

**FINANCING ENERGY  
EFFICIENCY  
FROM HUNGARY TO THE UK  
- SUCCESS, FAILURE  
AND LESSONS  
LEARNED**

REDay 2014  
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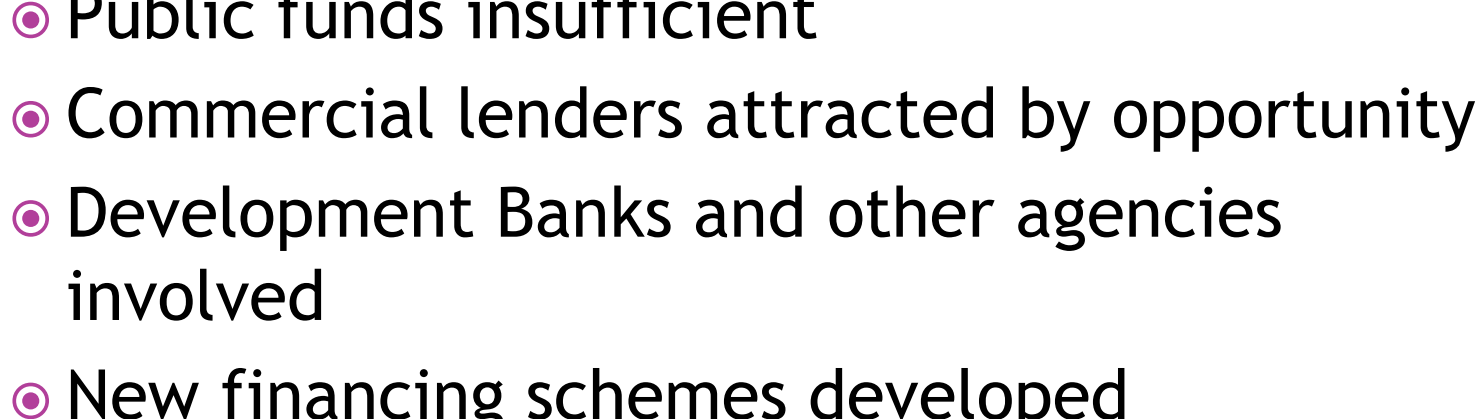
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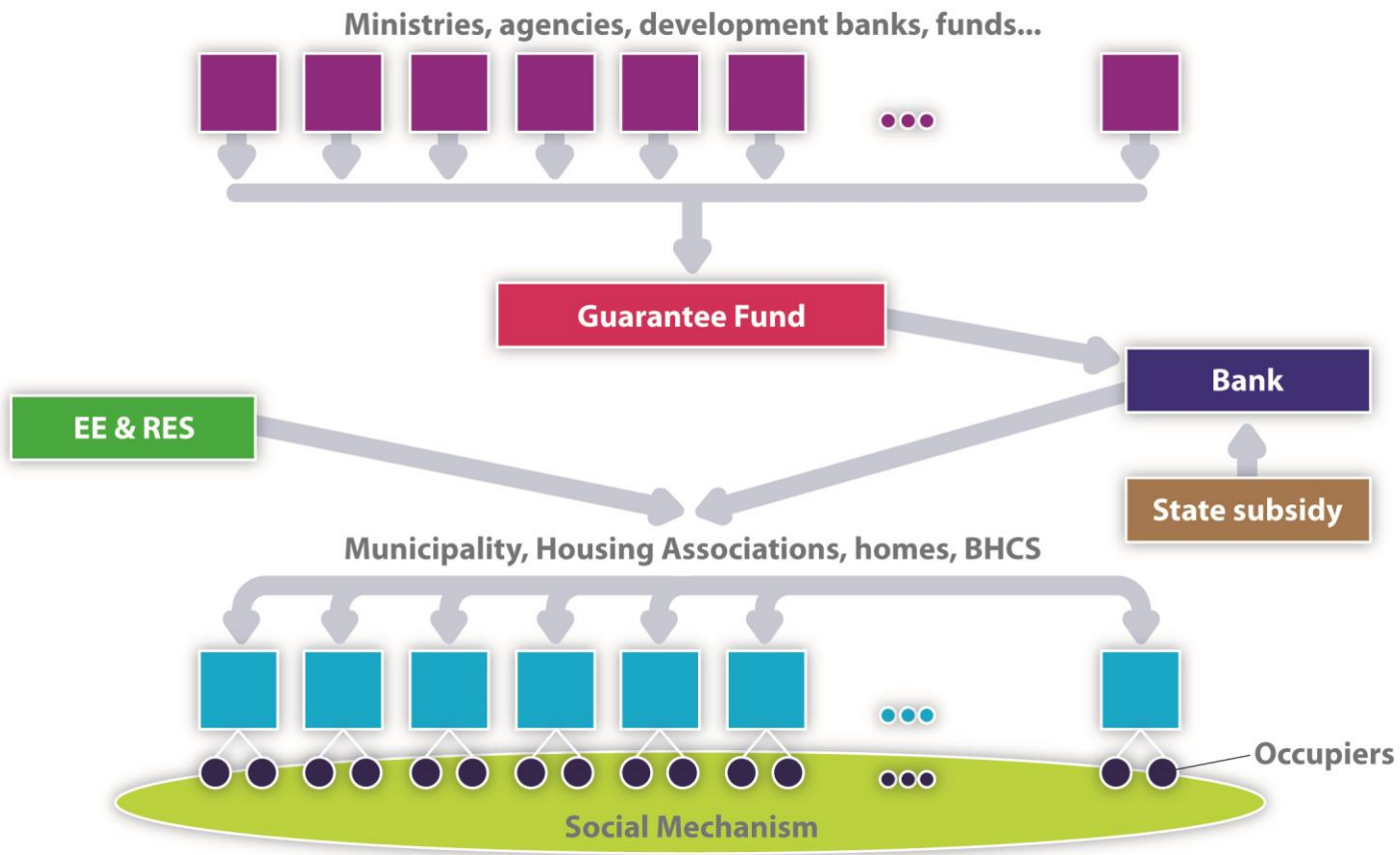
# BANKING CULTURE

- ◉ Background
- ◉ Revolving Retrofit Guarantee Fund
- ◉ Why it worked in Eastern Europe
- ◉ Challenges and failures in the UK
- ◉ Fickle government policies and unresponsive commercial banks → local action
- ◉ Predictions ★

# BACKGROUND

- ◉ Energy Efficiency, an emerging market
  - ◉ Unknown risks attached to every new market
  - ◉ Public funds insufficient
  - ◉ Commercial lenders attracted by opportunity
  - ◉ Development Banks and other agencies involved
  - ◉ New financing schemes developed
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# REVOLVING RETROFIT GUARANTEE FUND



# WHY IT WORKED IN EASTERN EUROPE



# WHY IT WORKED IN EASTERN EUROPE

- ◉ 92% of homes are owner occupied (Hungary)
- ◉ The rates are similar in other CEE countries
- ◉ Fuel poverty and rising energy prices
- ◉ These are all powerful incentives ★
- ◉ Commercial banks (mostly from an Austro-German culture) understood the opportunity EE and RE represent
- ◉ They also understood that business as usual will not work in this sector
- ◉ That is the price of the EE loans must be low and mortgage must not be attached to it ★

# CHALLENGES AND FAILURES IN THE UK

- ◉ We've started working in the UK in 2008
- ◉ Two projects in the South-East of England and one in Wales followed by the project led by Severn Whye in the North-West.
- ◉ The Green Deal was introduced as a flagship policy in the same interval (and was advertised long before it produced any result by the government★)
- ◉ It failed to deliver (currently interest rates are above 7.9%)
- ◉ While it has successfully diverted attention from all other initiatives



# CHALLENGES AND FAILURES IN THE UK

- ◉ For the past 6 years we've had continuous discussion with British banks through these projects
- ◉ Most major ones including SBC, Loyds TSB and RBS and some “alternative” ones such as Coop Bank and Triodos Bank
- ◉ They seemed “enthusiastic” in the beginning only to retreat to “safe ground” later on
- ◉ “we don't engage with new initiatives”
- ◉ They focus on serving their existing clients with traditional banking products and services
- ◉ “EE and RE are not considered to be mainstream businesses”
- ◉ Unmoved by the evidence from the CEE region, unwilling to lower interest rates, unyielding on their stance on mortgage requirements ★
- ◉ Lack of intellectual capacity to understand this (EE) emerging market ★





# LOCAL ACTION

- ◉ Fickle policy at the central level as well as the unresponsive commercial banks have lead us to approach local actors
- ◉ We've worked successfully with local/regional Social Housing Associations, Local Authorities, and developing/energy agencies ★
- ◉ All of these local actors signal a strong demand for alternative financing, that is affordable (able to compete with mortgage rates), is not mortgage based and can easily be combined with grants where needed

# PREDICTIONS

- Currently there are two impediments to large scale retrofit in the UK, one is the **non-competitive interest rates** of the Green Deal the other is the local **banking culture**
- Unless internal intellectual capacity within banks is increased (higher education) in order for them to understand the opportunities of EE refurbishment (monetise the potential energy savings) large scale progress is impossible ★
- In the future it wouldn't harm if the government would not advertise a policy as a panacea before it even had the chance to try it

# THANK YOU FOR YOUR ATTENTION!

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