

EU subsidies for energy efficient lighting

How Energy Efficiency providers, like ESCOs, Energy Performance Contractors and service companies can obtain the subsidized funds

Signify

**Lighting is the
quickest path to a
greener, smarter,
more prosperous EU**



Introduction

The steady march towards more sustainable energy solutions, combined with the impact of Covid-19 continues to change the way we live and work. In order to both accelerate the transition and provide needed economic support, the EU is providing funding for all those looking to invest in an inclusive, digitally connected and environmentally friendly future. This white paper provides you with an overview of which subsidies are available and how to obtain them.



- €390 bln. Grants
- €360 bln. Loans

NextGenerationEU

In an effort to support member states, whose economies were badly impacted by Covid-19, the European Council agreed to a massive EU recovery fund, branded NextGenerationEU (NGEU). Created on 21 July 2020, the 750 billion Euro fund runs from 2021 to 2023 and will be tied to the regular 2021–2027 EU budget (MFF). The comprehensive packages of NGEU and MFF will reach the size of €1824.3 billion* – all aimed at boosting hard-hit sectors, inciting business investment, and modernizing EU facilities.

Aside from pandemic-related aspects, other factors driving the fund are meeting future environmental goals, improving health and resilience and further advancing digitalization's reach.

As a fundamental part of the current and post-pandemic economy, energy efficiency providers like ESCOs, Energy Performance Contractors and service companies can benefit from a wide range of subsidies and incentive packages.

The European Green Deal

As the world's most comprehensive climate action initiative, The European Green Deal has been called 'Europe's man on the moon moment'. The program's goals are equally ambitious, namely, to achieve a carbon-neutral continent by 2050, advancing economic growth, reevaluating resource consumption and ensuring that everyone benefits from the transition.

Lighting offers possibilities to make a difference in all of the Green Deal's flagship policy areas: Clean Energy, Sustainable Industry, Building and Renovation, Farm to Fork, Eliminating Pollution, Sustainable Mobility and Biodiversity.

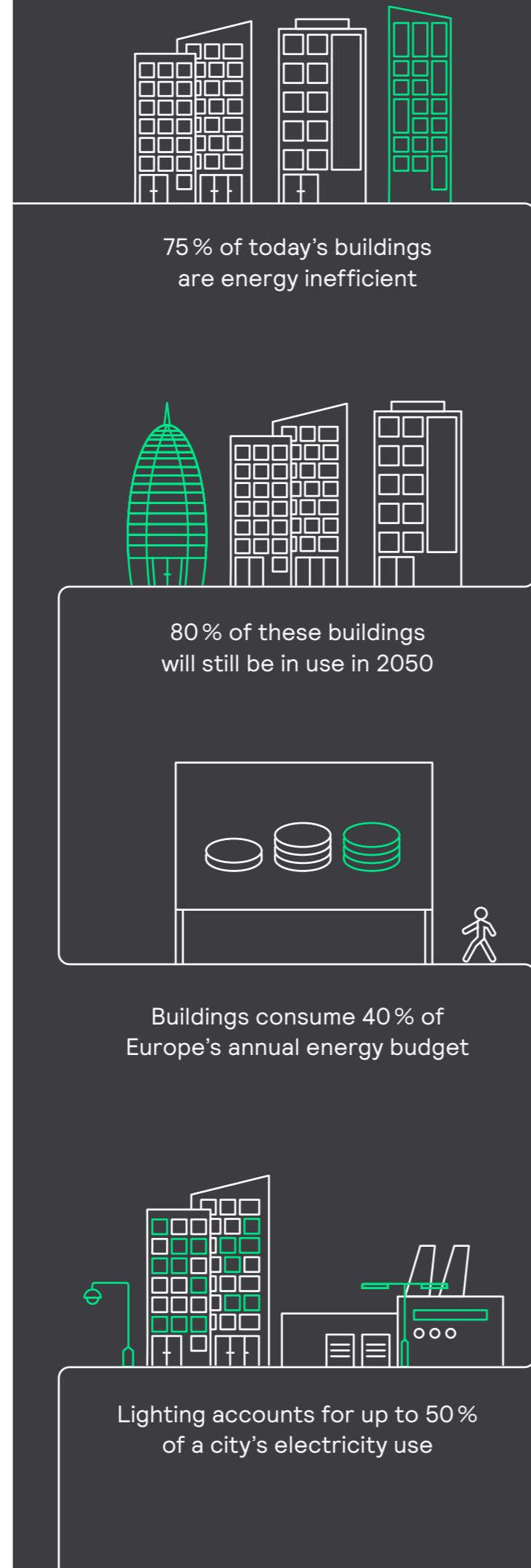
Opportunities in Building and Renovation

Buildings are the largest single energy consumer in Europe, accounting for 40 % of energy consumption and 36 % of GHG emissions, while lighting for the built environment is responsible for around 50 % of a city's total electricity use. Doubling the building renovation rate from 1.5 % to 3 % per year, along with energy-efficient lighting retrofits, are indispensable for reaching the Green Deal's goals for carbon neutrality, energy efficiency, and renewables.

Switching to connected LEDs in buildings and on streets can quickly reduce the built environment's lighting-related energy consumption by up to 80 %. Altogether, switching to LED and connected lighting can save the EU up to €40 billion and decrease carbon emissions by around 100 million tons per year.

Connected lighting helps to build the digital infrastructure that is so crucial for the adaptability, optimal operation, and efficient maintenance of buildings and street lighting. With UV-C lighting and connected apps, buildings can also become safer, healthier, and better able to respond to future challenges.

Learn more about the Green Deal at
www.signify.com/global/sustainability/green-switch



Switching to connected and LED lighting can save up to 80 %* on lighting-related energy consumption

Signify proudly markets the best lighting brands in the world:

PHILIPS

Philips LED lighting

The Philips brand stands for quality and energy efficiency in light. For over 125 years, Philips products have been at the forefront of innovation.

Today Philips is recognized as the leading brand in lighting. Our Philips portfolio includes innovative professional lighting products for energy-efficient lighting solutions in all areas – from public spaces, to office, industry, retail and hospitality applications. Philips Interact Ready lamps, luminaires and components work seamlessly with the Interact connected lighting system.

For outdoor lighting, a range of solar-operated luminaires can illuminate off-grid areas in a sustainable way. At home, consumers can enhance their homes with Philips Hue, or pick from a choice of classic LED bulbs without compromising on quality or eye comfort.

Find more information about the conversion to LED, useful tools and the full Philips LED portfolio at www.philips.com/XXXXXXXX

campaign URL tbd

interact

Interact IoT lighting software and systems

Interact connected lighting systems for the Internet of Things (IoT) offer centralized lighting monitoring and management as well as the ability to collect data from the lighting system and the illuminated environment via sensors.

Scalable and secure, Interact can be used in a wide range of professional application areas, from individual offices to entire cities. Collected data is stored in the Interact IoT platform running in the cloud. Interact dashboards and apps analyze and visualize this data to offer new, actionable insights into how buildings, businesses, or cities operate, delivering the knowledge required to improve operational efficiency, reduce energy consumption, and enhance the experience of people in illuminated spaces.

Interact publishes a set of secure, well-defined APIs that business partners, software developers, and system integrators can use to share data collected via Interact with other connected systems to create further efficiencies and new data-enabled innovations.

Together, Interact connected lighting systems for the IoT and Philips energy-efficient LED luminaires can significantly reduce lighting-related energy consumption, contributing to a smarter, more sustainable future.

Learn more at www.interact-lighting.com



Financing mechanisms

The Recovery and Resilience facility, accompanied by other subsidy funding from the EU and the Member States budgets, will generate a massive, once-in-a-generation investment wave. It seems that any project that contributes to a more green, digital, and resilient Europe will find its subsidized funding. But what does it mean in practice? What does it mean in particular that the funding will be subsided?

Many tools will distribute such substantial financing in a variety of programs. Firstly such programs will vary country by country and over time. Parties interested in such support should remain alert and observe the development of the situation. The funding will be a moving target thus, and one recipe to obtain financing will not work.

Historically the EU has been using grants as the financial mechanism to deploy their funding. Grants are, however, inflexible and do not respond to the market needs.

Building on its experience, the European Commission has introduced Financial Instruments (FI) as an alternative to traditional grant-based support. It's the Commission's ambition to create a sustainable Energy Efficiency (EE) market that, in the long run, do not require subsidies. Using Financial Instruments supports this ambition, as they allow for stimulating the market in a much more practical and efficient way.

FI cover a wide range of financial tools, including loans, equity contributions, guarantees, or more sophisticated schemes, including on-bill and on-tax mechanism. They are an open-ended set of tools, allowing for a flexible decision on its ultimate shape by the institutions closest to the end users. Unlike grants, FIs are typically deployed via financial intermediaries, like banks. These institutions will give the final shape of the conditions that such financing will carry. This seems a positive message for the potential beneficiaries, the Next Generation EU will be actively reacting to local market needs.

The local financial intermediaries open the opportunity to blend financing from different sources. The need to crowd in private funding has been expressed by the European Commissions. As long as the EU's 2030 and 2050 ambitions are concerned, there is a funding gap that private institutions will fill. For example, doubling the building renovation rate requires a staggering €275 billion investment annually, out of which €90 billion will come from private investors.

2021-2023 will see a massive, once-in-a-generation investment wave for any project that contributes to a greener, more digital and resilient Europe

What next

The easiest way to get to know more on grants available locally are the regional Managing Authorities appointed by the European Commission.

The European Commission recommends relying on existing funding distribution structures. It would be challenging to develop an entirely new deployment system under the tight calendar. Although it is an early stage to identify the exact local programs, we can draw some reasonable conclusions on that base.

Grants will still be the primary tool to deploy the Next Generation EU funding. It is expected that the ultimate country specific deployment procedures will be inspired by the initiatives and schemes used to deploy the Cohesion funds in the past horizons and used by the European Investment Bank.

The decisive role in the Cohesion funds structure was given to so called Managing Authorities (MA). Such Managing Authority is responsible for an efficient management and implementation of an operational programme.

This may be a national ministry, a regional authority, a local council, or another public or private body that has been nominated and approved by a Member State.

The EC publishes the list of nominated Managing Authorities on its web page*. Following the institutions listed there seems the fastest way to identify local programs' development. The selected local authorities will be the ones to give details on the regional agenda.

Financial instruments are expected to be used broader in the current investment horizon than in the past. Such tools require immense local preparation; however, they bring more benefits, as was mentioned earlier in this text. Financial institutions nominated by the EC prepare the ultimate shape of the Financial Instrument.

Simply speaking, we may expect two sources of funding programs with embedded Financial Instruments:

1. European Investment Bank (EIB)

The European Union bank participates substantially in the funding distribution. The most prominent EIB program is InvestEU. The program brings together the European Fund for Strategic Investments and 13 other EU financial instruments. Triggering more than €372 billion in additional investment over 2021 – 2027, the InvestEU Programme aims to give an extra boost to sustainable investment, innovation and job creation in Europe.

The most typical way of working, especially for off the shelf financing, is cooperation with local commercial banks. Probably, the most up to date information on available funding in each country will be via the local banks that work with EIB. The local intermediaries banks in a given country can be found on EIB's web page:

www.eib.org

2. Local banks

The local banks and financial institutions may also be incorporated into the Next Generation EU funding distribution directly, without EIB in-between. In such a case, selecting and managing the funding will be done via the Managing Authorities.

The EU Commission local bodies determine the MAs, often local or national authorities, responsible for the efficient management and implementation of operational programmes. Managing authorities are expected to conduct their work in line with the principles of sound financial management. Like EIB, the MAs in a given country, after electing the financing partners, announce their list on their web pages.

Although the MFF 2021-27 and NextGenEU funding has not yet started, the institutions behind the funding distribution, i.e. EIB, the country's MAs, and local financial institutions, have experience and should soon begin giving exact conditions to the available programs.

Bold climate action is needed, and it's needed now – seize the opportunity to obtain funding for your sustainable lighting project and switch to LED now.

For more information on our energy efficient lighting products, systems and services go to

www.signify.com

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