



# Sustainable Energy Investment Forums

Webinar - Financing Home Renovation in Europe



Funded by the Horizon 2020  
Framework Programme of the  
European Union



# Financing Home Renovation in Europe

## Agenda

### Part 1: Positioning a One-Stop-Shop service for deep refurbishments

- Consensus regarding findings on private housing refurbishment market
- A fragmented demand
- A fragmented offer
- How to reach a consistent business model for a One-stop-shop service?

### Part 2: Current Status of public sector initiatives

- Status of first Third-Party Financing experimentations in France
- Examples of Picardie Pass Rénovation and Energie Posit'IF
- The status of financing in One-stop-shop service for home renovation
- Next steps: deliver data on energy saving outcome and credit risk



**Part 1:**  
**Positioning a One-Stop-Shop  
service for deep  
refurbishments**



# Financing Home Renovation in Europe

## Consensus on findings regarding private housing refurbishment market

- A fragmented offer for a fragmented demand
  - At European scale, according to Euroconstruct 2015, the construction sector represents 960 million euro per year => renovation = 57% of the market => energy-efficient refurbishments = 15 % of all refurbishments.
  - A fragmented demand, as evidenced by a number of European projects



...

and more sources, including members of Innovate project consortium

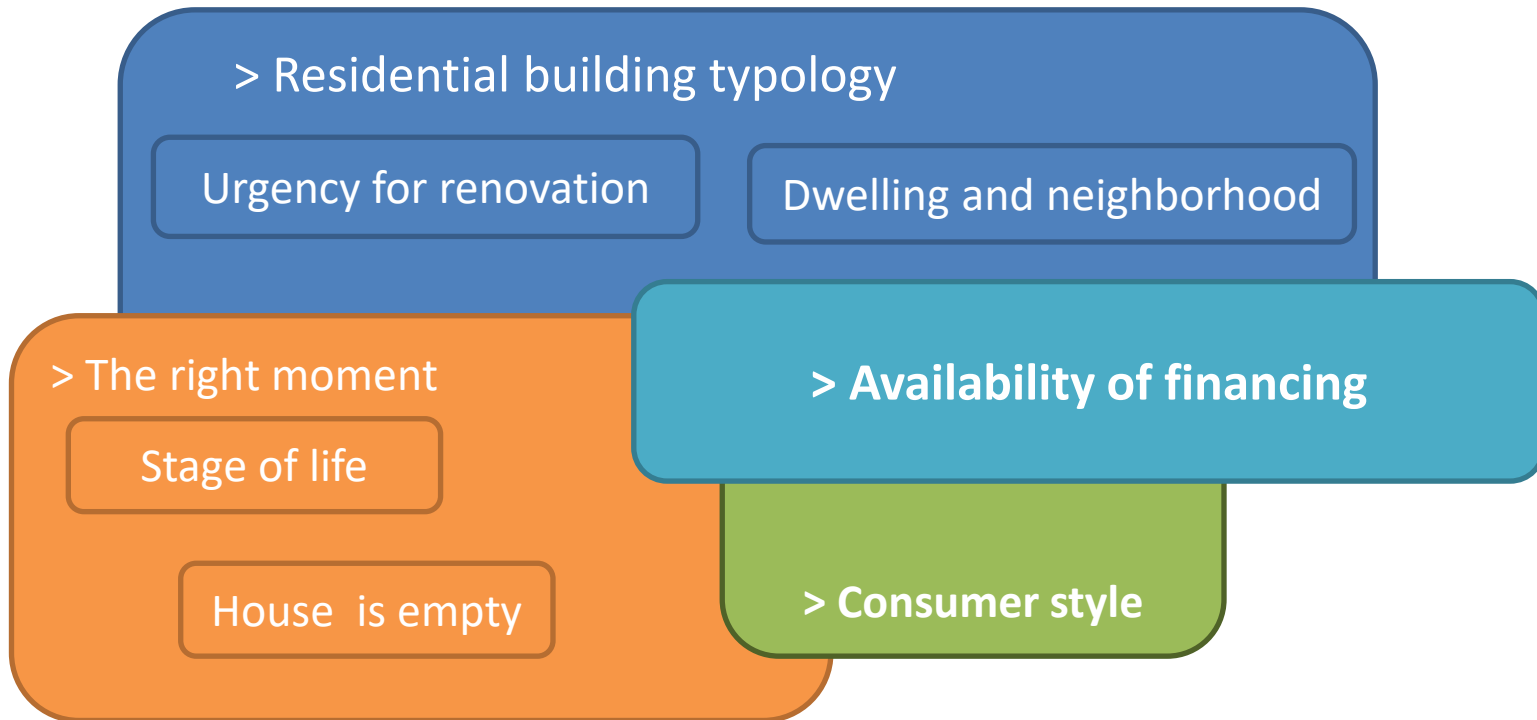




# Financing Home Renovation in Europe

## Consensus on findings regarding private housing refurbishment market

### ✓ Targeting households through multiple criteria





# Financing Home Renovation in Europe

## Consensus on findings regarding private housing refurbishment market

### ✓ *A fragmented demand :*

> Residential building typology

Urgency for renovation

Dwelling and neighborhood

=> Identical buildings allows for and can lead to cost reduction

=> Energy efficiency integrated in other home improvements

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





# Financing Home Renovation in Europe

## Consensus on findings regarding private housing refurbishment market

### ✓ A fragmented demand :

> The right moment

Stage of life

House is empty

=> Decision linked with stage of life: empty nesters...

=> Deep renovations most likely to happen before having lived for one year in a house

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





# Financing Home Renovation in Europe

## Consensus on findings regarding private housing refurbishment market

✓ A fragmented demand :

> 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***







# Financing Home Renovation in Europe

## Consensus on findings regarding private housing refurbishment market

→ A fragmented offer



- More than 90 % of companies of construction sector have less than 10 employees.
- Semi-public aid programs encompass training of the sector and compulsory certification, white certificates...
- Nevertheless, technical criteria and macroeconomic features account for ... 20 to 70% of price variations



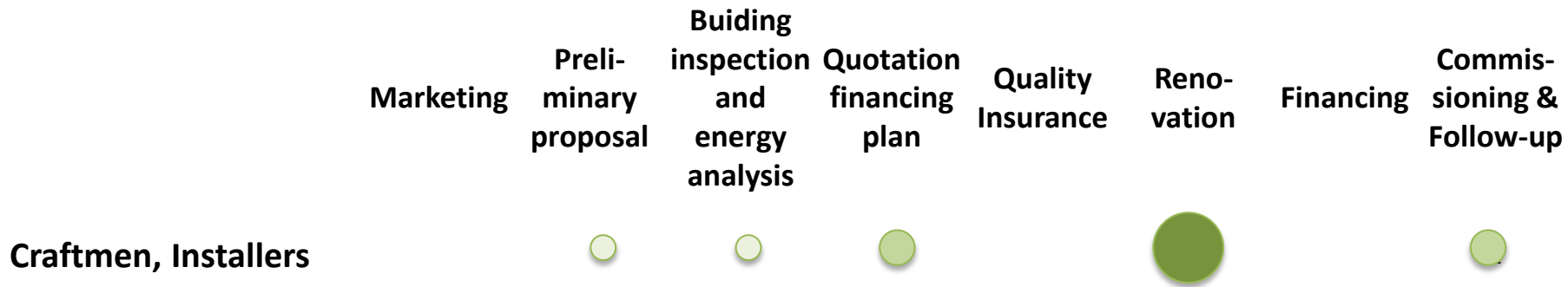


# Financing Home Renovation in Europe

## Consensus on findings regarding private housing refurbishment market

→ A fragmented offer

● Core business    ● Limited    ● Emerging





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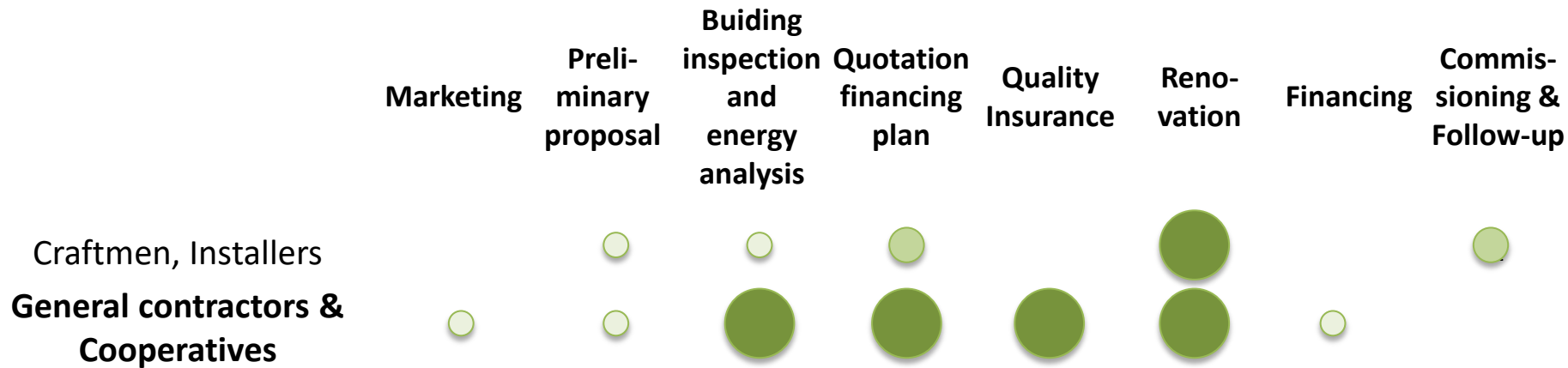
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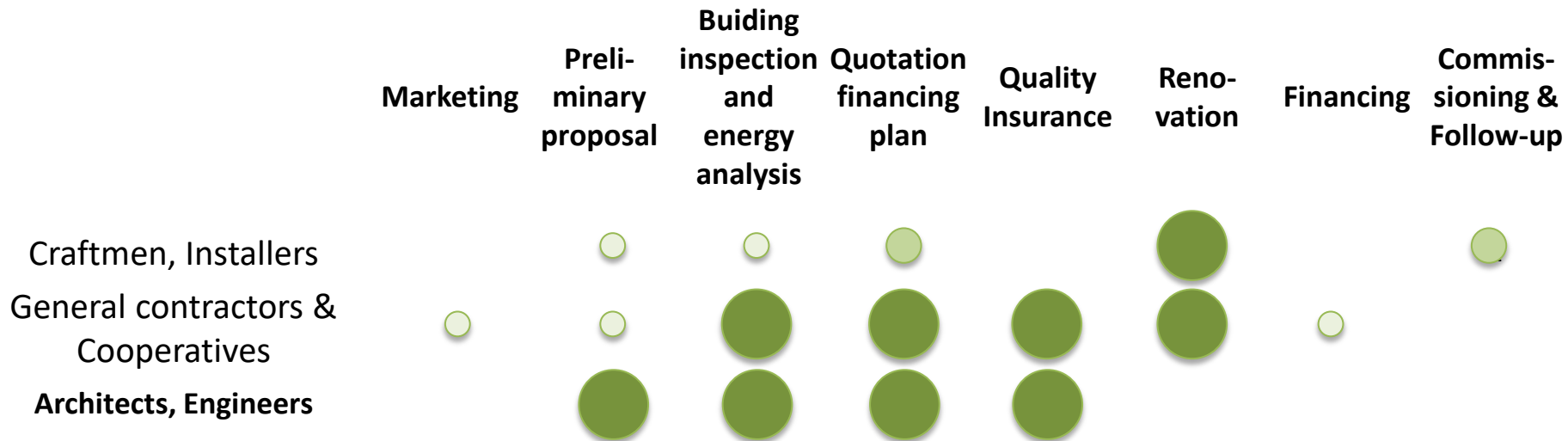
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# Financing Home Renovation in Europe

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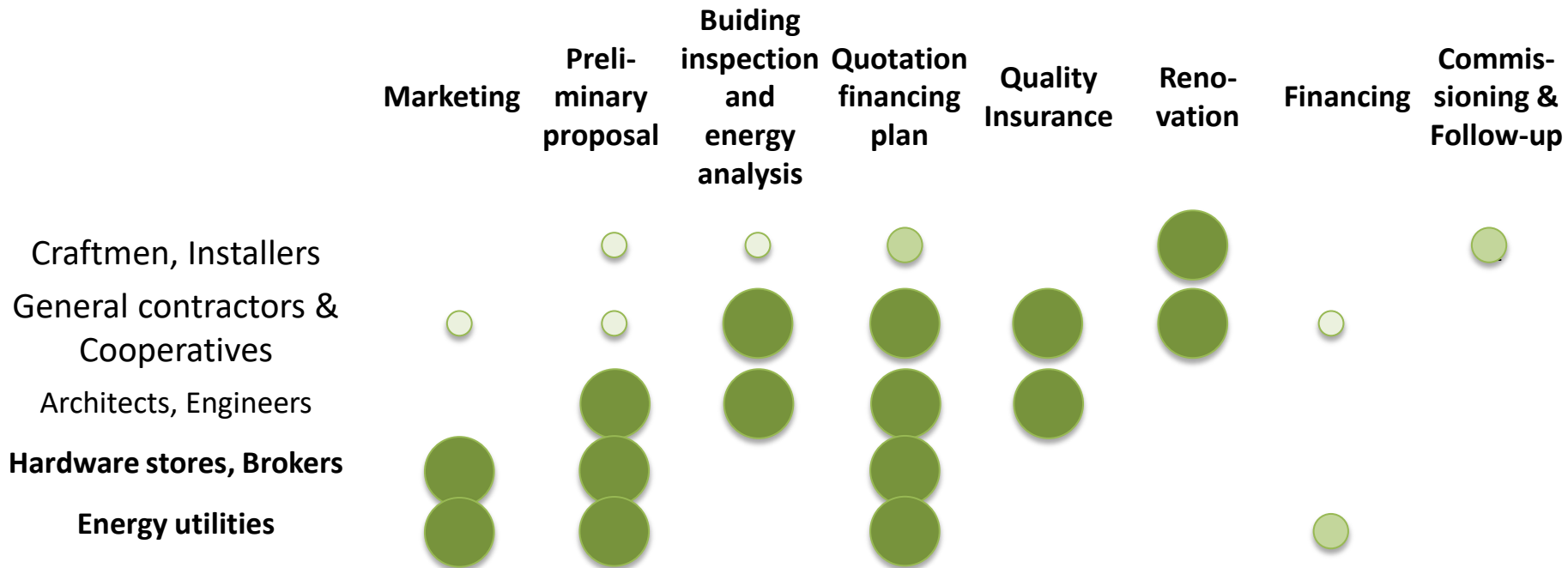
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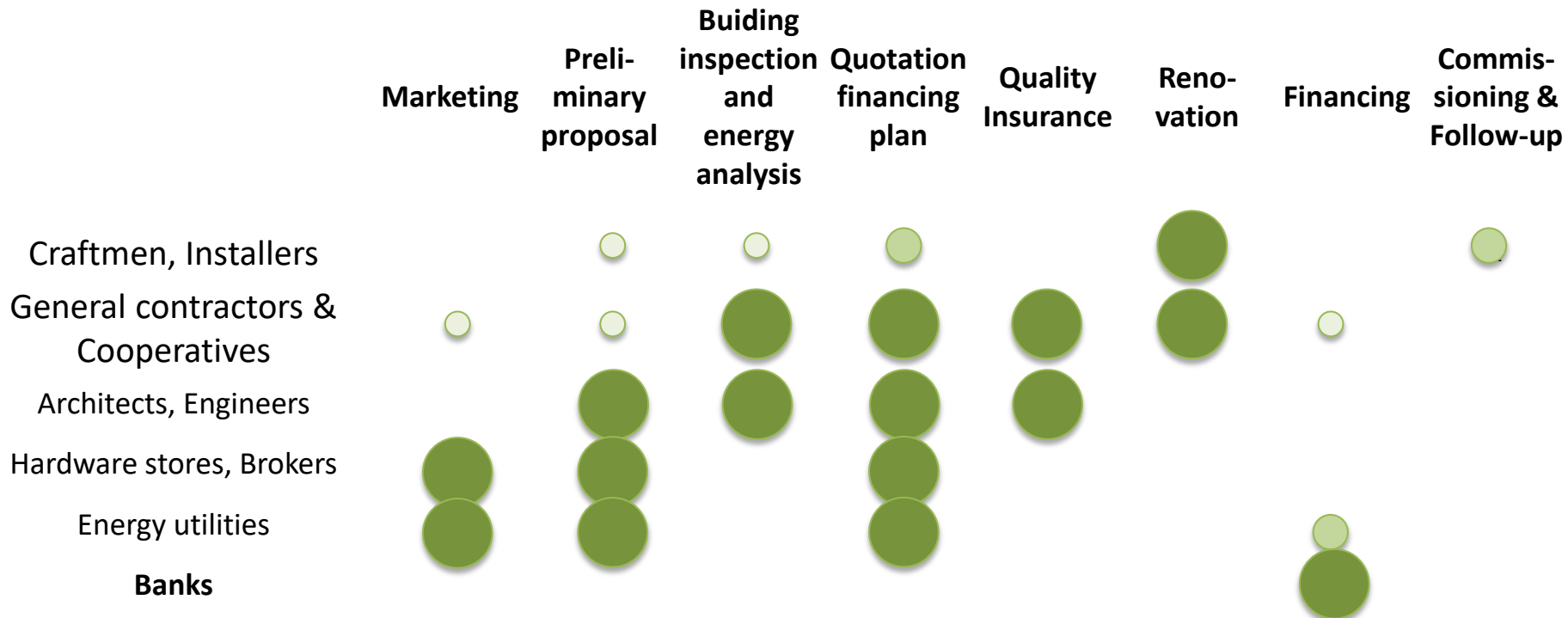
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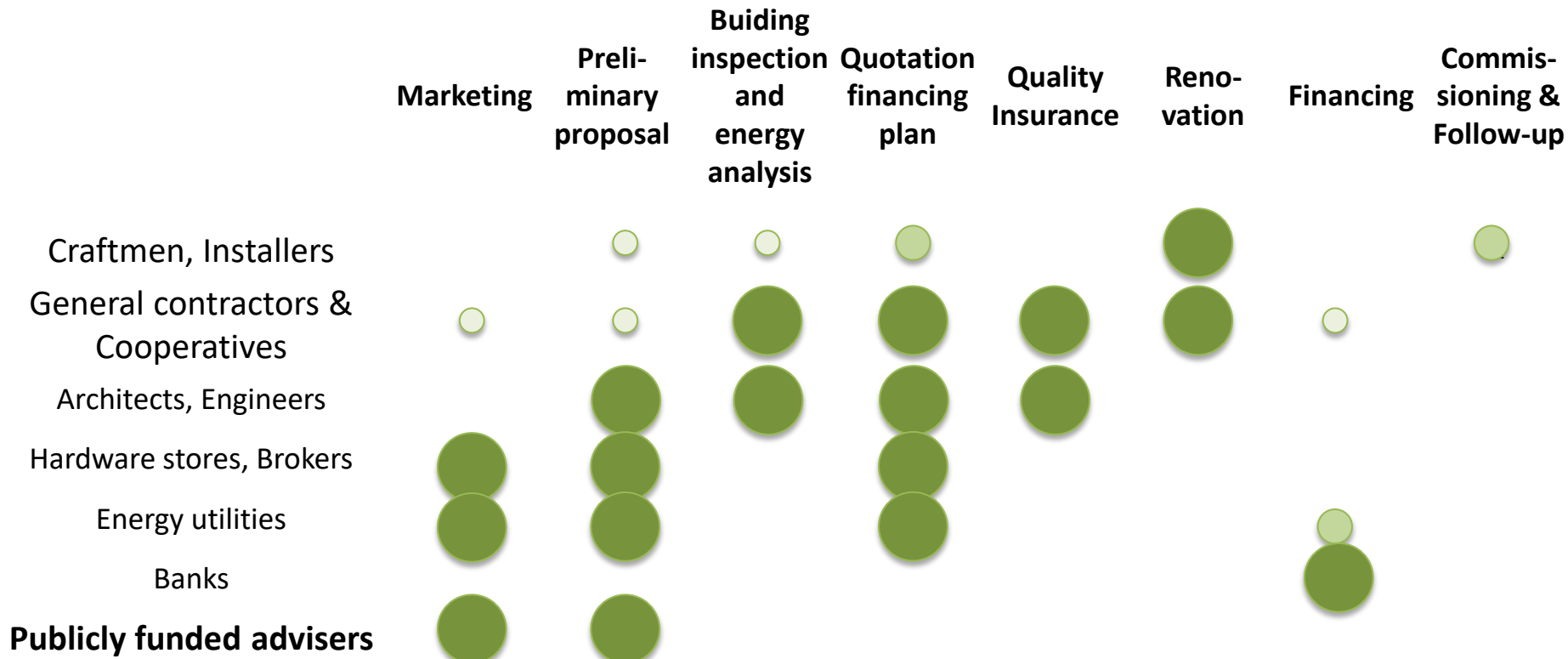
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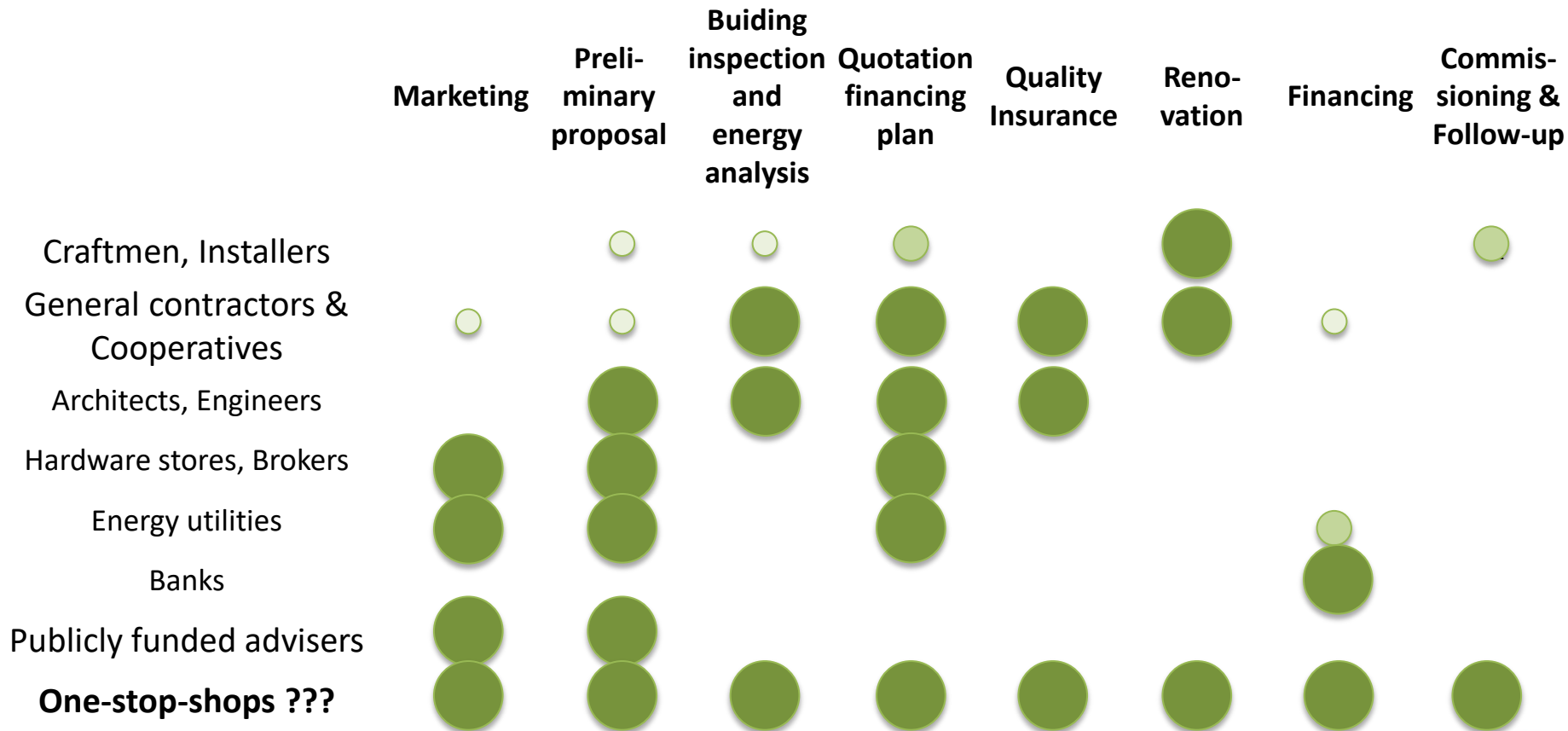


# Financing Home Renovation in Europe

## Consensus on findings regarding private housing refurbishment market

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# Financing Home Renovation in Europe

## Energy-efficient Refurbishment Market features to consider

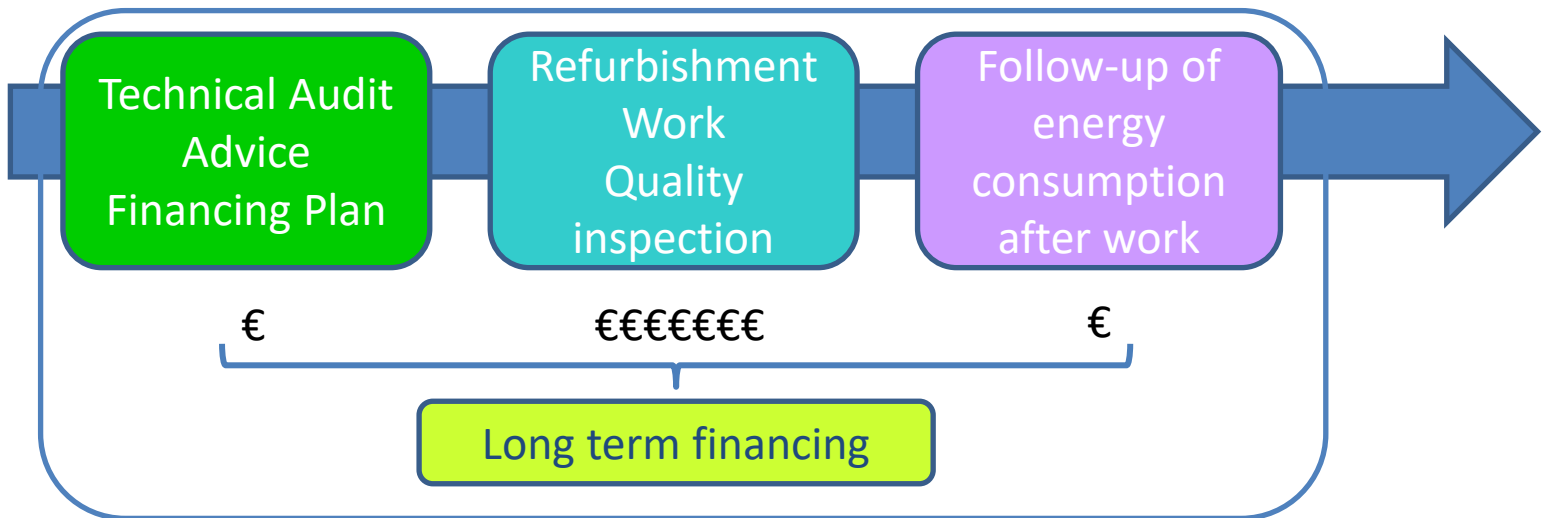
- Integrated renovation offers with a focus on energy efficiency is emerging
- It requires a preliminary audit and accompanying households in the maturation of their project
- Need to overcome a low willingness to pay for advice beforehand
- Need also to gain clients' confidence
- And need to make refurbishments affordable
- Selling points regarding quality and value for money should be backed by evidences and showcases
- Need to convince and train craftsmen
  - All these features should be integrated in a One-Stop-Shop offer... How ???



# Integrated home renovation services in Europe

## 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



# Financing Home Renovation in Europe

## 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



Any question?



**Part 2:**  
**Current Status of public sector  
initiatives**



# Financing Home Renovation in Europe

## Outcome of CITYNVEST survey



	Public	Commercial	Residential	Industrial
REDIBA	x			
Berlin Energy Saving partnership	x	x		
RE:FIT	x			
Vlaams Energiebedrijf	x			
OSER	x			
Fedesco	x			
Eandis EDLB	x			
ESCOLimburg 2020	x			
Eco'Energies		x		
Energy Fund Den Haag	x	x	x	x
Energies POSIT'IF			x	
Climate Community Saerbeck	x	x	x	x
Cambridgeshire MLEI	x	x		
Ox Futures	x	x		x
Rotterdam Green Buildings	x			
Energy Efficiency Milan	x			
ENSAMB	x			
Brixton Energy Co-op			x	
EERFS	x	x	x	x
SUNSHINE			x	
Warm Up North	x		x	
SPEE Picardie			x	
KredEx			x	
PadovaFIT!	x	x	x	

Renewable Energy - Finance only

**Integrated One-stop-shop incl. financing**

Renewable Energy - Finance only

Renewable Energy

**Integrated One-stop-shop incl. financing**

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**Facilitator, financing through nat. Green Deal**

**Integrated One-stop-shop incl. financing**

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EERFS	x	x	x	x
SUNSHINE			x	
Warm Up North	x		x	
SPEE Picardie			x	
KredEx			x	
PadovaFIT!	x	x	x	

Still few public initiative targetting deep home renovations, 5 focussing on condominiums, 5 extending direct financing, 2 designed for individual houses

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**Integrated One-stop-shop incl. financing**

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# Financing Home Renovation in Europe

## 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







# Financing Home Renovation in Europe

## 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





# Financing Home Renovation in Europe

## Example of Energies POSIT'IF

41 condominiums have already signed contracts for preliminary studies



5.500 apartments refurbished

900 jobs created

47% energy savings

Objective of 10,000 refurbishments achieved in 2020

=> 75 to 100 condominiums

=> 250 M€ works





# Financing Home Renovation in Europe

## 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



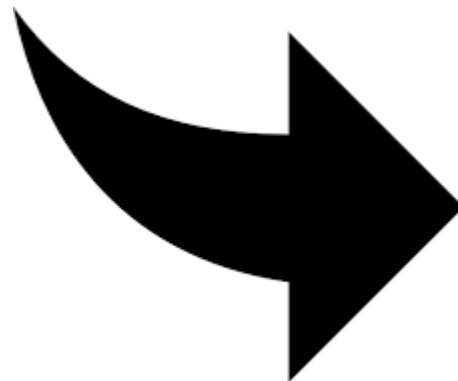


# Financing Home Renovation in Europe

## 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%





# Financing Home Renovation in Europe

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

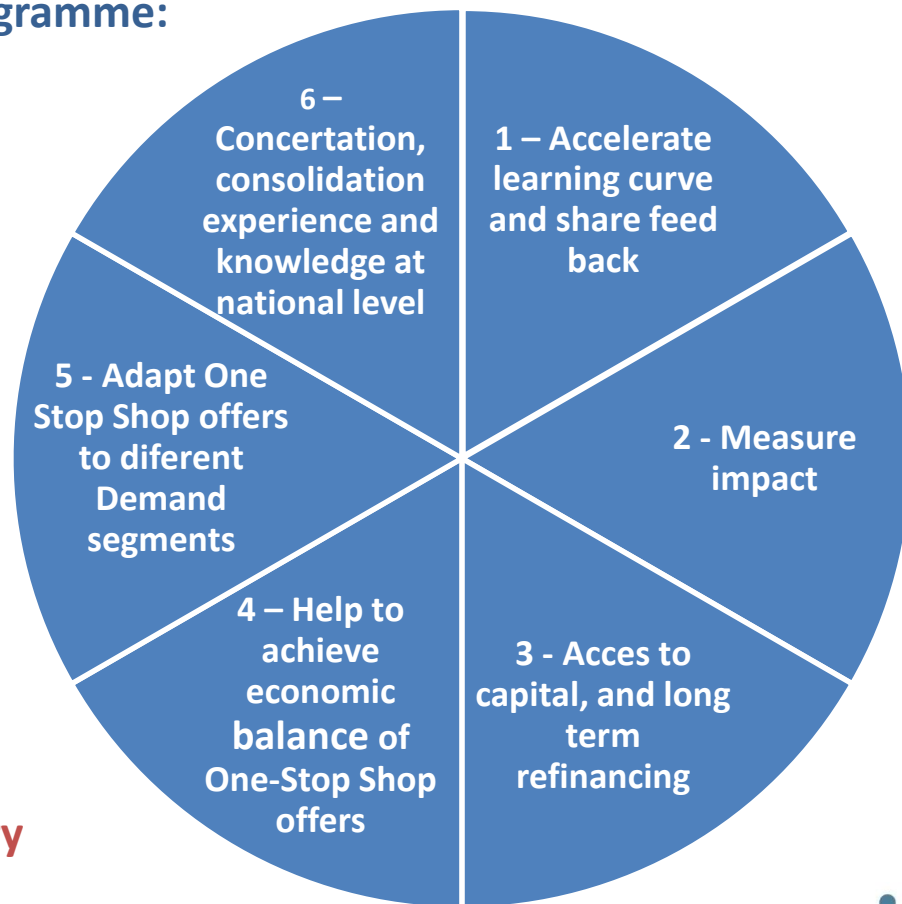


MINISTÈRE  
DE LA TRANSITION  
ÉCOLOGIQUE  
ET SOLIDAIRE

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

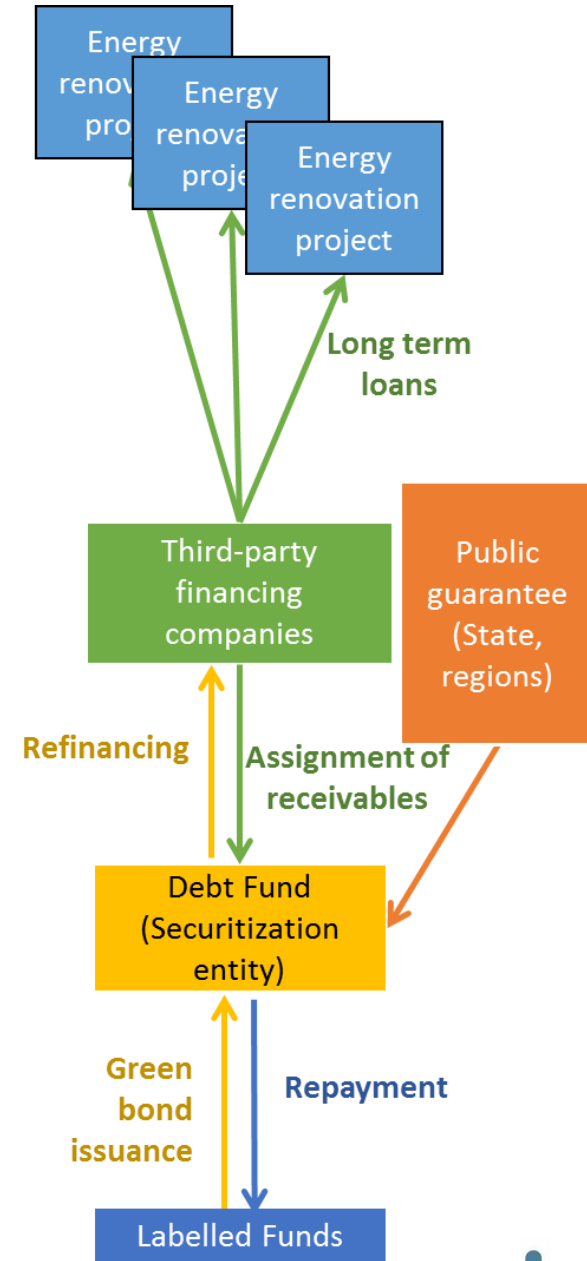




# Financing Home Renovation in Europe

## look for an easier access to long term financing

- Experimentation phase
- should allow to share track record and build-up a large enough loan portfolio
  - 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



Any question?





# Thank you for your attention

To answer any further questions:

[francoise.refabert@vestaconseilfinance.fr](mailto:francoise.refabert@vestaconseilfinance.fr)

+33 (0)6 7079 1999



Funded by the Horizon 2020  
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