

## CA EED

# EIB financing to Residential Sector: Experience in Social Housing

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- ▶ Natural financing partner for the EU institutions since 1958
- ▶ Around 90% of lending is within the EU
- ▶ Shareholders: 28 EU Member States

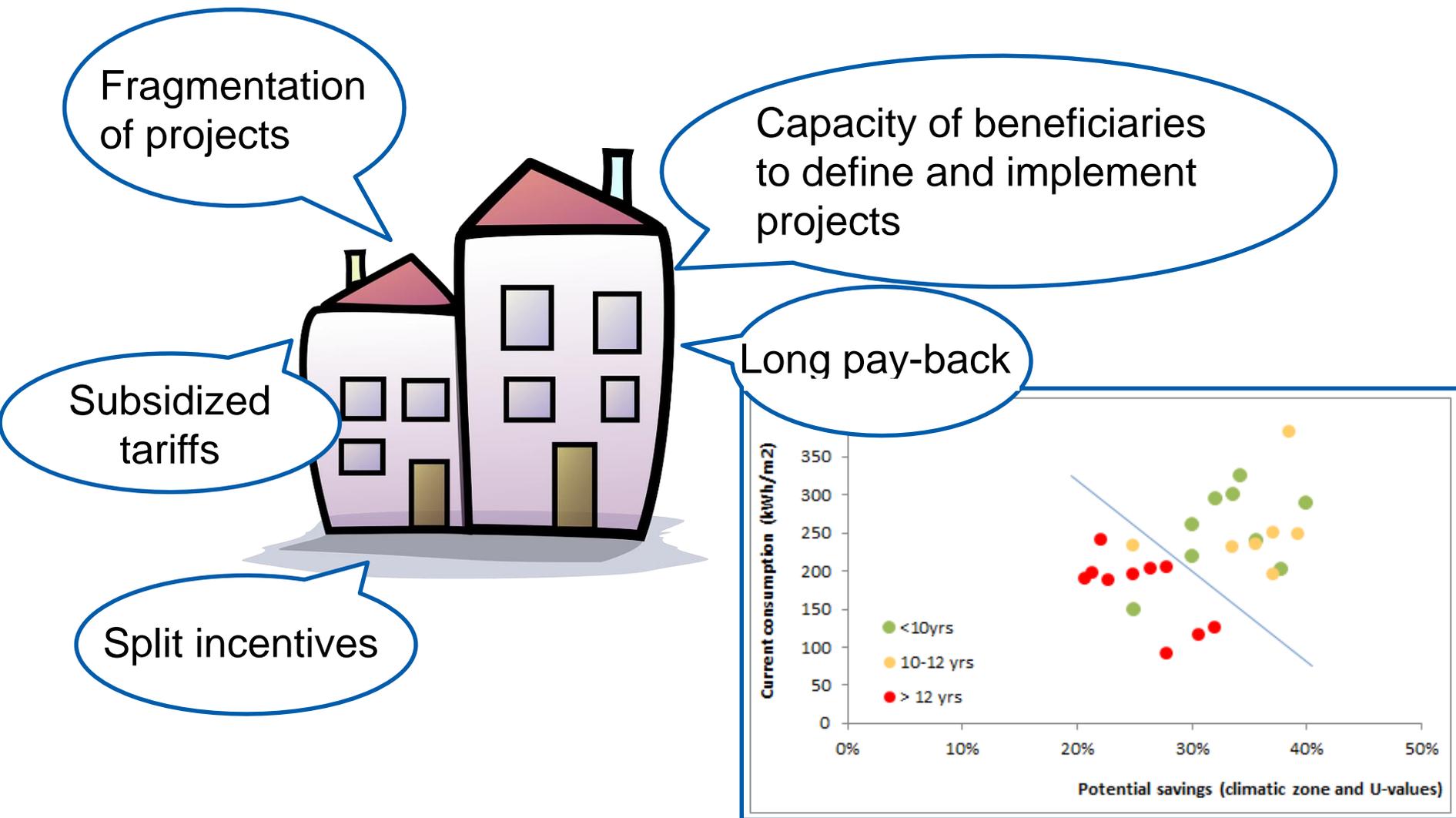
**Investing in  
Europe's growth**

## We help catalyse investment

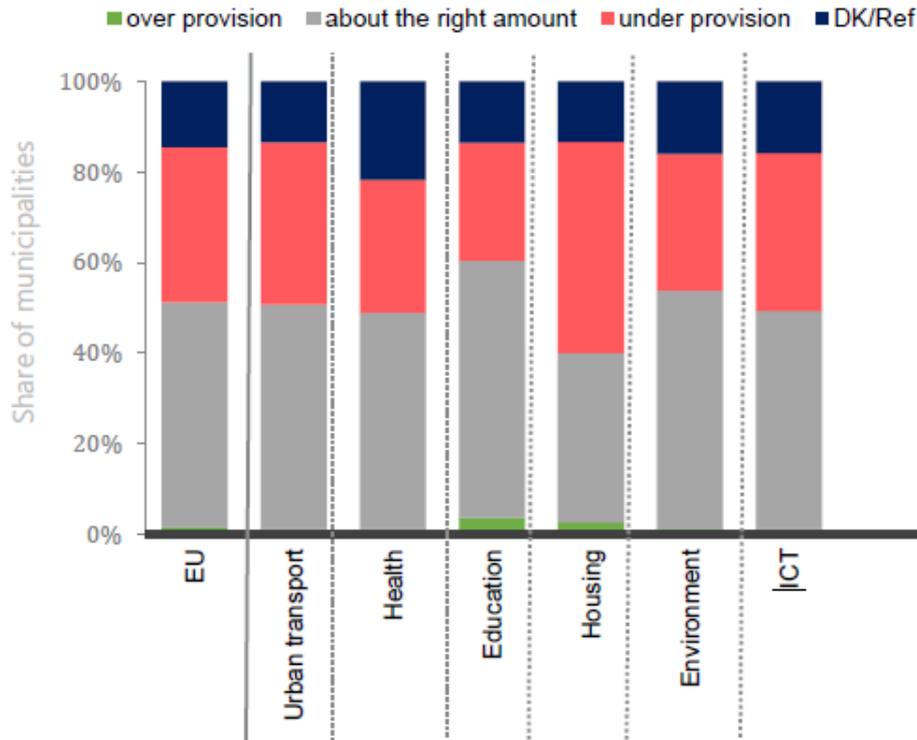
LENDING	BLENDING	ADVISING
<p>Loans</p> <p>But also:</p> <p>Guarantees</p> <p>Equity participation</p>	<p>Combining EIB finance with EU budget and other public sources</p> <p>European Fund for Strategic Investment (EFSI)</p> <p>Smart Finance for Smart Buildings Initiative (SFSB)</p> <p>Private Finance for Energy Efficiency (PF4EE)</p> <p>Instruments combining ESIF with EIB resources</p>	<p>Support for projects and investments</p> <p>European Investment Advisory Hub (EIAH)</p> <p>Project Development Assistance (ELENA, JASPERS)</p> <p>Improve access to finance (Financial Instrument Advisory, fi-compass)</p>

**Attracting FUNDING for long-term growth**

# Typical barriers to delivering EE



## Perceived Investment Gap



Around 50% of municipalities in the EU consider past investments in infrastructure to have been in line with needs.

One in three municipalities say that their investment activities over the past five years has been below needs. Less than 1% report 'over provision' over this period.

The share of municipalities reporting 'under provision' is largest for social 'housing'.

From a cross-country perspective, Italy shows the highest percentage of municipalities reporting 'under provision' of investments (around 47%).

Base: All municipalities

Q. For each of the following, would you say that, overall, past investment in your municipality has ensured the right amount of infrastructure, or led to an under provision or over provision of infrastructure capacity?

Source: [Municipal Infrastructure, EIB Investment Survey, 2017](#)

# EU – Infrastructure Gap

## Perceived Investment Gap by Country/Region

Total	33	17	36	47	38	35	40	20	36	22	33	46	13
ICT	34	22	40	47	47	13	37	25	35	27	26	40	28
Environment	29	14	13	47	33	40	37	11	48	31	23	37	42
Housing	44	22	53	47	43	30	69	33	36	28	41	58	22
Education	23	6	27	37	37	17	29	14	27	12	14	43	1
Health	28	19	13	37	37	23	43	18	39	25	16	54	11
Urban Transport	35	19	37	50	37	43	43	18	33	21	36	53	6
	EU	France	Germany	Italy	Spain	Poland	United Kingdom	Other Northern Europe	Other Southern Europe	Other Central Europe	South East Europe	Baltics	Benelux

Base: All municipalities

Q. For each of the following, would you say that, overall, past investment in your municipality has ensured the right amount of infrastructure, or led to an under-provision or over-provision of infrastructure capacity? \* The Figure plots the net balance of municipalities that report under-investment by country/region and sector. The number in the circle states the net balance of municipalities that report under-investment vis-à-vis over-investment for a particular country/region (in%).

# Wheatley Group: Affordable housing

- EIB Loan to finance the construction of energy efficient affordable houses (1,350) and the refurbishment of existing affordable housing (12,000) in Scotland;
- Promoter, Wheatley Group, is a registered social landlord;
- 1,350 apartments with an expected consumption of 41 kWh/m<sup>2</sup>/year;
- Expected energy savings of 52,348 MWh/y (from 26% to 73%, depending on buildings), corresponding to 13,640 t CO<sub>2</sub>/y;
- Total project investment cost EUR 442m, with an EIB loan of EUR 214m;
- Implementation period for the investments is 2016-2020.

- EIB Loan to finance the renovation of existing housing stock and the construction of NZEBs;
- Promoter, Vonovia, Germany's leading nationwide residential real estate company;
- 65,700 apartments with an expected consumption of 74 kWh/m<sup>2</sup>.year;
- Expected energy savings of 527,000 MWh/y (average from 171 to 74 kWh/m<sup>2</sup>/y), corresponding to 121,445 t CO<sub>2</sub>/y;
- Total project investment cost EUR 2.7bn, with an EIB loan of EUR 300m;
- Implementation period for the investments is 2017-2021.

- Based on the German tenancy law, landlords can increase the annual rent by up to 11% of the total cost of modernisation measures that go beyond legal requirements or usual maintenance and increase EE or improve living conditions. This possibility to increase rents beyond usual adjustments supports the financial viability of EE investments to landlords.
- Typically, the rent can only be increased by the following two mechanisms:
  1. Subject to legal and contractual requirements, provided that the rent has not changed in the previous 15 months, the owner may exercise the right for contractual adjustment, but only up to the amount of market rent. The local market rents are generally published every two years by the respective municipality.

2. The landlord may pass the cost of modernisation measures on to the tenants by increasing their annual rent by up to 11% of the costs incurred (minus the costs of required conservation measures).

This increase is only allowed if the project results in (i) final energy savings, (ii) the water savings, (iii) the practical value is sustainably raised, (iv) the general living conditions are improved in the long run, (v) if the modernisation measures carried out are due to circumstances for which the owner is not responsible and which are not conservation measures.

This does not apply if the tenant can prove that the rent increase would result in unreasonable social hardship.

After a rent increase, tenants often have a special right to terminate the lease contract.

- EIB Loan to finance the renovation and the construction of energy efficient social housing units in Zaragoza;
- Promoter is a public-owned social housing entity: Zaragoza Vivienda, S.L.U.;
- 842 apartments will be renovated and 308 of NZEB apartments with a projected annual net primary energy consumption is estimated at 22 kWh/m<sup>2</sup> and 11 kWh/m<sup>2</sup>.
- Expected primary energy savings of 5,446 MWh/year, corresponding to 1,073 t CO<sub>2</sub>/y;
- Total project investment cost EUR 81.4m, with an EIB loan of EUR 40m;
- Implementation period for the investments is 2018-2023 (to be signed).
- The rent is calculated based on the tenants income and does not cover the full costs. This gap is covered by the city of Zaragoza, which annually compensate Zaragoza Vivienda on the difference.



# ELENA: General Rules

- Grant covers up to 90% of costs related to project development support
- Budget allocation: first come, first served principle; on average 20 MEUR per year;
- Required level of maturity: preparatory studies carried out and main decisions taken before ELENA support request (ELENA proposal should demonstrate high probability that project will be implemented)
- Obligation of investment implementation - leverage factor required:
  - **20 for sustainable energy projects**
  - 10 for clean urban transport
  - **10 for Smart Finance for Smart Building**
- In case the leverage not achieved: grant may be clawed back
- Final beneficiary (applicant) doesn't have to be the one who is implementing the investment
- 3-year implementation period for EE projects, 4-year for urban transport

## European Local Energy Assistance

**Technical Assistance Support  
for  
Public or Private Project Developers**



**Eligible Investment Programmes**

**Eligible Costs  
(up to 90%)**

- Feasibility & market studies
- Programme structuring
- Business plans
- Energy audits
- Financial structuring
- Tendering procedure
- Contractual arrangement



**Expertise**

- Recruit additional staff
- Hire experts and advisors
- Costs of personnel assigned to the project



**Energy Efficiency &  
Renewable Energy**

- EE renovations of public and private buildings
- Street and traffic lighting
- Integration of renewable energy sources into the buildings
- Investments in district heating/cooling networks
- Local energy facilities (e.g. smart grids)

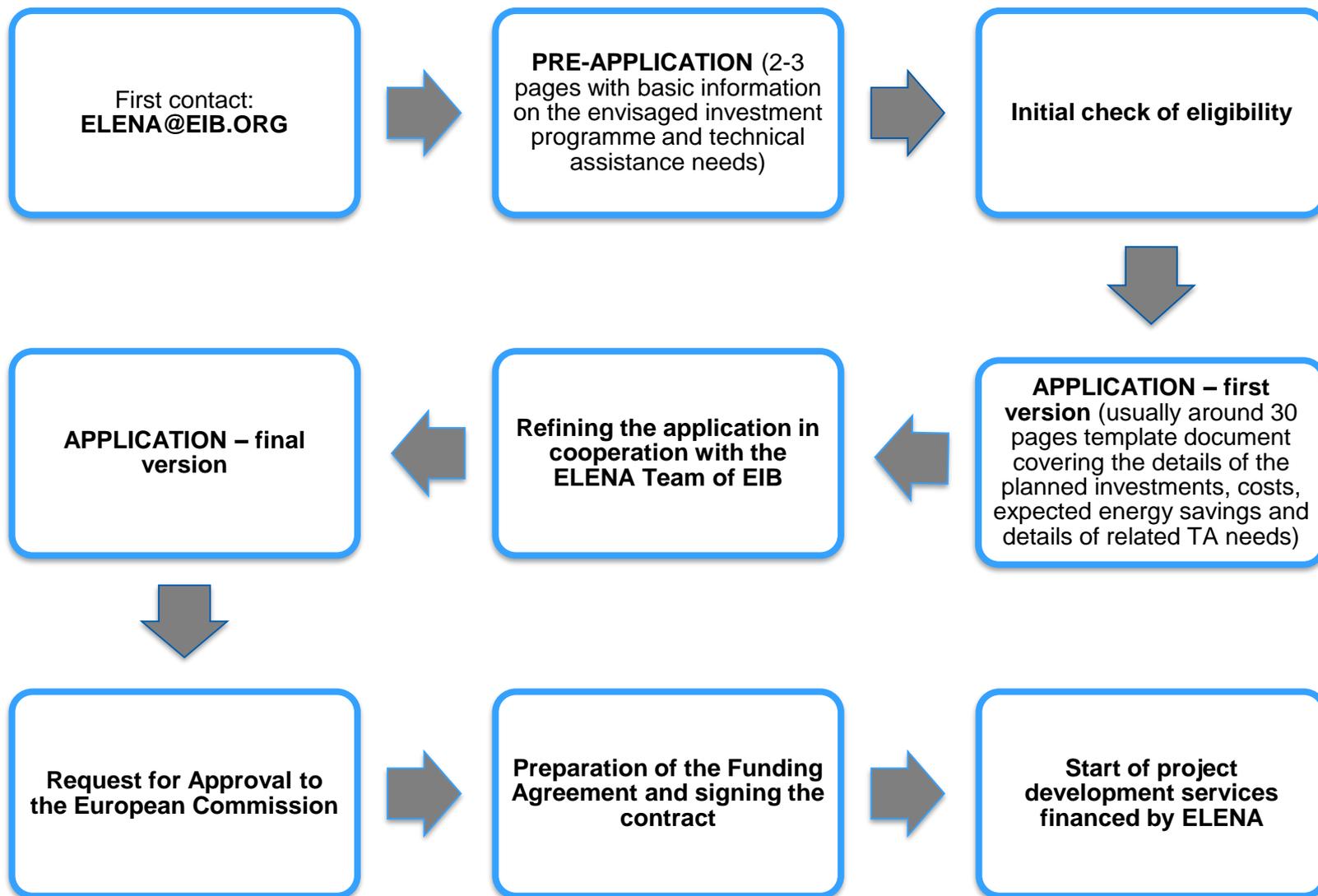


**Urban Transport &  
Mobility**

- Clean and energy efficient transport vehicles: trams, trolleybuses, metros, trains
- Investment in public transport



# ELENA: Application Process



## Huge investment needs and real potential to consume energy more efficiently

### But...

- Fragmentation (small projects and high transaction cost)
- Split incentives (landlords vs tenants)
- Subsidized energy costs
- Capital constraints to expand into new products
- Lack of technical expertise

### EIB's response

- Aggregation (intermediated lending, investment Funds, etc.)
- Broad range of instruments: direct and intermediated operations
- Provision of TA: PF4EE, ELENA and high-involvement in direct operations (NZEBs)
- However, some barriers non-addressable by EIB (e.g. regulatory barriers, split incentives, public sector limitations)



# THANK YOU !

More information at:  
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ELENA [www.eib.org/elena](http://www.eib.org/elena)