

FINANCING ENERGY EFFICIENCY IN THE HOUSING SECTOR

Example in Ile-de-France



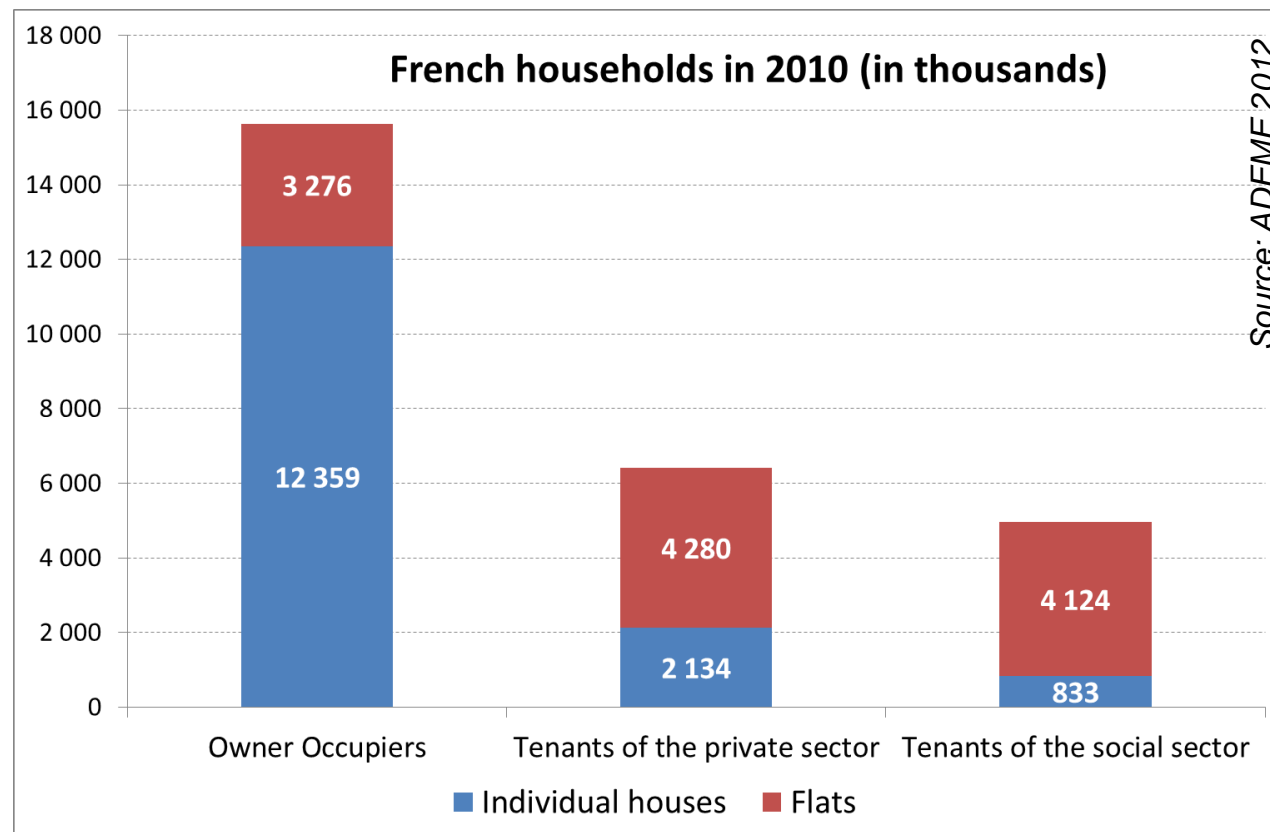
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JUSTIFICATIONS BEHIND THE SCHEME

The housing sector in 2010

- 27 millions of main residences, of which 60% were built before the first thermal regulation in 1974
- 423 TWh_{ef} (≈ 28% of French final energy consumption)
- Energy savings technically achievable = 356TWh_{ef} (-84%)
- Not a major technical challenge
- Key obstacles are organizational and financial:
 - *70% of the city in 2050 is already built in 2010*
 - *Imperative to address existing stock and think over long periods*



Context and challenges

- Issues of energy efficiency in housing
 - *« Factor 4 » refurbishment of the French housing stock means 10 to 15 billions euros to be invested each year at national level*
 - *To date, homeowners tend to focus on the simplest measures with shorter payback time*
 - *Maximize the leverage of public intervention*
 - Direct and indirect subsidies are limited resources and not sustainable by nature (*they depend on public priorities, budgetary margins, etc...*)
 - They constitute only a partial answer to the larger needs of project developers (*technical assistance, financial structuring of the project, ...*)
- Switch from a “stock refurbishment” perspective to a logic of projects’ support
 - *Intervention not limited to the sole financial support*
 - *Take the homeowner project into consideration*
 - *Simplify and unify processes within an integrated refurbishment service*

Towards public ESCOs ?

- **Need of a global and ambitious offer**
 - *Integration of different energy efficiency interventions in a global service, including the financing*
 - *“Factor 4” requires very long term contracts (>20 years) and/or low profitability (IRR < 5%)*
- **Need for public initiative to create such ESCOs?**
 - *Lower profitability constraints and capacity to take higher risks*
 - *Create a “track-record” for private actors to calculate their risk*
 - *Facilitate market access for SMEs*
 - *Possible tool in territorial policies*
 - *Develop financial engineering (including access to EU Structural Funds?)*
 - *(does not exclude the possible participation of private capital)*

EXAMPLE IN ILE DE FRANCE:

ENERGIES POSIT'IF

Main features of Energies POSIT'IF

- **Public/Private company, created in January 2013**
 - *initiated by the Ile-de-France region (France) and several local authorities (85% of the initial capital)*
 - *with the support of Caisse des Dépôts et Consignations and Caisse d'Epargne (15% of the initial capital)*
- **Targets deep refurbishment of private condominiums:**
 - *Complements the initial support provided to condominiums by local energy agencies*
 - *Provides technical coordination of work with an energy efficiency commitment and a financing offer*
 - *Composed of a small team which mainly negotiates the contracts and develops the financial engineering, while all technical aspects are subcontracted.*

Services provided by ENERGIES POSIT'IF

- 1st: Energies POSIT'IF is mandated by the condominium association to study feasibility and modalities for an energy retrofit operation
- 2nd: Energies POSIT'IF presents a comprehensive project:
 - *Technical specifications*
 - *Financial engineering adapted to each individual situation, facilitating access to the different funding schemes available, as for example:*
 - public support to co-owners or to the co-owners association: subsidies, tax rebates
 - financing by co-owners: equity, soft loans
 - financing directly provided by Energies POSIT'IF
- 3rd: if the project is accepted, a second phase is launched
 - *Energies POSIT'IF subcontracts the implementation of the works*
 - *Takes on the maintenance of the installations in order to guarantee a level of energy consumption.*

- Designed to finance deep renovation projects :
 - *IRR in multifamily buildings is expected to range around 4 to 9% over a 15 to 20 years term.*
 - *Investments will be financed through equity, debt, access to low interest debt such as Caisse des Dépôts or EIB loans, and the sale of energy savings certificates (white certificates).*
- Initially capitalized with €5.3m for the period 2012-2014.
 - *In the longer term (2020), capital should increase to €15.5m.*
 - *The initial business plan aims to invest €40m for the period 2013-2015.*
 - *The possibility of increasing capital through a JESSICA investment fund is being investigated.*
 - *Once a sufficient track record is established, Energies POSIT'IF intends to assign the contracts to financial institutions looking for long-term investments.*
- A key challenge will be to refinance the structure after all equity has been invested and no more debt can be added

- “Front runner”:
 - *Cannot refer to other comparable experiences in France: learn by doing;*
 - *Risks allocation and mitigation widely discussed among shareholders;*
 - *Has established a viable business plan and works towards a standardization of contracts. Aims at establishing a “track record” for such contracts;*
 - *Is followed by most market actors, and has already inspired several other regions.*
- Constant dialogue with national authorities and several policy recommendations:
 - *Same level of VAT for energy efficiency actions and for third party financing charges;*
 - *Direct access to existing support schemes for (public) ESCO working for and on the behalf of homeowners;*
 - *Direct access to eco-ptz;*
 - *Possibility for a condominium association to take a loan;*
 - *Possibility to access EU structural funds and other refinancing sources;*

THANK YOU FOR YOUR ATTENTION

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Market positioning for Third Party Investment Operators

