

# The Investment Platform as a Bridge between Business Case and Finance

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Positive Energy Districts



# This presentation

1. An example of a business case and its finance
2. Purpose of the District Investment Platform
3. Establishing a District Investment Platform
4. Citizen participation is vital
5. Conclusion

# 1.1 Business case of a low temperature heat network

## Total Costs of Ownership in 30 years

- CAPEX: € 9.890.000
- OPEX: € 16.800.000
- Total sum: € 26.690.000
  
- Subsidies: € 210.000

## Income during 30 years

- Delivering heat: € 19.800.000
- Fixed duty: € 7.800.000
- Total sum: € 27.600.000



# 1.2 Costs and benefits of users

- The users pay a fixed duty each year; this can be considered a subsidy to pay for the unprofitable part of the business case.
- Besides the fixed duty the users will have considerable costs to adjust their dwellings and other buildings to the low temperature heat network.
- However, if they don't pay for this, after thirty years their costs will be considerably higher; so there's a business case in this for them also.
- The users will have to pay themselves for the most part for adjusting their buildings; maybe they can get a friendly loan for this, or finance this with an extra mortgage. Maybe there are some subsidies available.

# 1.3.1 Finance of heat network, equity

- The initiator will have to bring in his own money, equity.
- The initiator can be a collaborative of active users, maybe even an energy community, and producers that mobilize equity together.
- Part of this collaborative can also be governmental organisations that see how a low temperature heat network is an efficient instrument to achieve purposes like climate change adaptation, or less energy poverty.
- When the heat network has a multiple business case then more equity can be mobilized, amongst that governmental money.

## 1.3.2 Finance of heat network, subsidies and debt capital

- The initiator, that's maybe a collaborative of producers and active users, mobilizes beside equity also subsidies and debt capital.
- There are many subsidies: local, regional, provincial, national, European.
- Also there are many forms of debt capital, with two main categories:
  1. Debt capital from investors that are not initiators, but are willing to take a financial risk.
  2. Debt capital from banks that try to exclude risk as much as possible.

# 2.1 Investment strategy

- Adapting a district in response to climate change issues requires a investment strategy.
- This will be the strategy of a collaborative of producers, active users and others, like service providers, governmental organisations, investors and other financiers.
- To get to this strategy and mobilize money they can make use of an investment platform, or they actually are such a platform.

## 2.2 Purpose of the District Investment Platform

- Through an investment platform the municipality, the financial sector and other public, private and civic investors can work together on initiatives within the district.
- They can for example use the platform to finance the development of an interconnected energy system on district level to support renewable energy sources.
- The aim of the platform is to align, structure, speed up and increase investment decision making of stakeholders, public, private and civic, at the district level.



## 2.3 Speed up investments

- To get to effective investments there is a need for insights on stakeholders, projects, budgets and possible financial partners at district level.
- This makes it essential to better align investments by companies, governmental bodies, individuals and their collectives in order to achieve the necessary volumes.
- This will lead to an integral approach resulting in six benefits:

## 2.3.1 Benefits 1, 2, 3 of an Investment Platform

1. A reduction of costs for climate change mitigation and adaptation of buildings and public spaces as there is a better alignment of different construction works.
2. A boost of financial means for the climate transition, because of an increase of investors into climate change actions.
3. An accurate figure for the financial costs of the implementation of sustainability measures to allow for better public, private and civic budgeting beforehand.

## 2.3.2 Benefits 4, 5, 6 of an Investment Platform

4. Insight in possible combinations of different financial flows for different challenges in the same city district.
5. The identification of existing regulatory obstacles to innovative financing models and the development of solutions.
6. The inclusion of social values in the district investment plans.

# 3. Establishing a District Investment Platform

- Five activities can help establish an effective platform:
  1. Inventory of potential business cases in the district to achieve carbon neutrality
  2. Analyze stakeholders at district level, regional level and national level
  3. Investigate barriers for private sector investments, (semi-)governments and citizens
  4. Appointing a district investment platform coordination manager
  5. Memory of Understanding (MoU)

# 3.1 Inventory of potential business cases

- Challenge is to create different financial solutions through combining projects, align investments, include CO2 reduction in prioritizing projects.
- These are business cases that will bring confidence and accountability into the investment decision, whether this decision is made for financial or impact reasons.
- This integrated business case is a compilation of information collected through analysis and projection efforts and captures the reasoning for initiating a project.



## 3.2 Analyze stakeholders

- Who should be involved at district level, regional level and national level?
- Answer this question with criteria such as:
  - their legitimacy
  - their real and potential power
  - the urgency they assign to the problem
  - practical considerations

## 3.3 Investigate barriers for investments

- The energy performance of a building or district often depends on the developers, whereas the residents get a lower energy bill and increased living comfort.
- This split incentive means that the developer has a low stimulus to work on clean energy, especially since building energy neutral or positive buildings and districts is still significantly more expensive than what the current building codes require.
- Investigate means to involve the residents in early stages.

## 3.4 Appointing a platform coordination manager

- The city will appoint a platform manager at district level that will coordinate activities that are a precondition for the Investment Platform.
- The platform manager will connect different stakeholders.
- The platform manager will oversee the process wherein relevant business cases are identified and discussed.

# 3.5 Memory of Understanding

- Signing an MoU (Covenant) is both a formal and symbolic step to establish a District Investment Platform.
- This document will stipulate who is involved, contain a clear mission statement and maybe KPI's, and establish roles and responsibilities.
- It also empowers the Platform Manager in her/his role, as it describes the Way of Work for the platform.

# 4.1 Citizen participation is vital

- Local Authorities need to recognize that answers often lie within their communities, and that citizens are already participating in energy systems, and contributing to the energy transition, in niche ways.
- Community or citizen ownership of energy initiatives developed by local authorities means citizens are better able to engage with energy systems.
- This can be formalized and accelerated through a District Investment Platform.



## 4.2 Barriers for citizen participation

- Citizens can experience barriers for investment into their own district that inhibit them to participate in the process of making their own district climate neutral.
- The Investment Platform can help explore different financial instruments for involving residents such as crowdfunding, participation in projects through local energy cooperatives or regional funding programs.

# 5. Conclusion

- The investment platform is a bridge between business case and finance.
- Setting up a platform can help public, private and civic parties to mobilize and structure money for their PED.
- The platform can provide in a continuous feedback loop allowing the partners to learn from each other and make use of expertise that is available throughout the partnership.

# Thank you for your attention



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