CITYnvest capacity building workshop

Minutes

## Focus country: France, Date and place: 27.09.2016, Nantes

## Summary of general sequence and aim of the workshop

French local authorities face strong budget constraints and reduction of national financial support which have an impact on their ability to invest and carry out projects tackling climate issues. At the same time, meeting international, European and national commitments in CO2 emissions reduction and energy efficiency needs a huge investment that has to be made at the local level in the building sector, which could also help create jobs. Therefore it is important to increase the capacity of the municipalities and local authorities in identifying and applying alternative financing models, which would allow them to invest in their priorities, such as retrofitting projects.

The objective of the seminar is to present existing case studies and give guidelines to local authorities on how to start creating and using the innovative financing instruments for energy efficiency in buildings, demonstrate what kind of models have been already implemented in France and discuss the main obstacles and opportunities related to innovative financing for energy efficiency retrofits in the country.

The workshop was co-organised by CITYnvest, Association Française du Conseil des Communes et Régions d'Europe with the support of Nantes Métropole as an official side event of Climate Chance Summit 2016.

## Summary of presentations held

The event started with a short introduction from the moderator and screening of the [CITYnvest video](http://citynvest.eu/content/what-exactly-citynvest-and-who-stands-behind-it), which explains how to and who can benefit from the project.

**Introduction** **- Frédéric Vallier, Secretary General of CEMR**

This event on the innovative financing during the Climate Chance Summit is one of several meetings to propagate the experience of the CITYnvest pilot regions. It is an opportunity to make other towns and regions in Europe aware of what is going on regarding energy efficiency renovations of buildings and ways to finance them. At CEMR, we don’t believe in modeling but we do believe in exchange of experience and sharing good practices. If you are interested in the subject, you can ask questions to Christophe Moreaux (AFCCRE) who is supporting the project in France and go to the [CITYnvest website](http://www.citynvest.eu).

**Welcome speech – Julie Laernoes, Vice-President of Nantes Metropole**

Thank you for being here with us. This workshop is to share the good solutions and it is always necessary to intensify the exchange. In Nantes, investments in energy efficiency solutions is a priority for some years already. We invest in our buildings but also condominiums, multi-apartment buildings. But it’s not easy to activate the inhabitants.

Regarding public buildings, one of the goals is to reduce the emissions by 30%. We started with the simplest tasks: insulation, windows etc. But to achieve 50% reduction of emissions, it is important to do deeper works and for that additional financing is necessary.

Some time ago we started a debate on energy transitions. The goals are now defined but now we need to realize them and that is still a question, how to achieve them. So we need to experiment also regarding financing.

**Presentation of the CITYnvest project - Elise Steyaert , CITYnvest coordinator, Climate Alliance**

Local authorities already understand the need to invest in energy efficiency. CITYnvest aims to empower the local and regional authorities to replicate successful business models to accelerate energy efficiency investments by closing the gap between the financiers and local projects.

Covenant of Mayors survey shows that one of the most important barriers to financing is the necessity of matching political and economic/investment cycles.

The new and innovative part of the models proposed by CITYnvest is the fact that the local authorities set up long term objectives and mobilize all stakeholders around to make it happen.

The approach of CITYnvest consists of three main steps:

1. Analysis of case studies and development of guidance materials
2. Implementation of innovative financing models in 3 pilot projects
3. Capacity building in 10 focus countries

CITYnvest has analysed and compared 24 different innovative financing models. This exercise is summarized in the report “[Increasing capacities in cities for innovating financing in energy efficiency](http://citynvest.eu/content/review-local-authority-innovative-large-scale-retrofit-financing-and-operational-models)”. The detailed analysis compares the examples by various categories, including

* Ambition
* Implementation technology
* Services to beneficiaries
* Financing schemes

Some of the conclusions coming out of the analysis:

* Aggregation is always seen as an add-on
* Facilitator models mostly work with financial institutions and ESCO financing
* integrator model works mostly with dedicated fund

**General financial framework for buildings renovations in France**, **Yves-Laurent Sapoval, Ministry of Housing, and sustainable homes**

**Housing sector in France:**

* 28.8 million primary residences (housing growth average: 1% per year)
* 58% owner-occupiers: 16.6 million
* 42% tenants, of which
* Rental sector: private - social housing : 56% - 44%
* Percentage of individual housing: 57 % (located for 78% in urban units)
* Average surface area of accommodation: 91 m2

13% of households is in energy poverty. Main objective of French Housing Policy Framework is to enable decent housing for everyone.

**Energy transition:**

* Objectives at national level: reduction by 40% emission of CO2 by 2030 (from the level from 1990)
* Reduction by 20% of consumption of energy by 2030 and by 50% by 2050
* 1/3 of energy coming from renewable sources
* 50% energy coming from nuclear sources
* 30% reduction of usage of fossil fuels

**Green growth act:**

Article 1- All buildings to be low emissions in 2050

Article 3- Renovation of 500 000 housing/year in 2017, lower 15% energy poverty in 2020

Article 4 – National strategy for energy until 2050 , including all types of buildings residential, commercial, public and private).

Article 5- Renovation by 2025 of all residential buildings using more than 330kWhep/m²/year

Existing buildings need to be renovated in order to improve energy efficiency. That also applies to the historical buildings.

Private housing stock: the objective is to renovate 380 000 buildings per year.

**Instruments and incentives|:**

* Zero-rate eco-loan (23 500 loans for 490M€ investment)
* Tax credit for energy transition (1.15 M household for 1.67 B€)
* Reduced VAT for improvements to private housing (3.28 B€ for 7.7 B€ investment)
* Reduced property tax on buildings for private households (593 M€ in 2015)
* National Agency for Housing subsidies « Habiter mieux » (in 2015 : 47000 housings for 500 M€)

**Financial support to renovate social housing**

* Sharing of gains from reduced expenses
* Reduced VAT for improvements to social housing
* Reduced property tax on buildings for social landlords (59 M€ in 2015)
* Eco-loan for social housing (2.1 Billion € 2012-2015)
* Long term zero rate loan (2 Billion €)
* National Agency for Urban renewal subsidies

Complementary actions: local authorities are really active in this field via reglamentation, financing and technical assistance.

**Case studies presentation:** [**Picardie Pass Rénovation**](http://citynvest.eu/content/spee-picardie)**, Vincent Pibouleu, SPEE Picardie**

SPEE Picardie is a regional public entity. It has established the Picardie Pass Rénovation in order to improve the energy performance of houses and experiment with alternative funding mechanisms. The project started in 2013 and the first contract was signed in July 2014.

Support from the SPEE Picardie to house owners:

1. A free energy audit of the housing
2. A personalized project for retrofit works adapted to the private owners needs
3. The selection of enterprises, the follow-up, and final acceptance of the construction site
4. A follow-up of energy consumptions during 5 years

Everything is provided for free until the last step.

SPEE Picardie is an integrator, who takes all the risks related to the renovations.

SPEE Picardie helps the homeowners to find the right funding (loans) or if that’s not possible, it advances the money to do the renovation works. In that case, reimbursement corresponds to the achievable savingson the energy bills after renovations.

SPEE Picardie would like to generate the savings between 50%-75% on the energy consumption. It is easy to get the loans repaid because the owners can save quite a lot of energy and the loans are for 25 years. There is no difference for people in what they have to pay monthly until they pay off the loan (thanks to the savings).

**Case studies presentation:** [**Énergies renouvelables et efficacité énergétique de la Diputación de Barcelone**](http://citynvest.eu/content/renewables-and-energy-efficiency-diputaci%C3%B3n-de-barcelona-rediba)**, Albert Vendrell Roca, Province of Barcelona**

Province is a 2nd level public administration. In case of the Province of Barcelona, they work in 2 ways: up - down (setting political goals i.e. coordinator of [Covenant of Mayors](http://www.covenantofmayors.eu/index_en.html) - CoM) and bottom - up (providing assistance to local authorities).

Municipalities committed to CoM and asked for help to implement the SEAPs (Sustainable Energy Action Plans). It was at a time of crisis, when municipalities had no investment or borrowing capacities, energy prices were increasing.

Thus the province asked for ELENA support to provide technical assistance for energy efficiency projects. They got 2.6 millions EUR. For 1 EUR – 25 millions of investments was needed. It was 4 years project but got extension because of the changing of the laws and 1st year was lost.

**How REDIBA works:**

Municipalities apply for the support. After receiving the application, REDIBA analyses if it is worth to make the renovations. If so, REDIBA asks for the commitment from the mayor. After receiving mayor’s commitment letter, REDIBA helps to launch tenders and select subcontractors.

**Results:**

Number of investments: 108

Investment: 96 M €

Leverage Achieved: x48

Energy saved: 52.2 GWh/year

Renewable Energy production: 9.8 GWh/year

CO2 emissions saved: more than 21,600 t/year

**Lessons learnt:**

* One the main problems in Spain – no possibility to bundle investments. Bundling is one of the requests of EIB. However, the case by case approach on the external subcontract has allowed to keep the know-how within our administration.
* The subcontracted studies cost has been reduced significantly as the project progressed.
* The importance of taking into consideration the election calendar in the investment programme.
* However sure you feel about your investment programme: The importance of having alternative investment sectors and more investment projects forecasted in line rather than just the required amount.
* If you are a second level administration. The added value of your ELENA activity is valuable, but comes also with added complexity: It’s important to have control from the day one on the information required to justify the investment programme

**Final conclusions:**

* The energy saving potential in public administration is high
* When public money is scarce the Public-Private cooperation is an efficient way to invest in public administration.
* Although the technical part of the project is very important, the key for the PPPs is the legal and public accounting part. A clear statement from European Commission regarding ESCo contracts not counting against the public indebt capacity is needed.
* New models of contracting in public administration requires time. Once we have reference projects, the investments start to replicate.
* Financing is not enough. Municipalities need coaching throughout the process**.**

**Case studies presentation: ARTEE, David Dieumegard, Agence Regionale pour les Travaux d'economies d'energie**

ARTEE model is similar to the Picardie Renovation Pass and it also focuses on helping individuals to renovate their houses. ARTEE plays a role of an integrator. It is a public company with the region being a majority share owner.

Financing of energy efficiency projects: 1st phase – indirect financial support through partnerships and banks. 2nd phase – direct financing of private individuals and that allows to work more directly/quickly

The ambitions is to ensure 10000 renovations per year over 10 years.

The renovations are done via Third party investments and they include 3 steps:

1. Audit
2. Launch of projects
3. Monitoring of results for 3 years after renovations

The goal is to achieve 40% of savings. Average budget of renovation works is 25 thousands EUR.

**Case studies presentation: RenoWatt, Erika Honnay, GreLiège**

[A video explaining RenoWatt model was broadcasted.](http://citynvest.eu/content/renowatt-financements-innovants-pour-la-r%C3%A9novation-%C3%A9nerg%C3%A9tique-des-b%C3%A2timents-0)

## Summary of panel debate

**Experts:**

* Anne Walryck, Bordeaux Métropole
* Francoise Refabert, Vesta Conseil&Finance
* Henri Mardegan, Johnson Controls ESCO
* Pascal Lemonnier, Ministry of Housing, and sustainable homes

**Moderator:** Alex Puissant

*Q: Is it really necessary to be that innovative?*

**Francoise Refabert**: What does innovative financing mean? In terms of economy nothing is better than the old ways of financing. However the space for innovation is in adapting those mechanisms to different audiences.

**Henri Mardegan:** ESCOs are motivated by making profit, thus making energy savings however that needs to be profitable. On the other hand public ESCOs are not directly interested in making profit so financing engineering is mainly in the public sector hands. But private ESCOs are strongly inspired by the public sector.

*Q: What approach to buildings renovations you have in Bordeaux?*

**Anne Walryck:** In Bordeaux we are a city with a great heritage so we have active policy of enhancing energy performance of buildings. We created the energy efficiency platform and we are working with a local energy efficiency organizations. We will set up a special organization that will mobilize all stakeholders active in renovations. We focus on energy poverty and individual support to families.

**Pascal Lemmonier:** Sometimes public policies reach certain limit thus we have created an agency that does research and experiments. We realize that there are many barriers to innovative financing. First, there are regulatory barriers. So we carry out experiments based on derogation from the existing rules. We developed two economic models for individual housing; subsidies for citizens who suffer from the energy poverty and loans provided through banks. But we have noticed that because of a shortage of funds, part of the population (low middle class) cannot afford to borrow money from the banks nor they can benefit from subsidies. Thus we have been experimenting with third party investments. It has its limitations (especially while multi-apartment buildings are co-owned). And there are insurance risks as well. Now, we support local authorities to establish third party financing and we are testing that kind of solutions.

*Q: What are the obstacles to innovative financing in France and how to overcome them?*

* Project managers need to have expertise in both; renovations and finances.
* Balancing liabilities is necessary.
* Need of creativity in developing projects.
* Need to standardize the investment models, need to make the cost lower.
* The higher the cost of energy the higher return on investment in energy efficiency projects. On purely private market it is difficult to find investors because it’s a banking sector and it’s complex to fund the flow. There are many fluctuating factors and users are also part of those projects and ESCOs need to dematerialise the assets and to have an interest on a long term.
* For private investors a payback period needs to be not longer than 10 years.

**Pascal Lemmonier:** In order to deal with the long payback periods, we created those mixed or public tools.

**Vincent Pibouleu:** SPEE Picardie was created because the private sector could not provide the necessary financing because all indicators were red. But our role is not to male business but to create the public policy.

**Francoise Refabert:** In the renovation projects we need to find systems that ensures that the return on investments is high enough so it makes sense to invest in those solutions. It is difficult to find long-term incestments or loans, except when they are related to buying the property. However, TPI can be used.

**Henri Mardegan**: Energy efficiency is a market. EPC works when we apply it to the equipment in the building but not to the whole envelop, that’s more complicated.

**Stan d'Herbemont, REScoop:** There are other ways than purely market mechanisms or public subventions. Energy efficiency investments can be funded via citizen-based schemes, cooperatives.

**Henri Mardegan**: I don’t ignore the work of cooperatives and I think we need to use it as well as a complimentary way of funding. But it is very different that using private companies which pays dividends to shareholders. Those two approaches cannot be mixed but can complement each other.

**Yves-Laurent Sapoval:** We shouldn’t consider energy efficiency investment independently from the value of the buildings.

**Anne Walryck:** Setting upprojects like the ones presented earlier today takes time.Also developing renovation projects for historical buildings is challenging.

*Closing statements:*

**Vincent Pibouleu:** A structure that could externalize debt is necessary

**Elise Steyaert:** We need to work with local authorities to get “bankability mentality”.Political leadership is needed and then everything is possible.

**Conclusions, André Sobczak, Vice-President of Nantes Metropole**

European exchange of experiences is very important. More cooperation between public and private sectors is needed. Especially that local authorities have special responsibility to work for the disadvantage citizens. However, it is not easy to make the bankers to change their mind-sets and get local authorities to work more together. Perhaps AFCCRE can play a role in coordinating that work.





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