

35 public authorities with investments across eight countries – France, Germany, Italy, the Netherlands, Romania, Spain, Portugal and the UK – are working with the eeef since its inception. The Fund has actively pursued investments of €135.4 m in the sectors of energy efficiency, renewable energy and clean urban transport. Within these sectors, the eeef is financing a variety of technologies starting with building upgrades, public lighting refurbishments and, PV installations to more complex CHP and tri-generation plants.

In November 2016, the Commission adopted its proposal for Europe's most ambitious and comprehensive energy package (the Clean Energy for All Europeans package), comprising eight legislative acts and accompanying measures to deliver secure, sustainable and competitive energy by 2030 and contributing to our Paris Climate Agreement commitments. This improved regulatory framework, and in particular the new Regulation on Governance of the Energy Union, will help to spur sustainable investment to support the clean energy transition in the EU.

Energy efficiency is a critical element of the energy transition, but it needs high investment to reap its many benefits. The right policy framework can encourage both public and private investment to reduce the cost of finance for energy efficiency projects. An example of this is the September 2017 update of Eurostat guidance on the recording of energy performance contracts (EPCs) in EU Member States' government accounts: a regulatory change that helps remove barriers to energy efficiency investment in the public sector. The public sector has to lead by example and demonstrate efficient building renovation and show how its impact can be great because of public ownership of building stock. The new Eurostat guidance will allow wider use of energy performance contracting which, combined with private sector funding, will help to support the development of a stronger EU market for energy service companies.

Climate and clean energy commitments are being strengthened, while public budgets face ever greater constraints. Thus, we need to be more efficient than ever in the targeted use of EU and national funds to leverage private capital and to demonstrate the returns on investment. The eeef supports the promotion of sustainable energy financing and reinforces investments that help to protect our climate whilst bringing economic benefits to consumers. The eeef will continue to develop key public sector energy efficiency projects, to effectively blend public and private funds and to increase the interest and understanding of private sector financial managers in energy efficiency projects throughout the European Union, demonstrating the Energy Union principles and goals.

In June 2018, leaders gathered at the 44th G7 Summit to develop strategies to facilitate this global issue. Within 30 years, around 70% of the world's population will live in cities. Operational efficiency, cost reduction and environmental sustainability will be key drivers to accommodate this development. Sectors such as energy, lighting and transport have the most impact in the smart city universe, as efficient energy is the cheapest energy of all. Cities should be leading the energy transition. The European Energy Efficiency Fund (eeef) continues to support the 'Advancing Sustainable Energy for Europe' initiative through its successful collaboration with public authorities, in particular by working towards the achievement of the newly agreed 32.5% energy efficiency target for 2030 within the European Union.

In August 2017, the fund entered its seventh year of operation, and we proudly reflect on the success of the eeef over the last 12 months – the successful start of the eeef Technical Assistance Facility (TAF) with two signings achieved and the continued expansion of the fund's geographical footprint through reaching financial close for a PV project in Portugal.

As per 31 December 2017, the Fund has been actively involved with 35 public authorities across Europe via the eeef's investment portfolio, the European Commission Technical Assistance Facility (EC TAF) and the newly launched eeef Technical Assistance Facility (eeef TAF), which received funding from the ELENA facility under the European Union's Horizon 2020 Programme. As of year end, the eeef portfolio comprised of 13 different projects in eight Member States of the European Union. The overall Fund allocation as of 31 December 2017 stands at €135.4 m. The total income for the Fund was €5.5 m, and operating profit was at a

new high of €2.2 m. The profit enabled the eeef to pay the 2017 target dividend as well as a complementary dividend to its shareholders. Additionally, the Fund was able to replenish the eeef's TAF with over €270,000.

The new eeef Technical Assistance (TA) Facility, which received funding from the ELENA facility under the Horizon 2020 Programme of the European Union, launched at the end of 2016 and successfully closed the first call for proposal in March 2017. The new facility attracted interest among various public authorities seeking support to develop their sustainable project plans.

The programme provides the public authorities with consultancy services to enable the realisation of the project. The eeef achieved two signings for TA projects, including the City of Gijón (Spain) and the Province of Ferrara (Italy) – mainly for public building renovation and street lighting upgrade. Both TA beneficiaries have embarked on ambitious journeys to develop their projects within a two-year timeframe. Each beneficiary is supported by the eeef and the allocated consultancy team to deliver around €35 m worth of green investment programmes for the eeef pipeline.

By completing feasibility studies, energy audits and evaluating the economic viability of the investments in a timely manner, the TA beneficiaries aim to publish their first tenders only six to 12 months after signing the TA agreement with the eeef. For the City of Ferrara, the tender publication is expected within the first half of 2018. The new facility builds on the experience gained from the European Commission TA Facility, which was managed by the eeef, but introduces improved features, helping public authorities to realise a higher project implementation rate.

One of these features is the shorter project development period, which has been demonstrated already in practice as described above. On average, the development of an energy efficiency project in the public sector takes around four and a half years (conceptual phase to implementation). The eeef TA Facility aims to reduce this period to no more than two years by directly allocating consultancy services to the TA beneficiaries. The eeef is currently in the selection process of two further TA projects, including the Italian Ministry of Defence (Ducal Palace of Modena, Italy).

The European Commission (EC) TA Facility – which closed its operations in December 2017 – was also a powerful tool for public authorities to receive the internal and external required resources. Initially, 16 TA projects were approved by the facility, of which 10 projects have been facilitated, with a total investment volume of €185 m to date. Until now eeef has closed a total investment volume of €27 m from TA projects, with a further €30 m expected. Looking forward, public authorities will receive TA support from the newly created eeef TA Facility.

As well as the TA activities, on the investment side, Elecnor S.A. and the eeef signed a forfaiting facility of over €9 m for the upgrade of the existing street lighting infrastructure in the Municipality of Santander. In 2012, the municipality was the first beneficiary of the EC TA Facility and received €0.5 m to conduct feasibility studies and launch the PPP tender for the renovation works. The project's objective is to replace circa 22,300 old sodium vapour lamps with state of the art energy efficient smart solutions using Philips LED luminaires. Furthermore, wireless sensors will be connected to each luminaire to facilitate a connection with the municipality's digital communication network and the remote control management system – showing the eeef is contributing towards the development of a smart city.

In December, the eeef signed a Memorandum of Understanding for €5 m with Wattosun, an organization that enables public entities to implement small-scale PV installations for self-consumption, providing reductions in energy costs and associated market and supply risks. This opportunity marks the first Portuguese investment for the Fund. Currently, Wattosun is in ongoing discussions with several parties from the public sector interested in adopting the scheme, with a pipeline of up to seven of them in various locations throughout Portugal.

A 2017 highlight for the eeef was celebrating the inauguration event of the University Hospital S. Orsola Malpighi in Bologna (Italy) at the beginning of Q4 2017. The market perceives the project as a successful, major energy efficiency renovation. With the aim to reduce energy consumption, the eeef provided the University Hospital a project and a VAT bond facility of €31.8 m in 2013 to fund the upgrade of its entire fluid production and distribution system. This included the construction of its own tri-generation plant with a district heating and cooling network of 15 kilometres and energy recoverage to produce electricity.

The eeef strives to provide continuous support to cities and communities within Europe whose aim is to develop pioneering energy efficiency investments, renewable energy generation capacities and green public transportation networks by developing the required financing solutions to facilitate the progress of such initiatives.

Also this year, the eeef was seen as a major market participant in the European energy efficiency market and a welcome stakeholder in shaping the way towards a greener future. The Fund was invited to major expert conferences and promotional events for energy efficiency to promote its activities. Among these, nameable is the most recent Smart City Expo World Congress in Barcelona, where the eeef was a panellist at the 'Cities Standing Up to Climate Change' session.

Established in July 2011, the eeef is an innovative public-private partnership dedicated to mitigating climate change through financing energy efficiency measures and renewable energy projects. The fund operates under the 'Advancing Sustainable Energy for Europe' agenda, which invests in climate change projects for municipal, local and regional authorities as well as public and private entities which act on behalf of those authorities. The eeef operates in all 28 Member States of the European Union and was capitalised with an initial volume of €265 m by the European Commission, the European Investment Bank, Cassa Depositi e Prestiti and Deutsche Bank. The Fund benefits from an exemption from the Luxembourg Alternative Investment Fund Managers Law (the AIFM Law) of 12 July 2013, pursuant to article 3(2)(c) thereof. Following this article, the Fund is registered with the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg as an AIFM.

In the year ahead, to intensify our growth trajectory and position as a key player in Advancing Sustainable Energy for Europe, the Fund endeavors to keep successfully supporting public authorities reduce barriers faced when trying to scale-up the number of sustainable energy projects within their remits.