

RETROFIT REVOLVING LOAN GUARANTEE FUND

Financing Eco-Refurbishment

Global Environmental Social Business - GESB

Adrian Balaci

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Structure of presentation

Key Issues

Questions

Background of RRGF

RRGF Structure

RRGF Case studies

Predictions

Key Issues

- **Motivation of households**

- Trigger points: home improvement
- Middle to low income: reduce energy bills
- Affordable cost at monthly level
- Golden rule is not always attractive
- Attach finance to the property is not important for many households

- **Risk of low uptake**

- High upfront cost
- Traditional finance (mortgage, personal loans) are not suitable
- High interest rates extend payback period
- Lack of information (benefit)

- **Lack of innovation in the finance sector**

- Non secured loans
- Guarantee facilities etc.

- **Supply chain, quality**

- Can take five to ten years for supply chain to develop

Questions

- Will / Can the banks lend against the golden rule and at what price?
 - Long term finance – higher rates
- Can commercial finance model address the key issues?
 - What level of subsidy is required and in what form?
- Is there any finance mechanism which can address the issues and can be fully commercialised on short to medium term?

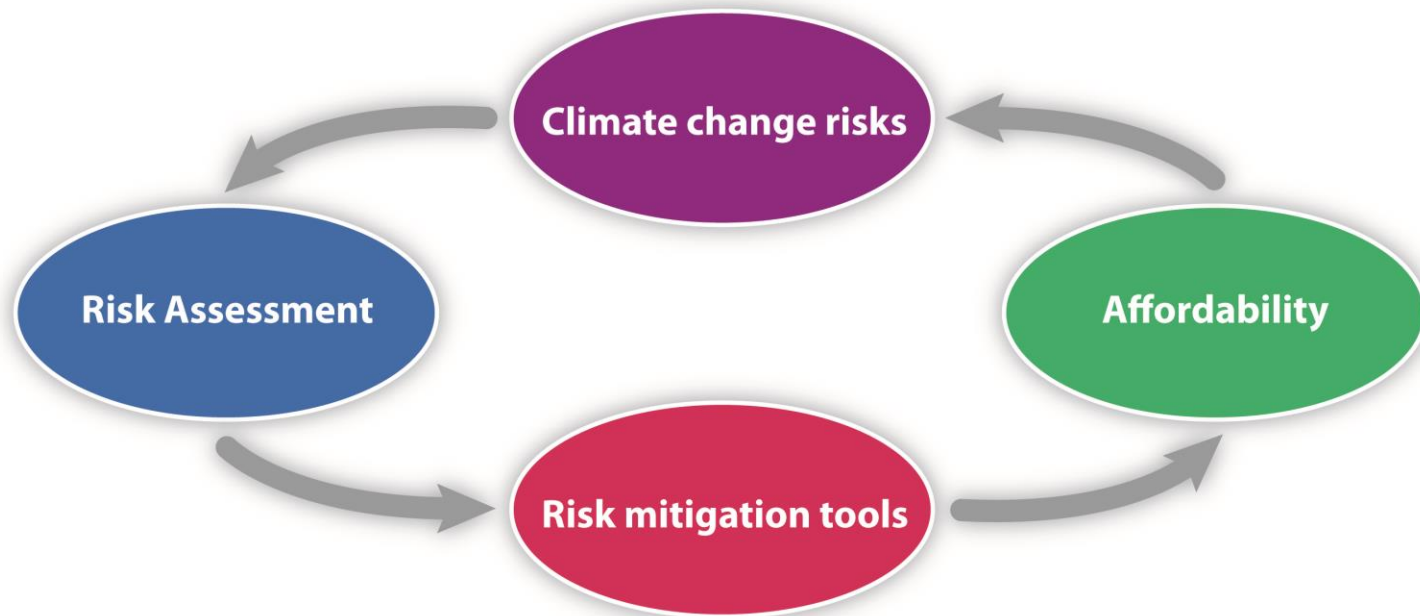
Background

- GESB developed the RRGF model in Hungary some 10 years ago and since then has adapted it to various markets (we've worked from Kazakhstan to the UK)
- The model works in various sectors such as:
Municipal buildings, Municipal street lighting, Municipal schools and hospitals, Energy Service Companies, Residential housing, Industrial
- Currently GESB is working with three regions in the UK to replicate the model
- Awards: *International Green Award, Silver prize, 2011 and Sustainable Energy Initiative award 2011*

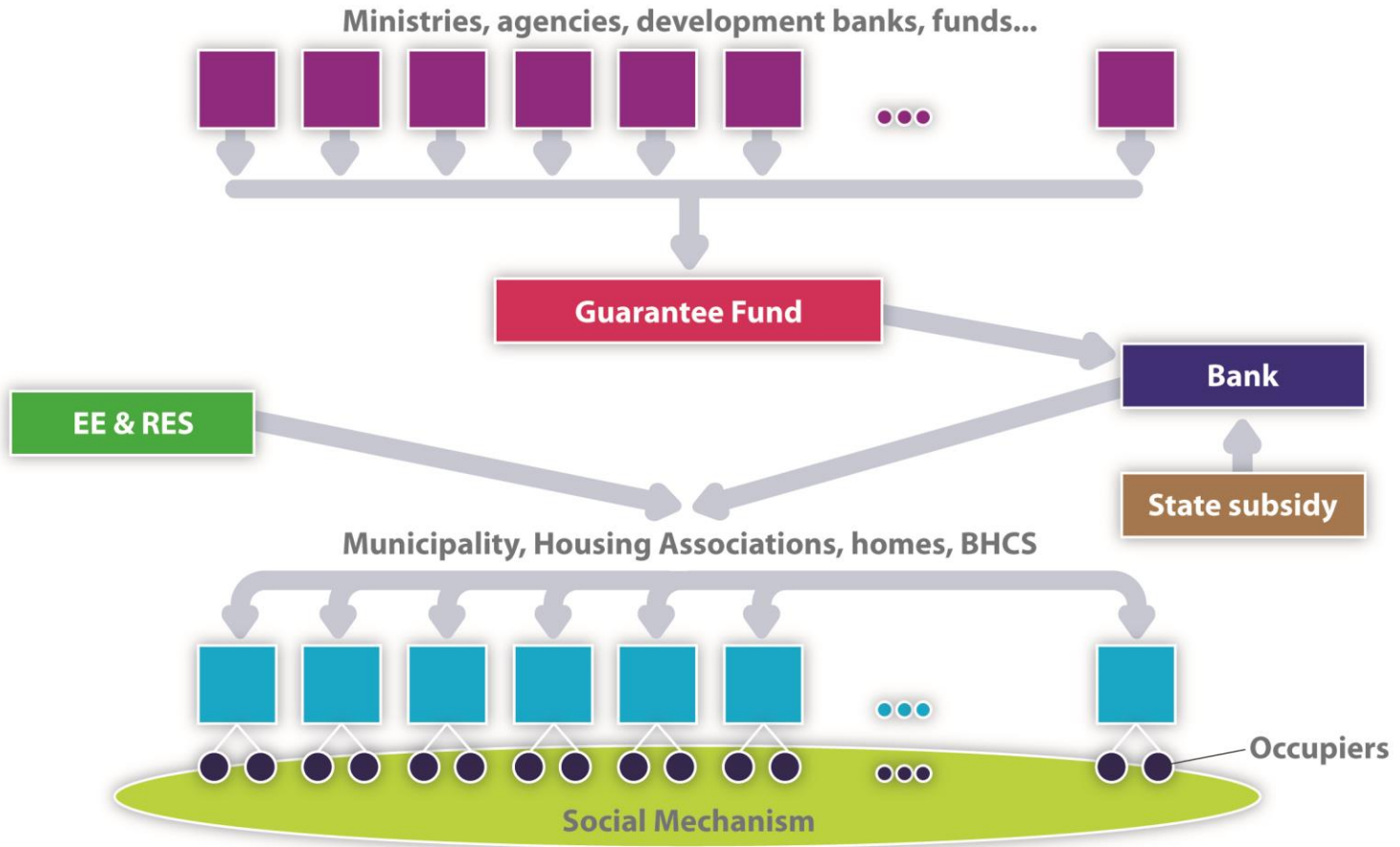


Risk mitigation with Sustainable Finance

- To meet Governmental retrofit targets, commercial borrowing will be required and occupants will need to contribute.
- RRGF provides the necessary risk mitigation.



RRGF



RRGF terms

Portfolio guarantee

- Provides first loss coverage
- Covers losses up to agreed default rate on the portfolio
- Portfolio is built by the sector – lower acquisition cost
- Provides access to market niche
- High leverage

Loan terms

- Single rates to the whole programme is preferable
- Risk sharing facility – reflected in interest rates
- Standardised procedures – lower administrative cost – reflected in borrowing costs

RRGF Case studies –UK

Radian: *In May 2009 jointly with Radian we applied for ERDF funding via SEEDA in the South East of England region to develop a conceptual finance model. Second phase started in December 2010*

- Conceptual model and pilot for 300 homes in the second phase

• **CHC in Wales:** *In 2011, CHC with the support of the Welsh Assembly contracted GESB to replicate the model in Wales*

- 700 units – £6 million loan portfolio

• **Private housing:** *In 2012 local authorities with local energy agency commissioned GESB to replicate the RRLGF model in the private sector*

- 300 units - £3-5 million loan portfolio
- Launching the first 600,000 loan portfolio in Sept 2013

• **Eco-town** *In 2012 EHDC commissioned GESB to investigate the replication potential of the RRLGF model in Bordon and Whitehill*

- 120 units /year- £1.7 million loan portfolio in the first year

RRLGF Case studies

HUNGARY

- **Harsfa Housing Association:** *Socially deprived area. 315 flat high rise panel building built in 1980. Installed measures: efficient heating, external wall insulation, solar thermal heating. Total investment cost: 340,000 euro, total energy cost saving per year: 76,200 euro. Simple payback: 4,5 years.*

Financing:

113,000 euro state subsidy (non refundable grants)

Loan: 227,000 euro for 5 year

Loan security: 20% credit guarantee (no mortgage)



RRLGF Case studies

HUNGARY

• Totfalusi Blocks of Flats: Harsfa Housing

Association: *Socially deprived area. 56 flats. Low rise panel building built in 1984. Investment 231,000 euro, total energy cost saving 9,600 euro per year. Simple payback: 24 years.*

Financing:

81,000 euro state subsidy (non refundable grants)

Loan: 150,000 euro for 5 year

Loan security: 20% credit guarantee (no mortgage)



Predictions

One

At the current investment rate we won't be able to achieve our goals by 2020 nor by 2050

Two

Energy Efficiency and Renewable Energy Sources need to be thought of as major European issues in the same line as education or healthcare, member states if left alone will fail in achieving these goals

Three

The refurbishment of the existing building stock to a level where a reduction of 80% in energy consumption can be achieved will be both the hardest and the easiest task (when you compare it to transport for example)

Information:

Web: www.gesb.eu

Email: adrian@gesb.eu



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