

# Energy Efficient Mortgages: Unlocking a renovation revolution

**Marco Marijewycz**

Senior Management - Global Business Development

Global Domain - Home Energy Management & Software

E.ON Solutions GmbH

EeMAP Consortium Member



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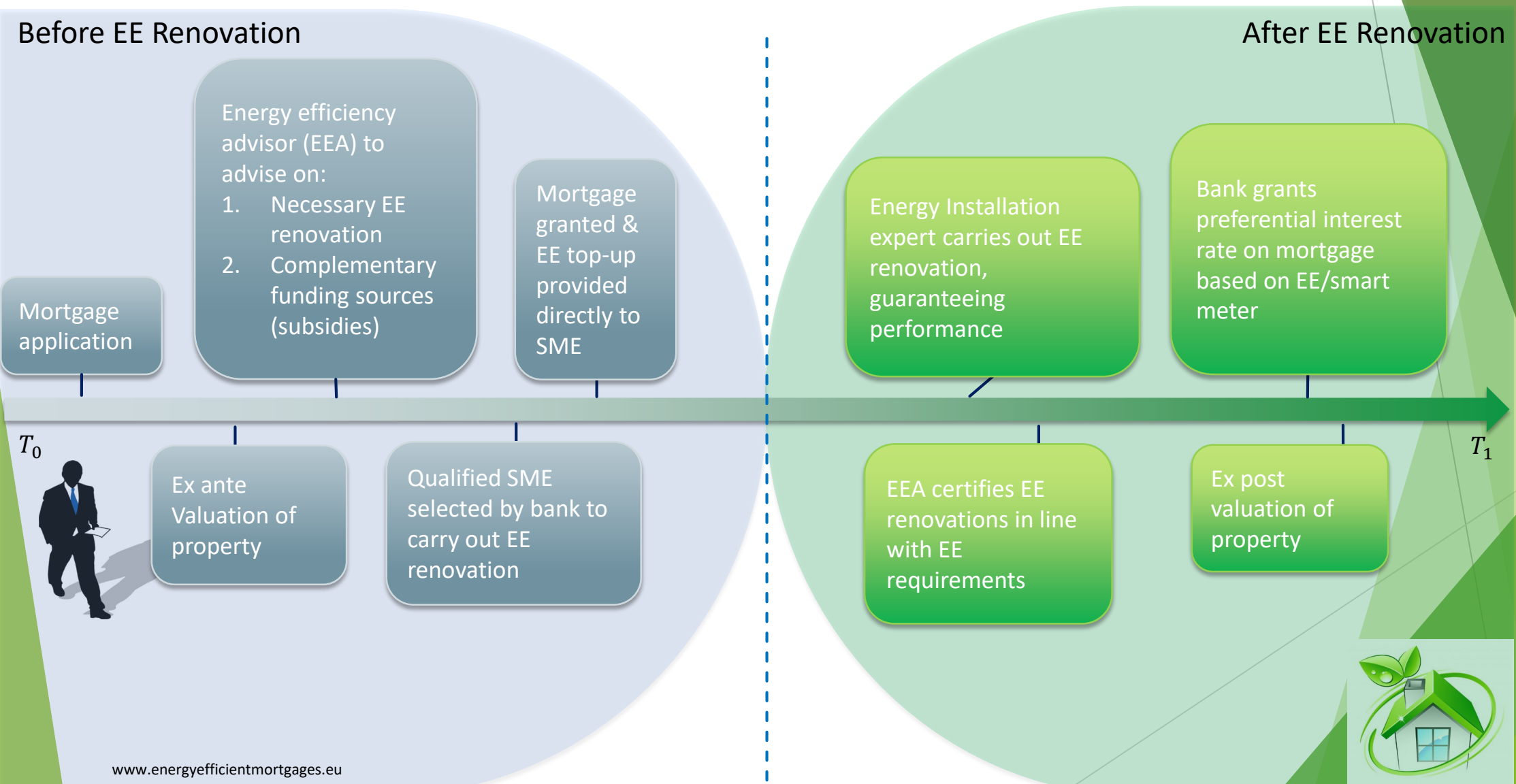
# EeMAP: EU Commission funded initiative to develop an Energy Efficient Mortgage for Europe

- Objective is to design, pilot and scale an EU standardized Energy Efficient Mortgage (EEM) product
- Horizon 2020 funded under Grant No. 746205 (€1.5m)
- Launched in June 2017, ends July 2019
- E.ON led customer research programme
- EU wide pilots of EEM to start from 14.06.18



# Bridging Renovation Gap - In Practice

## Energy Efficient Renovation



# What is Energy Efficient Mortgage and how could customers and lenders benefit?

## Energy Efficient Mortgage (EEM)

Standard  
Mortgage  
Product

Energy  
Efficiency  
Improvement  
Loan  
(EEIL)

- Packaged mortgage product made up of two linked loans
- EEM product carries an interest rate discount
- EEIL is a low cost loan facility linked to mortgage
- EEIL funds upgrades determined by energy audit

### Borrower benefits:

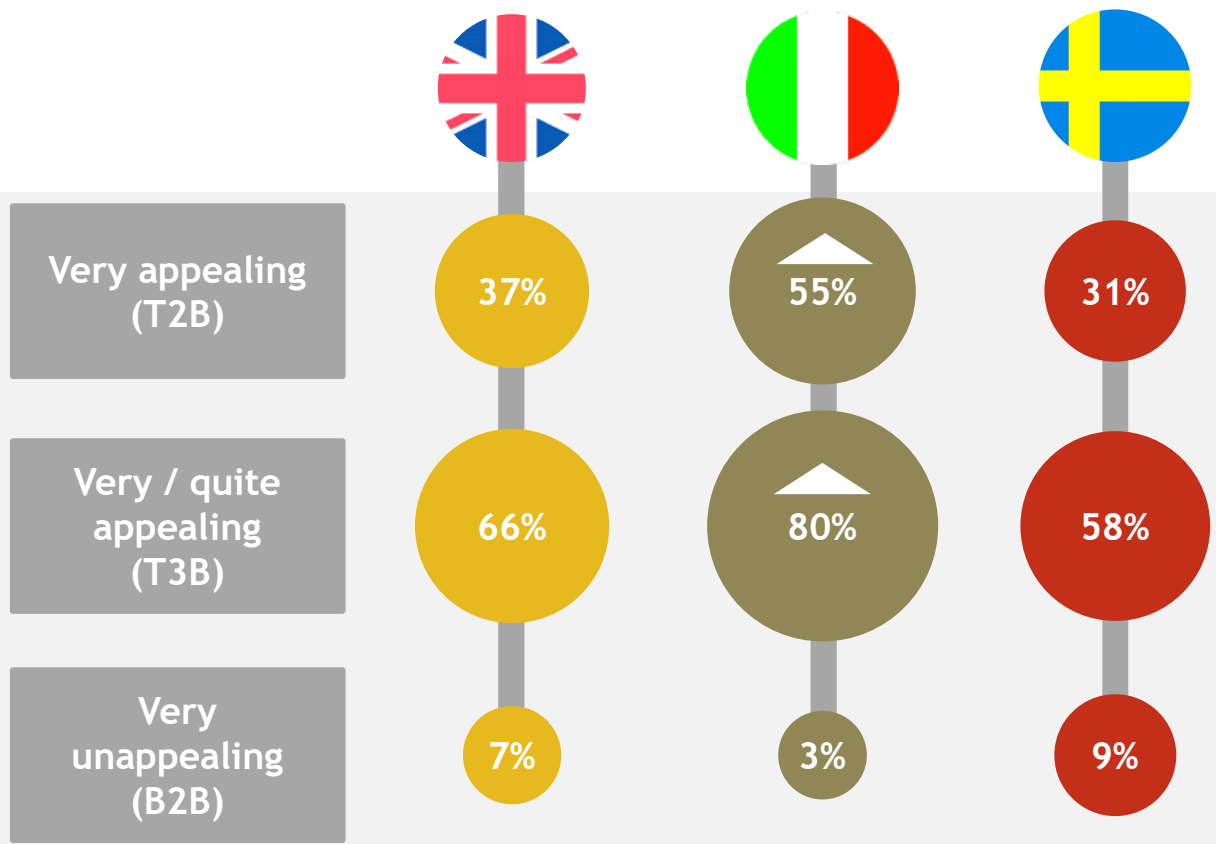
- Increased comfort
- Reduced borrowing costs
- Deliver lower energy bills

### Lender benefits:

- Reduces risks/probability of default
- Protects against asset value erosion
- Creates collateral for Green Bonds

# The Energy Efficient Mortgage holds greatest appeal to the Italian market, and outright rejection of the proposition is minimal...

## Appeal of EEM proposition All respondents



“This would be brilliant - we’ve been wanting to do something like this for years... there’s no downside - 10/10”  
Sweden

“I like the idea of improving energy efficiency and I think that in the long run I’ll save money”  
Italy

“I like trying to be green and love idea of being rewarded for it”  
UK

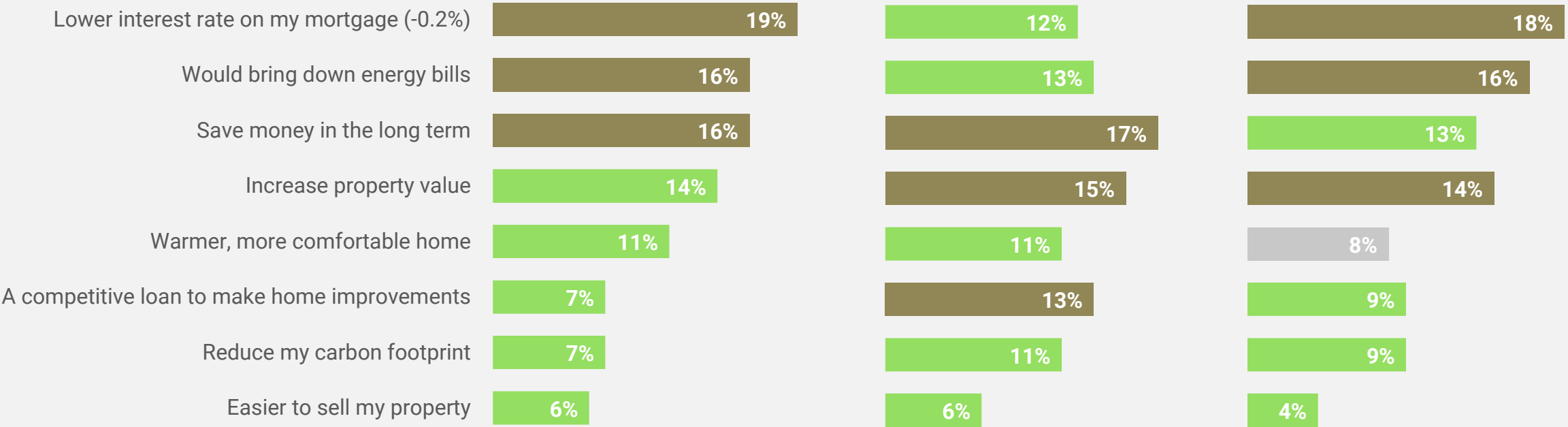
“An excellent opportunity for energy improvement in my home, helping not only me, but the environment”  
Italy

Significantly higher or lower vs. other markets

# The Green Mortgage's financial advantages drive its appeal - access to a 'lower interest rate' is key in UK and Sweden, while 'saving in the long term' is important in Italy

## Appeal of Key Features - Most appealing

### Top 3



# Those who do not find the Energy Efficient Mortgage appealing are already planning on buying an energy efficient property, or do not want to take out an additional loan

## Barriers

All who do not find the EEM appealing

Most important reason  
(select 1 only)



Primary barriers

Do not want to take out / cannot afford an additional loan

18%

25%

23%

I already have an energy efficient home, therefore it is not applicable to me

18%

11%

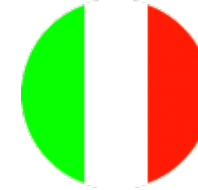
15%

# Length of time for the work and a predicted short tenure are secondary barriers, alongside a worry about 'being tied in' to a certain mortgage

## Barriers

All who do not find the EEM appealing

Most important reason  
(select 1 only)



### Secondary barriers

Don't have time for home renovation / too much of a hassle

10%

6%

7%

I don't see myself in my home long enough to benefit

3%

11%

7%

Worry this would tie me in to a mortgage provider for a long time

8%

6%

4%

I am not interested in making my home more energy efficient

8%

3%

6%

All other barriers under 6%



# We also tested with respondents the value of a 'managed energy efficient renovation' service

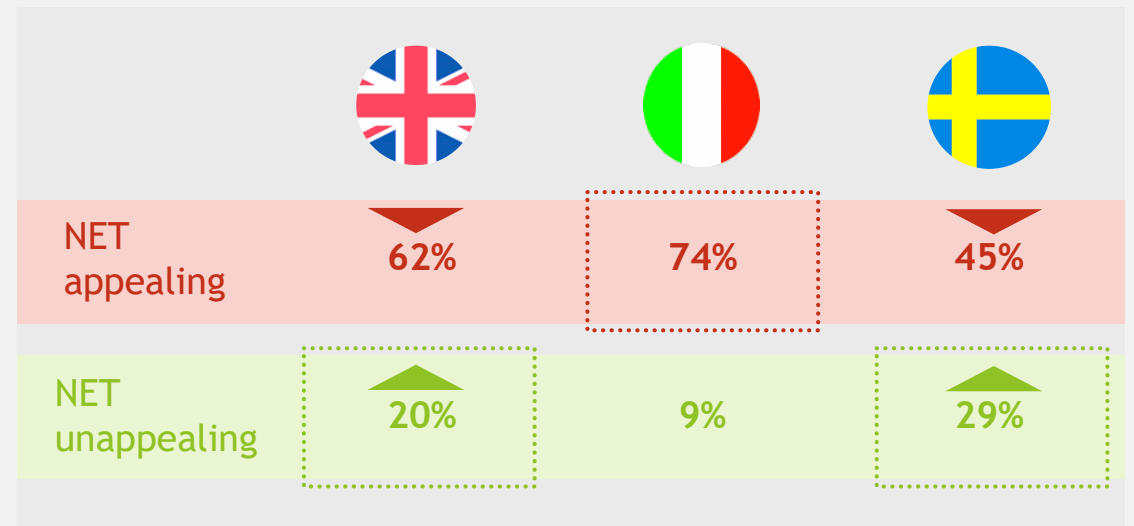
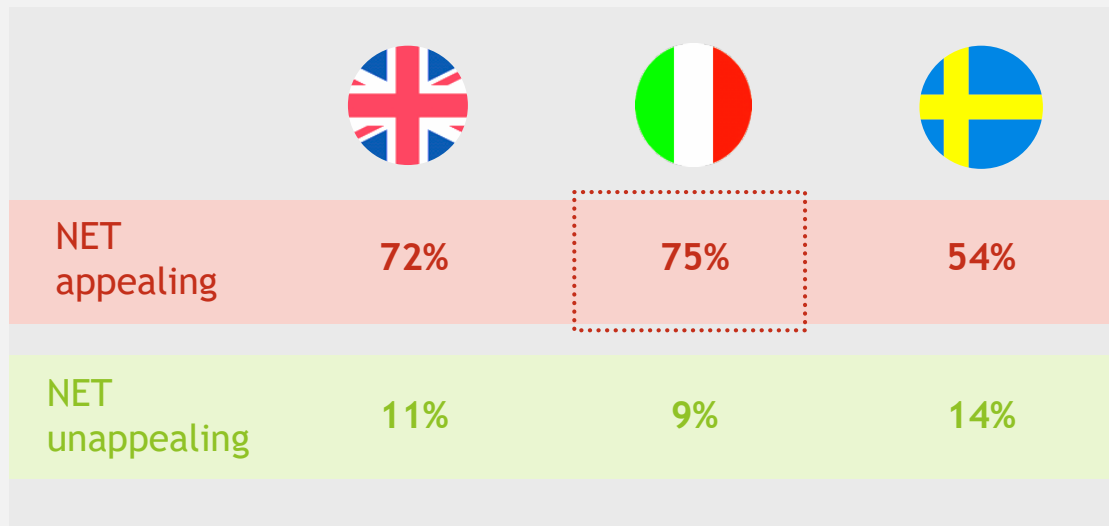
Appeal of Installation options A & B  
All who find Green Mortgage appealing



A managed service using a lender's preferred partner(s)



B A DIY/self-managed refurbishment project



 Significantly higher or lower vs. option A

# The Energy Efficient Mortgage's financial advantages drive its appeal, with aspects related to energy and property also important drivers



Consistent across markets

**What is driving appeal?**  
All who find EEM appealing

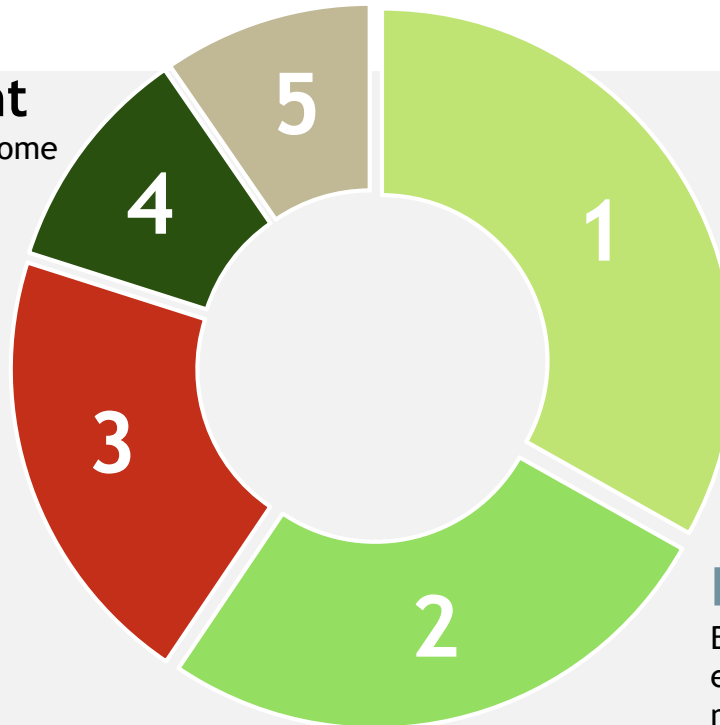
**Most attractive aspect**  
(select 1 only)

**Home improvement**  
Getting a competitive loan for home improvement purposes

**Green**  
Reducing your carbon footprint

**Finance**  
Getting a lower interest rate on your mortgage, and saving money in the long term

**Property**  
Increasing the value of your property, and making it easier to sell



**Energy**  
Bringing down the cost of your energy bills, and making your home more warm and comfortable

# How should the Energy Efficient Mortgage proposition be communicated to maximise impact?

1<sup>st</sup>

Convey the financial gains



Talk about interest rate discount



Emphasise “long term financial gains”

2<sup>nd</sup>

Communicate the benefits to be gained from an energy efficient home



Cheaper energy bills

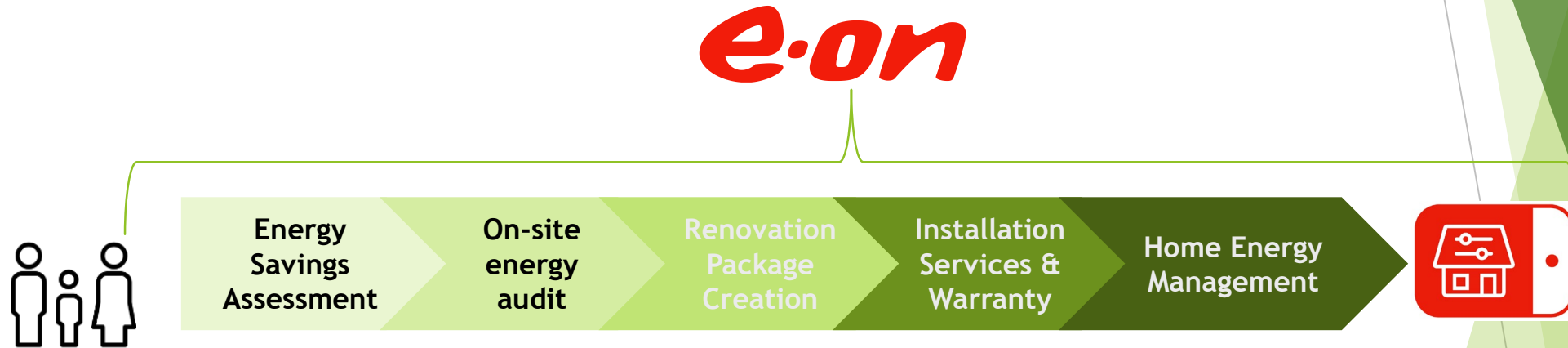


Warmer, more comfortable home

The Energy Efficient Mortgage is recognised as providing an array of different benefits - also talk about increasing property value, a loan for home improvement and reducing carbon foot print

# E.ON can already deliver a managed renovation service which can be adapted to support a Energy Efficient Mortgage customer journey

E.ON integrates across Energy Efficient Mortgage journey as 'one-stop' energy partner to customer & lender



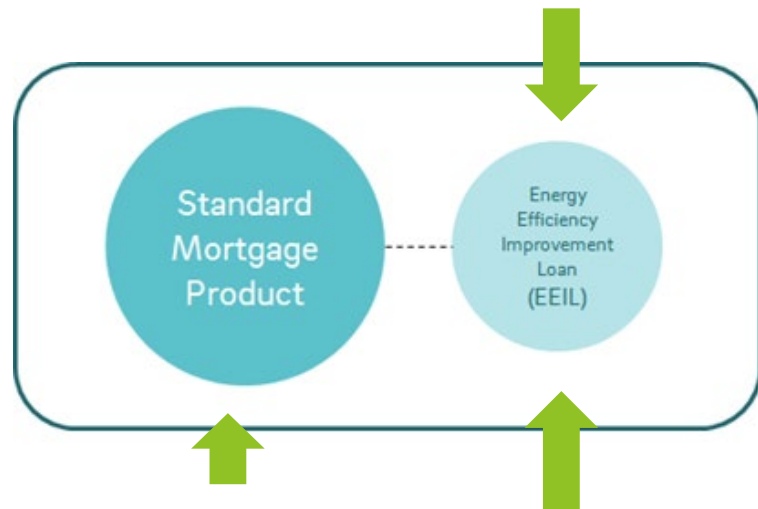
- E.ON can already seamlessly support all aspects of a retrofit Green Mortgage customer journey
- All of our Energy Experts who visit customers' homes can provide a quote in the home via their tablet
- We have an in home quote process that allows a customer to view all the necessary paperwork
- If the customer wants to consider the quotation it can be sent by e-mail
- E.ON's Home Energy Dashboard which will enable customers to visualise, control and optimise their energy

# First pilot cooperation with BNP Paribas UK offers a scalable model

## How will the Energy Efficient Mortgage product work



E.ON provides 'one-stop-shop' Energy Efficiency renovation service for home improvement under a 'preferred supplier' model (incl. energy tariff)



**Licensed retail bank partner**

Supplies secured loan (mortgage) to end customer / borrower and markets 'Green Mortgage' product



**BNP PARIBAS**

Supplies personal loan finance for home energy efficiency improvements as an unsecured loan

- Enables movers, first time buyers, and re-mortgagers to use their mortgage to borrow further via a linked 'energy efficiency home improvement loan' to improve the energy efficiency of their homes.
- Under this model BNP Paribas Personal Finance would provide the improvement loan financing and E.ON would provide a managed service to install appropriate energy efficiency solutions.
- The execution of this model would require a licenced mortgage lender to market this product to customers.