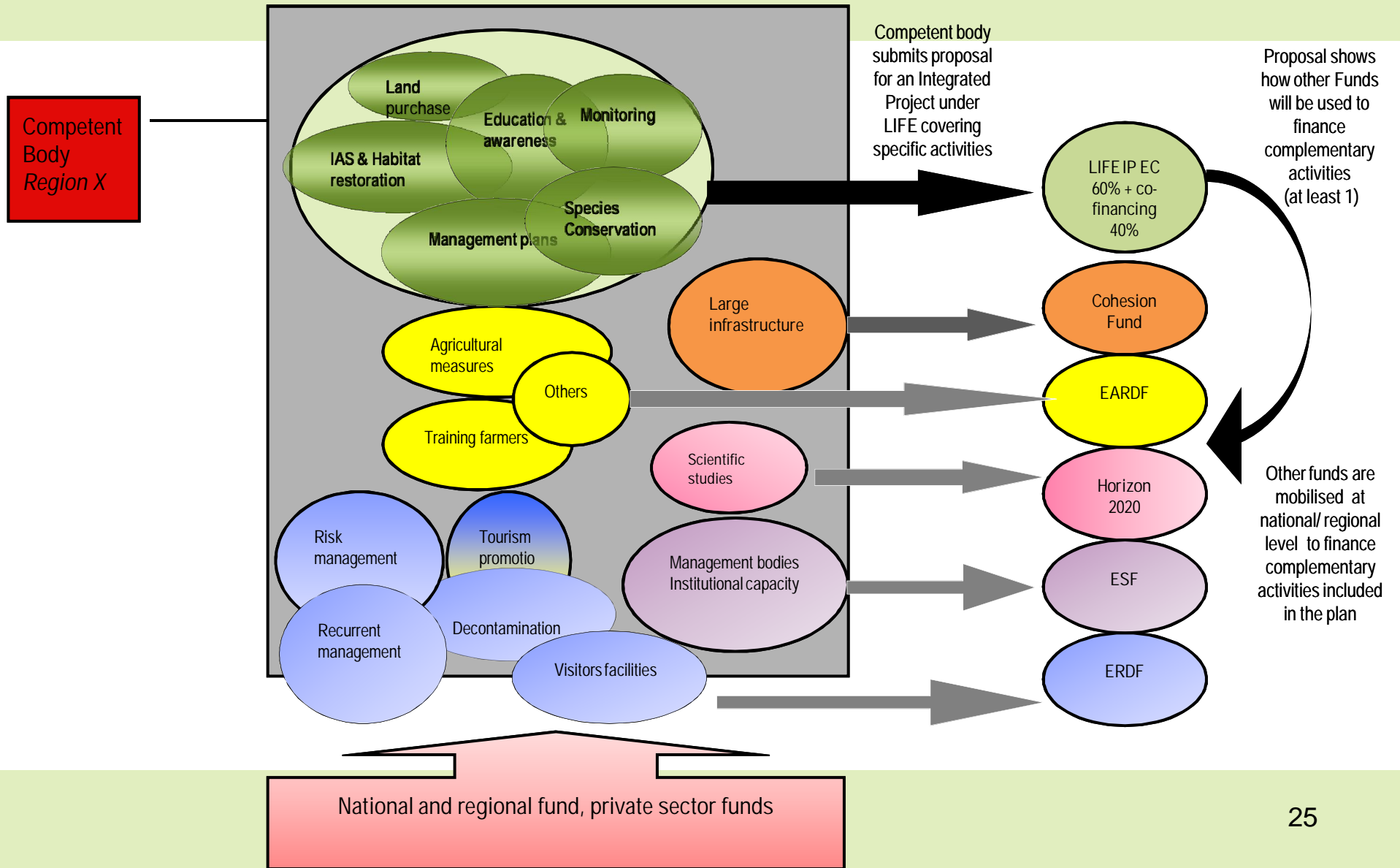
- Implement a Prioritized Framework Programmes (PAF) for Natura 2000 (Article 8 Habitats Directive) and thereby contribute significantly towards achieving target 1 of the EU Biodiversity Strategy (Natura 2000) and the general objectives of the Habitats and Birds Directives

Necessary elements:

- Large geographic scale covered by the IP
- Link with other sources of funding or initiatives: Structural funds for large investments (restoration); private companies; households; visitors; NGO; local, regional and national funds
- Long-term commitments of all relevant actors(also of the complementary project(s)) to implement the whole PAF in the long term.



Nature IP – example





IP vs "traditional"

- Catalyzer for (EU) Plan from A to Z
- Emphasis on coordination and collaboration with complementary actions
- More support and guidance
- The support tool – Technical Assistance projects





IP versus "traditional"

Implementation of a Plan:

- The IP serves as a catalyser for the implementation of an (EU) Plan from A to Z in a given region/number of cities by providing an example of good practice for an efficient and well coordinated implementation.
- The traditional project is not directly linked to a Plan or is simply limited to the implementation of only one or several aspects of a Plan.



IP versus "traditional" (cont.)

- IP: While a significant part needs to be concrete implementing actions with actual environmental impact, emphasis is on co-ordinating and ensuring the commitment of all relevant actors to implement the whole plan (to a great part outside the IP).
- "Traditional": Emphasis on concrete conservation actions/demonstration/piloting.

Stand-alone projects, with optional links to a Plan/Strategy



IP versus "traditional" (cont.)

But an IP also means:

- More support and guidance from the Commission: all new for all!
- Help in preparation with the aid of the Technical assistance projects
- A handful per year versus hundreds...



Support Tool: Technical Assistance Project (TAs)

For whom?

- For those who would like to submit an IP, but need assistance in finalising the application

For what?

- Support in drafting the IP application; should be applied for a year before the intended IP

Average size?

- Maximum 1% of the allocation for IP's => maximum €100,000

Co-funding rate?

- 60%



Financial Instruments

- Why financial instruments under LIFE?
- Projects financed by financial instruments (FIs)
- Two pilots
- PF4EE
- NCFF



Why financial instruments under LIFE?

- Test new instruments to **mobilise or "crowd in" private finance**;
- Make **optimal use of scarce public funds**, i.e. identify ways of **increasing leverage**
- **Address specific market barriers** by investing in projects that are not considered **commercially viable** today but have the **potential to be so in the future**;
- 'Fill the gap' in the financial market and **demonstrate the business case for 'higher-risk' projects**
- Facilitate **market uptake of climate/biodiversity friendly actions** and greening of financial intermediaries
- **Complement traditional action grants**





Projects financed by financial instruments (FIs)

For whom?

→ Mainly SMEs active in the field of environment and climate protection (NCFF), SME's, households, public administrations wishing to improve their energy efficiency (PF4EE).

What?

→ Credits/bank guarantees/ ... for environment or climate projects (LIFE MAWP for 2014-2017)

Average size?

→ 1 recipient: EU contribution: €5-€10 mio. (NCFF),
1 recipient: > €40.000 to €5 mio. (PF4EE)



LIFE: two pilots

- **Overall objective: Pilot concepts for "green" financial Instruments; widen the financing opportunities for "green investments":**
- **Private Financing for Energy Efficiency (PF4EE): M€80 for the next 4 years from LIFE Climate Action. Link with the EIB's initiative "DEEP Green"; starting as of 2015/2016**
- **Natural Capital Financial Facility (NCFF): M€30 from LIFE Environment + M€30 from LIFE Climate Action for the next four years; plus matching funds from EIB of M€50 for **Climate action and biodiversity**; 2014-2017, as of 2015; only testing approaches**



PF4EE

- ➔ Objectives of PF4EE
- ➔ Leverage and expected outcomes
- ➔ Management: EIB + local banks
- ➔ Structure
- ➔ Example
- ➔ Complementarity
- ➔ Monitoring and reporting





Objectives of the PF4EE

1. To make energy efficiency lending a **more sustainable** activity across European financial institutions (FIs);
2. To encourage **private commercial banks** and other financial intermediaries to address the energy efficiency sector as a distinct market segment;
3. To increase lending for energy efficiency in response to priorities identified by **Member States' National Energy Efficiency Action Plans**.





PF4EE Leverage + expected outcomes (2014-2017)

- Loan portfolio / LIFE contribution : **6** / Total investment cost / LIFE contribution : **8**
- Under the PF4EE approximately 6-10 financing agreements could be signed with financial institutions (EIB Loans for EE and expert support facilities)
- A financing agreement may cover the implementation of the PF4EE in more than one MS and a financial intermediary may sign more than one financing agreement.
- It is expected that over the lifetime of the work programme, assuming an average investment cost of **€300,000, up to 1,800 final beneficiaries** and projects will receive a total loan financing of approximately **€430M**.
- The total investment in EE over this period could be **around €540M**.





EIB managing LIFE projects: PF4EE

Tasks:

- Select intermediary banks in Member States based on selection criteria and while ensuring broad geographical distribution.
- Set up and monitor agreements on implementation with intermediary banks.
- Provide finance (loans) to intermediary banks for on-lending at preferential rates.
- Manage the Risk Sharing Facility for private banks (guarantee from Commission) designed to reduce the credit risk faced by banks and encourage their participation.

Responsibilities: Contractual obligations + reporting towards Commission (Delegation Agreement). Steering Committee (DG CLIMA, ENER and ECFIN + EIB) oversee the implementation

Contacts: EIB in close contact with banks in Member States. EIB website: possibility to collaborate on the PF4EE will be presented.



Local banks and LIFE projects: PF4EE

Tasks:

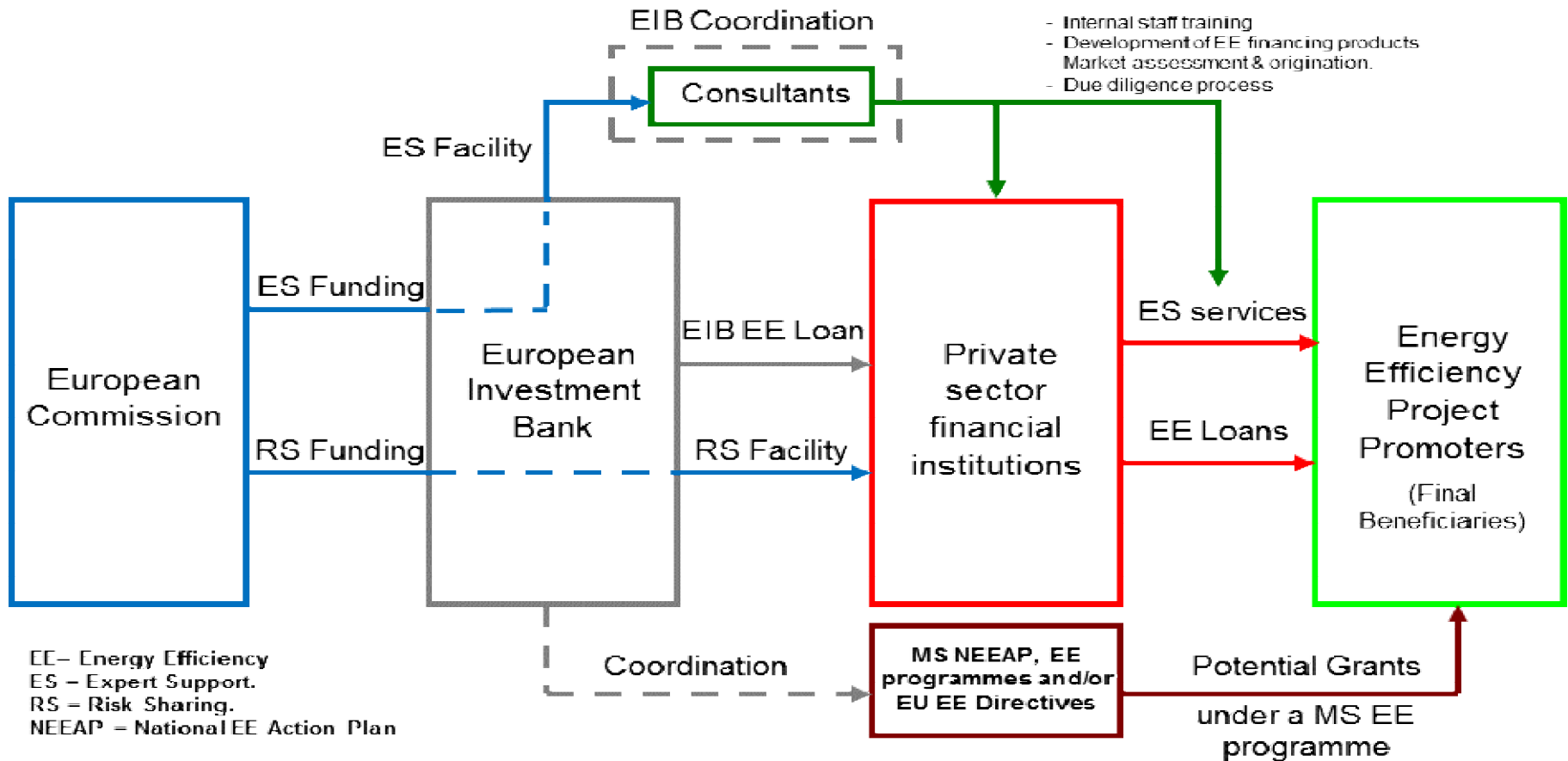
- Engage with the EIB (if not already in contact with them) regarding the possibility to be selected as partner for the PF4EE
- Negotiate a contract with EIB for implementation of PF4EE in their MS taking into account the NEEAP
- Increase the lending activity and provide better financing conditions to final recipients of EE projects

Responsibilities: Contractual obligation and reporting towards the EIB

Network/contacts: Good knowledge of potential local beneficiaries

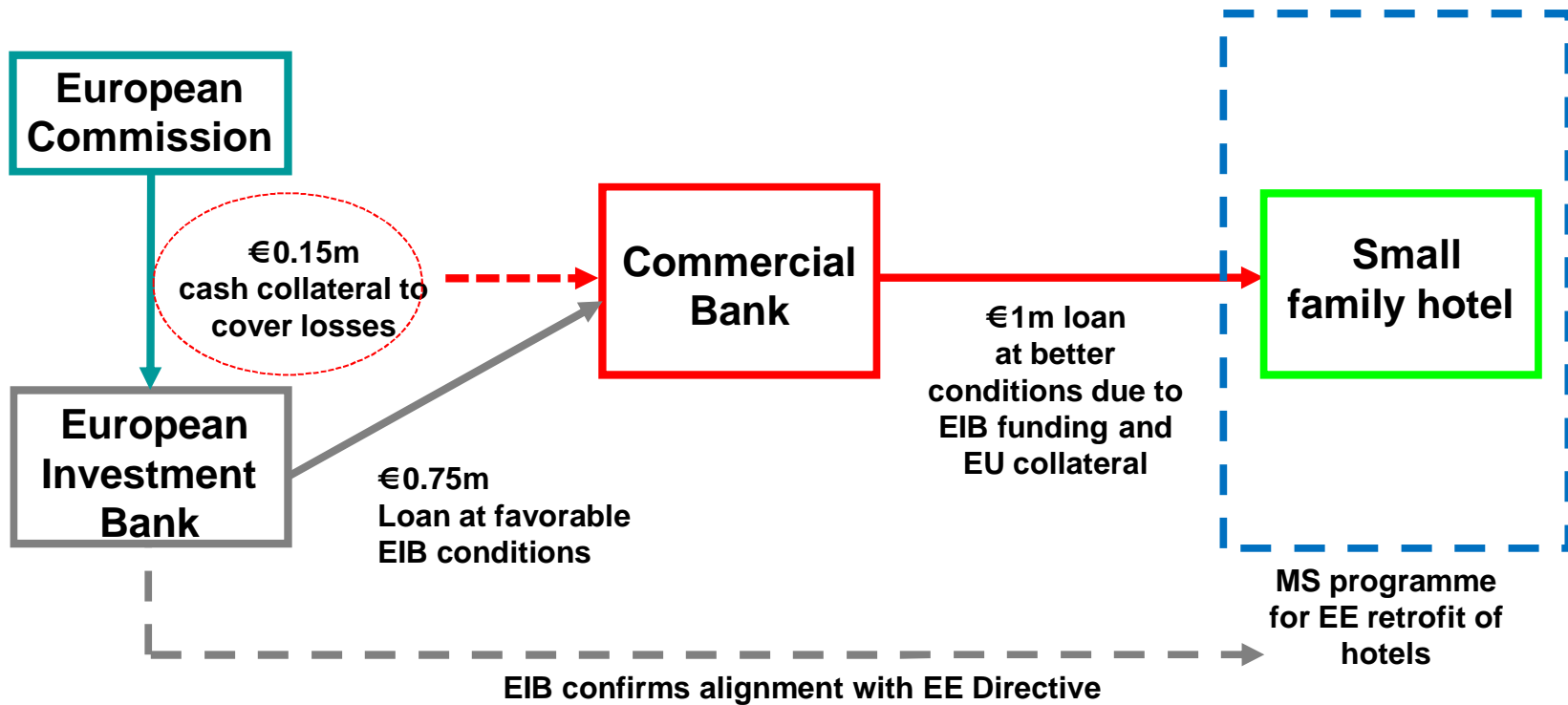


PF4EE : Structure





PF4EE _ Example





PF4EE complementarity with MS instruments

- Numerous MS' programmes provide support to funding EE;
- Cohesion policy funding to allocate min. €23 billion to EE/RES and urban transport (doubling current allocations);
- However, this is often in the form of grants and public sector activity, and doesn't cover the full cost of projects;
- **Financial instruments can complement grant schemes;**
- PF4EE will **test new approach to be up scaled by financial instruments supported by structural funds.**



Monitoring and reporting

- It is foreseen that EIB will be responsible for monitoring the implementation of activities and producing performance and financial reports every six months
- Commission will assess progress and report to the LIFE Committee
- ➔ Outcome indicators (measured activity of FIs):
 - Financing made available by participating FIs (EUR m)
- ➔ Impact indicators (measured impacts on final beneficiaries)
 - Energy savings generated (GWh)
 - Reduction of CO₂ emissions (tons of CO₂)
 - Employment creation (number of full time employment jobs)
- ➔ Additional outcome indicators:
 - ❖ Geographical coverage (EU28)





NCFF

- The Natural Capital Financing Facility
- NCFF – Approach
- NCFF – The setting
- NCFF – Applicants
- NCFF – Recipients and projects
- NCFF – Recipients and projects
- The new actors: EIB/local banks
- Example





The Natural Capital Financing Facility (NCFF)

Why?

- **Financing gap for biodiversity and climate change adaptation; emerging market opportunities** for investments in natural capital
- Need to **address barriers** such as perceived high risks, lack of track record, long pay-back periods

Objectives

- **Encourage investments in revenue-generating or cost-saving projects** promoting the conservation of natural capital to meet biodiversity/adaptation objectives and support green growth;
- **demonstrate** to private investors **the attractiveness of natural capital projects**; build **project pipeline**





NCFF - Approach

- **Investment facility** (debt and equity, direct and indirect) + **Support facility** (building pipeline, project development)
- **Two stages approach:**
 1. Pilot phase (2014-2017) for **testing approaches (as of 2015)**;
 2. Operational/**roll out phase** (2017-2020) – planned **outside LIFE**
- **Participants:**
European Commission; **EIB** (matching amounts for investments; manager of facility); **Other investors** (only in operational phase)
- **Challenges:** **testing the various financial mechanisms and project categories**; ensuring a **broad geographical scope** in the EU.





NCFF – The setting

- Pilot phase (2014-2017) for testing approaches
- Investment facility (debt and equity, direct and indirect) and Support facility (building pipeline, project development)
- Actors: European Commission; EIB (matching amounts for investments; manager of facility);
- Size for pilot phase: €100M for investment facility + €10M for support facility; allocation from LIFE: €60M (€30M from the sub-programme for environment, 50% from the sub-programme for climate action)





NCFF – Applicants



Why apply?

- Funding is required for a natural capital management project to take off but financing institutions seem reluctant to invest
- Opportunities to generate revenue or save costs are expected, which would allow to pay back the initial investment costs

How to apply?

- Direct contact could be taken with EIB;
- If deemed difficult, national contact points can help in facilitating interactions with financing institutions





NCFF – Recipients and projects

Who?

- Utilities, SMEs, local public authorities, land managers/farmers



What?

- Payments to secure critical Ecosystem Services.
- Green Infrastructure: generate revenues or save costs based on the provision of goods and services
- Offsets: voluntary compensation for the residual, unavoidable harm to biodiversity caused by development projects. No support for compensation to comply with article 6(4) of the Habitats Directive.
- Innovative pro biodiversity and adaptation businesses.



NCFF – The new actors EIB/local banks

- EIB (portfolio, experience)
- Intermediary (local) banks (help EIB reach potential beneficiaries across the EU)



NCFF – A project example

Payment for ecosystem services

Issue:

- Legal practices of upstream land managers/farmers affect the water quality
- Downstream brewery's production is affected

Solution:

- Land management upstream is improved (e.g. creation of a buffer strip and/or other management practices)
- This improves water quality for brewery, but also creates/maintains biodiversity and/or climate adaptation benefits

Problem:

- The land managers do not have the funds to pay for the management measures





NCFF – A project example (cont.)

Financer:

→ The brewery pays the land managers for the measures to improve the ecosystem services (contract)

Final recipient

→ Land managers (eco-system providers)

What is the role of the NCFF?

→ Investment facility: Provide funding for the loan supporting the necessary investments.

→ Support facility: Help coordinate between the brewery and land managers, therefore securing the business model of the approach.





NCFF – The role of the national contact points



- Steer applicants who develop potentially revenue generating or cost-saving natural capital projects towards the NCFF to build a good pipeline of projects
- Facilitate interactions between EIB, national financial intermediaries and potential project beneficiaries
- Monitor effective implementation of the NCFF





Other project and funding types

- ➔ Preparatory Projects
- ➔ Operating grants for Non-Profit organisations (NPOs)
- ➔ LIFE for NPOs – what for?
- ➔ NPOs – General funding framework





Tools: Preparatory projects

What: Projects addressing specific needs identified by the Commission in collaboration with Member States

Specific needs 2014:

- 1) *Establishing an EU NGO platform on Best Available Techniques*
- 2) *Completing EU28/Pan-European Species Red Lists for species groups relevant the EU Habitats Directive (Directive 92/43/EEC)*
- 3) *Development and update of species action plans for bird species listed in Annex I and Annex II of the EU Birds Directive (Directive 2009/147/EC)*

How: Pdf application on data carrier



LIFE – Operating grants for Non-Profit Organisations (NPOs)

Small, separate programme for 1-year/2-year framework agreements for operating grants (core funding) to co-finance the functioning of EU level environment and climate NPOs, i.e. non-profit making entities which

- pursue an aim of general Union interest,
- are primarily active in the field of environment or climate action,
- are involved in the development, implementation and enforcement of Union policy and legislation.



LIFE for NPOs: What for?

- Part of "Governance and Information": "broadening stakeholder involvement, including NGOs, in policy consultation and implementation of policy". Support to
 - advocate concerns and views of union citizens as part of the policy development process,
 - support implementation of EU policy,
 - raise awareness of environmental and climate-related problems and policy responses,
 - build and strengthen their capacity to become more efficient partners.



NPOs – General Funding framework

How many?

- Around 25-30 beneficiaries (NGOs) supported every year

How much?

- Average EU contribution around EUR 325.000
- Max. EU co-funding rate 70% (average 50%)

