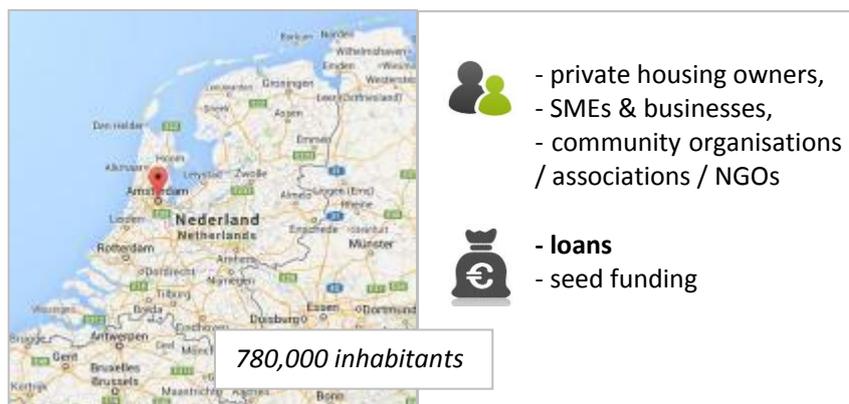


# The Amsterdam Investment Fund

## Amsterdam, the Netherlands

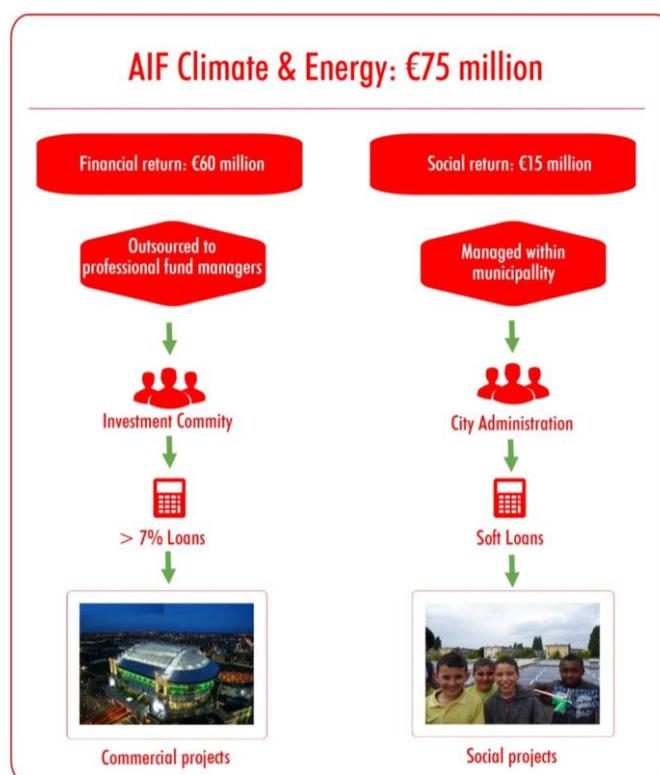


### 1. The financing scheme at a glance

The city of Amsterdam has a long-term Energy Strategy with a vision up to 2040. In 2011, the city set up a **€75 million** fund, the **Amsterdam Investment Fund**, aimed at supporting projects in the fields of climate, sustainability and air quality. The main goal of these investments is to reduce CO<sub>2</sub> emissions, energy bills for citizens and businesses, and to create a healthy city environment. In other words, this financial instrument was created to accelerate the energy transition of Amsterdam.

The fund invests in financially-sustainable and profitable projects implemented by local businesses, residents, housing associations, and knowledge and community organisations. It provides them with **soft loans, not subsidies**. The fund is **revolving**, which means that any profits will be reinvested in the coming 15 years. Although banks often deem sustainable investments as being too high-risk, especially in the initial stages of a project, the city's involvement in project funding encourages them to provide further financing.

### 2. Business model - How is the financing scheme implemented?



## Description

In 2010, the city of Amsterdam sold its shares in NUON, a former local utility company. A part of the profits made from this sale was used to set up the **Amsterdam Investment Fund (AIF)**. The aim of the fund is to preserve its value while ensuring immediate social impact. To make this possible, the fund is divided into **two parts** that differ greatly in financial and social return targets and thus investment conditions:

- **20% of committed funds are available for ‘social projects’** - investments that have a primarily focus on social benefits of CO<sub>2</sub> reduction and/or a contribution to the Amsterdam Energy Strategy. Project promoters can get **soft loans** from the fund. This part of the fund is managed by the **Climate and Energy Program Office of the City of Amsterdam**.
- **80% of committed funds are available for ‘commercial projects’** - investments with a focus on financial return in addition to CO<sub>2</sub> reduction. These are mainly large-scale commercial investments. This fund invests under regular market conditions, with higher interest rates. This means that **no soft loans are available** and there is a strong focus on financial return. The (potential) financial return of this part of the fund is used to invest in future (more social) project. The municipality has outsourced the management of this part of the fund to a **professional fund manager**.

The revolving character of the fund means that a large part of the investments will flow back to the fund and any profits will be reinvested in the coming 15 years.

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|--------------------------|---|
| <b>Date of creation</b>  | 2011  |
| <b>Fund size</b>         | Initial fund size: €75 million (committed)<br>€15 million (20%) - for social projects<br>€60 million (80%) - for commercially viable projects<br>Annual budget: not applicable  |
| <b>Financial sources</b> | City of Amsterdam - revenues from the sale of shares in ‘N.V. Nuon Energy’ – a former local utility company that provides electricity, gas, and heat in the Netherlands   |
| <b>Fund character</b>    | Revolving - any profits will be reinvested in the coming 15 years.  |
| <b>Operational costs</b> | <p><u>General:</u></p> <ul style="list-style-type: none"> <li>• Staff (annually): 2 full-time workers</li> <li>• Communication, legal, others costs: € 50,000</li> </ul> <p><u>Incidental:</u></p> <ul style="list-style-type: none"> <li>• European tender for selection of a fund manager: € 150,000</li> </ul> <p><u>Financial return (professionally-managed fund)</u></p> <ul style="list-style-type: none"> <li>• Start-up costs of € 250,000</li> <li>• Management fee of 1.5% per year on the actually invested capital of the fund</li> <li>• Performance fee of 0.5 % for project investments:<br/>-&gt; a realised (at completion of a project) average annual net financial return of &gt; 7% per year and.<br/>-&gt; a social outcome of at least 45kg of CO<sub>2</sub> savings per project euro invested.</li> <li>• The performance fee is 0.5% per year on the actual capital invested in the project investment.</li> </ul> |

## Organisation & partnerships

- **The City of Amsterdam:** has set up the Amsterdam Investment Fund and decides on policy priorities, beneficiaries and type of financial support. It manages 20% of the Fund and selects 'social projects' that will be supported.  
The city launched a public procurement tender and selected a Fund Manager to deal with the 'commercial projects financed via the Amsterdam Energy & Climate Fund.
- **Professional fund manager "E3":** selected via EU-wide public procurement to manage "Amsterdam Energy & Climate Fund". E3 consists of four consortium partners (EWIC, Premium Fund Management, Libertus Energy Finance and Innax – ESCO) who have a strong and long experience in selecting and managing sustainable project investments and investing in innovative companies.
- **An independent investment committee** comprises 4 experts who have competences and experience in the field of investments, public sector financing, energy efficiency and renewable energy. They take all investment decisions under the "Amsterdam Energy & Climate Fund" and fulfil a 'watchdog' mission. The committee has to follow the established rules (in Dutch <http://www.akef.nl/wp-content/uploads/2013/09/ReglementIC-en-profielschets.pdf>)

### 3. Beneficiaries - How do they benefit from the scheme?

More and more people in Amsterdam recognise the need and added value of sustainable energy. They wish to contribute to a sustainable, renewable and healthier environment in their own street, business, or in the entire city. Likewise, more and more are people, organisations and companies that want to start, or already even have developed an idea or project to save energy or to produce renewable energy. The Amsterdam Investment Fund is available for all good investment proposals by residents, businesses, and knowledge and community organizations.

**Criteria:** each project must contribute to the Amsterdam Energy Strategy 2040.

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| <b>Beneficiaries</b>                      | Residents, businesses, knowledge institutions and community organisations   |
| <b>Type of projects financed</b>          | Projects with a link to sustainability, improving the environment, aimed at saving energy, generating renewable energy or improving air quality in Amsterdam.<br><br>Projects that offer strong social returns and contribute to the energy transition or CO <sub>2</sub> savings.  |
| <b>Type of financial support provided</b> | <p><b>Social initiatives – soft loans:</b><br/>The AIF finances residents, community organizations and businesses that are seeking funding for a sustainable social initiative benefitting all contributing parties without a primary commercial focus. The majority of the projects are selected in a tender procedure where projects are ranked on their effect (CO<sub>2</sub> reduction) per Euro invested.<br/><b>Amount lent:</b> up to € 500.000 per project<br/><i>For unique projects a higher maximum is possible</i><br/><b>Interest rate:</b> 1.99%</p> <p><b>House owners – soft loans:</b><br/>The city provides soft loans - known as the Amsterdam Energy Loan - to house owners to improve energy efficiency of their homes. Thanks to lower energy bills, property owners are able to pay the loan back.<br/><b>Interest rate:</b> 2%</p> <p><b>Startups – seed funding:</b><br/>The city helps start-ups in the field of sustainable energy via <b>Rockstart</b>, the start-up acceleration company that supports the growth of new, innovative growth companies in the first 1,000 days. It provides the most promising start-ups</p> |

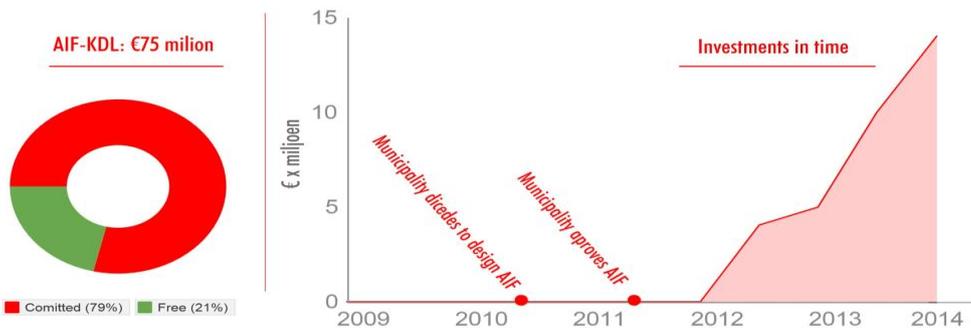
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| <b>Type of financial support provided</b> | <p>worldwide with access to capital, resources and networks - infrastructure critical for success.</p> <p>The Rockstart Smart Energy Program, which started in January 2014, supports 10 start-ups selected from 130 applications from 39 different countries via:</p> <ul style="list-style-type: none"> <li>• Seed Funding: up to €20,000</li> <li>• In kind investment of €55,000 (office, legal &amp; fiscal support, mentoring, events, international road trip, deals)</li> <li>• Intensive coaching by 80 mentors: successful entrepreneurs, industry executives &amp; specialists</li> <li>• Pitching in front of 200+ investors &amp; VIPs at Demo Day</li> <li>• International road trip taking start-ups to smart energy hot spots, meeting potential investors, customers, start-ups &amp; partners</li> </ul> <p>More info: <a href="http://rockstart.com/accelerator/smart-energy-program/">http://rockstart.com/accelerator/smart-energy-program/</a></p> <p><b>Companies – loans (mostly subordinated)</b></p> <p>Companies seeking funding for financially and sustainably-viable energy projects can use the Amsterdam Climate and Energy Fund. The fund provides loans under normal market conditions. This means that no soft loans are made and that there is a strong focus on financial return.</p> <p>Amount lent: min. €0.5 – max. €5 million<br/> Interest rate: 7-12% per year, plus risk margin (depends on project, includes fee for fund manager = 1.5%)<br/> Maturity: max. 15 years</p> |
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## 4. Results

The Amsterdam Investment Fund has so far financed **29 projects** in the field of climate, sustainability and air quality for a total of **€14 million**. The fund currently invests around **€80,000 per day**. The diversity of projects is important in terms of budget and target groups: from an investment in the largest solar system in the Netherlands in the Ajax Football Stadium to the installation of HR+ glass in social housing projects.

### Two examples of financed projects

- **Amsterdam football stadium** – ArenA: 4,200 solar panels covering about 7,000 m<sup>2</sup> were installed on the roof of the arena in the first half of 2014. This is the second largest sunroof in the Netherlands. The panels are expected to generate 930,000 kWh annually, which covers about 10% of the current electricity demand of the ArenA. The expected CO<sub>2</sub> reduction to be achieved over the project life time is more than 15,000 tons. The total funding is nearly **€1.6 million**.
- **OrangeGas**: the company installs new green gas tank locations in and around Amsterdam thus improving its market position in the capital. Four sites are already operational. In 2014, the construction of 7 more locations is foreseen. The CO<sub>2</sub> reduction to be achieved over the project lifetime is estimated at 200,000 tons. This investment is worth **€3.75 million**. Green gas, a green variety of natural gas, is a cheaper and cleaner alternative to petrol and diesel. This gas is produced from organic waste and sewage sludge in the Netherlands. Green gas is CO<sub>2</sub>-neutral and emits little nitrogen. Moreover it emits less engine noise than fossil fuels.



#### Investments

After the design en implementation on the fund, large scale investments started in Q3 of 2013.



#### Projects

Projects are selected on financial + social return and the amount co-investments



AIF invests € 80.000 per day in Solar-Energy, Windenergy, Energy-efficiency & Airquality



Used by: house owners, tenants, startups, companies, NGO's, social organizations & knowledge institutes



yearly CO2 reduction comparable with the energy use of 12.000 households

#### Key success factors

- Availability of the initial budget which is under the control of the municipality
- The fact that the municipality has control over the initial budget has helped avoiding complex and time-consuming procedures with often restrictive criteria related to getting the funds from the EU or national funding programmes, financial institutions or private investors
- The legislation related to the creation of the fund was rather neutral – neither supporting nor prohibitive
- Investments in energy efficiency projects are unique as they ensure a 'cash-back' in the form of saved money

#### 5. Promotion

A budget of €10,000 has been made available for communication and promotional activities.

The fund is promoted via:

- A dedicated website: [www.amsterdam.nl/aif](http://www.amsterdam.nl/aif)
- Community / local newspapers
- Social media (Twitter, Facebook, etc.)
- Informal network of companies, associations, NGOs
- Communication by the city on the funded projects which generate lots of media attention – for example, media (incl. national TV) were invited to a launching event at the Amsterdam Football Stadium Arena

#### More information

[www.iamsterdam.com/amsterdam%20climate%20energy%20fund](http://www.iamsterdam.com/amsterdam%20climate%20energy%20fund)  
[www.amsterdam.nl/aif](http://www.amsterdam.nl/aif)