



Financing Energy Renovation of Buildings in Italy, Croatia and Slovenia

Integrated home renovation services in Europe



Funded by the Horizon 2020
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European Union





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Agenda

- Consensus regarding findings on private housing refurbishment market
- How to reach a consistent business model for One-stop-shop service?
- Status of first Third-Party Financing experimentations in France
- Example of Picardie Pass Rénovation
- Next step: deliver data on energy saving outcome and credit risk





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Consensus on findings regarding private housing refurbishment market

- ✓ **A fragmented offer for a fragmented demand**
 - As evidenced by a number of European projects



... and more sources, including members of Innovate project consortium





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Consensus on findings regarding private housing refurbishment market

✓ A fragmented demand :

> Residential building typology

Urgency for renovation

Dwelling and neighborhood

=> Energy efficiency integrated in other urgent improvements
=> Identical buildings allows for and can lead to cost reduction

> The right moment

=> Decision linked with stage of life: deep renovations most likely to happen before having lived for one year in a house; empty nesters

> Availability of financing

=> **Otherwise, people more likely to perform step by step improvements**

> Consumer style

To consider at individual scale in order to convince households

Targeting households through multiple criteria in order to focus on deep renovation



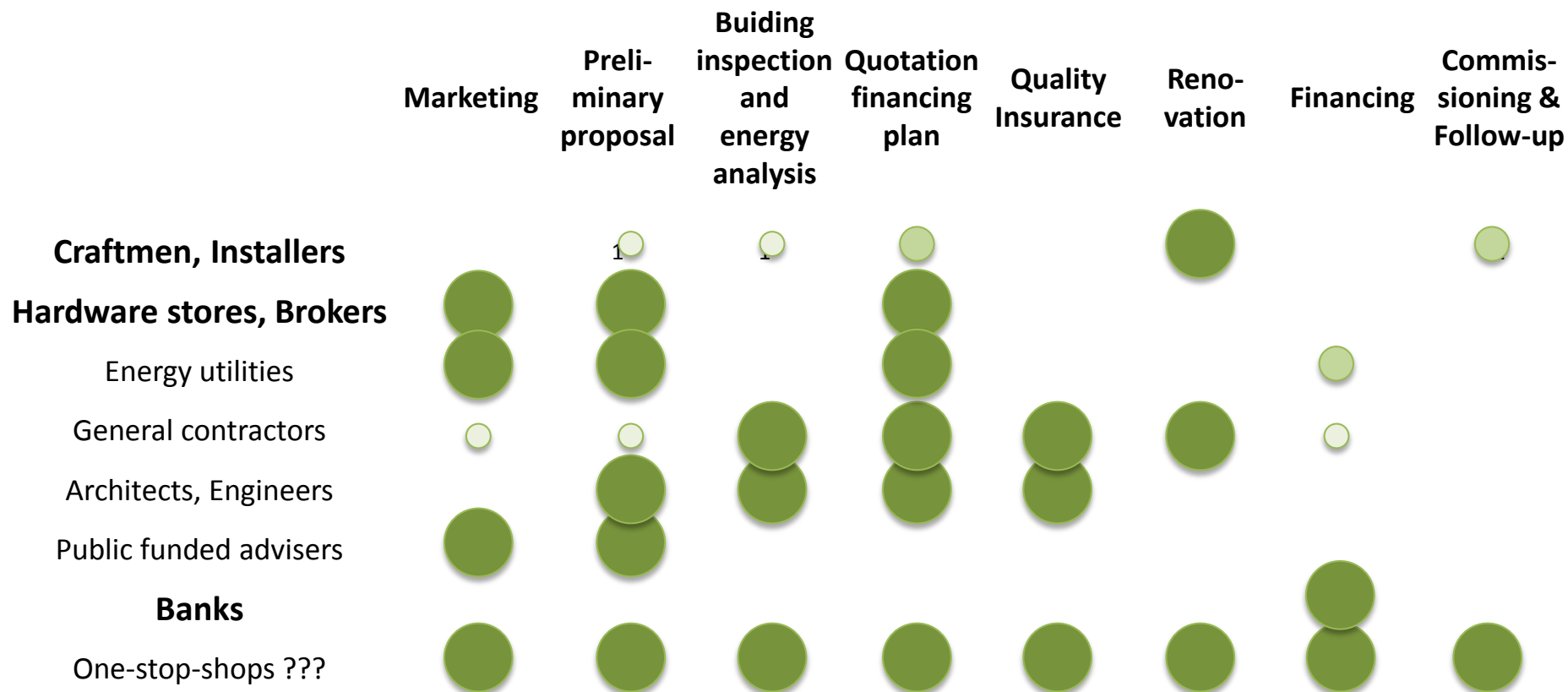


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Consensus on findings regarding private housing refurbishment market

→ A fragmented offer

 Core business
  Limited
  Emerging

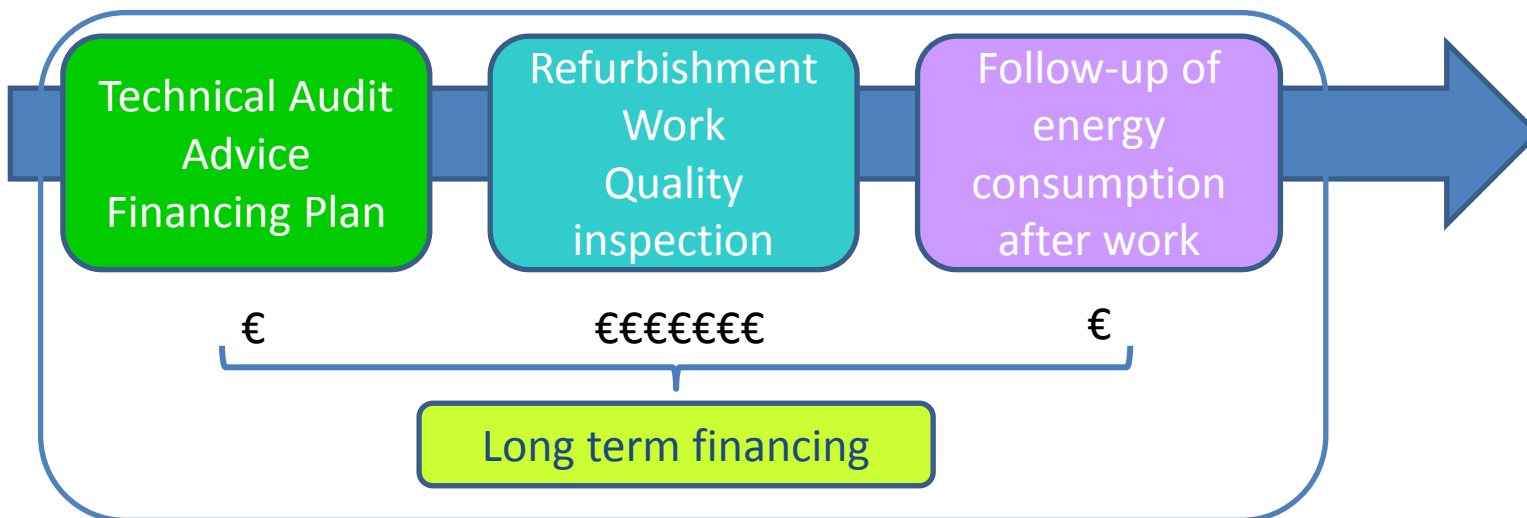




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How to reach a consistent business model for One-stop-shop service?

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



- Confidence may be improved by public body's intervention : trusted party with a vested interest in climate actions and local economy preservation
- Adapted financing is key
- Need for additional revenues such as white certificates in order to cover transaction costs and reach a minimal return





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General recommendations regarding market framework

- Create a public quality and performance brand
- Set prospects regarding the fact that energy efficiency standards for renovated buildings will reach minimum requirements
- Calibrate progressive tax incentives to promote most efficient work in terms of delivered energy savings
- Design financial instruments to reduce fuel poverty and to extend the maturities of loan offers





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What is a third-party financing? Update about first operators in France

→ A turn-key offer :

- Advising, service and works payments are bundled
- And made affordable thanks to long term repayment term and low interest

→ Operative thanks to the Energy Transition for Green Growth law passed in 2015

- Introduced as an exception to banking licence obligation
- Under the control of bank's national Supervisor
- Third-party financing companies must be supervised by local authorities and have a 2M € minimum capital
- 3 Third-party financing operators set-up, only one has been in a position to extend direct loans up to now
- 3 more could be set up by next year





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What is a third-party financing? Update about first operators in France

- **Public Third Party financing companies are paving the way**
 - Access to Equity (with a conservative leverage ratio compared with banking standards):
 - Equity resource mainly from Regional Councils' investment budget and other local bodies, no access to European Regional Development Fund yet
 - Funding from private sector : 15% sought, mainly from Social and Solidarity-based Economy players and Energy sector - **Private funding round is still a difficult exercise**
 - Structuring the service, quality standards ...
 - Access to long term financing:
 - thanks to EIB, under the Juncker Plan : fixed interest LT amortizing loan... **presently the only refinancing sources**
 - Structuring on-lending to consumers and condominiums
 - Partnerships with mutual guarantee companies
 - Starting energy and finance reporting





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Example of Picardie Pass Rénovation

2,000 PRIVATE DWELLINGS
undergoing heat renewal
by mid-2018, then
1,000/YEAR
to **10,000**

100%
of the territory
covered by mid-2018
today
for **60 LOCAL**
AUTHORITIES

650
JOBS CREATED
in the construction sector
by mid-2018,
then **3,500**
between then and
2025



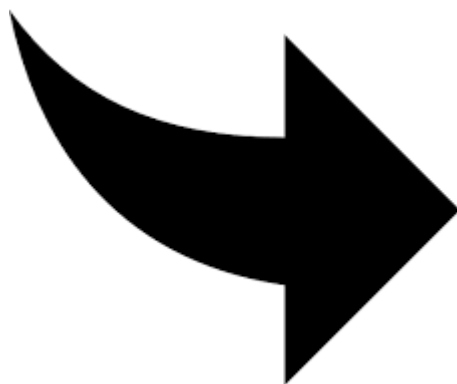


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Example of Picardie Pass Rénovation

- Picardie Pass Rénovation is granting an average of € 42,000 long term credit
- Loan is granted at a rate of 2.5%, over a period of 15 years for equipment, and up to 25 years for building insulation works

Anticipated energy savings	
Nb of files	362
Average energy savings (% of kWh)	50%
Average energy savings compared with third party repayment (%)	71%



First review of results:

Actual results :	1st year
Nb of files	45
Adjusted average energy savings (% of kWh)	41%
Nb of files where savings were below anticipated results by 15%	22
Average savings (% of euros)	38%
Average energy savings compared with third party repayment (%)	70%





Next step: deliver data on energy saving outcome and credit risk

Building an experimentation platform hosted by Sustainable development and Housing ministries administration



MINISTÈRE
DE LA TRANSITION
ÉCOLOGIQUE
ET SOLIDAIRE

MINISTÈRE
DE LA COHÉSION
DES TERRITOIRES



Experimentation topics mapped under PUCA Programme:



→ Next stake to achieve:

- develop and share a track record of the performance of 1/3rd party financing companies loan portfolio, based on financial and energy savings criteria
- Resort to European Investment Advisory Hub in order to prefigure a debt aggregation vehicle





Thank you for your attention

To answer any further questions:

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