

Background

Comprehensive energy efficient housing refurbishments require large investments. In the new EU Member States the most common form of ownership in the housing sector consists of apartments owned by individual private owners in a shared housing complex. This means that investment decisions require an appropriate legal framework regarding mutual ownership and decision-making rules, as well as financial support schemes that make investments in energy efficient refurbishment more feasible.

There are national support programmes in the Urb.Energy partner countries. They differ in design and focus and have changed during the past decade in terms of volume, composition and source of funding. As housing has been eligible for financing under the Structural Funds since 2007 within the framework of integrated development operations in the EU 12 (and since 2009 in all EU Member States), new funding schemes have been implemented in the partner countries. The countries must make use of the available European funds and adapt existing national funding schemes to the actual conditions and needs in the countries.

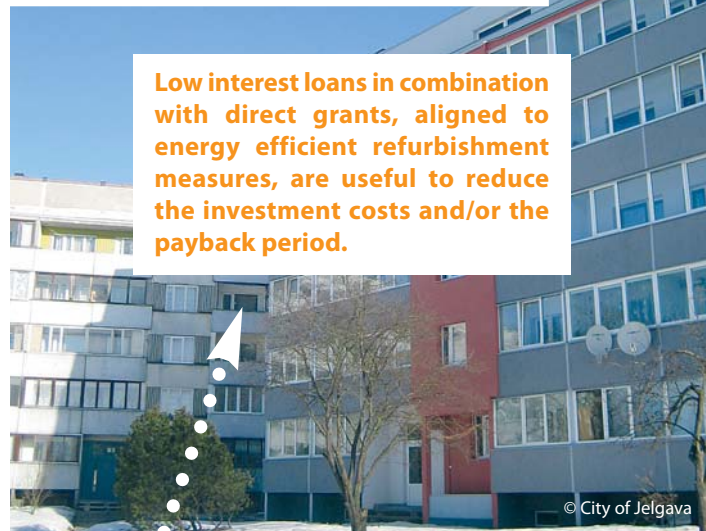
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Well-designed and sustainable financial support instruments are the precondition for the initiation of large scale energy efficient modernisation programmes for buildings and urban areas.



Financing schemes have to be developed on national, regional and local level and optimised to make it economically feasible for property and apartment owners to invest in the rehabilitation and energy efficiency of their property.



Low interest loans in combination with direct grants, aligned to energy efficient refurbishment measures, are useful to reduce the investment costs and/or the payback period.



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Work package 5 (WP 5) of the Urb.Energy project focused on the analysis and further development of financing schemes to promote investment in the energy efficient refurbishment (EER) of buildings and the upgrading of neighbourhoods. The development of these financing strategies was based on the national and international financing sources available. Special attention was given to the use of EU Structural Funds for housing measures and revolving funding instruments. The results of the work package are summarised in this leaflet.

Part-financed by the European Union (European Regional Development Fund and European Neighbourhood and Partnership Instrument).



Setting up Financial Instruments – Improved Affordability of Investments

The project Urb.Energy aimed to develop integrated concepts and strategies for the energy efficient renewal of residential areas in the Baltic Sea Region (BSR).

To reach this target, the project focused on three main topics: integrated urban development, energy efficient building renewal and innovative financing schemes.

The project covered the countries Estonia, Latvia, Lithuania, Poland, Germany and the non-EU Member State Belarus. The project duration was 3 years (01/2009 – 01/2012).



Project Work

Project activities focused on the analysis and compilation of existing funding sources available for housing and urban modernisation measures on national and European level. The design of appropriate financing schemes was reviewed and different sources and instruments were compiled into complex financing strategies and recommendations.

The existing funding schemes for increasing energy efficiency in the housing sector within the framework of urban development in the new EU Member States are issued on national level. As housing and urban development measures are implemented on the local level, local authorities, such as the partner municipalities in Urb.Energy, have been identified as playing an important role in carefully selecting operations and ensuring the efficient implementation and monitoring of energy efficiency measures in urban areas.

Within Urb.Energy, two partners participated from countries that have implemented national revolving funds using EU Structural Funds:

Estonia In order to simplify the financing of energy efficient refurbishment measures of multi-family buildings, KredEx, together with the German development bank “KfW Bankengruppe” and the Estonian Ministry of Economic Affairs and Communications, developed a long-term renovation loan with preferential interest to be issued by banks.

The loan scheme, launched in June 2009, aims to support the complex renovation of multi-family buildings and to improve energy efficiency by at least 20% in buildings of up to 2,000 m² and by at least 30% in buildings of over 3,000 m².

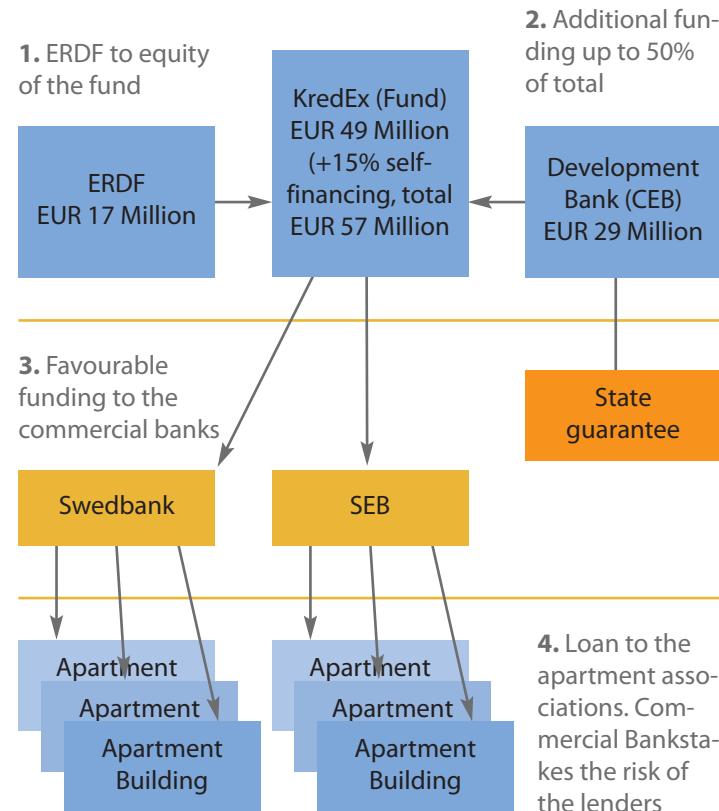
The target groups for the loan are apartment associations or housing associations of apartments built before 1993 and groups of apartment owners with at least 80% of the owners being “physical persons”. A precondition for receiving the loan is an energy audit which indicates priority renovation work. The loan period is up to 20 years and the interest is fixed for 10 years. The minimum loan amounts to EUR 6,400.

Lithuania The JESSICA Holding Fund of the Lithuanian government was launched in June 2009 to use EU Structural Funds for energy efficiency projects and to reduce the energy consumption of residential buildings in Lithuania. It is one of the largest and first JESSICA Holding Funds managed by the European Investment Bank (EIB), the Ministry of Finance and the Ministry of Environment of Lithuania. Its initial capital amounts to 227 million EUR.

The Fund will be used for long term loans with a fixed interest rate (3%) for the improvement of energy efficiency in multifamily buildings. The Lithuanian Government also supports the preparation of technical documentations and the supervision of construction work with financial support of 50% of the costs. A precondition is that after the renovation, the building achieves the D class according to Energy Performance Certification classification. If the building is in the C class, 15% state support for energy efficiency measures is foreseen. In addition, a grant of 100% is provided to low income families.



Loan scheme



Findings and Recommendations

- European funds, being available for housing within the framework of an integrated development operation, should be applicable and used to a higher extent for the energy efficient refurbishment of buildings as well as the management and organisation structures for the energy efficiency modernisation process in the Urb.Energy partner countries.
- Investments into the energy efficiency of buildings should be done within an integrated strategy of upgrading the neighbourhood. The measures of the integrated strategy should not only promote improved living conditions, energy efficiency and the use of renewable energy, but also the creation of jobs, promoting investment and improving know-how and competitiveness.
- To encourage property owners to invest in the rehabilitation and energy efficiency of their property, adequate financing schemes on national, regional and local level need to be developed. Revolving loan funds with low interest rates in combination with direct grants, aligned to energy efficient refurbishment measures, are useful to reduce the investment costs and/or the payback period.
- Homeowners in the new EU Member States are often reluctant to borrow money. Therefore, financial support schemes combining loans with grants need to be promoted and explained via awareness and information campaigns to encourage private investments.
- Complex application or transactional procedures of financing instruments and grant or loan schemes can hinder their acceptance.
- Institutional structures for the implementation of financial schemes should be strengthened by adequate financial means, staff, technical equipment and appropriate framework conditions for loan securities.

Further recommendations can be found in the Urb.Energy Policy Recommendations.