

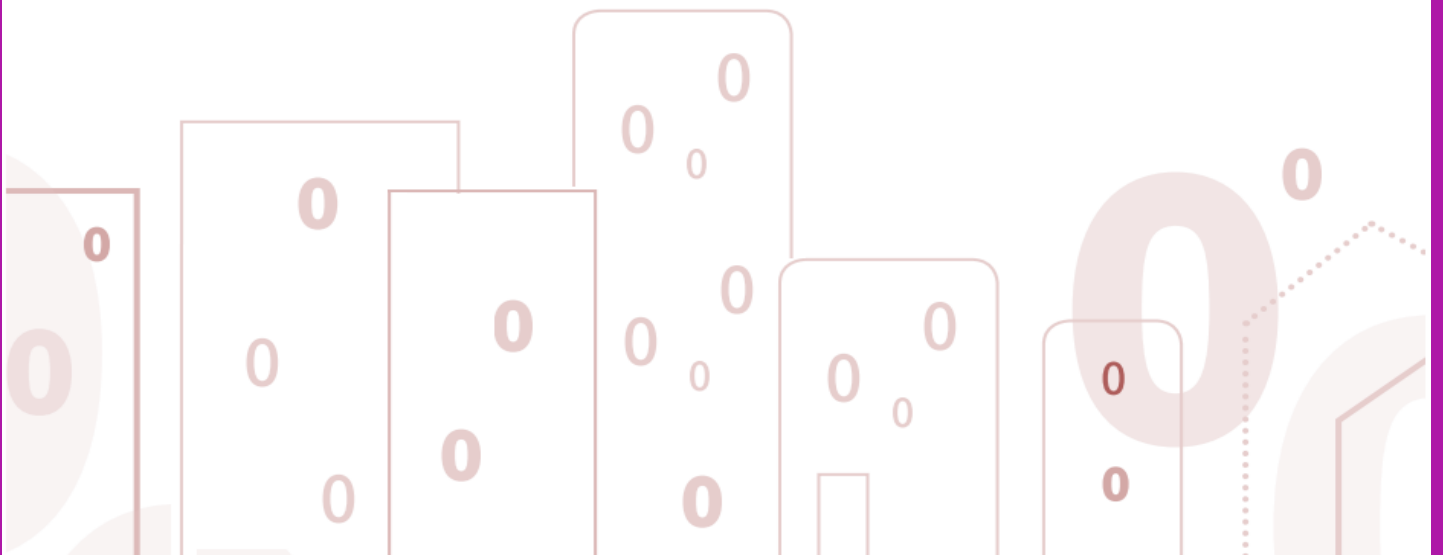


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POWER HOUSE
NEARLY-ZERO ENERGY
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“How to finance energy efficiency?” workshop
4 March 2014, Brussels, Belgium

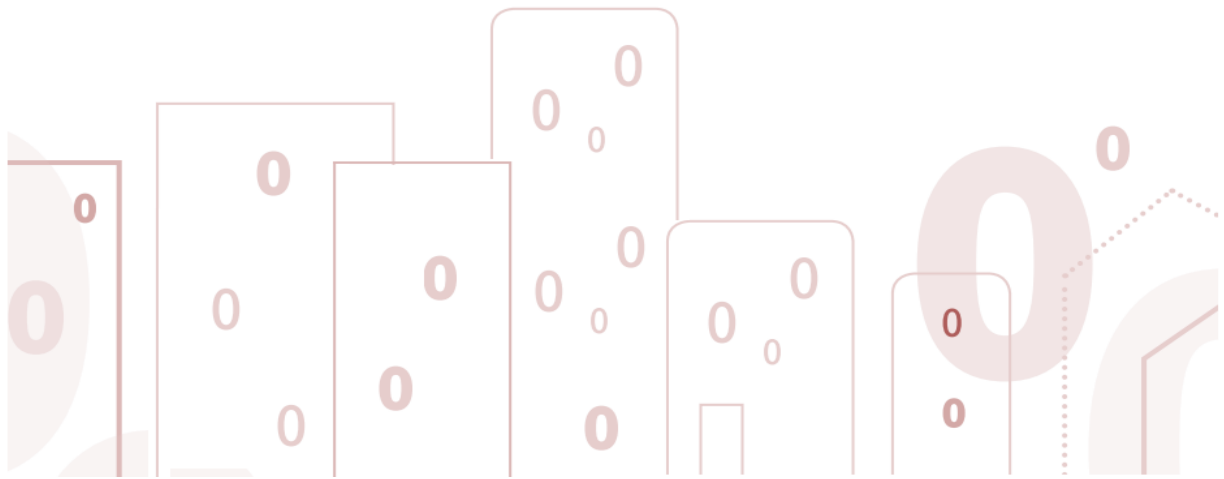


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1. The magnitude of the challenge

A cooperation between the project BEEM-UP (www.beem-up.eu) and CECODHAS Housing Europe has allowed to cast a new light on the challenges of the energy transition in the affordable housing sector:



Estimates of current and projected refurbishment rates from twelve European countries provide some insight into the market for renovation in Europe. Defined as the ratio of major renovations to overall housing stock, current refurbishment rate across studied countries stands at 1.19% each year. Insights into refurbishment plans from companies in the Public, Cooperative and Social Housing sector indicate that this number is expected to rise slightly to 1.39% in the run up to 2020, representing an additional

54,000 buildings each year.

Projected increases remain small, due largely to the limited financial resources of Public, Cooperative and Social Housing companies. Increased awareness of sustainable development, long-term planning and housing portfolio optimisation, whilst encouraging future development, has done relatively little to offset the problem. Similarly, the average spend per refurbishment is expected to rise slightly across 14 surveyed countries. Aggregation of data shows that housing companies in Europe spend on average €32,250 per dwelling for a major refurbishment. We estimate that as we head towards 2020, this will rise to €36,200.



This expected growth can be explained in part by ambitious long term refurbishment plans, though public funding expectations also play a key role: some of the federations we spoke to

expect subsidies to become available in coming years and have factored this into their projections, raising expected average investments. A second upward pressure results from the higher costs associated with hard-to-treat properties that have thus far not been renovated but will need to be in coming years.

Taking the discussed costs and refurbishment rates into account, we estimate the total annual investment needed to reach EU 2020 targets to be €37.8 billion annually. The Public, Cooperative and Social Housing sector is expected to spend an average of €12 billion annually, representing a yearly gap of €25.8 billion on average.

2. How to fill this financial gap?

The European Commission generally holds the view that a minimum of public money should be mobilised to attract the maximum of private investments. There is also a widespread opinion among the European Commission that housing providers should play a further role in triggering energy efficiency investments.



The view of the majority of housing providers is however that the energy efficiency investments cannot pay for themselves in the sense that the energy savings are never sufficient (and often lower than expected) to reimburse the bulk of the investment. Any successful business case for energy efficiency in buildings will have to take the role of public finance into account. Either through the form of

grants, or subsidised loans or first loss guarantee, public funds are still a crucial part of all energy efficiency investment models. This is particularly true for the affordable housing sector, whereby the capacity of tenants to contribute to the investments is extremely limited.

Although the role of public finance is supported by a wide range of stakeholders, the most efficient level and forms of public intervention are still debated. Public intervention can for instance take the form of a support to Energy Performance Contracting market, either by lowering the cost of capital to reduce the contract duration, by providing an extra contribution to reimburse the investments: grants or contribution of building owner, or extending the contract duration to allow payback of deep renovation. This has the advantage to support the development of energy efficiency companies.

Another and complementary approach consists in improving the demand and supply of low carbon finance by mobilising more funds from the European Investment Bank. How can it be done? The Bank itself is aware of the necessity to increase its lending activities in the housing sector, if the potential energy savings are to be tapped in. The preferred approach of the Bank so



far has been to develop bilateral cooperation (an entity in a country X) and to provide the support to set up financial engineering instruments (on the basis of the JESSICA experience). An example of bilateral cooperation with UK: In December 2012 the EIB provided a GBP 400m Framework loan to The Housing Finance Corporation, a not-for-profit intermediary in the UK social housing sector. The schemes will be small to medium-scale (investment below EUR 50m) and involve retrofitting and new build energy-efficient programmes carried out by registered UK housing associations.

The possibility of having a single European Funding Facility for Housing, managed by the European Investment Bank, has not been so far supported by the EIB, since it would require among other things a harmonisation of national regulatory aspects (for instance the possibility to raise rents in the aftermath of an renovation investments). An increase of the “traditional” lending activities seems the most likely way of proceeding for the EIB in the years to come. However the EIB is keen on working with relevant stakeholders on how to improve the matching of supply and demand for low-carbon finance in the affordable housing sector (i.e. aggregation).

3. The necessary holistic approach

To add to the complexity of achieving the energy transition in the affordable housing sector, some of the most promising economic model for energy efficiency investment in the housing sector have added the Renewable Energy component, in particular because it provides with an additional source of income, but also reduce the dependence upon volatile retail energy prices. Energy cooperatives are an interesting example in that sense as they try to offer the most reliable and affordable energy source to tenants. Energy cooperatives are also confronted with the challenge of bundling the needs and resources of several cooperatives in Europe in order to get access to affordable low carbon finance.

4. Conclusions

CECODHAS Housing Europe, through its various projects, in particular the POWER HOUSE nZEC project, intends to look at the precise conditions of success of financial models for energy efficiency in the affordable housing sector. There is no one-size-fits all approach of low-carbon finance in the affordable housing sector. Factors such as type of housing tenure, type of rent legislation, potential of energy savings due to climate specificities need to be taken into consideration when reflecting on how to improve the supply and demand for finance so as to trigger the energy transition in the affordable housing sector. In a further step, CECODHAS Housing Europe will encourage the development of low-carbon finance platform in various countries that would reflect those specificities.

5. Background Documents & Presentations

[Report “Energy refurbishment for sustainable Social, Public and Cooperative Housing: insights on the current market & trends towards 2020”](#)

[Report “Exemplary Financing Models from across the European Union“](#)

[Presentation of the Workshop “How to finance energy efficiency?”](#)



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