



Public intervention in Energy-efficient home refurbishment market



Energy Efficiency Market Place
January 19, 2017



European
Commission

*Executive
Agency for
SMEs*





Agenda

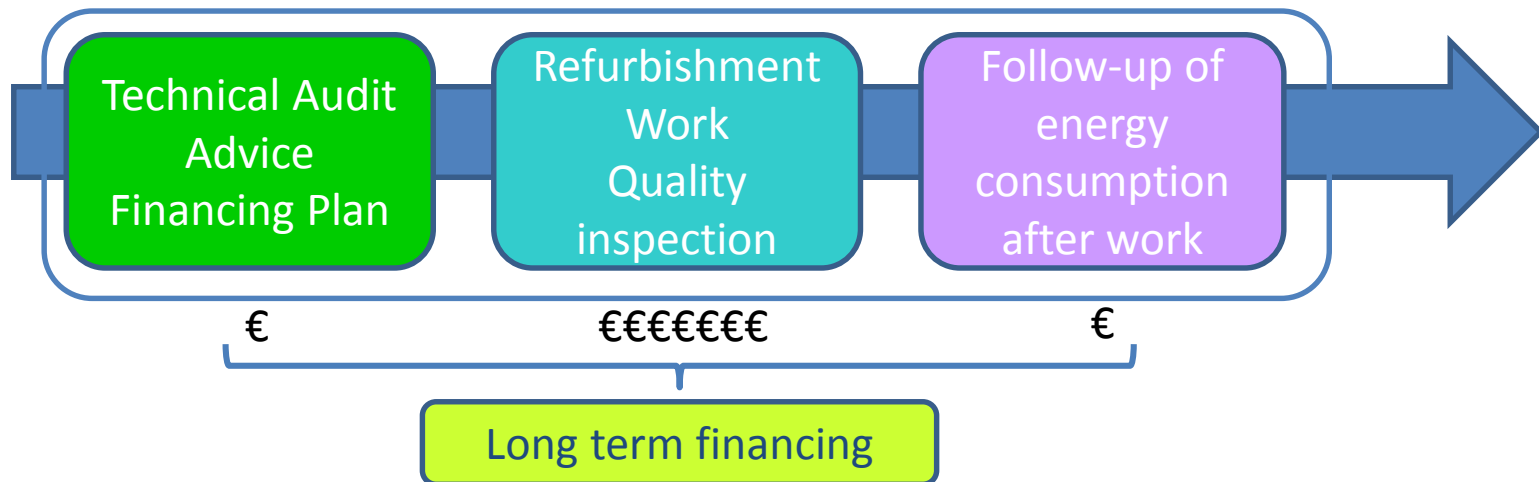
- Consensus on findings regarding private housing refurbishment market
- Most advanced Local authorities initiatives regarding turn-key refurbishment offers
- Status of first experimentations and examples
- Initial feedbacks of first experimentations
- Contribution of EEFIG working group dynamics to French players:
 - addressed question: How to promote home energy-efficient renovations market?
 - Proposed road map regarding building confidence in the quality of the works...
 - ... and based on 1/3 party financing companies implementation status...
 - ... looking for an easier access to long term financing
- Leads to building a national experimentation platform hosted by Sustainable development and Housing ministries administration





Consensus on findings regarding private housing refurbishment market

- Home refurbishment market will not shift towards energy-efficiency by itself
- Need for a public intervention : adapt national incentive schemes and leverage on Local authorities as prominent sponsors of energy-efficient market growth
- Key for the energy-efficient refurbishment market take-up is a turn-key service offer



- *It is difficult to have home owners pay for it, unless :*
 - *Confidence level is improved*
 - *Service and works payments are bundled*
 - *And made affordable thanks to long term repayment term and low interest*





Most advanced Local authorities initiatives regarding turn-key refurbishment offers

→ Most advanced regions try different ways to build-up such a turn-key offer:





Status of first experimentations implemented by local authorities

→ Operators set up by regional councils

- **Picardie Pass Rénovation: set up 2 years operation**
 - 3,900 contacts, 1,900 technical audits achieved
 - 1,250 homes (Under audit or work progress) : 980 apartments (8 condominiums) et 270 single housing
 - 25 M€ refurbishment works engaged
 - Agreement from banking authority obtained in July 2016
- **Energies POSIT'IF: set-up as a private-public company, 3 years operation, focus on condominiums**
 - 30 contrats signed, i.e 4,450 logements, at various stage of service process
 - Energy POSIT'IF is focussing on securing an agreement with a guarantee company and obtain an agreement from banking authority based on this risk coverage
- **ARTEE: set up as a public-private company beginning of 2016**
 - Start implement technical audits and advisory content of the service, presently preparing its agreement request
- **Oktave: under process of setting-up a public-private company and build-up operation from 1.5 year experimentation lead by Regional concil teams directly**

→ Regional coordination schemes

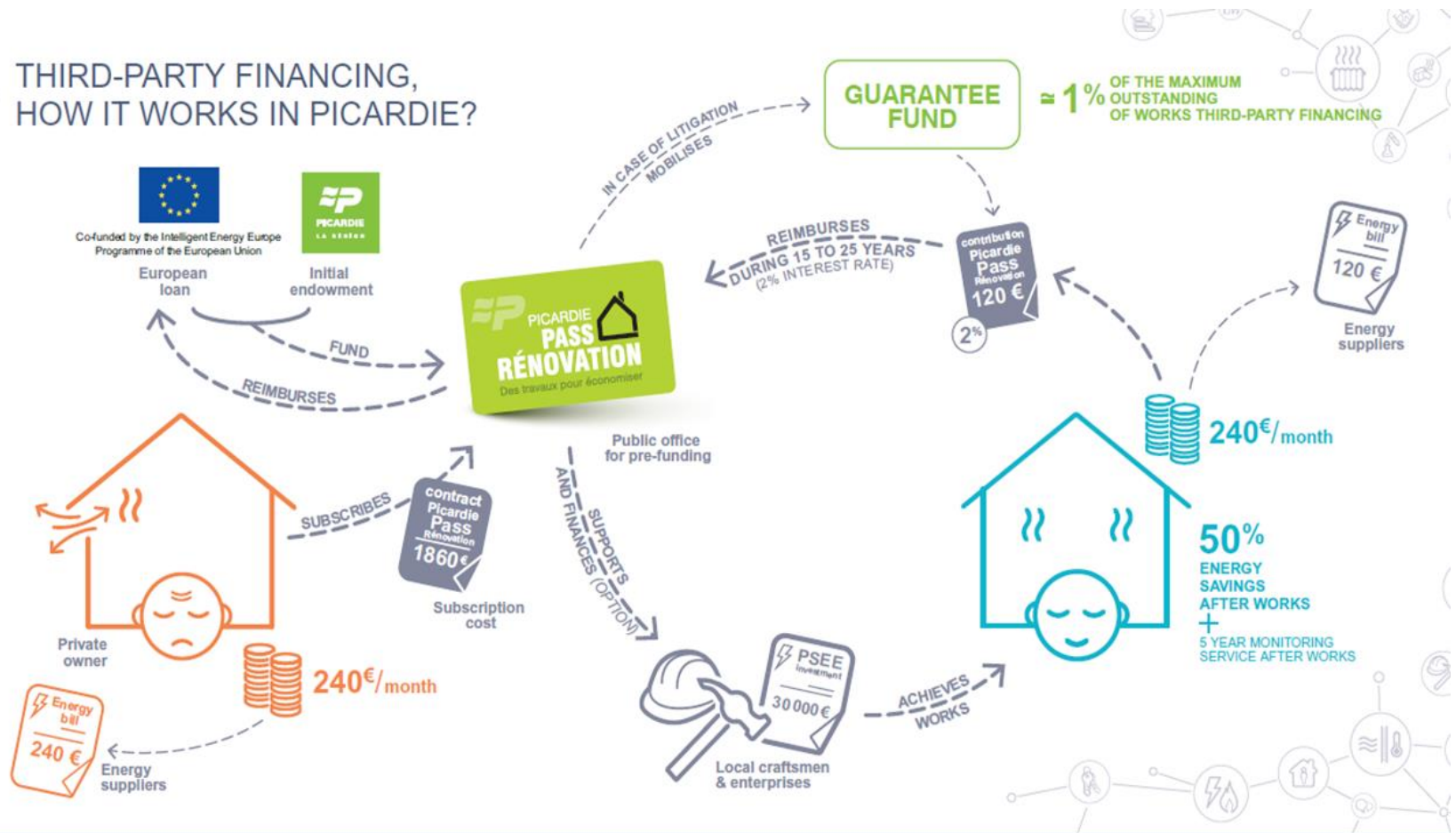
- **Effilogis:**
 - 600 refurbishment work achieved, a 26% conversion rate (out 2,600 audits realized since 2009)
- **Rénovateurs BBC en Normandie**
 - 2,500 logements refurbished between 2007 and 2013. Average cost: 30 k€ for collective dwellings and 35-45 k€ for single homes.





Example of regional operator: Picardie Pass Renovation

THIRD-PARTY FINANCING,
HOW IT WORKS IN PICARDIE?





Example of regional coordination : Normandy scheme

→ coordination and facilitation of the different « circles » of stakeholders involved in « Rénovateur 'Bâtiments Basse Consommation' »

Local communities

facilitating & organizing the service with a free advice public service and connection with subsidies for low-income households

Households

are encouraged to realise deep energy renovations and benefit from subsidies from the Region

Financial partners

provide preferential treatment to clients accompanied by professionals who are part of the regional network

Renovation Professionals able to answer demands and be source of proposals regarding improved service offer and and effective energy-efficient refurbishment





Initial feedbacks of first experimentation

→ Regional operators

- Apply consistently quality standards is a challenge
- Implementation of direct financing offer still very recent
 - No track record yet, how to manage credit risk and balancesheet size limits?

→ Regional coordination schemes

- Coordination scheme is based on actors' ability to build an integrated offer by their own.
- Incentive to comply with regional charter of commitments is based on regional subsidy scheme, which is a clear limit to growth: how to get out of subsidies?

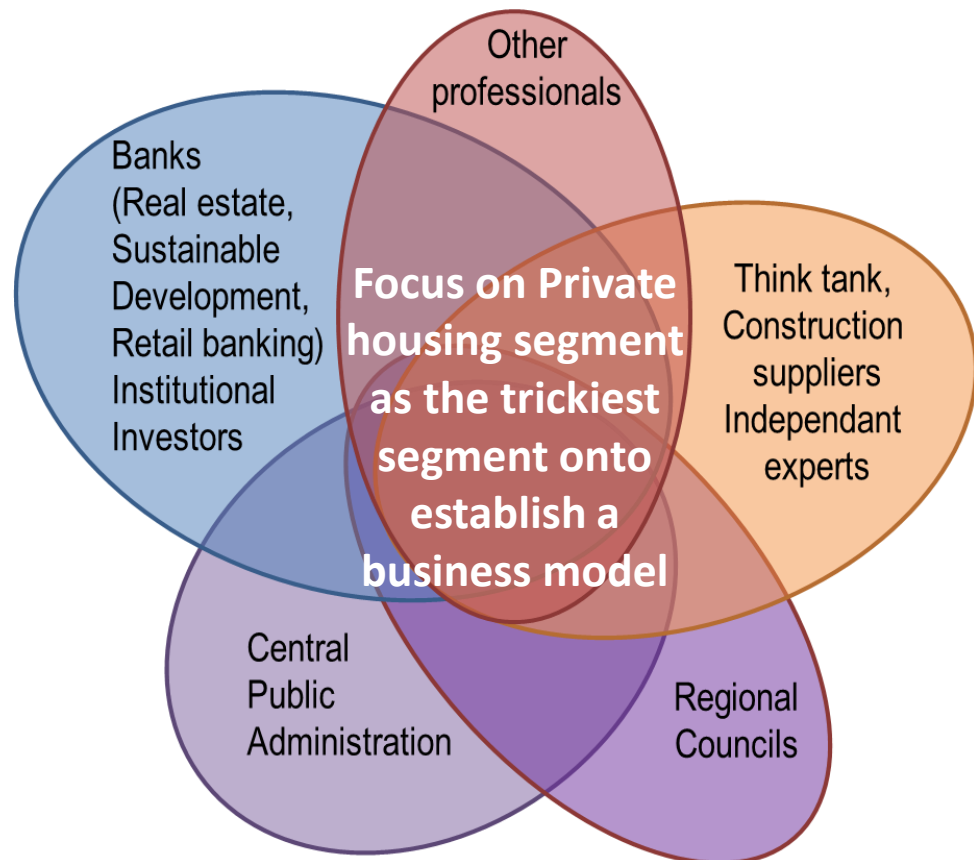
→ General feed-back is that a better coordination at national level of tax incentives and subsidy schemes is needed





Contribution of EFIG working group dynamics to French players

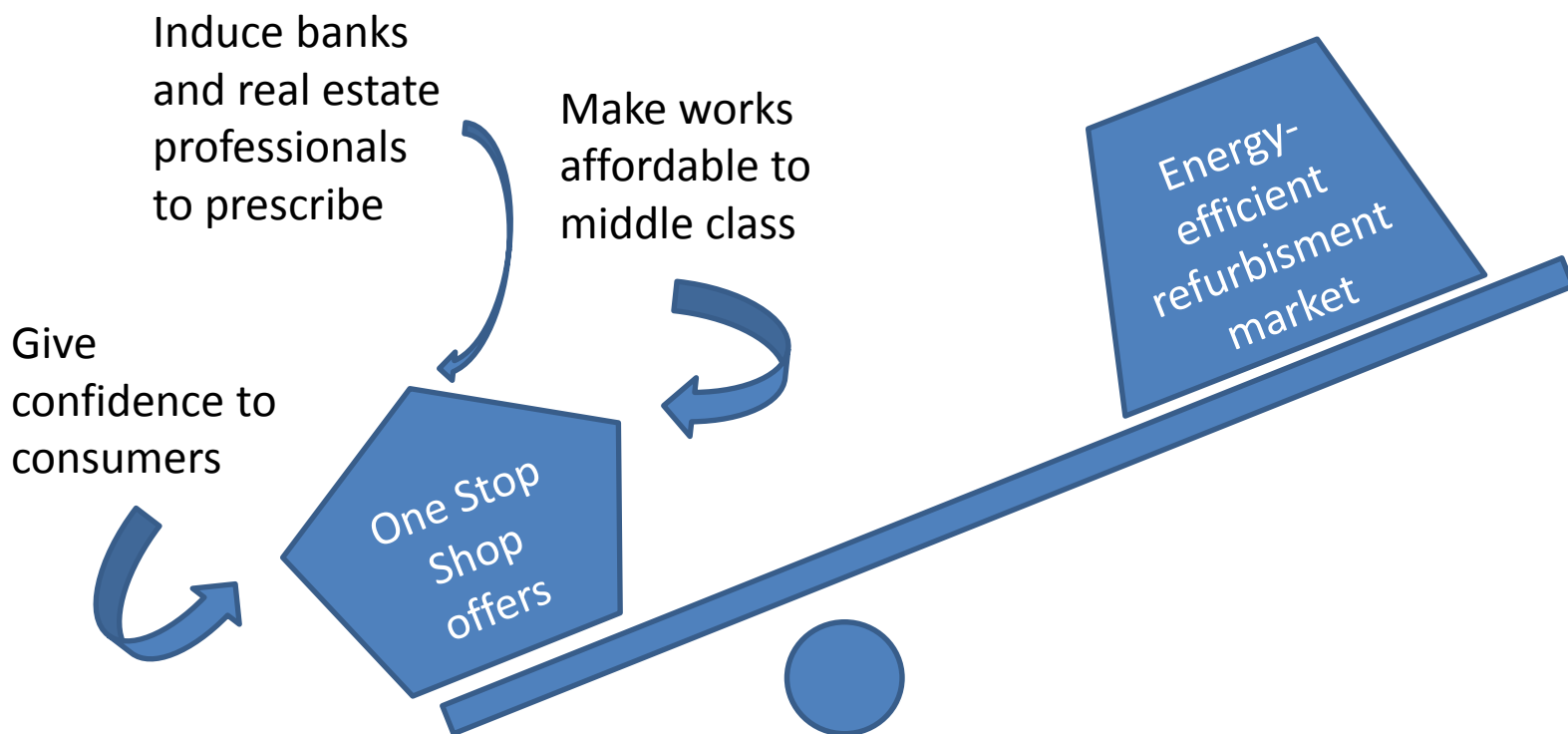
- Following Energy Efficiency Financial Institution Group report publication, European Climate Foundation decided to support a national workgroup in France
- The group was formed in September 2015, with professionals coming from various horizons and willing to better use finance as a lever to remove all other barriers to the energy-efficient renovation market in France.
- It has been facilitated by Françoise Réfabert and Peter Sweatman





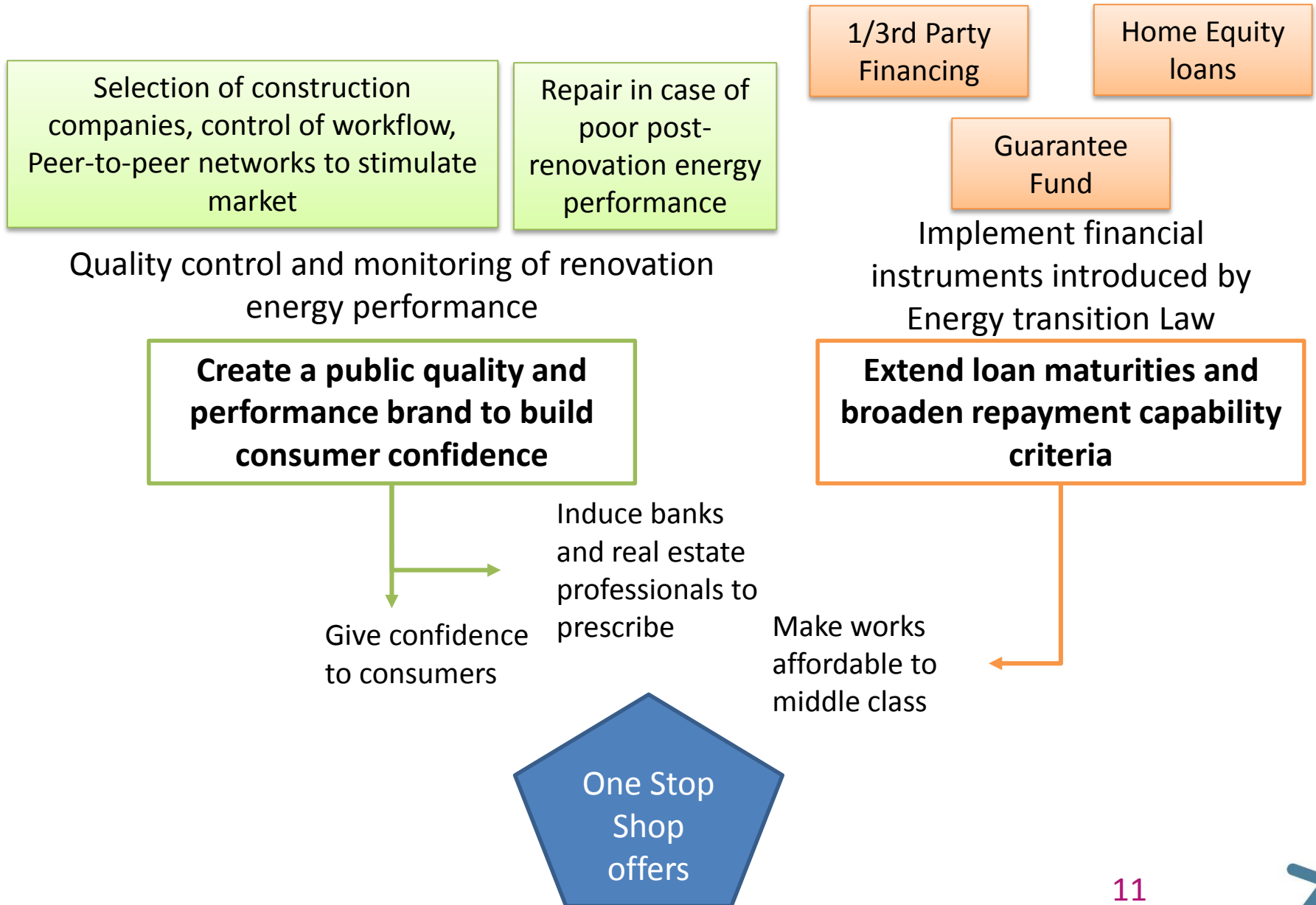
How to promote home energy-efficient renovations market ?

→ Levers to be implemented by public sector / Local authorities initiatives:





Need to address all levers for one-stop-shop offers





Proposed road map regarding building confidence in the quality of the works...

- Coordinate ...
 - National level: set standards, reshuffle tax incentives so as to channel consumers demand towards effective energy-efficient works
 - Regional level: organize training, selection of professionals and control compliance of renovation works
- Involve construction insurance players in order to cover consumers against consequences of poor performance
- Involve potential prescribers : banks, realtors etc,
- ... And package a national quality and performance brand
 - Example to follow: KfW Effizienzhaus brand
- regional operators to build up locally offers based on quality and performance as a first step of a national branding





... and based on 1/3 party financing companies implementation status...

- **Transition law passed at 2015 Summer makes third-party financing companies regime operational:**
 - According to the law, third-party financing companies must be supervised by local authorities
 - They also need to get an agreement from banking authority, based on demonstration of:
 - Organization and means dedicated to risk (namely operational risk) control and mitigation, to compliance
 - Business model consistency...
- **Access to Equity (with a conservative leverage ratio compared with banking standards):**
 - Mainly Regional Councils investment budget
 - **Private funding round is a difficult exercise**
- **Access to long term financing:**
 - thanks to EIB, under the Juncker Plan : fixed interest LT amortizing loan... **but presently the only refinancing sources**
- **Next stake to achieve:**
 - **develop a track record of the performance of 1/3rd party financing companies loan portfolio, based on financial and energy savings criteria**





... look for an easier access to long term financing

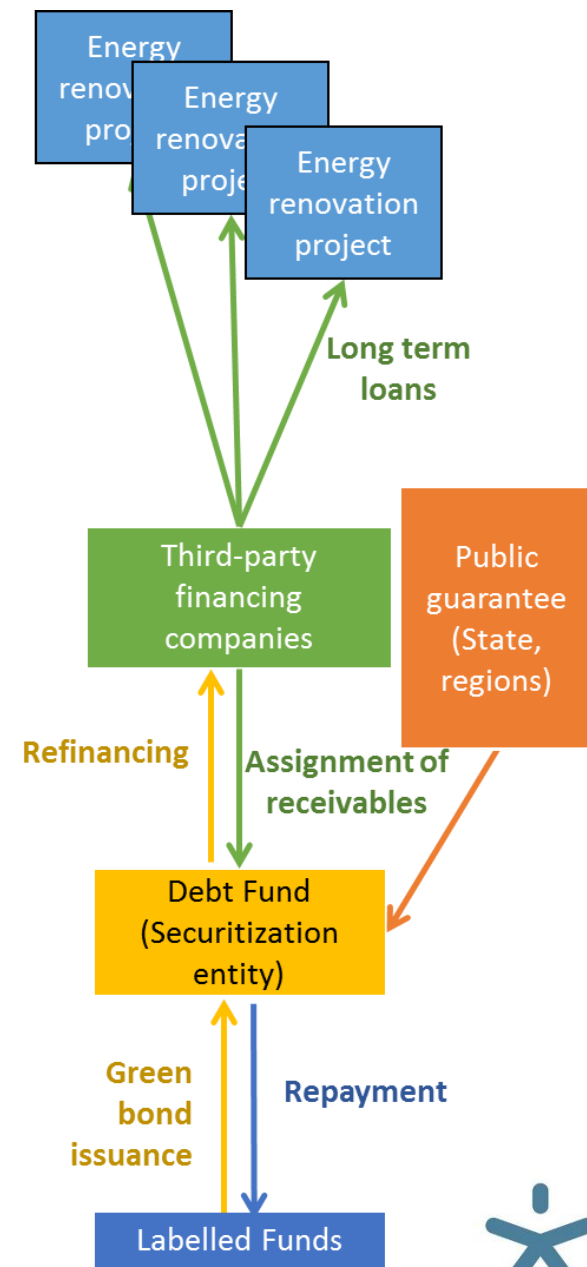
→ Public Third Party financing companies are paving the way

- LT Financing proposed to households and condominiums for refurbishment works
- Include in financing the cost of prior advice and follow-up after completion of works
- Build a track record of cost of risk and measured energy savings

→ Experimentation phase should allow to share this track record and build-up a loan portfolio large enough to structure long-term green bonds issuance

- Need to structure a debt aggregation vehicle, funded and guaranteed by public sector at inception
- Regions would like to use structural funds to set up guarantee mechanism
- Energy Transition Law provides for a national guarantee fund which is presently directed to lowest income households
- Debt aggregation vehicle would allow third-party financing companies to act as originators and reduce their balance sheet size

→ This could induce banks to extend their lending offer





Building a national experimentation platform hosted by Sustainable development and Housing ministries administration



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PUCA

plan
urbanisme
construction
architecture

Overall experimentation topics mapped under PUCA:



→ Coordinate and share development and improvements of all levers





Thank you for your attention

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