

# Letter from the Investment Manager

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Dear Reader,

At the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) in Paris, 195 countries adopted the first ever universal, legally binding global climate deal. One of the key targets is the long-term goal of keeping the increase in global average temperature to well below 2°C above pre-industrial levels. The European Union (EU) is taking steps to implement its target to reduce emissions by at least 40 % by 2030.

The European Energy Efficiency Fund (eeef) was initiated by the EU in 2011 as a self-funded solution to provide financing for energy efficiency, renewable energy and clean urban transport projects in the public sector across all 28 countries to achieve EU targets.

As a consequence of the COP21 event, it is expected that the demand for financing solutions will further increase from both the public sector and the private sector, including from Energy Service Companies (ESCOs) act on behalf of public authorities, to achieve national and EU targets.

The eeef had achieved a new all-time high in invested capital by the end of this year. As the Investment Manager of the Fund, we are proud to have been actively involved in shaping the Fund's sustainable route to combat climate change.

The Fund achieved financial close for its first project in Spain: the eeef provided an innovative financing solution for the implementation of energy efficiency measurements at the Universidad Politécnica de Madrid (UPM) by signing agreement with UPM and Enertika, the involved ESCO, for the new heating infrastructure in 32 buildings belonging to the university. The Investment Manager sees a strong demand from the public sector to implement such projects in Spain in the upcoming years, supported by new financing solutions.

As seen in 2014, the main challenges to the further development of the eeef are the current low interest-rates environment and available projects not matching the investment criteria of the Fund. A potential challenge for the Fund is the new EUROSTAT rulings for the accounting treatment of public-private partnerships (PPPs) in the public sector. We can already see uncertainty at a municipal level. Initiatives are being put on hold by the public sector until further clarification is received regarding if PPP structures will be accounted for as public debt at a municipal level.