

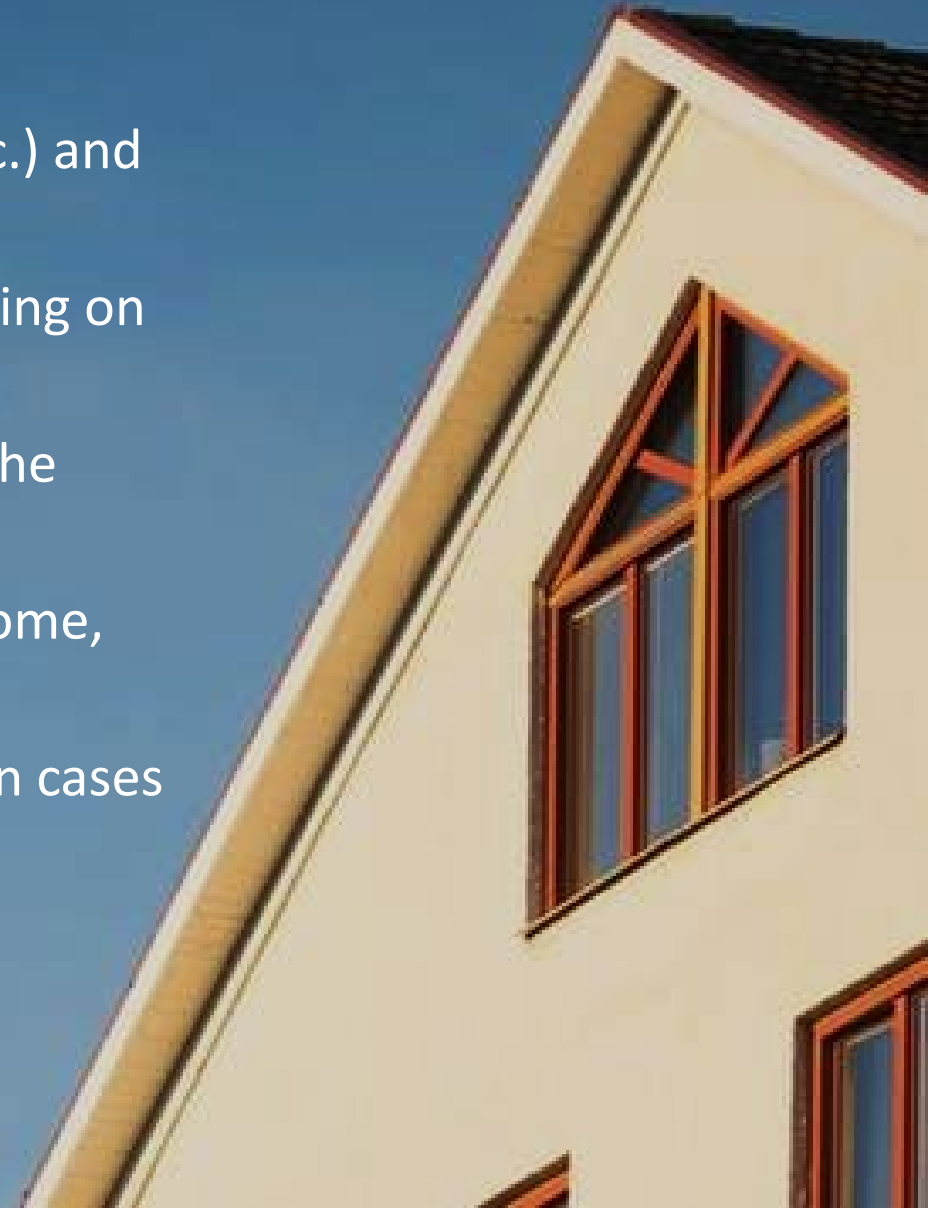


## **Session 4: Financing models for home renovation**

Brussels, Belgium: June 19, 2019

# Investment characteristics of home renovation programme in Spain

- **Types of measures:** energy (boilers, insulation, windows, etc.) and non-energy (accessibility, security, etc.).
- **Investment range:** between 5,000 and 70,000 EUR - depending on size, type of improvements, etc.
- **Typical financing operation:** 15-40,000 EUR, depending on the levels of energy efficiency (EE) and the intensity of the aid.
- **Monthly payment capacity:** based on homeowner's net income, payments will range from € 40 to € 500 per month.
- **Energy investment:** increases depending on the ambition - in cases of "Deep retrofit" can exceed 2/3 of the total investment.



# Home renovation in Spain: The financing problem

Barriers to home renovation, faced by banks:

- **High up-front investments**, in many cases, assets are not easily identifiable or separable from properties.
- **Lack of technical knowledge** to evaluate projects' impact on savings, emissions, other benefits, and externalities.
- **Energy efficiency renovation projects lack the critical mass** for banks to develop products and/or dedicated lines.
- As most renovations are financed through unsecured loans, banks are required (by Basilea rules) to **provision high percentages of capital for each financing**, making these loans expensive to banks.
- **Inability to stimulate and aggregate project demand.**

As a result, home renovation financing is not an attractive product for banks.



# Home renovation in Spain: The financing problem

For most banks, financing energy efficiency for homes is **not a stand-alone product** but it is financed through standard consumer credit products. For this reason, it is challenging to assess the performance of home renovation financing at national and EU levels.

In Spain, most of banking products\* share the following characteristics:

**inadequate duration (3 to 7 years)** - not aligned with measures' paybacks.

**High interest rates** - home renovation loans, which are amongst the most competitive loans are offered at interest rates above 7%

**Burdensome requirements and procedures** (guarantees, multi-signatories, etc.)

There is a **lack of targeted solutions for home renovation.**

*(\*) used for home renovation*

These elements result in **monthly instalments that are higher than savings and benefits** that renovation projects bring to the customer, making the home renovation unaffordable or unattractive to homeowners.

# European public sector initiatives facilitating access to finance

Trend to move away from subsidies to funding:

- Solutions implemented:
  - Lines of credit
  - Specialised funds / guarantee funds
  - Local financial companies
- European and international experiences show that credit lines (even when subsidised) do not have a sufficient incentive effect UNLESS programs are supported by technical assistance, financial and fiscal aids.
  - **Incorporating risk-sharing facilities to lower the risk profile**



**Success = Risk Sharing Finance + Tech. Assist. + Financial and Fiscal Incentives**

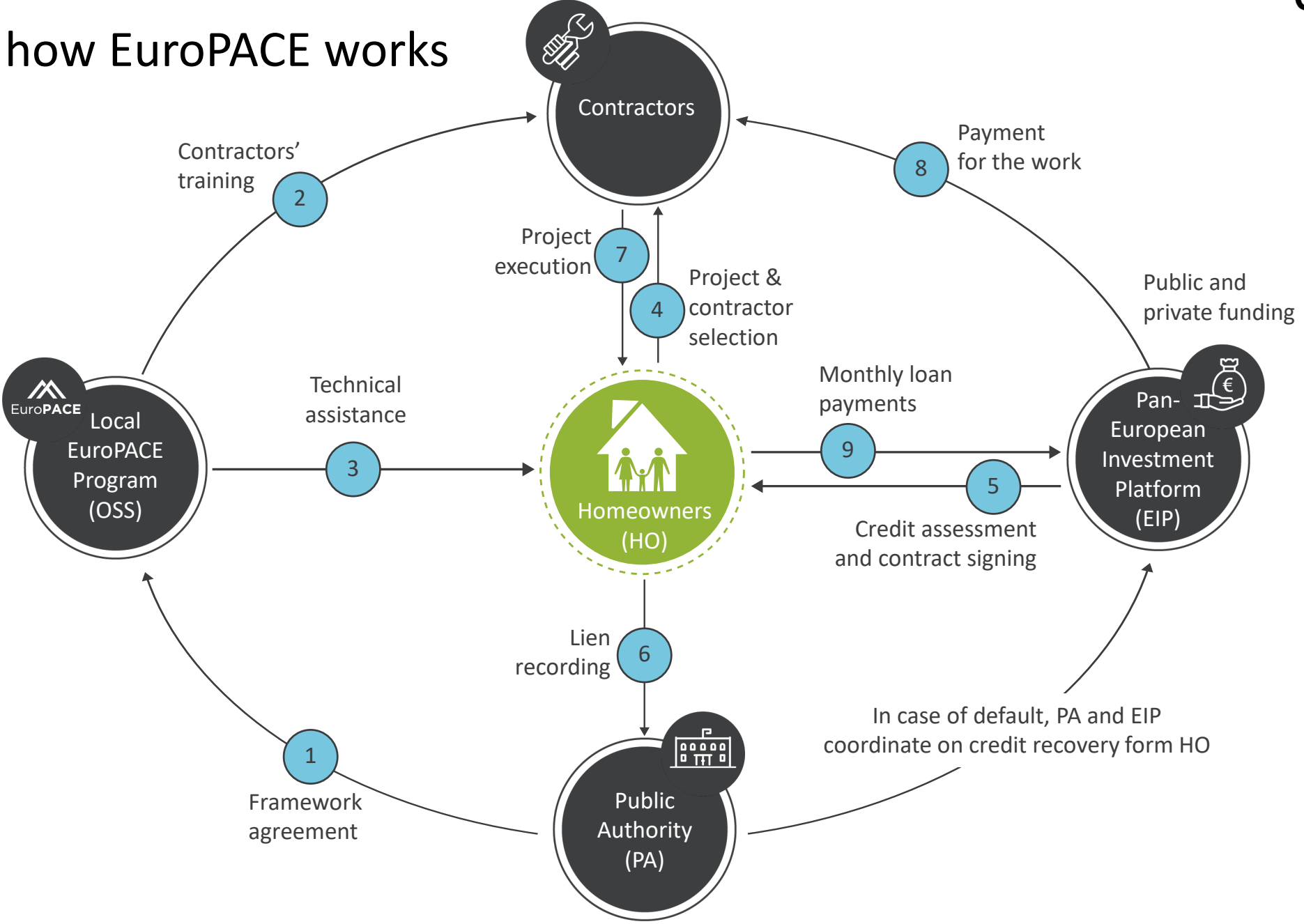
# Financing Innovation

## Home-Based Financing

*f(x) = Country Legal framework*

- Attached to the property via a lien
- Secure repayment and collection
- Remedies in case of non-payment

# This is how EuroPACE works



# Our impact on sustainable development goals



- Energy efficient and healthy homes and apartment buildings contribute to meeting several Sustainable Development Goals set by the United Nations.
- EuroPACE platform is aligned with several SD Goals: 3, 7, 8, 11, 12, 13, 15, and 17.





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