Green finance, the real estate an active sector: feedbacks and projects

FINANCE VERTE, L’IMMOBILIER UN SECTEUR ACTIF : RETOURS D’EXPÉRIENCES ET PROJETS
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Creating an Energy Efficiency Mortgage for Europe
“A unique partnership to leverage the power of mortgage lending in reducing the energy use of Europe’s buildings.”
1. EPCs are a useful starting point.

2. However, due to EPC inconsistencies, harmonised EU approach not possible - additional assessment criteria required.

3. Combination of performance assessment approaches (calculated, statistical estimates, and measured data) may provide optimal solution.

4. Other performance aspects beyond energy impact value, so should be considered.
2018 Consultation Events
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Cadre de référence HQE
Bâtiment durable

Quality of life  Respect of the environment  Economic performance  Responsible management
Bridging the gap with a common language
ALDREN (ALliance for Deep RENovation in buildings)

1. Implementing the European Common Voluntary Certification Scheme
2. Associating low energy renovation with high quality indoor environments
3. Aligning market recognition of high quality with financial tools
4. Building capacity (e.g. training and qualification of professionals)
A paradigm shift

• From savings to value and risks analysis
  “Value and risk analysis are critical to scale up green financing”

• Beyond energy: health and comfort
  “Health and comfort are key drivers of retrofit decisions”

• Transparency and reliability of data
  “Data is key to the understanding of risk performance”

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Objective: How to drive new finance for energy efficiency through a significant advance in the understanding and knowledge of the issues of energy efficiency financing in:

**Buildings**
Buildings are responsible for 40% of final energy consumption in the EU, with 75% of Europe's buildings being built with no or minimal energy-related building codes and most of today's buildings expected to still be in use in 2050.

**Industry**
Industry is responsible for 26% of final energy consumption and, while European industry is a world leader in energy efficiency, there are still substantial potential savings to be made.

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**RECOMMENDATION**
Orientation

**DEEP**
De-Risking Energy Efficiency Platform

**UNDERWRITING**
How to do

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2 schemes for the Energy Efficiency (EE) market:
- Financial scheme (promoted by Corporate & Investment Banks (CBI))
- Banking scheme (promoted by Savings and Retail Banks)

In 2015, the EC invited BPCE to integrate EEFIG in order to introduce the EE banking scheme with a mandate from ESBG & EACB

The financial scheme has been widely adopted over the last few years, as it provided higher returns than other schemes on a non-profitable market, BUT…

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Financial scheme core advantage: allows quick and significant money mobilisation with high ROE but…

Financial scheme core disadvantage: reinforces the sensitivity of the money component (interest rate) in the overall supply

At EU level, interest rates differentials may benefit some countries over other countries (e.g. DNK 0.5% long-term IR vs FRA 1.2%)

**Long-Term Interest Rates Forecast**
Source: https://data.oecd.org/fr/interest/previsions-des-taux-d-interet-a-long-terme.htm#indicator-chart
Despite high ROE, the financial scheme (FS) has led to challenging side effects for the EU:
- FS mainly promoted by CBIs… mainly non-European
- High banking profits in developing countries (China mainly) has increased their leveraging capacity compared to their EU counterparts

**Leadership on CIB**

2015 : 5 UK-US banks in world top 5
59 of large financial operations vs 48 % in 2009.
31% European CIB market share vs 31 % in 2009.


source http://www.lemonde.fr/economie/article/2016/06/29/les-banques-chinoises-trustent-les-premieres-places-de-la-finance-mondiale_4960155_3234.html#lfbFm5FIOXt5tuXH.99
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RECOMMENDATION
Orientation

Integration of value
Securitisation
EE Notation

Technical offer
Furniture, pose, monitoring

Financial offer
ESCO, PPP, Intracting...

Japan’s BOCM success story of financing green projects (50 selected projects over 18 countries) internationally through carbon certificates may be an interesting lead for the EU… carbon certificates price enhance the rate effect in EE financing tools
Focus on the retail market for financing house insulation

1. The first 2000 building projects are focused on office building; payback was 2 years and excluded insulation.

2. From 3000 projects, BPCE has posted 1000 projects of global home refurbishing; payback reach 5 years and integrated insulation.

CONCLUSION: The financial solution does not allow to integrate insulation because it is not profitable enough when compared to the financial market.
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France 2015: Energy efficient market state of play

The green housing retail market should be further considered by the EU due to high financing volumes

France : 14 millions de logements collectifs totaux dont 11,6 millions en résidences principales
France : 32 millions de logements collectifs totaux dont 26,5 millions en résidences principales
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Priority given to KfW-ELENA Programme
A local public – banking energy efficiency market organisation
Coordination between technical and banking approaches

Public
Single point of contact
Unified information

Accredited Professionals

Bank
Qualified project
Green loan # 42k€

Labelled renovation CEE

Extranet monitoring of works - Projects reporting - Finance reporting to DG ENER - DEEP

Link paper extranet Reporting

KfW DG ENER

CEE
Carbon certificates
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FACTEURS D’INFLUENCE

Since 2009 (Copenhague) black world dies and green world grows; 2018 Full competitiveness of renewable energies will impact EE market
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GREEN DISCOUNT RATIO

- Echelle
- International
- CISL (Cambridge Institute for Sustainability Leadership)
- programme
- STABILITY AND SUSTAINABILITY IN BANKING REFORM

- Europe
- ECBC
- ENERGY EFFICIENCY MORTGAGES INITIATIVE

- France
- FBF
- GSF
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CONCLUSIONS

Challenges and barriers remain in order to efficiently implement a sustainable green retail market:

• **Creation of a green guarantee fund** (0% rate) which would guarantee 70% of the amount of the green loan could be envisaged, set up with a general budget and not on a project by project basis in order to simplify banking intervention.
  ➔ To link green subsidies to a guarantee fund to facilitate the pre-financing of works

• **It is of utmost importance that green insurance** is developed. The upcoming climate stress tests (announced in the UK, Netherlands and France in 2018) may speed up the process.

• **To organize a carbon certificate linked to EE loans in order to facilitate green investment.**

• **External consultants could help validate green products and harmonise green labelling between local and European level**

• **Local green savings bonds** could be developed based on the pattern of the catalogue offered by BWBank in Germany. These bonds, which are on the asset side for the amount of green financing at least, take the form of deposits, not tradable, with fixed term and no price risk. They are used by savings and cooperative banks mainly to finance local energy projects and are also conceivable for social purposes.

• **Forums where regions, banks and SMEs are invited to catch up could be organised with the support of the EC in order to create a European model on the pattern of the German ‘Mittelstand’.”