

Engaging Retail Lenders in Home Renovation

20
23



CLIMATE & STRATEGY
PARTNERS

Presented by Peter Sweatman, CEO



Innovative financing models for the decarbonisation of the building stock

JAN 30TH 2024

Peter Sweatman, CEO Climate Strategy & Strategy

33 YEARS BLUE-CHIP FINANCE AND CLIMATE STRATEGY

33 years in finance and climate:

- ❑ JPMorgan
- ❑ Climate Change Capital
- ❑ Climate Strategy
- ❑ Energy Efficiency Capital Advisors

Published 25 white papers on low carbon finance and innovation

Long-term relationships with:

- ❑ Bloomberg NEF
- ❑ S&P Trucost (prev.)
- ❑ ECF

Clients:



CS Group
launched EE
advisor in
2016:





Why:

Buildings can be
better and
payback over their
useful lives

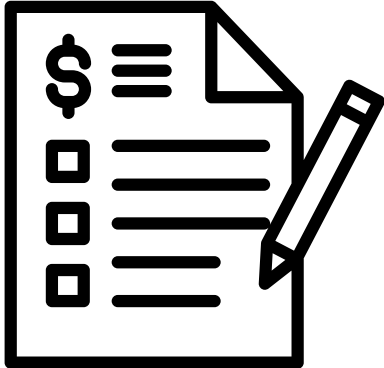
Context for a €2 trillion investment to Renovate EU Buildings



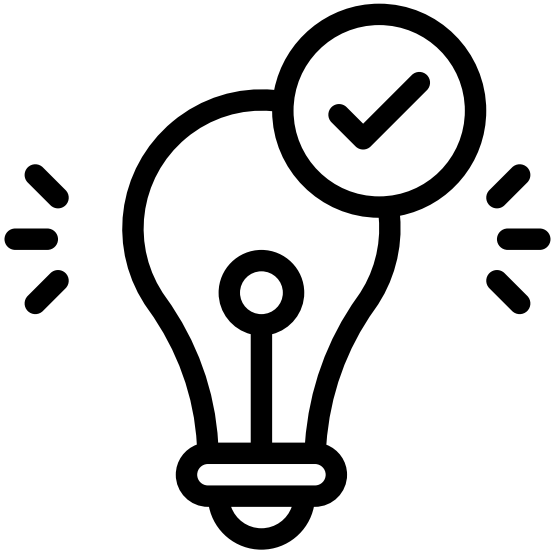
EU residential buildings are worth around

€20 trillion

EU27 residential mortgages are around

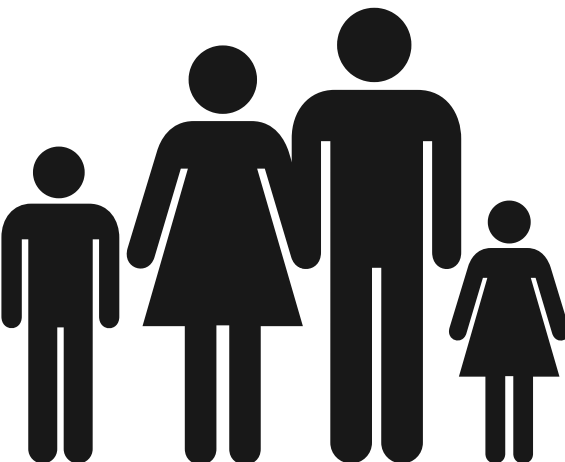


€7 trillion

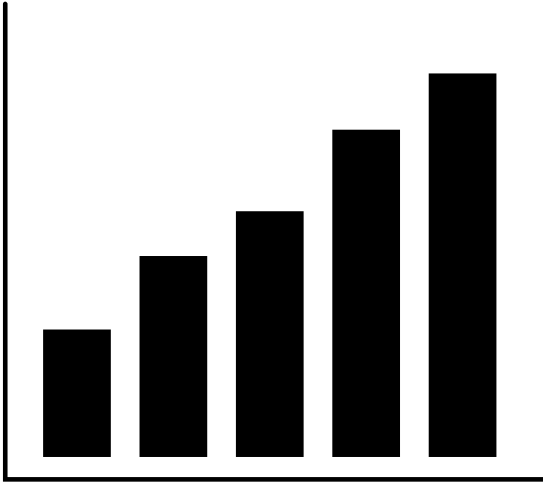
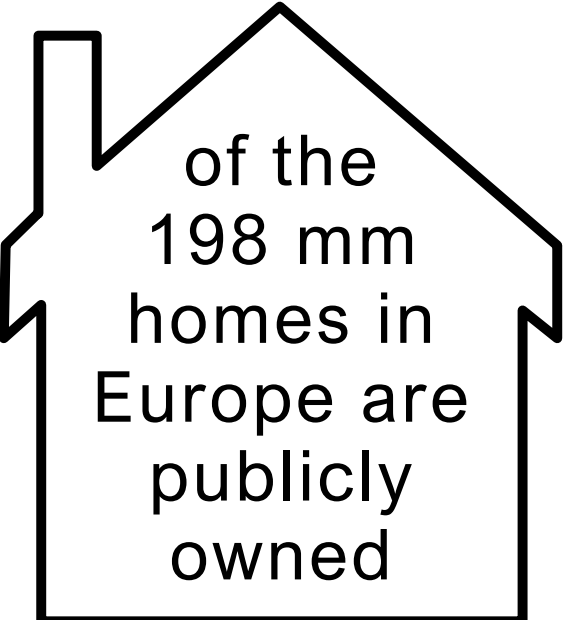


71%

of people living in the EU live in a home they own



25 mm



Institutional real estate investments in the EU27 are around

€3 trillion

€6 trillion to deeply renovate all EU homes and residential buildings by 2050...

The rough split of public versus private funding is 25/75

=

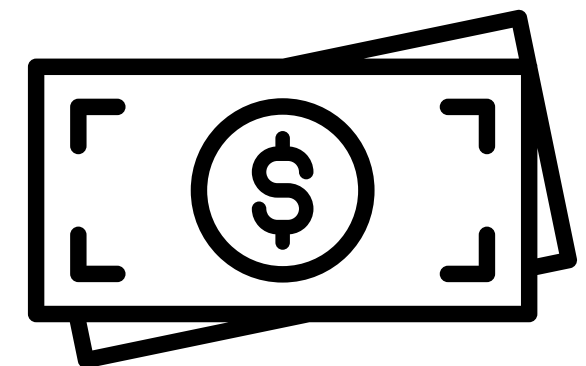
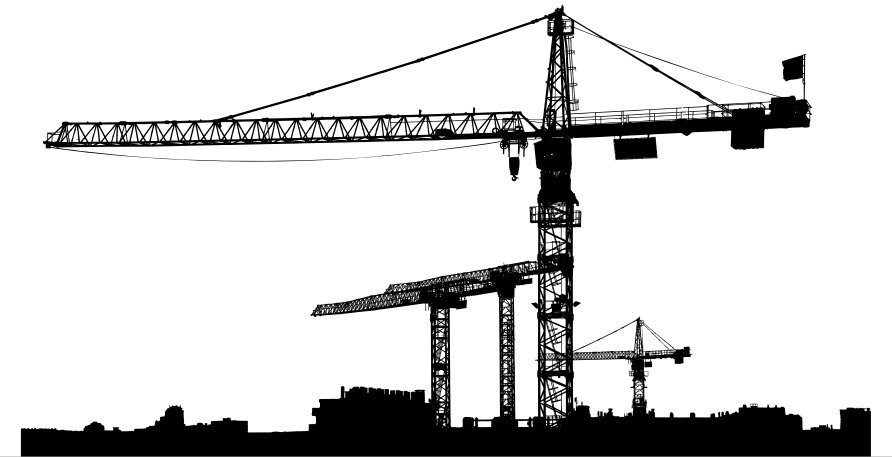
€500 billion of public funding

to lever

€1.5 trillion
of private finance by 2030

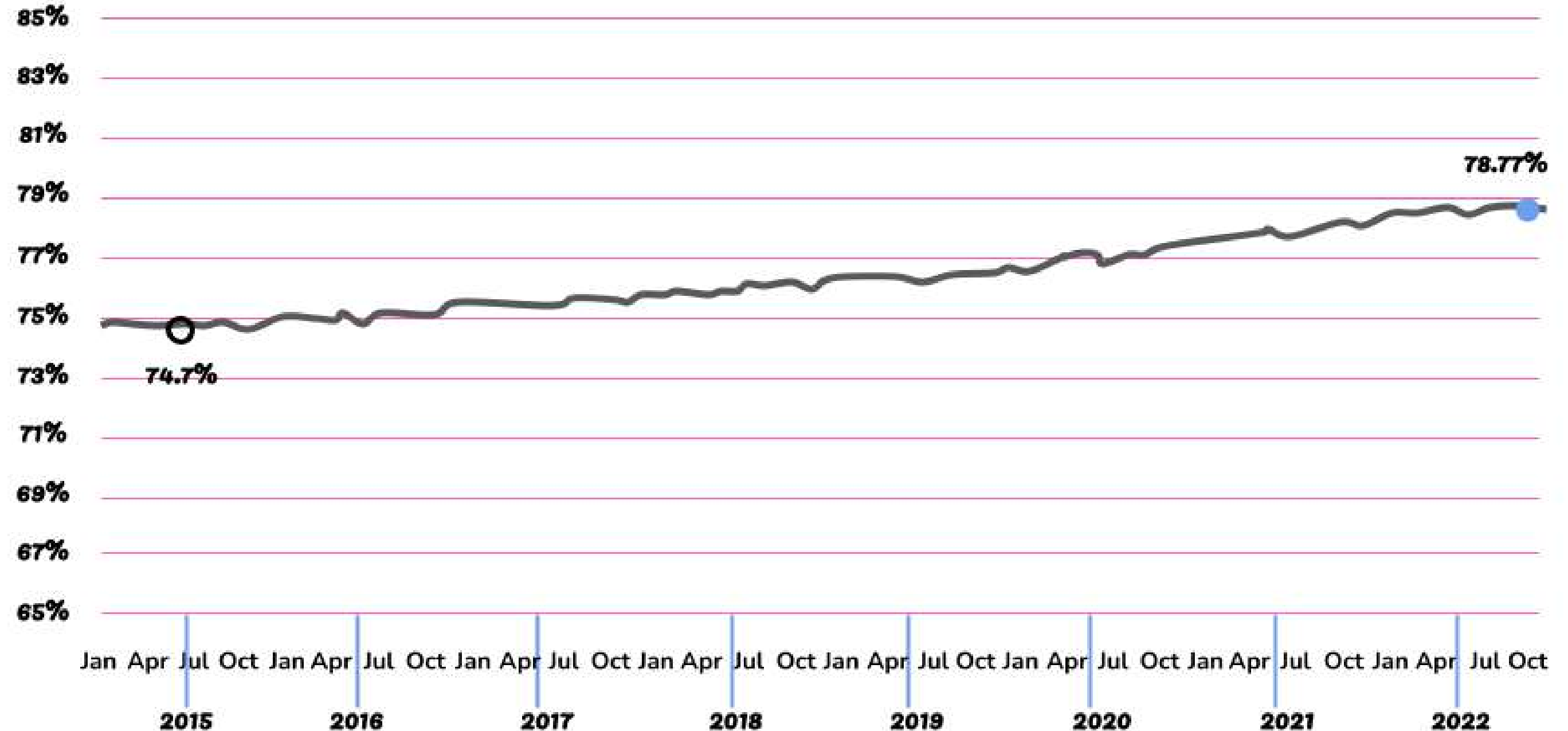
+

Guarantees, accounted for within that budget



There is an Urgent Need to align Lenders' Mortgage Portfolios with the EU's Energy Transition

Mortgage as a percentage of loans to households in EU27 2015-2022



With 25+ million EU customers, mortgage lenders are the single most connected stakeholder group to Europe's buildings



How:

The opportunity
to align Building
Renovation and
Sustainable
Finance


Mortgage Portfolio Standards:

A holistic tool to deliver net-zero alignment from EU Mortgage Lenders

Introduced as a voluntary regulatory tool in the Commission's December 2021 proposed recast of the EPBD

- On January 15th 2024, the draft compromise text on the EPBD -with mentions of MPS- received approval from the EU Parliament ITRE Committee.



 Council of the European Union

Brussels, 14 December 2023
(OR. en)

16655/23

Interinstitutional File:
2021/0426(COD)

LIMITE

ENER 691
ENV 1479
TRANS 594
ECOFIN 1356
RECH 555
CODEC 2462

NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee
No. Cion doc.: 15088/21 + ADD 1
Subject: Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the energy performance of buildings (recast)
- Analysis of the final compromise text with a view to agreement

I. INTRODUCTION

1. The Commission submitted to the European Parliament and the Council a proposal for a recast of the Energy Performance of Buildings Directive on 15 December 2021. The proposal forms part of the Commission Work Programme 'Fit for 55' package, setting the vision for achieving a zero-emission building stock by 2050. It is also a key component of the Renovation Wave Strategy published in October 2020. In addition, the Commission published the REPowerEU Plan on 18 May 2022, accompanied by a proposal for a Directive amending Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources, Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency (REPowerEU Directive).

16655/23 TREE.2.B PZ/ID/ns 1
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- Portfolio standards are proven and successful regulatory tools that have reduced transport emissions both in the EU and USA.



Top 30 European banks (by assets) and the climate alignment of their mortgage portfolios



12 top lenders (40%)



Already apply a form of Mortgage Portfolio Standard



Nearly all of the remaining banks are some way through a process that involves components or the entirety of a portfolio alignment.

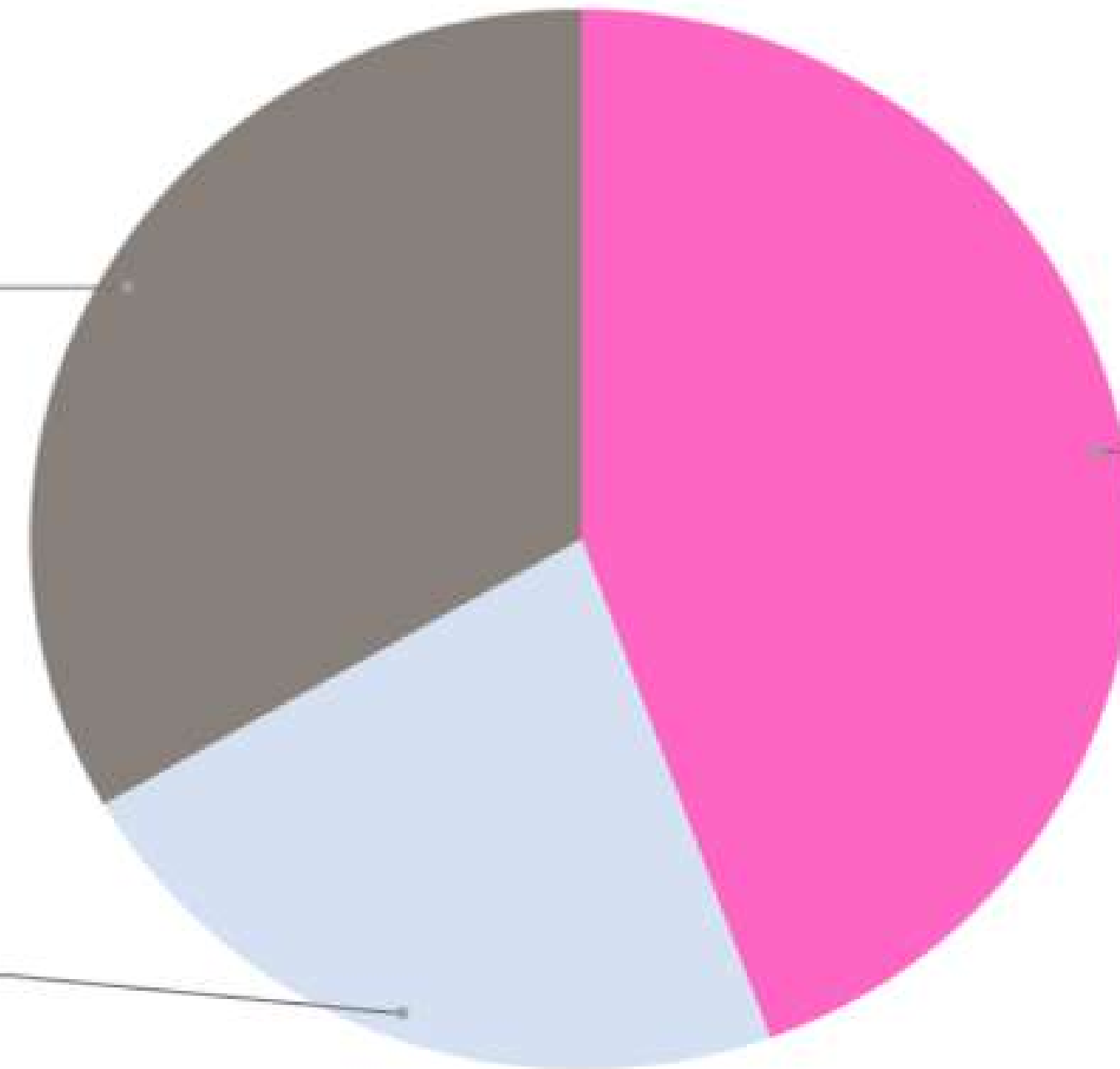
How Banks are Implementing Mortgage Portfolio Standards (if they are)

Are you aware of Mortgage Portfolio Standards?

No
33%

Yes
22%

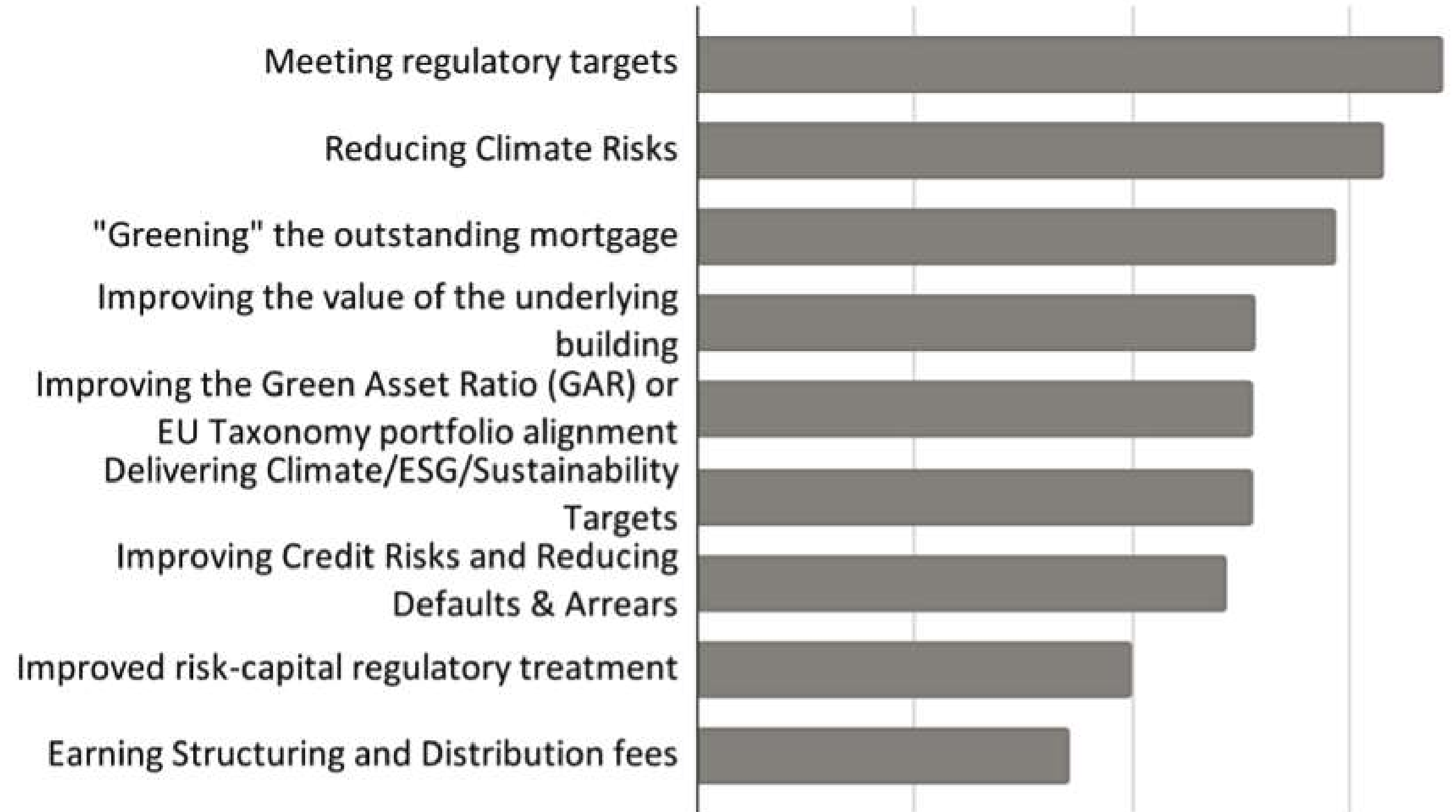
Yes, and have been actively following its progression
45%



Over the last three years, it has become clear that a MPS - or equivalent mechanism - is required to align a lender's mortgage portfolio with its net-zero transition.

Motivations for Bank Promotion of Building Energy Renovation

Renovation drivers for banks to promote client building renovation



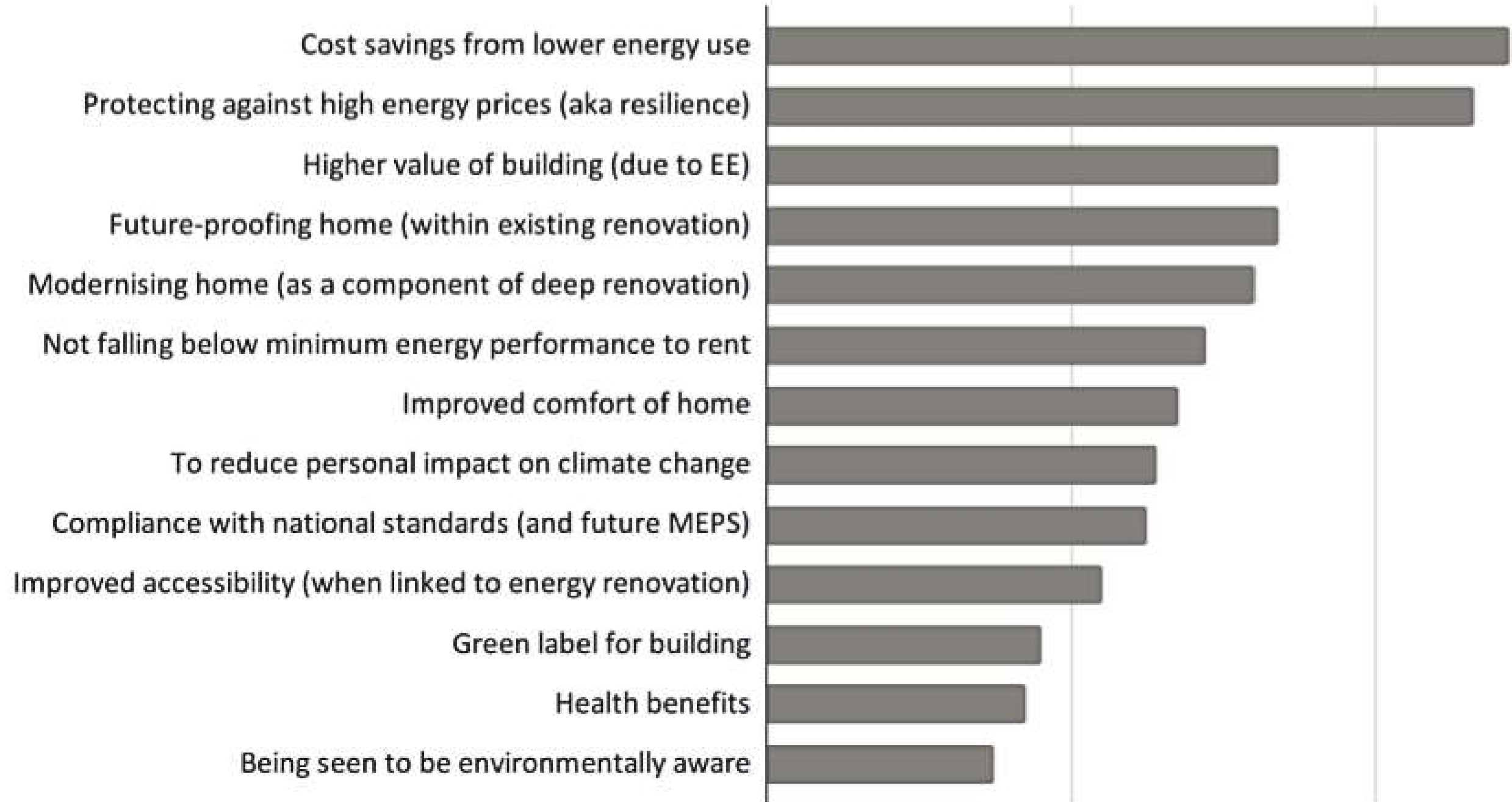
The main driver for mortgage lenders to promote energy efficient renovations to their clients is to meet regulatory targets and reduce climate risks.

(Voting was done with responders scoring "importance" from High to Low)

Driving the Demand for Renovation from the lenders' perspective

Why buildings owners would borrow money to renovate their home/ building?

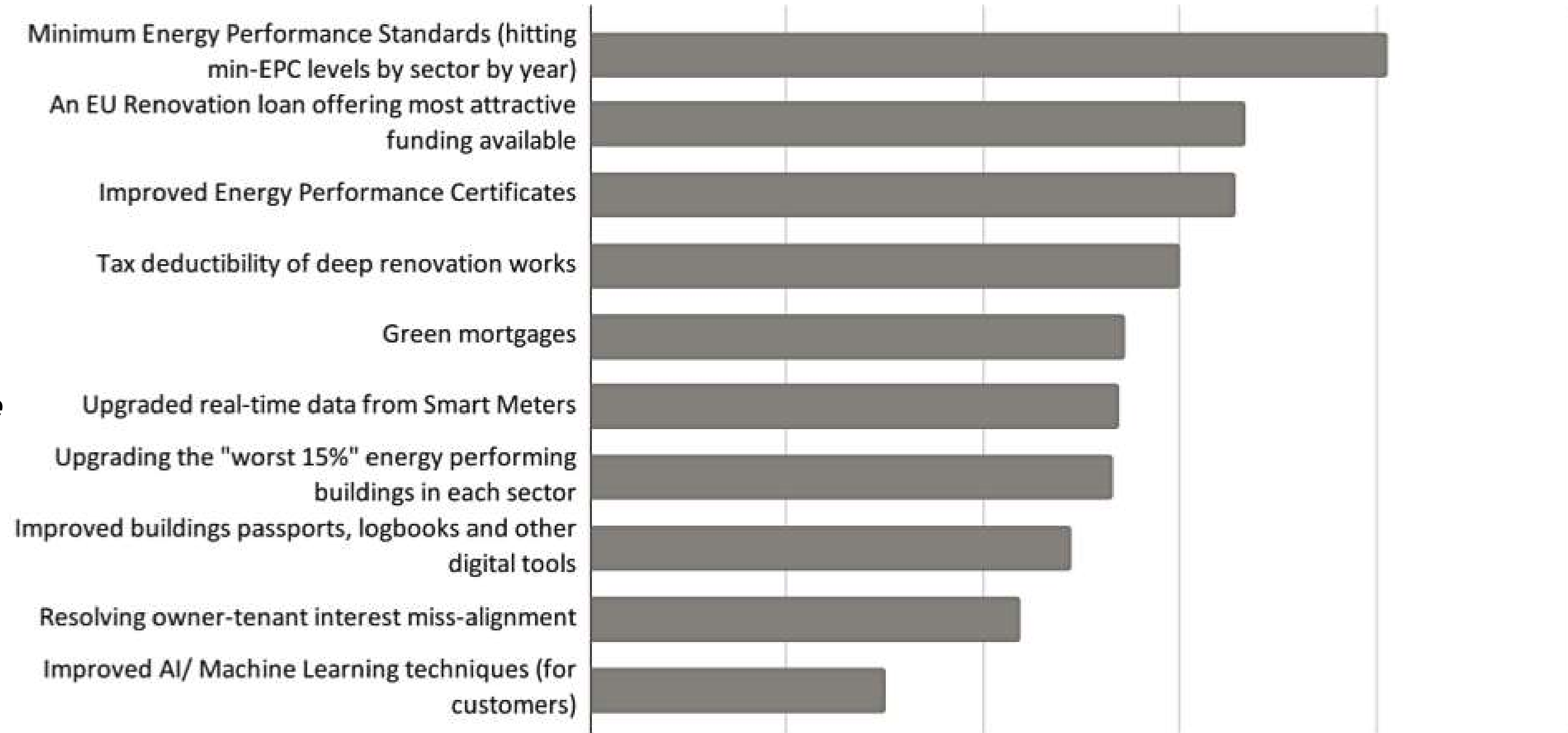
The increase in energy prices has increased owners' interest in energy efficient renovations to increase resilience to energy price shocks.



(Voting was done with responders scoring "importance" from High to Low)

Non-financial drivers that would create an environment that stimulated demand for EE renovations

Complimentary non-financial drivers to support MPS-performance by banks



(Voting was done with responders scoring "importance" from High to Low)



What:

Conclusions and
Recommendations
in Bulgaria

Recommendations to Policymakers

1 Transpose recast EPBD Minimum Energy Performance Standards (Commercial and Residential) with a focus on the “low hanging fruit”

2 Position Mortgage Portfolio Standards as a voluntary tool for Bulgarian lenders to use to better engage with their clients and increase sources of finance for National Buildings Renovation ambitions

Recommendations to Policymakers

3 Call for a new EU-level instrument to help low income homeowners who can renovate but don't have access to attractive finance currently

4 Promote pragmatic solutions to address the data quality and availability issues relating to residential buildings renovation

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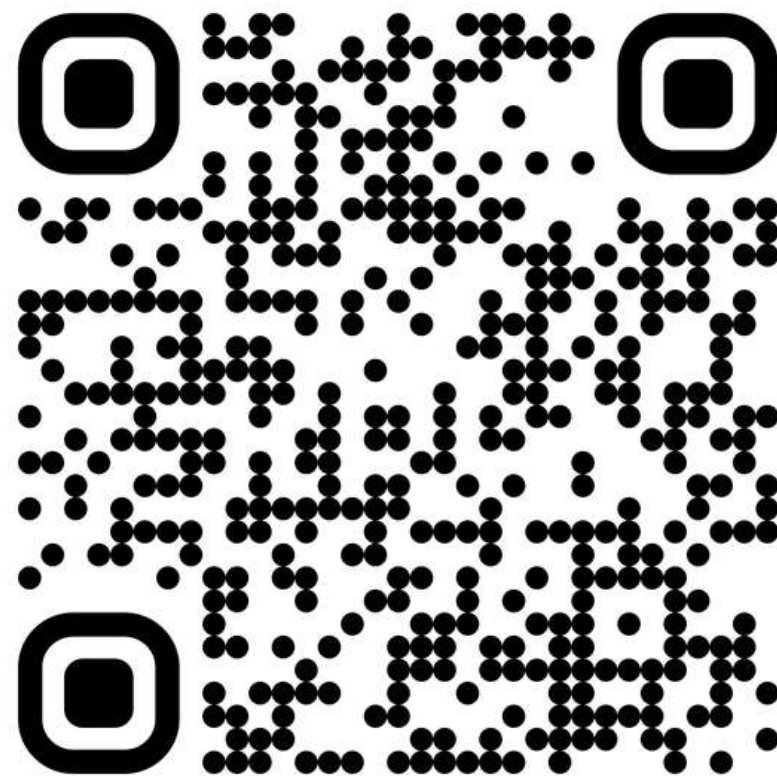


Turning Sustainable Finance Commitments into Household Energy Savings and Climate Resilience

Prepared by



Download report ▼



Thanks!

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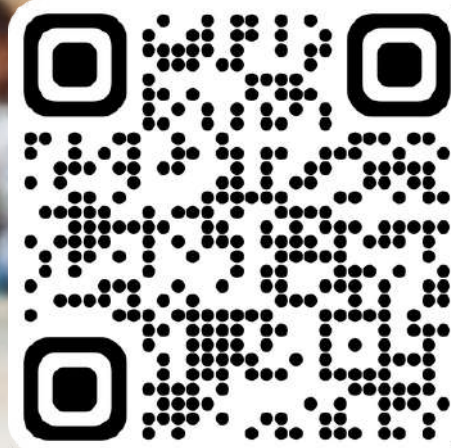
PLEASE REFER TO WEBSITE FOR FURTHER INFORMATION

Definition of an EU Renovation Loan

NOVEMBER 2022

The EU Renovation Loan:

a new instrument to fund the EU Renovation Wave



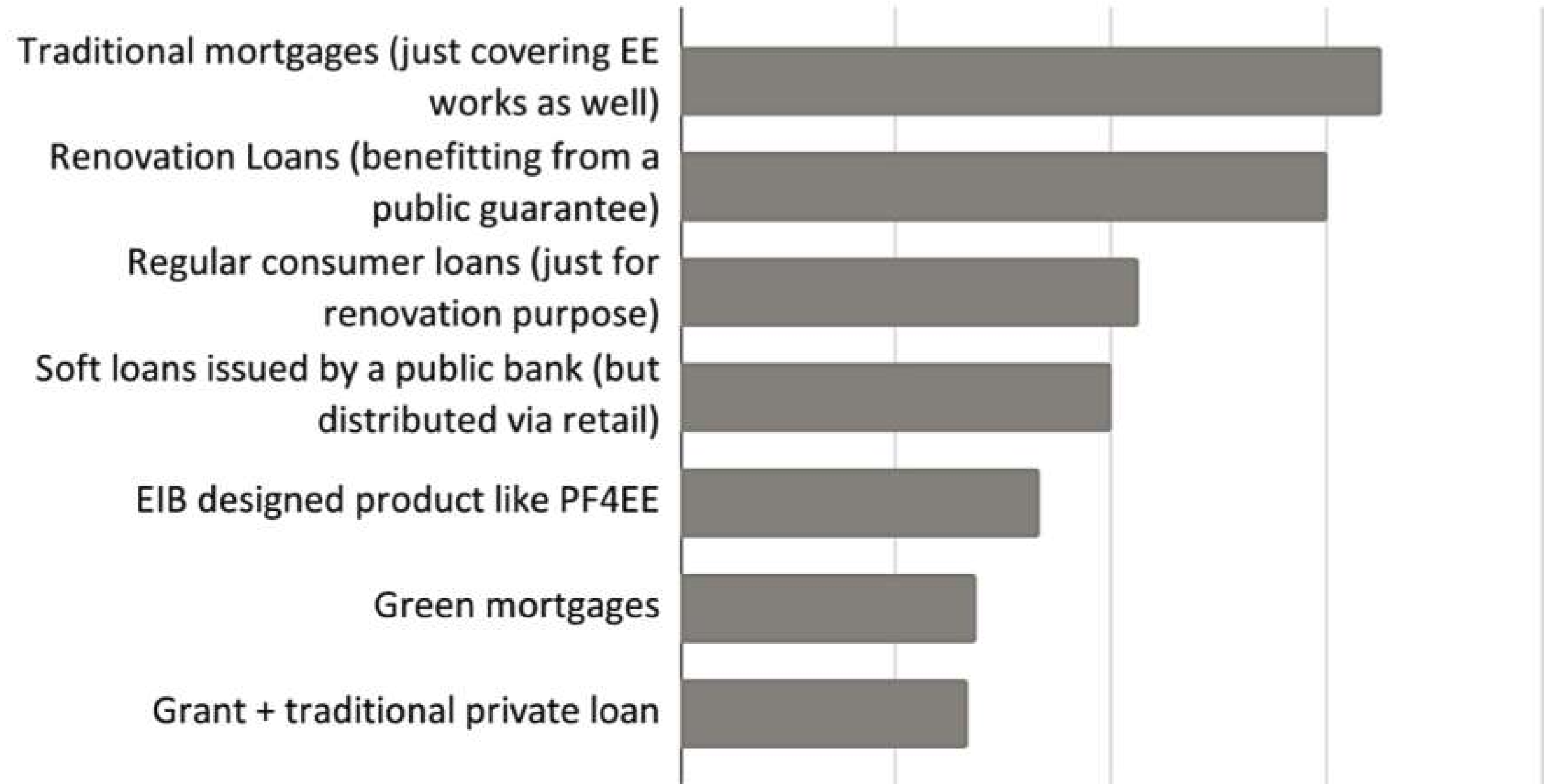
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The EU Renovation loan will broaden the access to energy efficiency finance for homeowners

“an EU-backed, privately contracted, collateralised loan that provides all homeowners fair and equal access to long-term financing for the deep renovation of their home. The funding is provided on a zero-coupon basis with repayment of principal and accrued interest at EU-borrowing costs upon the earlier of transfer, sale or its 30 year maturity.”

New Public Renovation Finance Instruments catalysed by the Buildings Directive

Ranking of selected renovation products with “ease of operation”



Two thirds of those surveyed felt that the addition of an EU Renovation Loan in the recast Buildings Directive made sense

(Voting was done with responders scoring “importance” from High to Low)