



ATTRACTING INVESTMENT IN BUILDING RENOVATION

The EU's building stock is far from being energy efficient, and up to 85% of existing buildings will still be in use in 2050. Achieving a decarbonised building stock by 2050 will require renovation at a faster rate, which will need considerable investment, estimated at around €60-100 billion annually up to 2020, and even more thereafter [1]. Public funding alone cannot meet this requirement, so it needs to be used in a way that maximises (i.e. leverages) private investment.

Among the most common types of financing scheme are grants (or subsidies) and loans [1]. This factsheet outlines two examples of each, illustrating how public funding is playing a key role in enticing private investment in building renovation.

Zero-interest eco-loans (France)

- Interest-free loans for energy renovation works
- €1 public funding → €12 private investment

Green funding scheme (The Netherlands)

- Preferential interest rate offered to green investors
- €1 public funding → €83 private investment

Incentive scheme for building envelope improvement (Malta)

- 15% subsidies for double glazing and roof insulation
- €1 public funding → €10 private investment

Reconstruction of apartment blocks (Estonia)

- Subsidies for reconstruction of multi-apartment buildings
- €1 public funding → €2.33 private investment

POLICY RECOMMENDATIONS



Renovation strategies (Article 2a of the revised EPBD) should require Member States to:

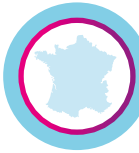
- set out a clear strategy to leverage private investments through public funding
- target specific market barriers that hinder the flow of private investments into energy renovation
- provide a reliable and forward looking-framework to give the market certainty
- introduce trigger points for renovation
- set energy performance requirement for worst-performing buildings
- introduce individual building renovation passports
- set minimum energy performance requirements for the renovation of commercial and public buildings



The multiple benefits of energy efficiency should be recognised in national renovation strategies and wider policy making. Including multiple benefits in the calculation of cost-optimal levels for minimum energy performance requirements (Article 5 of the EPBD) is particularly important.



Improved communication to citizens on the wider range of benefits of energy efficiency is essential, since investing in a better building is not just about lower energy bills, but improved comfort, health, living quality and the value of the building.



FRANCE: Zero-Interest Eco-Loans (“Prêt à taux zero”)

Zero-rated eco-loans are offered to building owners and landlords, resulting in nearly 25,000 energy renovations each year.

€1 of public money → €12 of private investment

Since 2009, zero-rated eco-loans have been available for energy renovations, including associated costs such as audits and professional fees. A renovation information service provides free advice on packages of appropriate measures for a specific building.

Loans, up to €30,000, are available to building owners and landlords of residential properties built before 1990. In multi-occupancy buildings, co-owners can apply for an interest-free loan of up to €10,000 per apartment. Renovation works must be undertaken by qualified and approved professionals, and achieve a required level of energy performance. Around 20 participating banks offer qualifying loans, which are available for a period of up to 15 years.

In 2015, the total investments related to this scheme reached €480 million, with an average loan of €17,190 per project. The vast majority (94%) of projects were for single-family houses. Most loans include two or more different measures, the most popular being insulation of walls and roofs and installing new windows. The total government spending, including operation of the scheme and interest payments, was €40 million. This means that for every **€1 of public support, €12 of private investment was stimulated.**



THE NETHERLANDS: Green Funding Scheme (“Regeling Groenprojecten”)

The Green Funding Scheme in the Netherlands enables green investors to borrow at a preferential interest rate.

€1 of public money → €83 of private investment

Approximately €800 million is made available annually for sustainable projects through the Green Funds Scheme, which came into force in 1995. To attract funds, individuals are incentivised to save money using “green funds”. While the interest rate offered is below market rates, this is compensated by a capital gains tax exemption. Investors wishing to finance a green project apply to one of the participating banks and qualifying projects that meet the requirements receive a Green Certificate. Funds are channeled towards measures that contribute to sustainability goals that would otherwise not be considered profitable at market rates.

By availing themselves of an attractive, low interest loan, investors have an affordable way to pay for sustainable measures as part of building renovation. Since the loan is repaid, the ultimate cost to the government is the value of the subsidised interest loan, plus administrative costs. In this way, the scheme has succeeded in leveraging **more than €80 of private investment for every €1 of public funding spent.**



MALTA: Incentive Scheme for Building Envelope Improvement

The scheme offers grants towards the cost of double glazing windows and insulating roofs.

€1 of public money → €10 of private investment

The incentive scheme offers grants for up to 15% of the cost of double glazing windows and insulating roofs – with a maximum of €1000 per household. According to Malta's National Energy Efficiency Action Plan, the scheme is set to continue until 2020, by which time cumulative annual savings of around 2.19 GWh will have been achieved.

Equipment suppliers must register with the Regulator for Energy and Water Services (REWS) to make their products available within the scheme. From the average **annual public budget of €44,000, private investment of €441,000 is stimulated each year.**



ESTONIA: Reconstruction of Apartment Blocks ("Korterelamulaenu Käendus")

Public funding (including national and EU funds) are used to provide grants and subsidies for renovation works and supporting activities (design and planning).

€1 of public money → €2.33 of private investment

The scheme supports comprehensive renovation of residential apartment buildings constructed before 1993, with a view to reducing their energy bills, carrying out essential repairs and modernising facilities. Depending on the level of energy savings to be achieved, where deeper renovations receive higher subsidies, the following are provided: an upfront grant for 15-40% of renovation cost and 50% of preparation cost for the building design documentation, project management and supervision services. Renovation works can encompass a broad set of measures, including insulation of building envelope, roof and new windows as well as replacement of heating systems. Support is intended to cover the self-financing portion of the applicants' bank loans for investing in the renovation of apartment buildings.

The total budget for the scheme is €340 million, of which around €100 million is from EU Cohesion Funds. The scheme, administered by the Estonian Credit and Export Guarantee Fund KredEx (a state-owned foundation), finances around 200-250 projects each year, delivering energy savings of around 177 GWh. **Over €2 of private investment is stimulated for every €1 of public funding committed.**

CONCLUSION

Setting up a successful financial scheme requires a deep understanding of the market and a comprehensive preparation process. A recent report [2] identified several key success factors such as: carrying out robust ex-ante assessments, replicating successful existing schemes, using “trigger points” to unlock and encourage comprehensive investments, preparing the supply chain and piloting schemes before wider roll-out.

The investment potential in Europe’s building stock is huge. Both public and private engagement are needed to finance our future homes and workplaces. These examples show that leveraging private investments in energy renovations with public funds is a win-win solution and can help to develop the market for improving the energy performance of Europe’s building stock.

BIBLIOGRAPHY

- [1] Energy Efficiency Financial Institutions Group, [“Energy Efficiency – The First Fuel for the EU Economy,”](#) 2015.
- [2] Ricardo Energy & Environment, BPIE, “Recommendations for the effective deployment, up-scaling and replication of financing schemes,” 2017, will soon be made public.

MORE INFORMATION

BPIE, [“Renovation in Practice”](#), 2015.

[Zero-rated eco-loans](#) (Éco-prêt à taux zéro (Eco-PTZ)) in France (in French)

Green funding scheme in the Netherlands, [Regeling Groenprojecten](#)

[Incentive scheme for building envelope improvement in Malta](#)

[Reconstruction of apartments in Estonia](#)



The Buildings Performance Institute Europe is a European not-for-profit think-tank with a focus on independent analysis and knowledge dissemination, supporting evidence-based policy making in the field of energy performance in buildings. It delivers policy analysis, policy advice and implementation support.