PUSHING FORWARD LIVING PLACES

Alliance HQE-GBC Congress

12-14 DECEMBRE 2017 - World Efficiency Solutions Paris

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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FINANCE VERTE, L'IMMOBILIER UN SECTEUR ACTIF : RETOURS D'EXPÉRIENCES ET PROJETS

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Arnaud BERGER, Directeur prospective économie verte et RSE, Pôle banque de proximité et assurance, Groupe BPCE

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Creating an Energy Efficiency Mortgage for Europe

EeMAP
Energy efficient Mortgages Action Plan

WORLD GREEN BUILDING COUNCIL

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 746205

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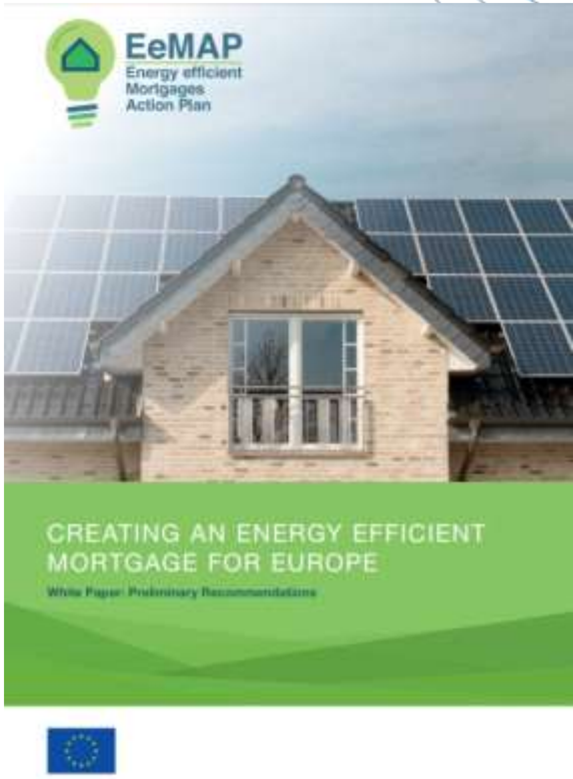
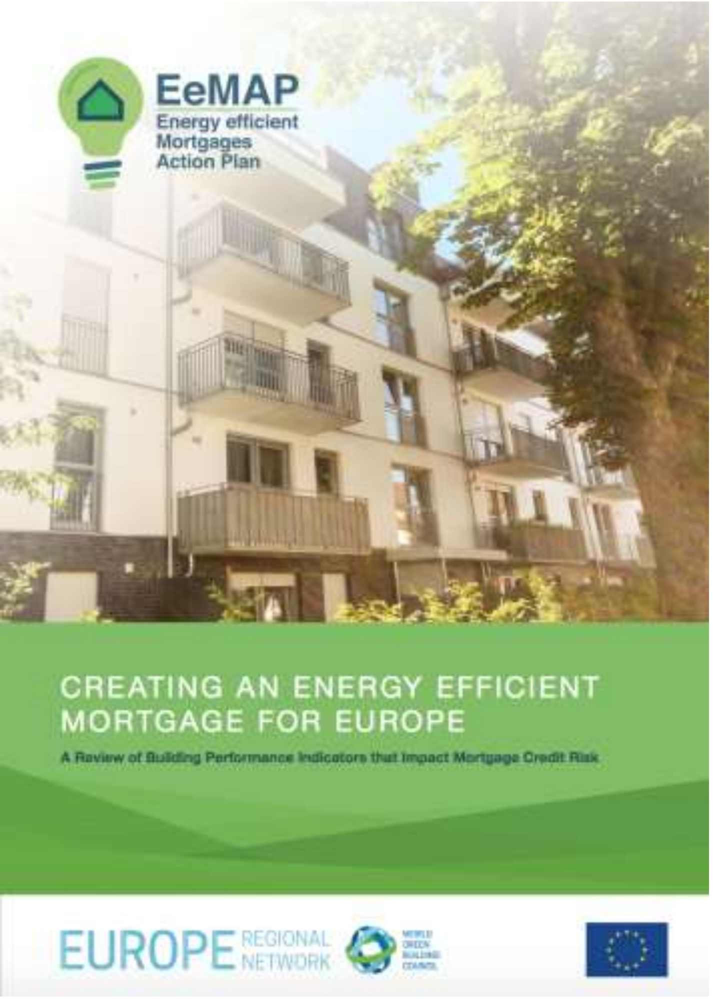
"A unique partnership to leverage the power of mortgage lending in reducing the energy use of Europe's buildings."

Increased loss mitigation capacity + Enhanced loan-to-value via green value + Lower probability of default = Reduced capital charges





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.

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2018 Consultation Events

HRVATSKI SAVJET ZA ZELENU GRADNJU
CROATIA GREEN BUILDING COUNCIL

Dutch Green Building Council

GREEN BUILDING COUNCIL FINLAND

DGNB
Deutsche Gesellschaft für Nachhaltiges Bauen
German Sustainable Building Council

Alliance HQE
GBC FRANCE

IGBC
IRISH GREEN BUILDING COUNCIL

GREEN BUILDING COUNCIL ITALIA

PLGBC
Polish Green Building Council

GBCe
green building council españa

UK GBC

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Cadre de référence HQE

Bâtiment durable

CertiVeA

CERQUAL QUALITEL CERTIFICATION

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Bridging the gap with a common language

ALDREN (ALliance for Deep RENovation in buildings)

This project is funded by the European Union

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”

(Conference: Energy efficiency in buildings: how to accelerate investments? December 11th Paris)

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ROCKWOOL
CERQUAL Qualitel Certification
CertiVéA
cerway
LA FILIÈRE BÉTON
CINOV
SAINT-GOBAIN
PLAN BÂTIMENT DURABLE

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RETOURS D'EXPÉRIENCES D'EEFIG

OBJECTIFS D'EEFI

G20

European Commission

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.

RECOMMENDATION
Orientation

DEEP
De-Risking Energy Efficiency Platform

UNDERWRITING
How to do

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

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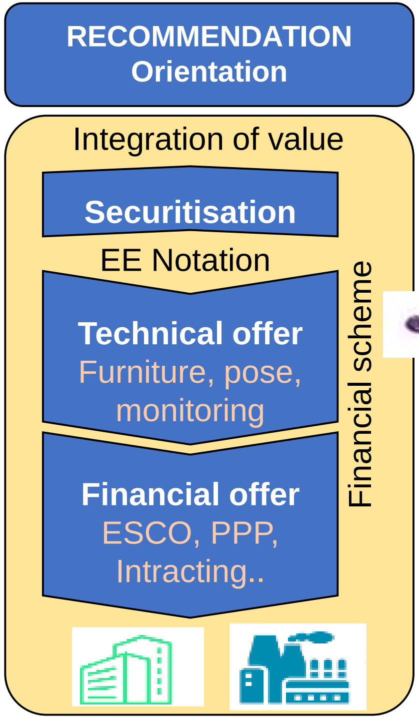
RETOURS D'EXPÉRIENCES D'EEFIG
ENSEIGNEMENTS CLEFS

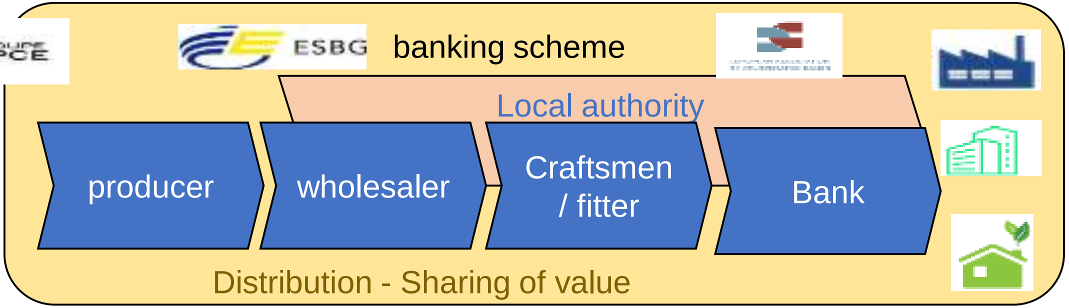


2 schemes for the Energy Efficiency (EE) market:

- 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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RECOMMENDATION
Orientation

Integration of value

Securitisation

EE Notation

Technical offer
Furniture, pose, monitoring

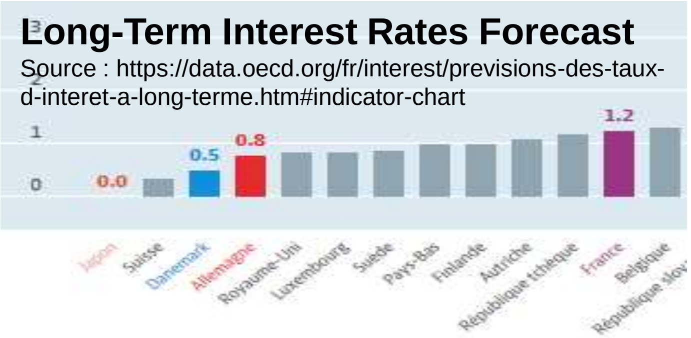
Financial offer
ESCO, PPP, Intracting..

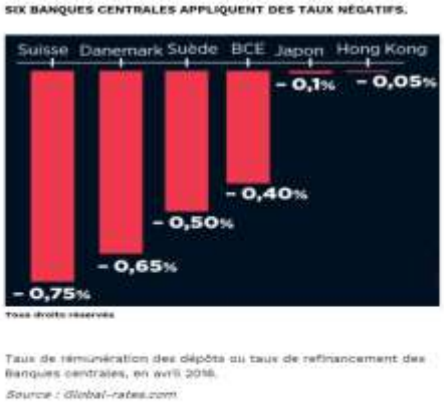
Financial scheme

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%)





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Financial scheme

Green finance, the real e

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.

Leadership on debt

2016 : 4 Chinese banks in world top 5: ICBC (Industrial and Commercial Bank of China), CCB (China Construction Bank), BOC (Bank of China), ABC (Agricultural Bank of China)
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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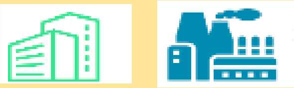
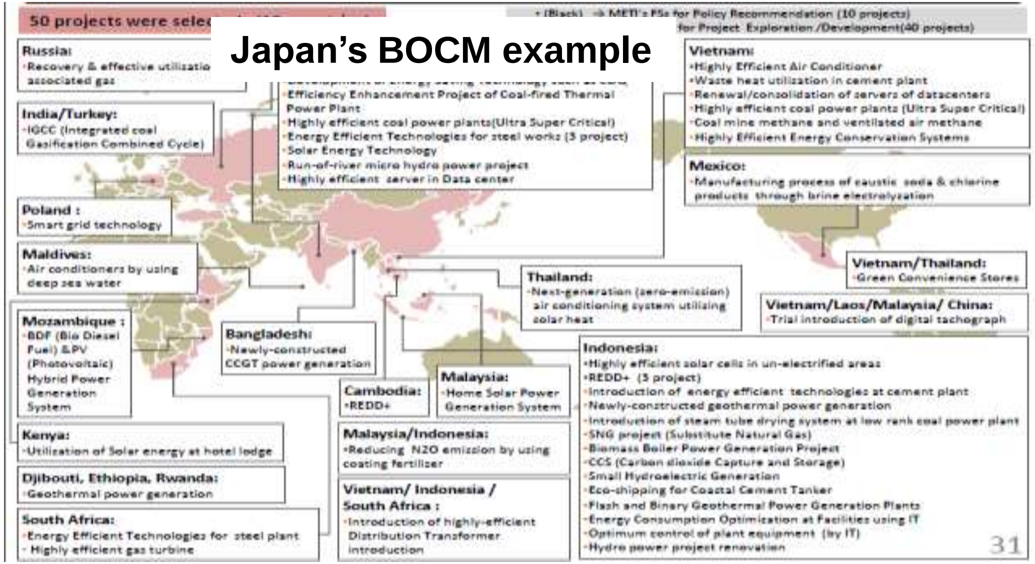


Japan's BOCM success story of financing green projects (50 selected projects over 18 countries) internationally through **carbon certificates** may be an interesting lead for the EU… **carbon certificates price enhance the rate effect in EE financing tools**



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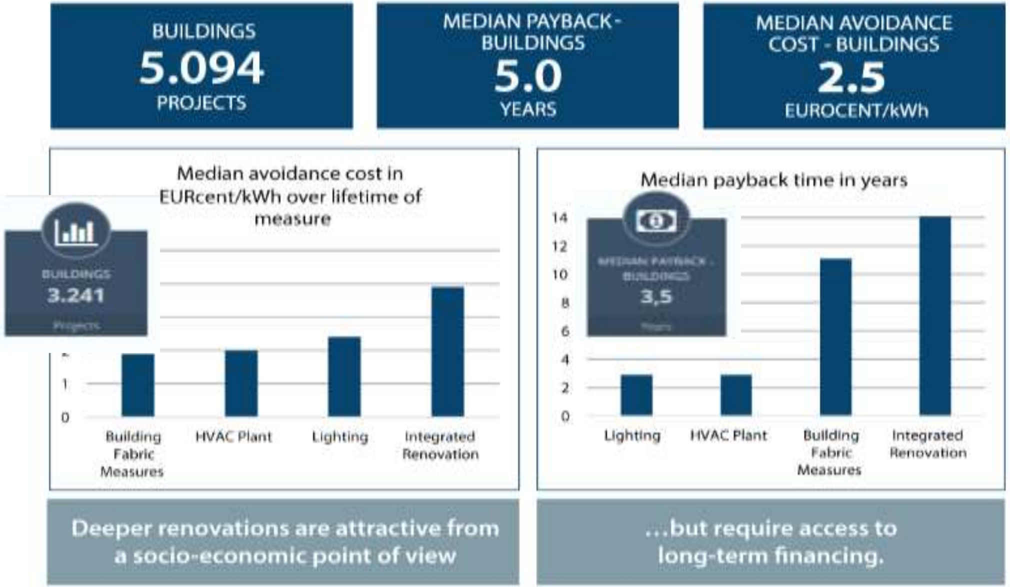
DEEP
De-Risking Energy Efficiency Platform

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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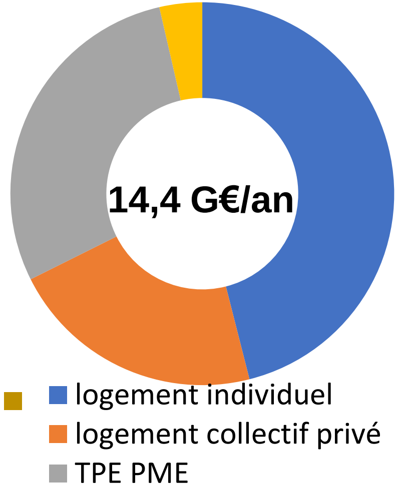
UNDERWRITING
How to do

France 2015: Energy efficient market state of play

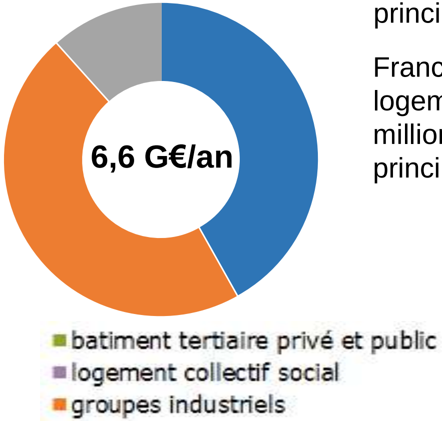
The green housing retail market should be further considered by the EU due to high financing volumes

FINANCE SOLIDAIRE

RETAIL



CORPORATE



France : 14 millions de logements collectifs totaux dont 11,6 millions en résidences principales

France : 32 millions de logements totaux dont 26,5 millions en résidences principales

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UNDERWRITING
How to do

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

CEE

Carbon certificates

KfW
DG
ENER


Link paper


extranet


Reporting

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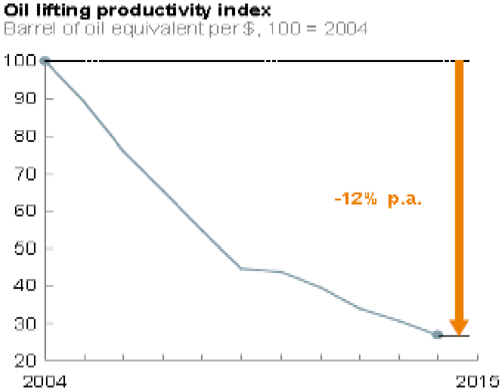
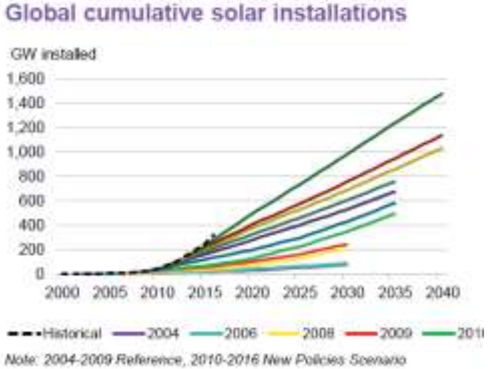
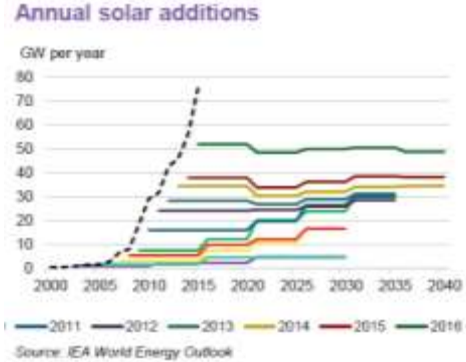
FACTEURS D’INFLUENCE







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

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FACTEURS D'INFLUENCE

GREEN DISCOUNT RATIO

Echelle	International	Europe	France
organisme	CISL (Cambridge Institute for Sustainability Leadership)	ECBC	FBF
programme	STABILITY AND SUSTAINABILITY IN BANKING REFORM	ENERGY EFFICIENCY MORTGAGES INITIATIVE	GSF

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CONCLUSIONS

Challenges and barriers remain in order to efficently 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'.