



NEW PACE

NEW EUROPEAN WAY FOR PROPERTY-
LINKED FINANCE SOLUTIONS

PACE PLF renovation finance

Pay as you benefit: renovate your
property with no upfront outlay

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**Concerted Action EED,
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The NEW PACE Project

The European Union's LIFE Programme

The **LIFE Programme** is the European Union's funding instrument dedicated exclusively to the **environment and climate action**, managed directly by the European Commission through its European Climate, Infrastructure and Environment Executive Agency (CINEA).

The NEW PACE project was selected under the **2024 LIFE-2024-CET-PRIVAFIN call**, whose main objectives are to attract and mobilise private finance for energy efficiency and renewable energy projects, break down market barriers, reduce investment risk through new financial mechanisms and standardise common frameworks to facilitate access to credit.

NEW PACE Consortium

TNO innovation
for life



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A Green Finance Institute member

 **JOULE**
A S S E T S



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European Union

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The building challenge in Spain



40%

del consumo
energético nacional



36%

de las emisiones
de GEI



80%

del stock actual
seguirá en uso en
2050



45%

de los edificios
construídos antes
de 1980



>80%

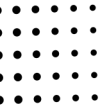
de edificios con
calificaciones
energéticas E, F o G.

The recast Energy Efficiency Directive (EED) complements the revised Energy Performance of Buildings Directive (EPBD) by putting in place binding energy efficiency reduction requirements by 2030

The Buildings Performance Institute Europe (BPIE) estimates that the deep renovation rate must reach 3% a year by 2030 and stay at that level until 2050 to meet the EU's climate neutrality target.

‘Efficiency-First’ requires structured long-term finance

Building envelope renovation as a long-term investment in asset value, affordability and quality



Making Deep renovation accessible

Innovative financing is needed that can enable and make accessible and affordable the long-term investments required for building envelope renovation works



National Energy Efficiency financing

Article 30 refers to adopting measures to promote energy efficiency lending products including secured and unsecured, on-bill and on-tax schemes,



Attracting institutional investment

Financing facilities shall use contributions, resources and revenues to encourage private capital investment, in particular drawing on institutional investors.

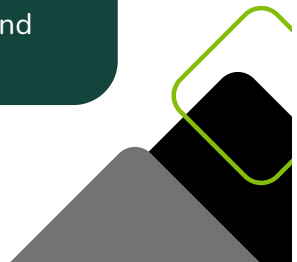


Protecting vulnerable, low-income occupiers

Article 24 underscores the need for access to funding and finance that targets deep renovation or minimum energy gains.

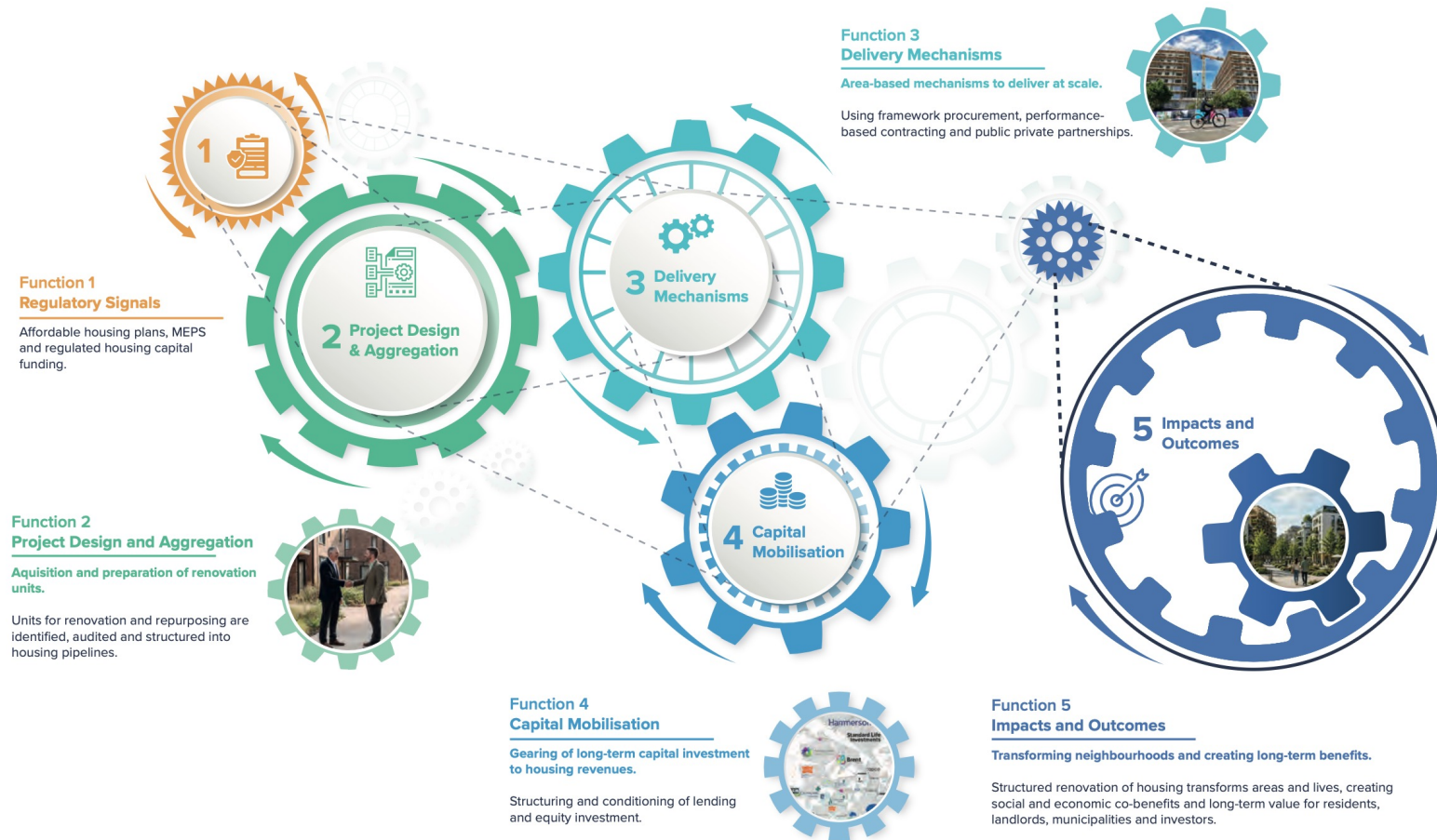
Why is there an implementation gap?

- **Property owners** face a significant capital investment barrier and with current financial products the repayments may exceed the value of minimum energy gains.
- **Residential renovation products** have been reliant on high grant funding intensity and unsecured personal lending on short tenors and with relatively high interest rates.
- **Multi-family apartment schemes** can access more competitive, longer term blended but require significant co-ordination.
- **ESCos focus on technical equipment** because this is the most attractive and readily possible to finance with shorter payback periods and better rates of return.



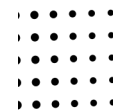
The need for an EPBD and EED Delivery Architecture

This example illustrates a possible affordable housing delivery architecture geared to mobilise capital



The barriers for building owners

Renovation is necessary, but conventional finance is often not sufficient



High upfront cost

A deep energy retrofit can cost between €80,000 and €200,000 per building. Few owners have that liquidity or wish to commit it.



Repayments higher than savings

A loan repays principal from the first month. The repayment usually exceeds the energy savings, and the owner pays the difference out of pocket.



Terms shorter than useful life

Loans of 7–10 years and mortgages of 20–25 years may be shorter than the renovation term needed.



Personal debt with a fixed term

The loan follows the person, not the property. If you sell before repaying it, you must pay it off or negotiate its transfer to the buyer.

And regulation is moving forward

- **EED Directive (EU) 2023/1791:** transposition of efficiency-first targets as well as establishment of access to funding and financing facilities and instruments at national level.
- **Non-residential:** minimum energy performance standards (MEPS) to renovate the worst-performing 16% of buildings by 2030 and 26% by 2033.
- **Residential:** reduction in average primary energy use of 16% by 2030 and 20–22% by 2035.
- **NECP (PNIEC) 2023–2030:** between 1.3 and 1.5 million homes retrofitted by 2030.



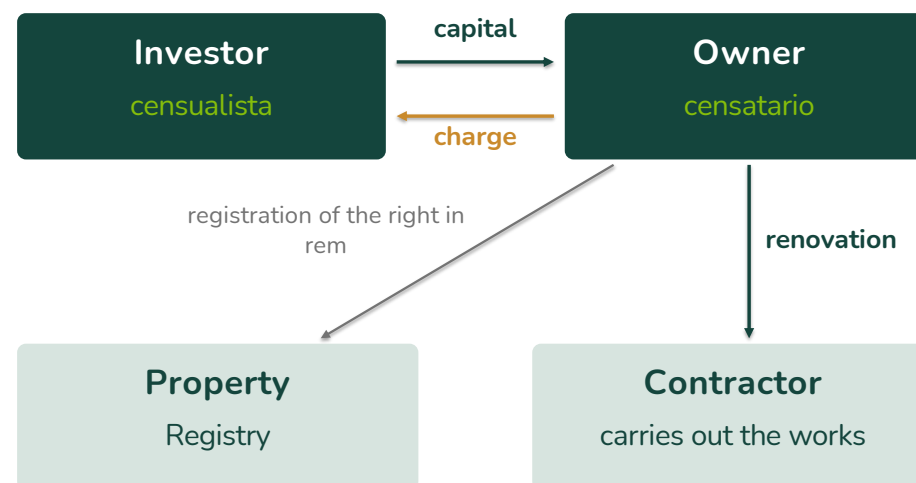
The proposed solution: PACE property-based financing

PACE (Prestación Adscrita a un Canon Ecológico) is built on existing Spanish Civil Code

An investor funds **100% of the renovation**.

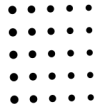
You pay a **green periodic charge (or 'canon')** linked to the property, which is transferable to a new owner.

Pay as you benefit. If it reaches the agreed maturity (e.g. 40 years), the censo is extinguished without repayment of capital; if you sell earlier, future canon payments pass to the buyer.



A fully valid legal instrument. A right in rem governed by the Civil Code (arts. 1604–1664), requiring no further legislation. Legal analysis carried out with Uría Menéndez under the LIFE NEW PACE project.

Four features that define the PACE property-based charge



A right in rem governed by the Spanish Civil Code (arts. 1604–1664), being revived as a financing instrument for energy retrofits.

01



The investor advances 100% of the capex

Covers the works and associated costs, with no upfront outlay. It is not a loan: there is no obligation to repay the principal.

02



The owner pays a periodic charge

Fixed, variable or mixed (e.g. fixed for six years, then CPI-linked), paid monthly, quarterly or annually. The capital is neither amortised nor accelerated.

03



Secured by an in rem right over the property

Entered in the Property Registry and secures the periodic payments due. On sale, the obligation transfers to the buyer.

04

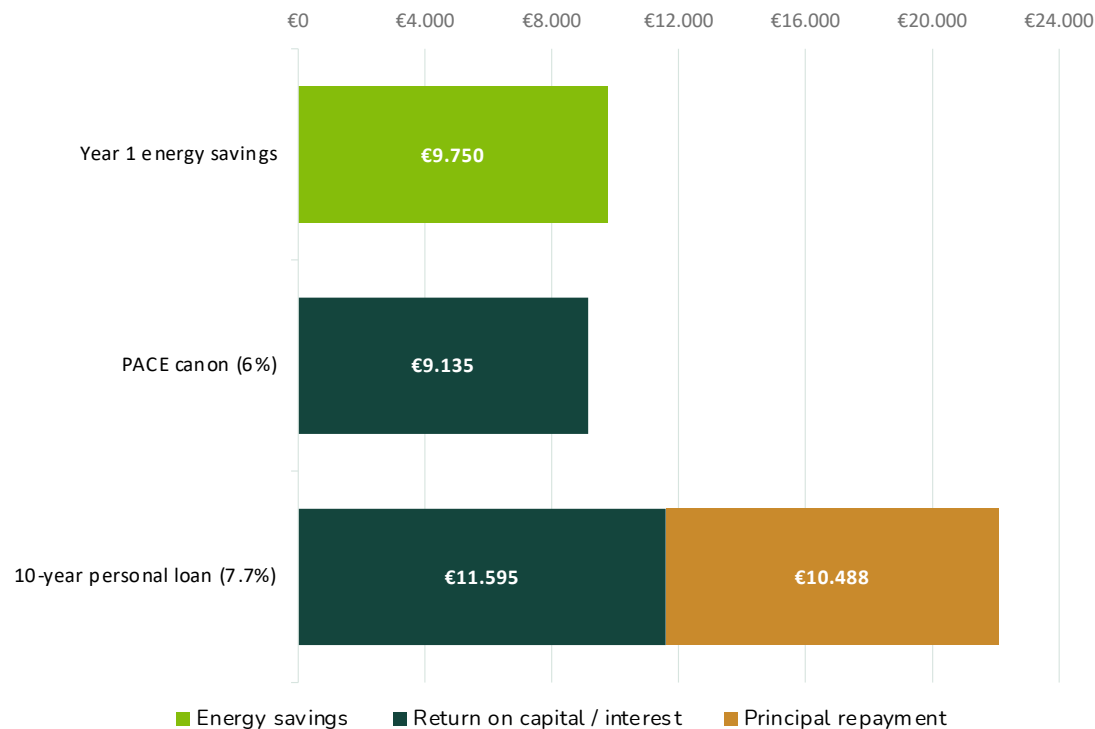


Redemption at the owner's option

The property owners has the right to extinguish the charge without the need to repay of capital. The capital provider has the right to a lock-up period of up to 20 years.

Pay as you benefit

Savings and comfort arrive from year 1; payment is spread over the time you enjoy the retrofit



Year 1, no grant, on €150,000 of works. Annuity (French-system) loan at 7.7% (average APR on consumer credit, Bank of Spain, July 2026).

Benefit from year 1

Lower energy bills and greater comfort as soon as the works are completed.

Pay less than you save

The canon is lower than the savings and less than half the repayment on a 10-year loan.

Pay only while you benefit

The green canon is attached to the property, like council tax (IBI): if you sell, it passes to the buyer. It ends at maturity with no capital repaid.

How it is formalised, step by step

A transparent process, with notarial advice and property registration

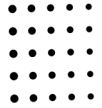


The final terms (capital, property-charge, redemption) are set in the public deed creating the censo.



Comparative advantages for the owner

What the PACE property-based charge offers compared with a personal loan or paying from own funds



100% financed

Works, audits and other costs, included in the initial capital.



Charge is below loan repayment

Less than half the repayment on a 10-year personal loan.



Property value uplift

An efficient property is worth more: the premium can exceed 15% after the works.



Pay as you benefit

If you sell, future canon payments pass to the buyer, who will enjoy the savings.



Limited security

Covers payments due, not the capital. No acceleration.



Flexible exit

Individuals: whenever they wish. Companies: after 10 years.



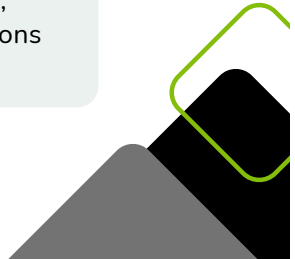
Tailored payments

Fixed, variable or mixed, with the frequency and cap agreed at signing.



Compatible

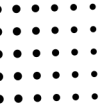
With existing mortgages, leases, owners' associations and public grants





Potential for application to residential properties

Single-family homes and multi-owner buildings



Single-family home

How it works

The owner commissions the deep retrofit and creates the censo before a notary; the investor provides the capital in return for the periodic canon.

Advantages

No upfront outlay. Does not hinder a sale to a third party: the obligation transfers with the home. Compatible with grants.

Points to consider

Arrangement costs are significant relative to small amounts; they are included in the censo capital.



Owners' association

How it works

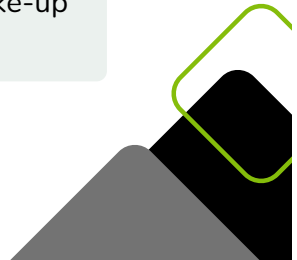
The general meeting approves the works under the Horizontal Property Act (LPH), and each owner who wishes creates a censo over their own dwelling for their share.

Advantages

One neighbour's default does not affect the others, and the censo does not hinder the sale of each dwelling to a third party.

Points to consider

Dual consent (association and individual), risk of partial take-up and allocation of common elements.





Application to commercial and rental properties

Non-residential (offices, retail, logistics) and residential lettings



Non-residential property

How it works

A single owner (company, professional, SOCIMI, fund or corporate landlord) creates the censo. Legally, this is the simplest application.

Advantages

Canon payments function as operating expenditure (opex), not debt service. A response to the EPBD MEPS.

Points to consider

Cost-sharing with the tenant and existing debt on the asset.



Private or social rental

How it works

The landlord creates the censo and commissions the works. The tenant's consent is not required to create the right in rem.

Advantages

A canon calculated on the tenant's net savings could be passed on without increasing their total outgoings (bills plus canon).

Points to consider

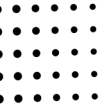
Rent caps and tenant turnover.





Protection for the owner

The design of the product protects the owner at every stage



Ownership does not change

The censo is a right in rem, not a transfer of ownership. The property remains in your name.



Limited security

The registered charge secures overdue canon payments, never the capital, and is enforced through ordinary proceedings.



No acceleration

Non-payment does not accelerate the capital or future canon payments, and the security is not enforced for arrears below two annual payments.



Cap on indexation

Indexation has an agreed cap (4% a year in the example) and, if CPI is negative, the canon stays the same.



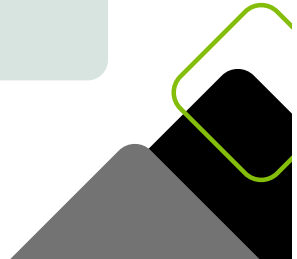
Unilateral redemption

Only you decide when to redeem: individuals at any time; legal entities after 10 years. The investor cannot require it.



Notary and Property Registry

A registered deed and, for individuals, consumer-credit transparency: standardised information, total cost and APR.



What property owners think*

40% Consider energy efficiency a decisive factor in a renovation



When carrying out an improvement or repair to their home.

75% Would be interested in improving the energy efficiency of their home



If they had access to finance.

63% Have not made any green or sustainable investment to date



Average spending on this type of renovation puts the estimated potential market at €30bn.

70%/76% Interest in and consideration of property-linked products



After the concept was explained to the owners surveyed.

Strong interest from property managers

The PACE Canon overcomes two obstacles: it makes a deep retrofit possible and lets each neighbour take on their own share of the debt.

* Consumer's attitudes towards sustainable financial products – March 2025. Green Finance Institute España.



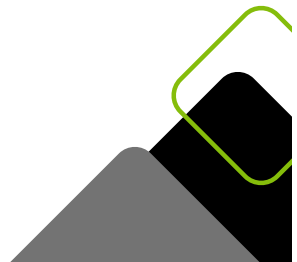
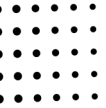
Conclusion and next steps

A property-based product that benefits property owners, investors and regulators

- **Building owners perspective** provides the capital to carry out deep renovation works, with more affordable periodic charges enabling them to benefit from the improved asset quality and value.
- **Investors perspective:** creates an attractive new guaranteed long-term income stream for investors, akin to a fixed income product.
- **Regulators perspective:** Fulfills EED requirements to put in place financing instruments that:
 - ✓ make deep renovation more accessible and affordable
 - ✓ help to protect vulnerable and low-income households
 - ✓ has the potential to attract institutional investment

Next steps

- New PACE is looking to identify **pilot building renovations** to originate and introduce the product into the market in Spain and the Netherlands.
- During Q1-2 2027 we will be looking to explore the **EU market potential** by working with 5 Member States.



Thanks!



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