

Financial instruments for energy efficiency in the programming period 2014-2020

CAP Troisième Révolution Industrielle
An ESIF/EFSI Investment Platform in Nord-Pas de Calais (France)

Guillaume THOMÉ, Finorpa
Julien WATRY, Nord Capital Partenaires

Design and set-up

– *Funding agreement MA-F. Int.*



Selection process – Feedback from fund manager

- **Open and transparent procedure** to select the fund manager in July 2015
- Requirement for a **co-investment of EUR 5m** at the level of the financial instrument
- Selection based on Article 7 from Regulation n°480/2014
- **Successful candidate:** Nord Capital Partenaires, in partnership with FINORPA, and the private investor Crédit Agricole Nord de France



Design and set-up – Creation of CAP TRI



An investment fund with an initial capacity of EUR 37.5m

Investors

Manager

Shareholders



Lender



(up to EUR 20,0m)



#ficompass



Design and set-up

– Investment Priorities



1

RENEWABLE ENERGY

2

ENERGY MANAGEMENT

3

SMART MOBILITY

4

ENERGY EFFICIENCY

5

CIRCULAR ECONOMY



Design and set-up

– *Main characteristics of the FI*



Maturity

Growth capital

Positioning

Minority interest

Horizon

5 to 9 years

Investment size

Above
EUR 1.0m*

Type of funding

Ordinary shares
Preference shares
Convertible bonds

Technical Support

EUR 2.5m

* Up to EUR 10m through co-investment



Design and set-up

– *Technical support grants*

ERDF grant of EUR 2.5m

Technical, environmental or economic studies

1

Support

Helping projects' promoters to **implement** their projects, increase innovation and economic **viability**

2

Evaluation

Third party **assessment of the performance** (financial and non financial)

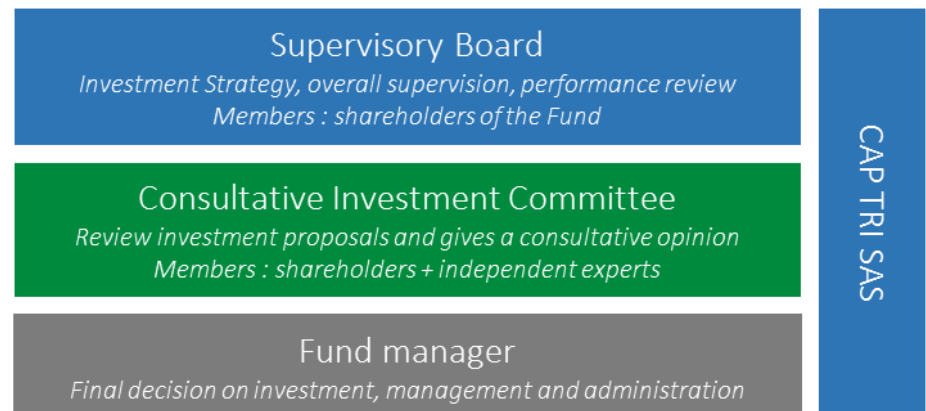
Implementation

– FI governance



A three-level governance structure

- **Supervisory Board:** supervises the FI's activities and validates the accounts proposed by the fund manager
- **Consultative Investment Committee:** provides an opinion on the investment/reinvestment projects
- **Fund manager:** fully responsible for the investment decisions (an reinvestment, exit, conversion or reimbursement of convertibles bonds), preventing conflict of interest and ensuring investments are made on a profit-driven commercial basis.



Implementation

– *Financial product from the perspective of the financial intermediary*



Terms and conditions

- **Funds under management:**
 - EUR 37.5m for equity and quasi-equity financing (no pure debt financing)
 - EUR 2.5m for technical support grants.
- **Individual amounts:** from EUR 1m to EUR 3m.
- **Objectives:**
 - Manage a fund of EUR 100m (current fund raising) so as to participate in a portfolio of EUR 200m of projects
 - Attract co-investors
 - 3 to 6 investments per year with an average amount of EUR 2m (around EUR 10m per annum)
 - Exits after 5 to 9 years.



Implementation

– *Financial product from the perspective of the financial intermediary*



Marketing and awareness raising

- **Very high support** from the Region and the Chamber of Commerce in order to broadcast the information to the targeted prospects
- **Communication** (website, newspapers, social networks) through Rev3; the communication agency of the region on the Third Industrial Revolution
- **Workshops** and **communication** through the network of Crédit Agricole Nord de France
- **Direct prospecting** and connection with **local specialised networks** on energy transition and circular economy (ADEME, *Energie 2020*, CD2E)
- **Official launch** of the Fund during the **World Forum for a Responsible Economy** in Lille



Implementation

– *Financial product from the perspective of the financial intermediary*



Impact of the FI *vis-à-vis* our “usual” activities

- Need to **consult with the Consultative Investment Committee** gathering the stakeholders in order to discuss the investment opportunities
- **Expertise required** in the energy sector and circular economy to enhance the credibility of the fund manager
- Advantage with prospects when discussing **on technical support grants**
- **Support** from the Chambers of Commerce and the Region to identify targeted final recipients

Key success factors

- **Honest communication** and **strong support** among all the stakeholders



Implementation

– Procedures in place at the financial intermediary regarding implementation of the FI and providing the product to final recipients

Selection/due diligence – Requirements

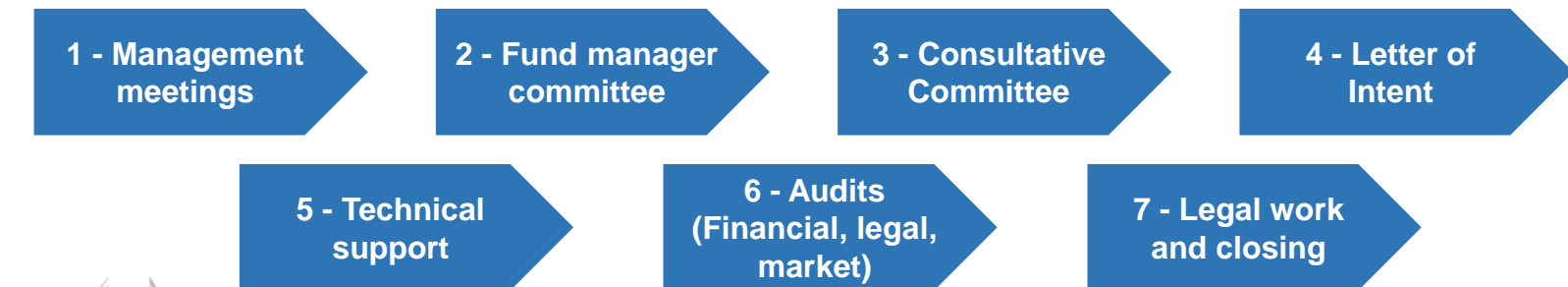
- A project requiring **growth capital** financing
- Work in a sector related to the **TRI road map**, and with environmental, economic and social/societal impact
- With headquarters or subsidiary **in the region**, willing to establish a subsidiary in the region, or willing to develop a project in the region
- A **coherent project** with a clear strategy based on a market analysis and presented in a structured business plan
- Respecting **rules** related to financial transparency
- Contributing to an inclusive, innovative and **sustainable growth**
- **Not experiencing financial difficulties** as per the EU regulation on State aid or needing rescuing/restructuring.

Implementation

– Procedures in place at the financial intermediary regarding implementation of the FI and providing the product to final recipients

Eligibility rules

- **Capital increase:** ESIF funding to the Fund. No direct funding from ESIF to the final recipients
- **Technical support:** Need for public tender to implement support. The fund manager is responsible for the management of the technical support grants.
- **Normal investment process:** once approval received from the Consultative Investment Committee and investment criteria confirmed:



Implementation

– *Flow of monitoring and reporting*



Challenges and recommendations

- **Full report** to be made to the stakeholders on a quarterly basis:
 - Region (for the ERDF funds)
 - Credit Agricole Nord de France
 - EIB
- ⇒ **Honest communication** among the stakeholders
- ⇒ **Keep involving** all the stakeholders in the decision process



Implementation

– *Payment and re-use*



Overview

- Capital call from the fund manager when required for investment opportunities
- Opportunity to reinvest the capital available along the life of the Fund



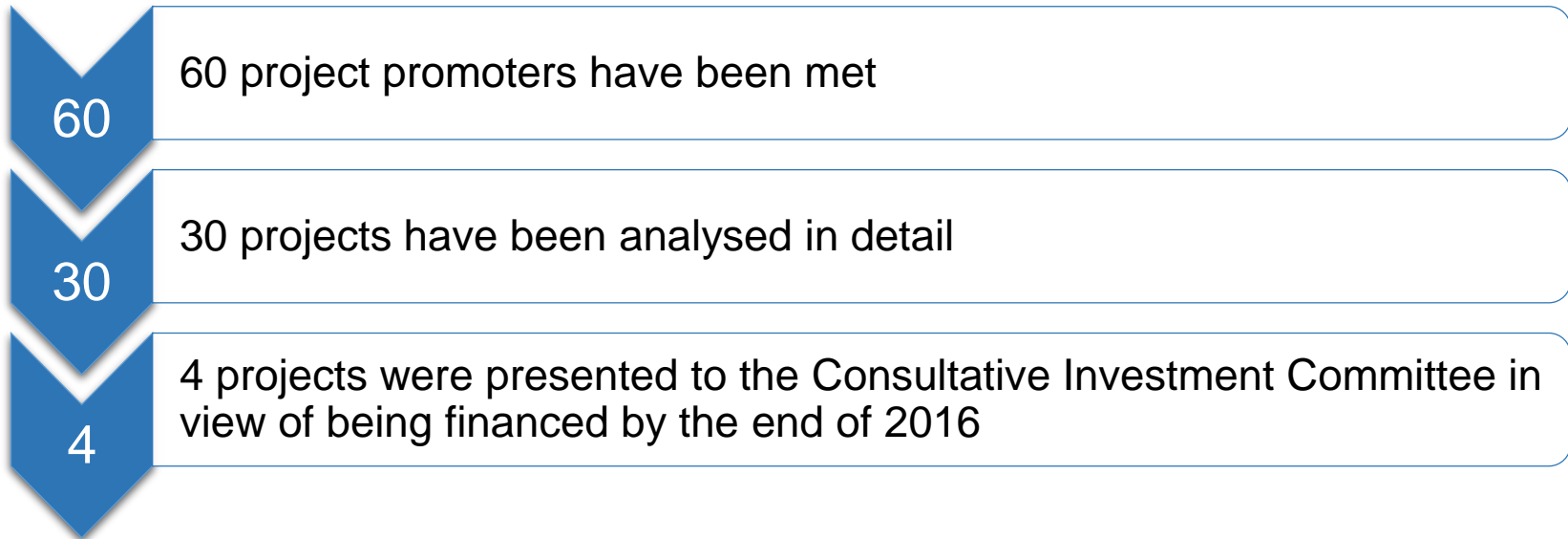
Implementation

– *State of play, results*



Results so far

- CAP TRI was officially launched in December 2015, since:



Implementation

– Overall lessons learnt



Overview from the fund manager's viewpoint

Key success factors

Robust and transparent **fund manager selection process**

Support from the region and chambers of commerce

Close relationship between the investment team (based in the Region) and the companies' directors

Honest communication among the stakeholders

Main challenges

New legal environment (incl. ESIF/EFSD combination)

Technical aspects, including FI and technical support grants management alongside

Scope of investments vis-à-vis all the projects identified





financial instruments
 revolving capacity building
 added value **ERDF** funding agreement
 governance **ESF** EU guidance
 technical support seminars leverage financial intermediaries ex-ante assessment
 co-financing **ESIF** microfinance case studies
 investments **fi-compass** final recipients
 business plan **Thank you** thematic objectives
 advisory services guarantees banks loans **EaSI** equity
 private investors life cycle combination of support
 conferences **EMFF** factsheets
EAFRD fund of funds investment strategy **CF**
 managing authorities manuals