Financing nZEB

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TaskForce Overview

Members and Geographical Coverage

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Access to finance is one of the key challenges that all public, cooperative and social housing providers encounter and is considered a main obstacle, which prevents housing organisations from improving the energy performance of their stock. Moreover, the EU is increasingly playing a catalytic role in changing the perception of Energy Efficiency as a new investment area among financial institutions.

Housing Europe, the European Federation of Public, Cooperative and Social Housing co-led the nZEB Financing TaskForce along with NHF, the National Housing Federation since its members had proven to be leaders in the mobilisation of the use of ERDF funding for energy efficiency in housing and also forerunners in the generation of capital through obligations on energy suppliers. All the partners of the POWER HOUSE nearly-Zero Energy Challenge also contributed to the exchange of information on the topic and provided concrete examples of innovative financial engineering solutions from their respective countries.

Objectives and expected Outcomes

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- Identify obstacles and challenges that Housing Organisations are facing in financing nZEB projects;
- “Make the business case” for nZEB by analysing and showcasing solutions to obstacles in financing for nearly-Zero housing projects (new and renovation);
- Produce guidelines for National/Regional Housing Federations and their members for the development of cost-effective 2020 nearly-Zero Investment Strategies which mobilise public and private finance.

TaskForce key Findings and Conclusions

Attempting to summarise in a few words the results of this extensive work is far too ambitious, however, below are listed some of the key findings and conclusions elaborated by TaskForce Members:

Lack of funding

There is no “one-size-fits all” approach to low-carbon funding in the affordable housing sector. Factors such as type of tenure, rent legislation, potential for energy savings due to considerations in relation to specific

climates need to be taken into consideration when reflecting on how to improve the supply and demand for funding in order to trigger energy transition in the affordable housing sector. However, lack of available funds to carry out new construction or refurbishment projects, either through the provision of subsidy or access to affordable capital is considered to be a major barrier by Public Cooperative and Social Housing providers.

Simplify access to funding

Access to funding needs to be simplified – currently there are many different schemes, all with different rules, forms and criteria and all requiring their own due diligence to be performed. This is resource intensive in terms of both time-and money and streamlining the process to create a simple 'one stop shop' would allow a single application process which would generate access to a variety of different funding options.

Threshold required for accessing funds

Although various European funding options are available, one challenge for many housing organisations is the threshold required for accessing these funds. Often, projects led by individual housing organisations fall far below this threshold and this leads to the need to form partnerships with local authorities, or collaborative groups of organisations. This leads to a significantly more complicated bureaucratic, inefficient process. A way out of this deadlock could be the creation of a financial initiative at EU level that would allow a national aggregator to hold an allocated sum of funding, and act as distributor of this funding with a lower threshold requirement.

Ease of access and attractiveness to financial organisations and customers

In many cases, lenders may be hesitant about financing energy efficiency works as much of the market is currently untested and the risks are considered to be high. This in turn leads to higher rates of interest and fees, which can reduce the attractiveness of a scheme to consumers. One way in which member states have addressed this issue – for example the German KfW scheme – is by using a state guarantee that allows the risk to be shared. Other possible solutions include the U.K. Housing Finance Corporation, where an organisation acts as aggregator for loans and accesses low rate funding which can then be passed on in smaller amounts to housing organisations. Ease of understanding is also important – the less complex the scheme is, the more likely it is to be a success both for customers and lenders.

Administrative costs

Where a scheme costs a lot to administer, the funding for this should obviously be covered and generally this cost is passed on to the end consumer resulting in higher rates and additional fees. Schemes where administrative costs are not borne by the housing organisation (e.g. Estonia's Kred-Ex scheme, where the majority of administration is carried out by the lending bank) tend to have lower costs, which may make them more successful. A robust and thoroughly thought-through assessment mechanism for the scheme will also allow costs to be lower.

Becoming self-sustaining

This is a significant hurdle for many financial mechanisms, as state or private funding is not ideal if the scheme is to become a long-term success. As seen with the British ECO model or the German KfW model, uncertainty regarding long term funding can cause problems with the uptake of the scheme as organisations are unsure about the future costs and implications. What has proven to be successful, as in the Estonian Kred-Ex model, is the use of a revolving fund, where savings generated are ploughed back into the model to be reused and thus generate further savings.

Legal issues

Any successful scheme should be supported by a well-planned and implemented framework which allows it to operate effectively. Planning requirements, building codes, property law and legal requirements for financial transactions can all have a detrimental impact on an energy efficiency model if not fully taken into account and if not appropriately adjusted.

Stakeholder knowledge and engagement

A successful scheme also requires a robust delivery mechanism with regard to the people who will actually be carrying out the works. It is therefore important to make sure that the contractors and stakeholders involved have the knowledge and capacity to undertake the work, as well as being confident in the scheme and happy to buy into it. Good communication and marketing which promotes trustworthiness and builds awareness of the scheme and its results also drive uptake, as the Kred-Ex model has clearly illustrated.

Source: http://www.powerhouseeurope.eu/nearly_zero_taskforces/financing_nzeb/overview/