



Project bundling to bring down costs and create critical mass to attract 3rd party investment: example of PV on public buildings

Online matchmaking, 21 March 2022, 15:00-16:30 CET, 14:00-15:30 WET, 13:00-14:30 AZOST

FOLLOW-UP NOTE

Participants

Host organization and interested stakeholders

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BUNDLE UP NEXT project

Manuel Nina, CEO, Go Parity, Portugal

FIRESPOL project

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Interreg Europe Policy Learning Platform

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OBJECTIVES OF THE MEETING

To learn with peers about tools that the public sector can use to foster private sector project financing for sustainable energy projects at public buildings, and in particular project bundling to create critical mass and attract third-party investment.

SOME KEY TAKEAWAYS

- Renewable energy projects have become commercially viable over time as equipment costs have dropped and the cost of conventional energy generation from fossil fuels has gone up. Given a long-enough time-frame, most renewable energy projects have a positive return.



- Especially PV projects have a relatively short payback time, depending on local circumstances, often around 7 years.
- Individual PV rooftop projects have a higher cost than large scale PV projects. Grouping several individual PV projects together in a “bundle” increases the overall investment volume, while bringing down costs/kW installed due to scale economies, when the bundle is tendered out jointly. Project bundling is thus a means to increase the profitability of individual smaller projects. At the same time, a larger overall investment volume opens the door to professional, institutional investors who are not interested in investing in small projects, as each investment is costing them in terms of due-diligence. Bundling small projects together thus allows to address more resourceful investors.
- Given the fact that PV projects are profitable and the fact that many investors seek profitable investment opportunities (better than 0% bank interest rates!), the fact that these small projects don't find the investors is a market failure. The European Commission and the European Investment Bank address this market failure by funding projects that provide technical and legal assistance, such as the BundleUp Next Horizon2020 project, or the ELENA facility of the EIB.
- Beyond the example of PV, bundling also works for comprehensive energetic refurbishment packages, such as a combination of energy efficiency measures with a switch of the heating system, as demonstrated in PontoEnergia work within BundleUp project and planned in the Extremadura ELENA-supported bundling projects for hospitals and health care centres.
- It is relevant to bundle together projects with similar interventions so that they can be carried out in relatively similar manner, allowing for standardised processes.
- It helps if all projects in a bundle belong to the same organisation, e.g. all sports centres under the same authority.
- The Energy Directorate of the Azores seeks solutions to introduce PV and potentially some efficiency measures in those public buildings that are not covered by Recovery Fund actions. These are central, regional and administration buildings, as well as sports centres. BundleUpNext seeks to build a pipeline of investable project bundles in PT mainland and the islands. It was agreed that a cooperation could be developed with a first focus on sports centres that need both solutions for electricity and thermal energy and that are all under the same authority.
- The Extremadura bundling project under way confirmed the approach in all aspects and provided another excellent example of a bundling project under implementation.

ADDITIONAL ACTIONS

All participants exchange contact details for possible follow-up actions on bilateral basis.

Note circulation: All attendees.