The European Investment Bank review its Energy Sector Lending Policy

L’Union sociale pour l’habitat view

The Union sociale pour l’habitat represents around 800 social housing organizations (HLM) in France, accommodating 4.5 million households and enabling nearly 450,000 households to access a decent and affordable home every year.

The Union sociale pour l’habitat brings together very diverse social housing organizations, public establishments associated with regional bodies, social enterprises, cooperatives, home equity loan companies and regional associations of council housing organizations.

The Union sociale pour l’habitat consists of five federations:
- The Fédération des Offices de l’habitat (Federation of Housing Offices),
- The Entreprises sociales pour l’habitat (Social enterprises for housing),
- The Fédération nationale des Sociétés coopératives d’HLM (National Federation of council housing cooperatives),
- The Union d’économie sociale pour l’accession à la propriété, (Union of social economy for access to property)
- The Fédération nationale des Associations régionales d’organismes HLM (National federation of regional associations of council housing organisations).

In 2009, in the frame of the Grenelle de l’environnement, L’Union social pour l’habitat made a commitment to renovate the most energy consuming dwellings, its represent 800 000 dwelling of the total stock. Because of the system implemented by the USH and its partners, on 31 July 2011, almost 102,000 households benefited from the social housing eco-loan, generating more than 2.8 billion Euros in work – this corresponds to the activity of 33,000 direct jobs and 19,000 indirect jobs - and reducing by half the conventional energy consumption of households (or one billion kWh/year) and CO2 emissions by almost 192,000 tonnes/year (or the equivalent of the emissions produced annually by slightly less than 34,000 inhabitants). The work of an average amount of €28 k, all taxes included per household (of which half was energy efficiency work) is financed as follows: 68% loans, distributed (44% of eco-loan from the Loans Fund and 24% from other loans), 18 % grant (with 9% from regions) and 14% from personal funds.

A part of these projects received help from the ERDF, which generated more than one billion Euros of investment, and helped to create and maintain 15,000 local jobs, mostly for local masonry, joinery, plumbing, heating and insulation SMEs, etc. More than 50,000 households with a modest income benefit or will benefit specifically from European funds by means of a reduction in their heating expenses on account of its undisputed leverage effect. The annual gain in purchasing power is as much as 360 Euros to 1,000 Euros per household. In France, 3.8 million households dedicate more than 10% of their resources to their energy bills. The energy bill of a household of the Energy category G can total as much as €2,000 per year: its reduction by half represents the amount of the allowance for children returning to school for two children educated at primary level.

4.3 Energy Efficiency:
What do you think are the main barriers to energy efficiency investments? What might be done to overcome these?

- **Mid and long term vision of financing energy efficiency of buildings:**
  The need for the EU and the members’ states to set out a mid and long term vision in relation to the question of financing energy efficiency should be an essential objective. The Commission proposal to oblige members states to use 20% of the fund ERDF over the next period (2014/2020) dedicated to energy (energy efficiency and renewales) is therefore a major issue concerning the question of financing.

- **Improving access to finance: Adapted and flexible financing tool must be available to European regions**
  Adapted and flexible financing tools must be made available to European regions so that the measures prove to be effective in the long term, especially through a diversification of financing sources adapted to the diversity of territorial situations. The ERDF must therefore establish a financial engineering tool to guarantee the best possible allocation of public resources over the long term and create a more significant mass effect. Already existing national mechanisms, such as the eco-loan model (a particular loan with a favourable interest rate made possible by the mobilisation of the popular savings plan) must serve as an inspiration for the European financial tools, and enable specific financial engineering tools to be used just as the EIB has attempted to do. (cf. JESSICA).

- **General vision of building renovation project:**
  Energy efficiency strategy must be included within the framework of the general building renovation projects, particularly as far as social housing is concerned as it is often not confined to a single market dimension.

- **Better governance:**
  The Grenelle de l’environnement commitment has enable clear commitments to be obtained from stakeholders. The idea of a shared governance model- a partnership- in relation to energy efficiency in buildings could improve the knowledge and exchanges of information between the various stakeholders and thus make it possible to achieve the objectives in terms of energy efficiency to the greatest possible extent.

- **Taking account project leaders and inhabitants:**
  The success of building renovation and energy efficiency projects depends also on information and support mechanism for project leaders and the good behavior from users. This requires the reduction of administrative and regulatory costs which could be a barrier to the mobilization of project leaders (single grant application grant/ loan for example). Tools should also integrate support and instruction to households to enable them to make optimum use of their dwellings in terms of the reduction of their living costs, for example, implementation of specific communication plan.

What role can Energy Service Companies (ESCOs) play in developing Energy Efficiency investments?

We must have accurate and representative assessments to ensure that the conditions for success of the ESCO are met, especially concerning social housing. We take the view that other schemes are more suitable and interesting to be developed at a European level, such as the livret A (mobilisation of the popular savings plan to finance social housing and which does not constitute a budgetary outlay for the State) or energy efficiency certificates (White Certificate model).

More specifically, according to the only experience upon which we can call in the field of social housing, the EPC with third party investors is based on a cost efficiency model which is less optimal than classic financing instruments that we have in France (eco-loans and energy certificates).

Moreover, the economic model of these implementations involves long-term contracts (20 years in the example upon which we can call). The amounts paid by the Social Housing Organization to the operator to repay the investments made as well as the maintenance and upkeep costs are reviewed every year based on the review formula. Experience has shown us that, ultimately, in relation to such long terms, the amounts especially for...
installation maintenance costs are disproportionate to market prices; the result is that households in question must bear higher costs. Moreover, it is very difficult for the organisation to renegotiate the contract even when there is a contractual safety clause; as it is not in a strong position vis-à-vis the operator. A likely increase in the costs linked to the risks induced by the EPC with third party investors (such as the maintenance and upkeep services) is not conceivable for a sector of activity such as social housing, subject to specific social objectives. Lastly, contract durations of this kind set the capacity of the project management and the operator to monitor it in terms of quality and quantity; given the staff turnover related to any company.

However, there is also EPC that does not involve third party investors. These design-implementation-maintenance contracts provide interesting incentives to encourage construction or renovation stakeholders to work in a different way. Several forms of EPC are currently being tested out in social housing.

In light of this uncertain situation, it would be wiser to allow operators engaged in the thermal renovation in buildings to freely choose the methods of intervention and financing. The objective for a sector of activity such as social housing is not only, in fact, to respond to energy efficiency challenges, but also to respond to a series of problems such as cost stability related to the energy consumption of inhabitants in a growing context of energy poverty or even access to housing for modest and poor populations. In the current fiscal and technical conditions, the strong incentive for a mass use of the EPC model is, in our opinion, therefore premature, especially given the lack of available feedback.

Do you consider the criteria used by the Bank to categorize projects as Energy Efficiency projects appropriate? What alternative would you propose?

The criteria used by the Bank to categorize project as Energy efficiency project seems to be appropriate for building renovation

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