

CLIMACT

Empowering **you** to act
on **climate change**

energinvest

Financité

Upscaling the financing of Residential Renovation in Belgium

MAIN RESULTS OF THE STUDY

22 February 2024

SFPIM

WE ARE FACING A **VERY AMBITIOUS** CHALLENGE

2050



Global carbon neutrality



Buildings play a key role

*Direct/indirect emissions, urban planning
impact on mobility emissions*



€389 billion investments

To reach the regional EPC targets



Social challenges can't be dissociated

*And delaying action increase costs, both for people
and public administration
Many co-benefits: health, jobs, wellbeing, ...*

2030 (*tomorrow !*)

-55% GHG emissions

Mandatory renovation calendars

*Set or foreseen, they shall trigger the renovation of
the worst energy performing building*

€161 billion

To be on track with the calendars

**An important share of homeowners
cannot bear the financing**

With existing measures and market conditions

Agenda



The financing challenge to unlock a renovation wave

Towards a Home Renovation Loan Scheme in Belgium

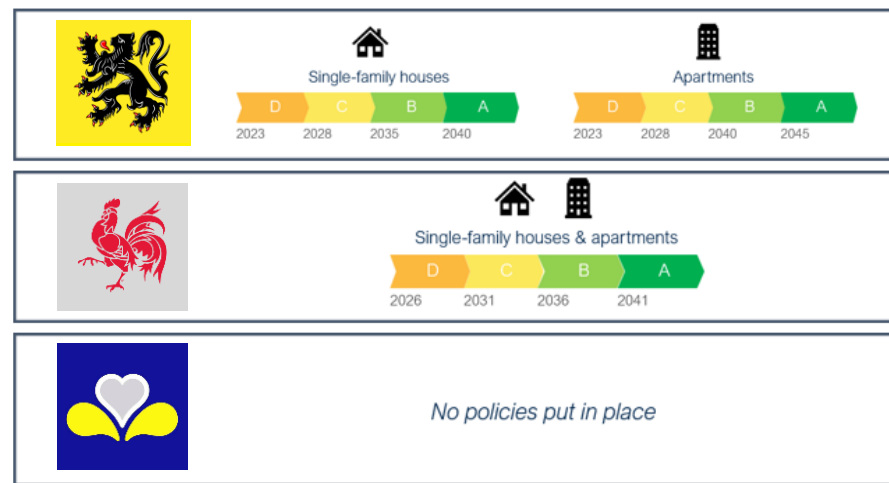
Summary of the recommendations

THE DESIGN OF SUPPORT AND INCENTIVE INSTRUMENTS SHOULD COMPLY WITH RENOVATION CALENDARS

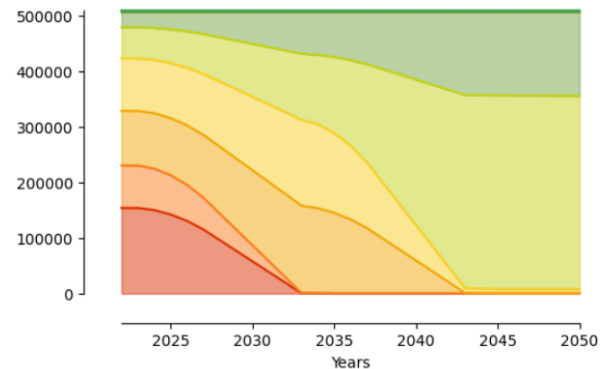
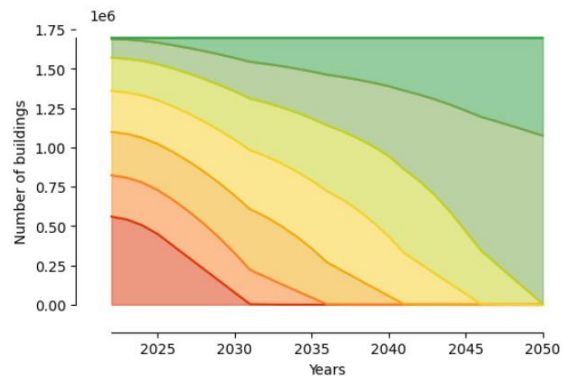
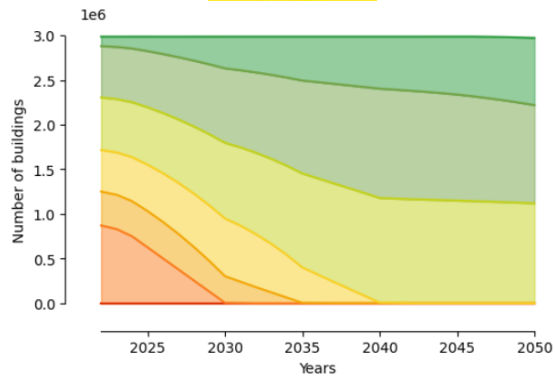
Mandatory renovation **by 20XX**



Mandatory renovation **after purchase**



THE DESIGN OF SUPPORT AND INCENTIVE INSTRUMENTS SHOULD COMPLY WITH RENOVATION CALENDARS



Label legend

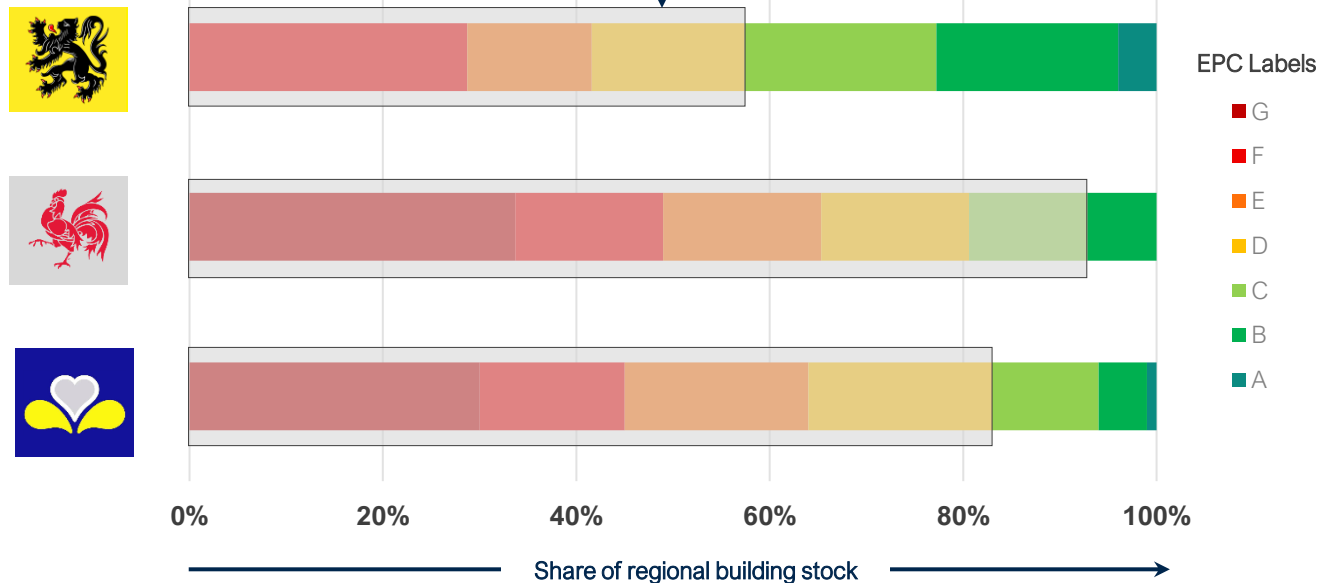


MOST DWELLINGS SHALL BE DEEPLY RENOVATED TO COMPLY WITH THE RENOVATION CALENDARS

By 2050, **3.8 Million dwellings** must be renovated for an estimated **total cost of €278 billion**

Volume of residential buildings / EPC / region

Building stock to be renovated by 2050 based on renovation calendars

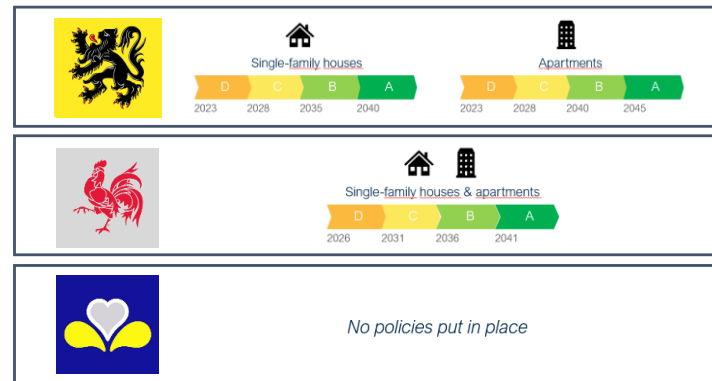


THE QUESTION IS NOT ANYMORE IF, BUT RATHER HOW ?

Mandatory renovation **by 20XX**



Mandatory renovation **after purchase**



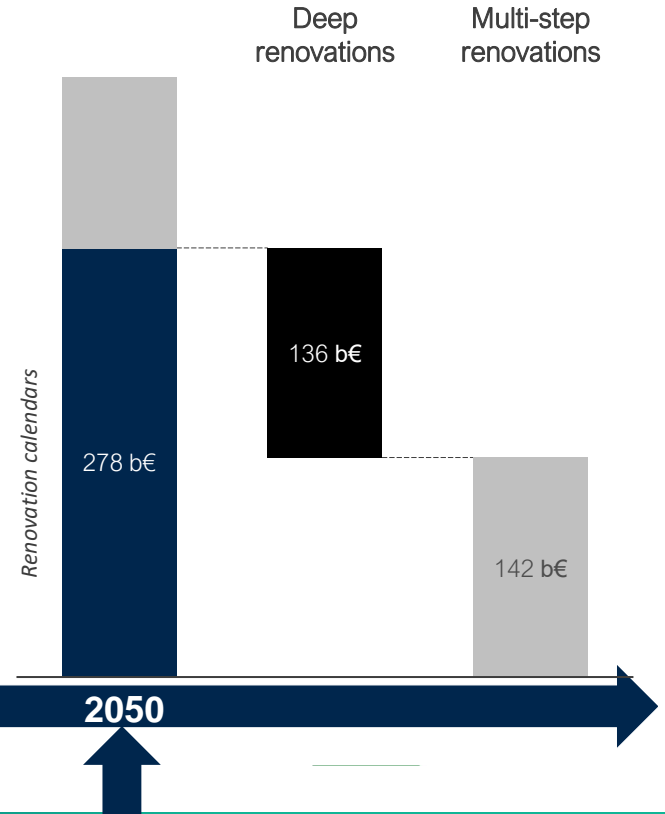
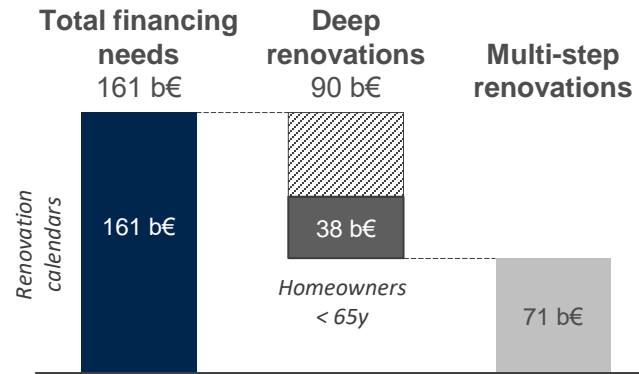
While renovation calendar target very large volumes, their ambition is lower than the 2050 EPC targets

2050 EPC targets



RENOVATION FINANCIAL NEEDS

1. Renovation financial needs for 2050
2. Taking the renovation calendars into account
3. Segmenting by renovation depth
4. Segmenting by homeowners in 2033



2022 →

2033

2050

PROVIDING FINANCING FOR ALL IS A DOUBLE-SIDED CHALLENGE

+40 %

of homeowners cannot
finance a deep energy
renovation

ACCESSIBILITY

Financing solutions must be
suitable to all socioeconomic
profiles and all financing power

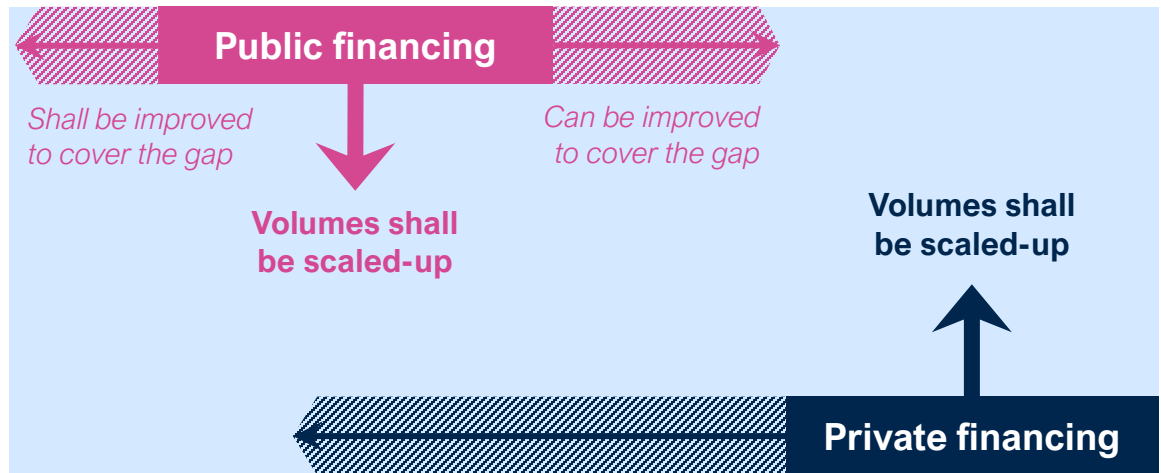
SCALE

There should be enough
volumes available to support
the financing of
~€10 billion investments / year
until 2050

IF PUBLIC AUTHORITIES CANNOT PROVIDE ADEQUATE FINANCING AT SCALE, PRIVATE FINANCE MUST BE LEVERAGED

Homeowners Financing power
(Depends on the financing conditions)

Insufficient ————— Limited ————— Sufficient →

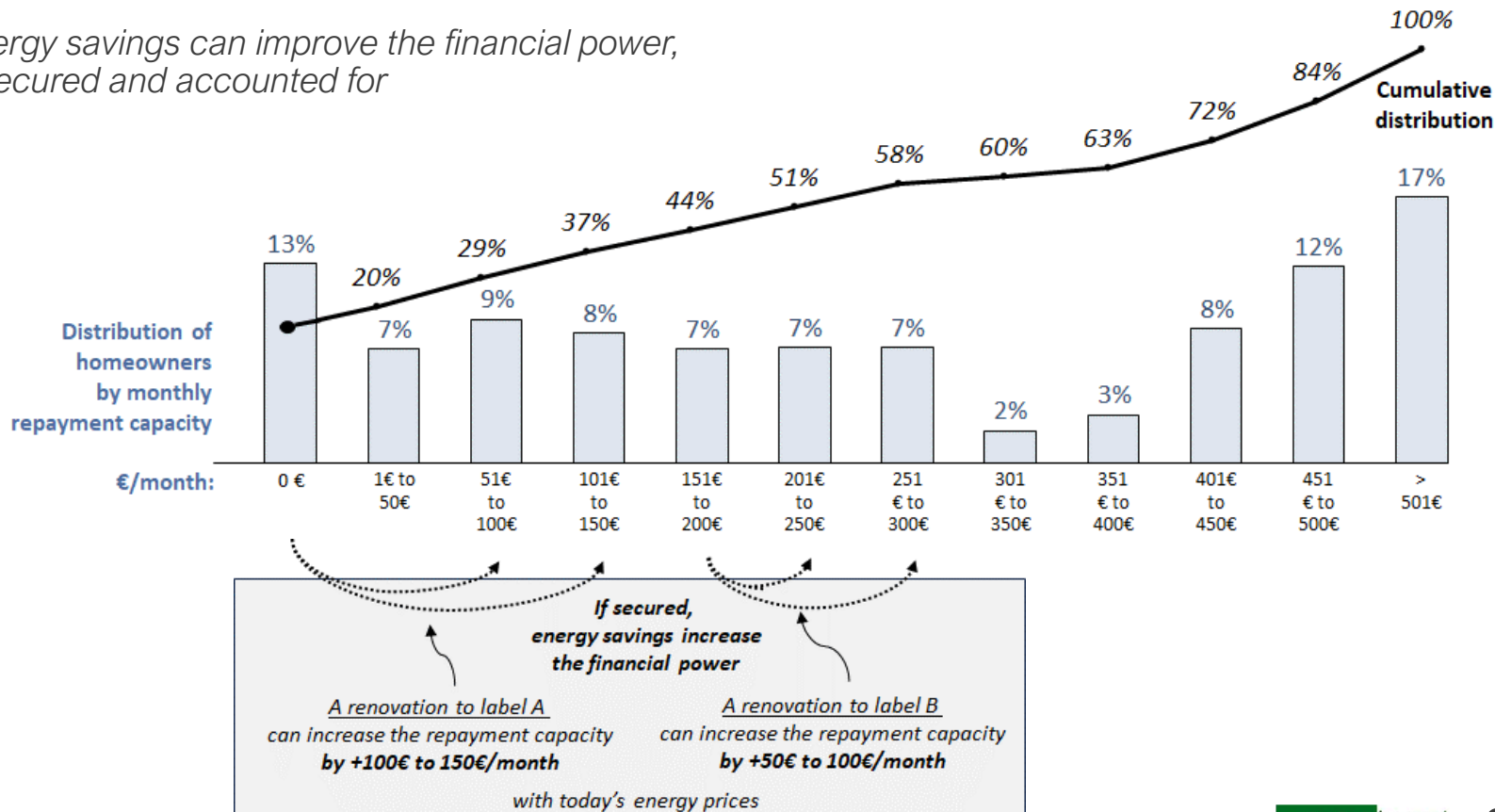


Today, provides 7% of the €10 billion required yearly to meet the investments targets

Can be leveraged to cover parts of the financing gaps, and to limit the required scale-up of public financing

LIMITED REPAYMENT CAPACITIES SHOULD INFORM THE DESIGN OF THE MECHANISMS

Energy savings can improve the financial power, if secured and accounted for

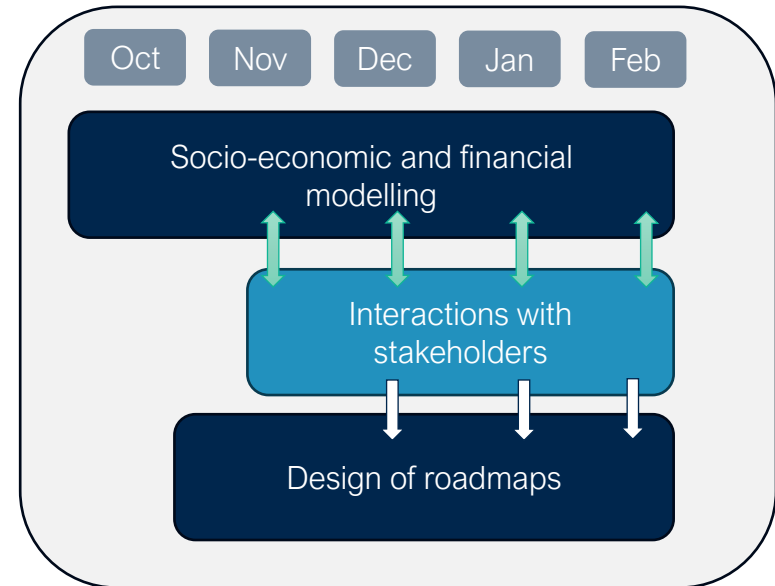


PROCESS, METHODOLOGY AND STAKEHOLDERS

STAKEHOLDERS CONSULTED DURING BILATERALS AND/OR WORKSHOPS	
Regional cabinets in charge of Energy Regional Administrations	
International stakeholders	EIB SGFGAS - FRANCE SEAI - IRELAND
Public financing institutions	BNB – NBB ONESTO VLAANDEREN SOCIETE WALLONNE DU CREDIT SOCIAL (SWCS) FINANCE&INVEST.BRUSSELS
Private financing institutions and insurance companies	AG INSURANCEATRADIUS BELFIUS BANK BNP PARIBAS FORTIS FEBELFIN ING BELGIUM INVESIS KBC BANK
OSS	RENO+ (BUILDWISE & EMBUILD) RENO CITY (AGC) FOSSTER
Energy	C-ENERGY/CORDEEL GROUP KARNO KNAUF ENERGY SOLUTIONS

Stakeholder consultation

- SEIF 2022, 2023
- 15 bilateral meetings
- 2 workshops (dec and jan)



Agenda



The financing challenge to unlock a renovation wave

Towards a Home Renovation Loan Scheme in Belgium

Summary of the recommendations

STAKEHOLDER CONSULTATION AND BEST PRACTICES HAVE DRIVEN THE CHOICE OF TWO MECHANISMS

ILR

Instalment Loan for Renovation

Unsecured loan with maturities of up to 20 years (and possibly 30 years) designed in conjunction with capital grants and interest rate subsidies to enable **the greatest number of households** to take on the burden of debt (capital + interests).

Main backing initiatives: *Irish scheme. Signals from the stakeholders that alternative third-party financing models (on-bill, tax-based financing, ...) while of undeniable interest, are still in their infancy*

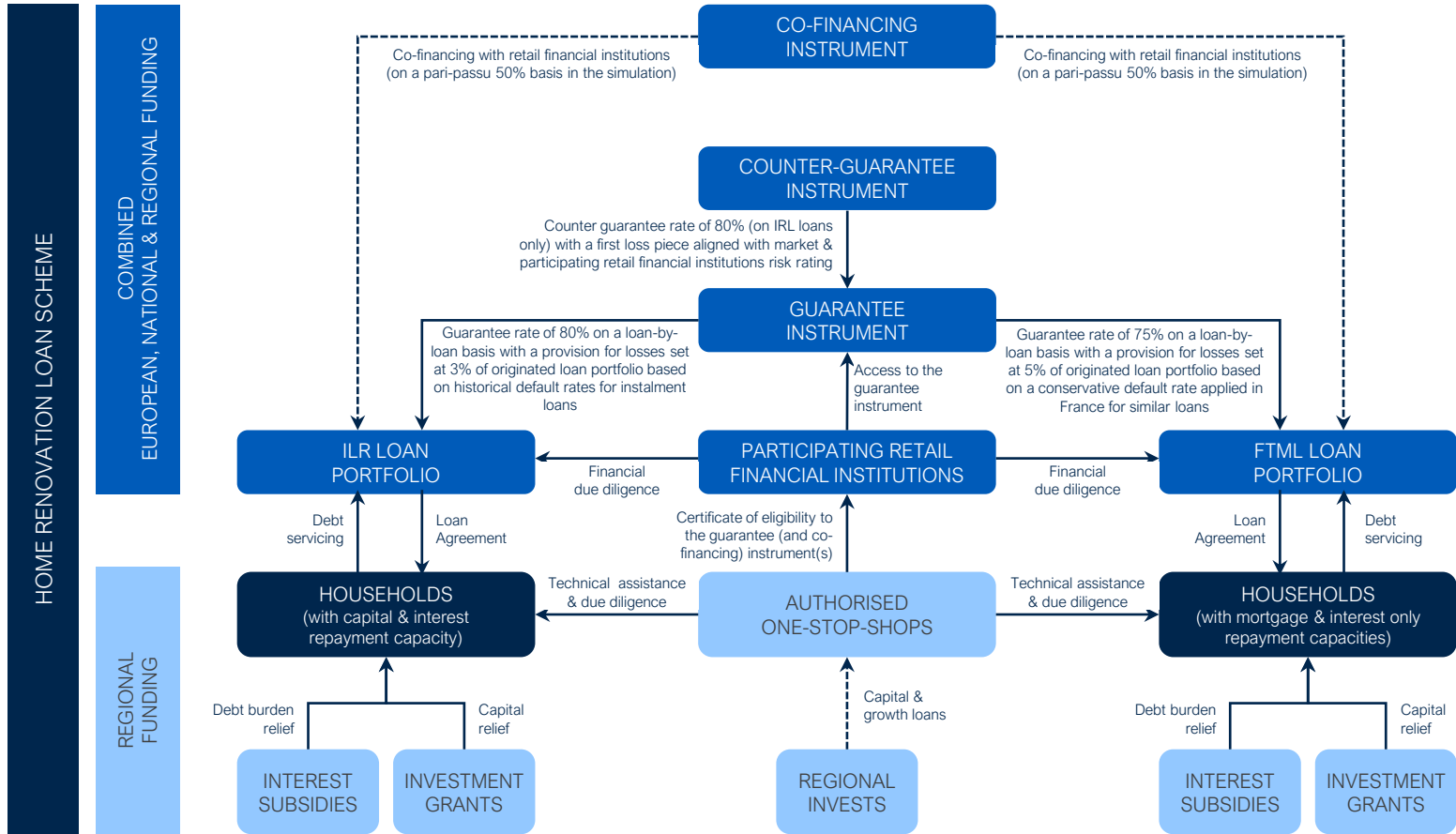
FTML

Fixed Term Mortgage Loan

Secured loan with maturities up to 20 years (and possibly 30 years) designed to address **households with a mortgage capacity and a solvency limited** to the payment of interest

Main backing initiatives: *SEIF, PAR (Prêt Avance Renovation), strong focus on accurate targeting and adherence to FSMA regulatory framework*

THE HOME RENOVATION LOAN SCHEME (HRLS) LEVERAGES INSTRUMENTS TO OPTIMIZE THE COSTS OF FINANCING



PROJECT ACTIVITIES

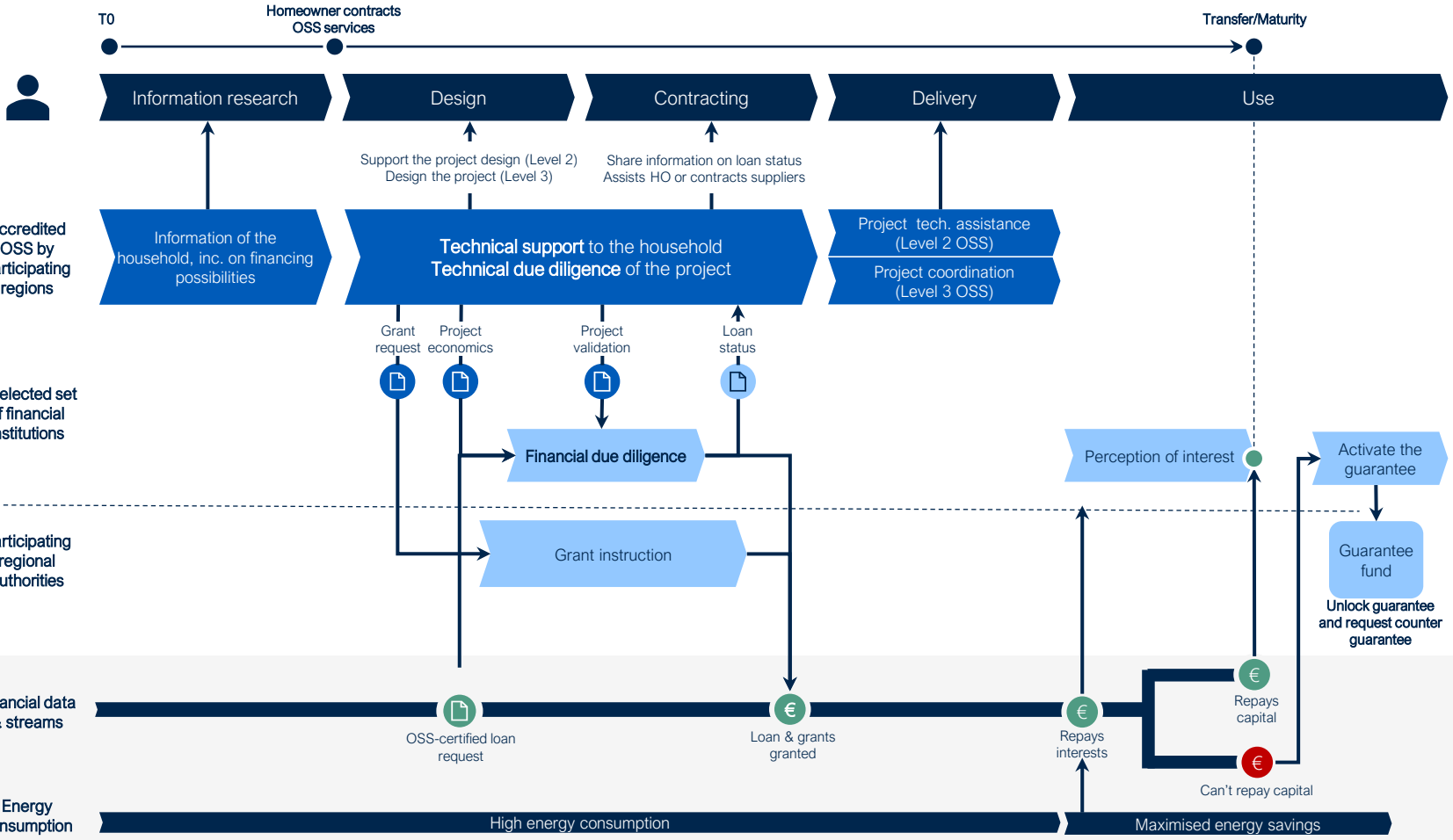
PROJECT TIMELINE

OSS OPERATIONS

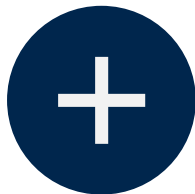
PROJECT FINANCING

Financial data & streams

Energy consumption



THE CHALLENGE OF ACCESS TO FINANCING FOR ALL



INCREASED GRANTS

Lower the amounts to be loaned, thereby increases financial access to deep renovation and reduces financing costs for HO



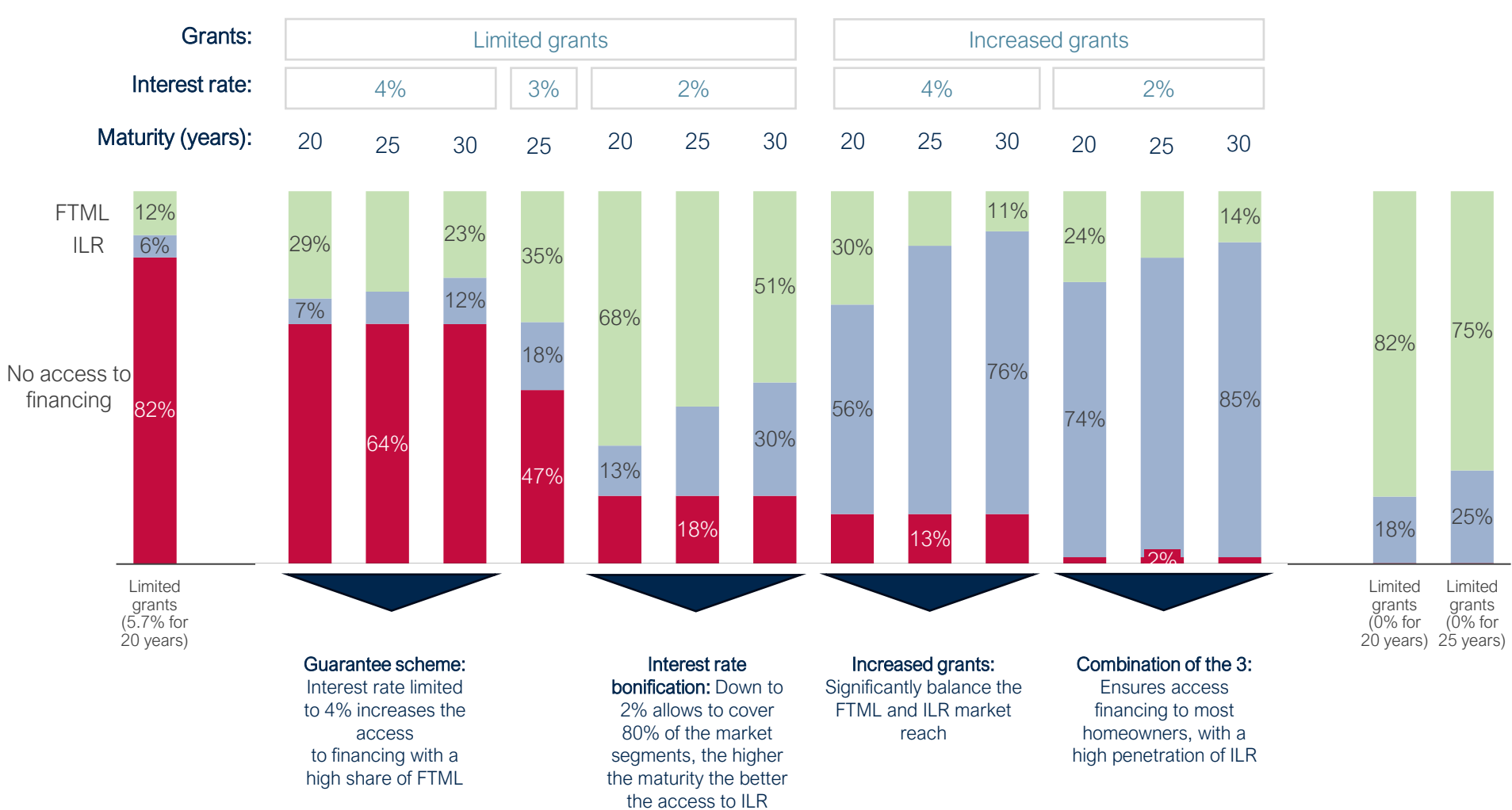
LOWER INTEREST RATES

Reduce the monthly repayment AND the cost of financing



INCREASED MATURITY

Reduces the monthly repayment BUT increased the cost of financing



COSTS HAVE BEEN LOOKED AT CONSIDERING TWO COMPLEMENTARY APPROACHES IN TERMS OF LOAN PORTFOLIO

Approach 1 “full portfolio”

- All homeowners within the scope must renovate by 2033, therefore financed
- The renovation should be fully financed for homeowners with no access to financing

Approach 2 “€5 billion loan portfolio”

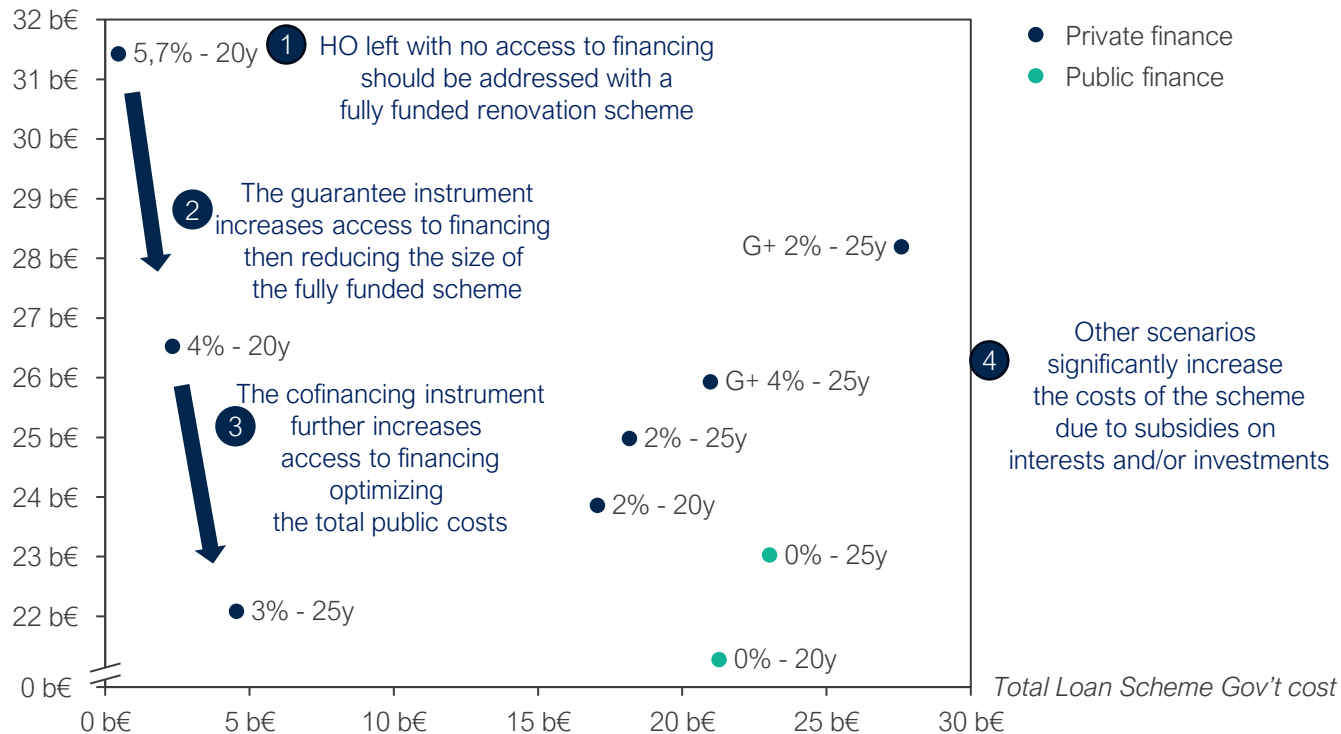
- Implementation of the scheme limited to €5 billion of triggered investments
- Designed to isolate the impact of the fully funded scheme in the cost analysis.
- Designed with a 60% share of FTML in the portfolio.

THE HRLS REDUCES TOTAL PUBLIC COSTS TO MEET THE SHORT-TERM TARGET

Approach 1 Full portfolio

Gov cost
vs
Gov scheme cost

Total Government cost

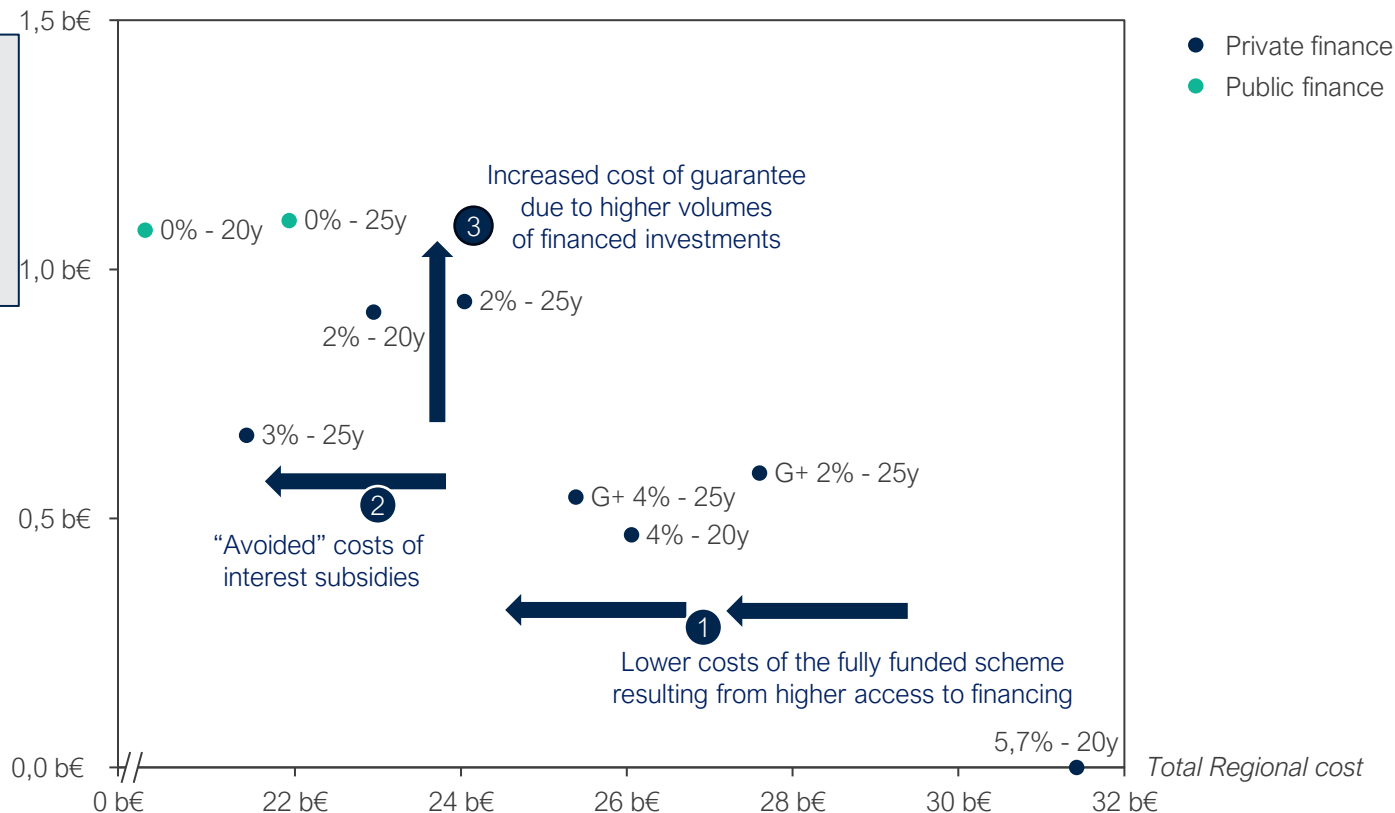


THE HRLS ALLOWS SIGNIFICANT COSTS REDUCTIONS FOR REGIONS WITH LIMITED COSTS AT FEDERAL LEVEL

Total loan scheme financial instrument cost

Approach 1 "Full portfolio"

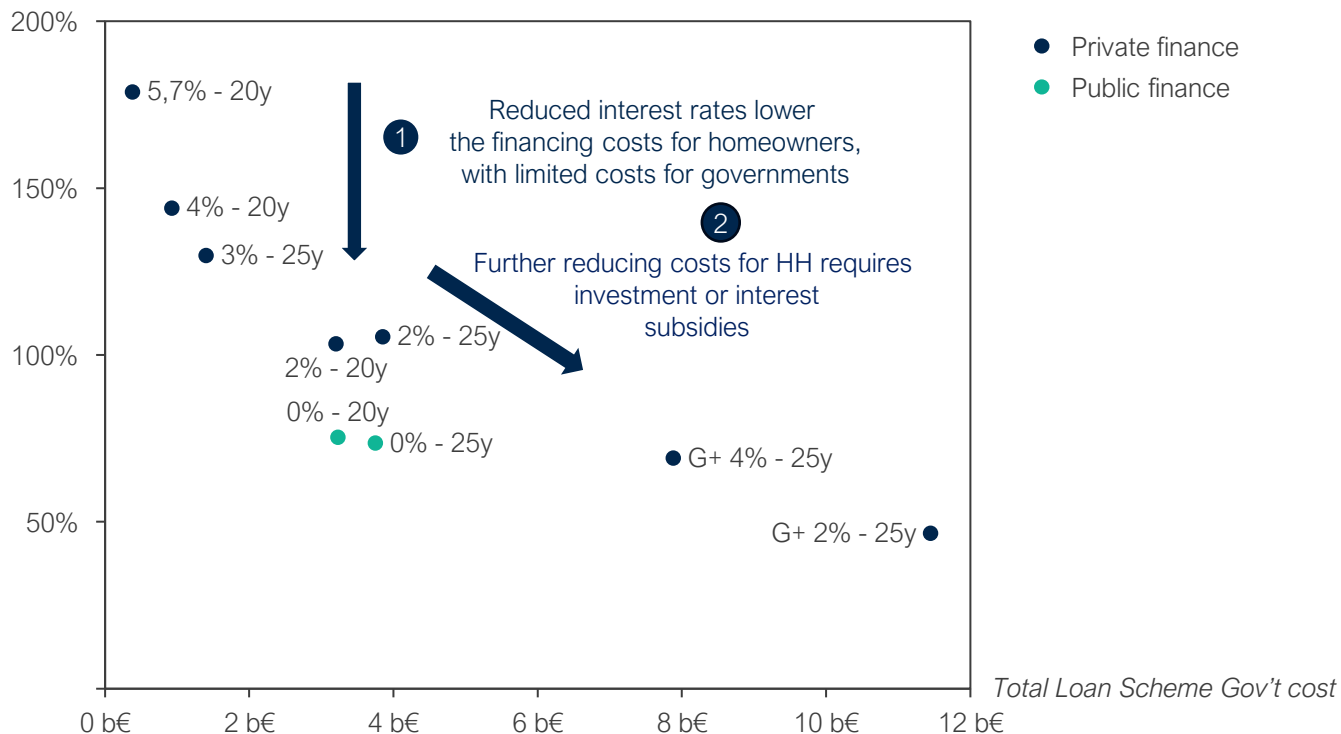
Loan costs
vs
Regional costs



THE HRLS ALLOWS SIGNIFICANT COSTS REDUCTIONS FOR REGIONS WITH LIMITED COSTS AT FEDERAL LEVEL

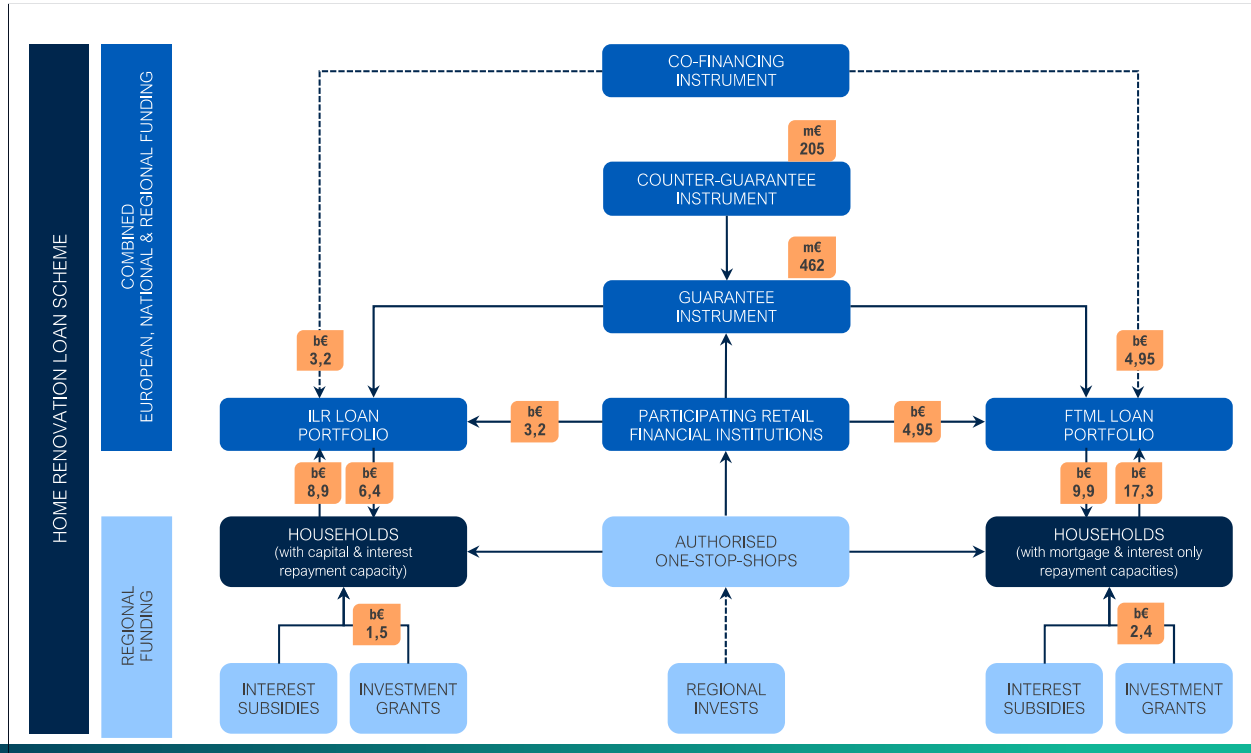
Approach 2
 "5 b€ portfolio"
 %HO costs
 vs
 Gov scheme cost

Total costs for
 homeowners
 relative to mobilized
 investments (%)



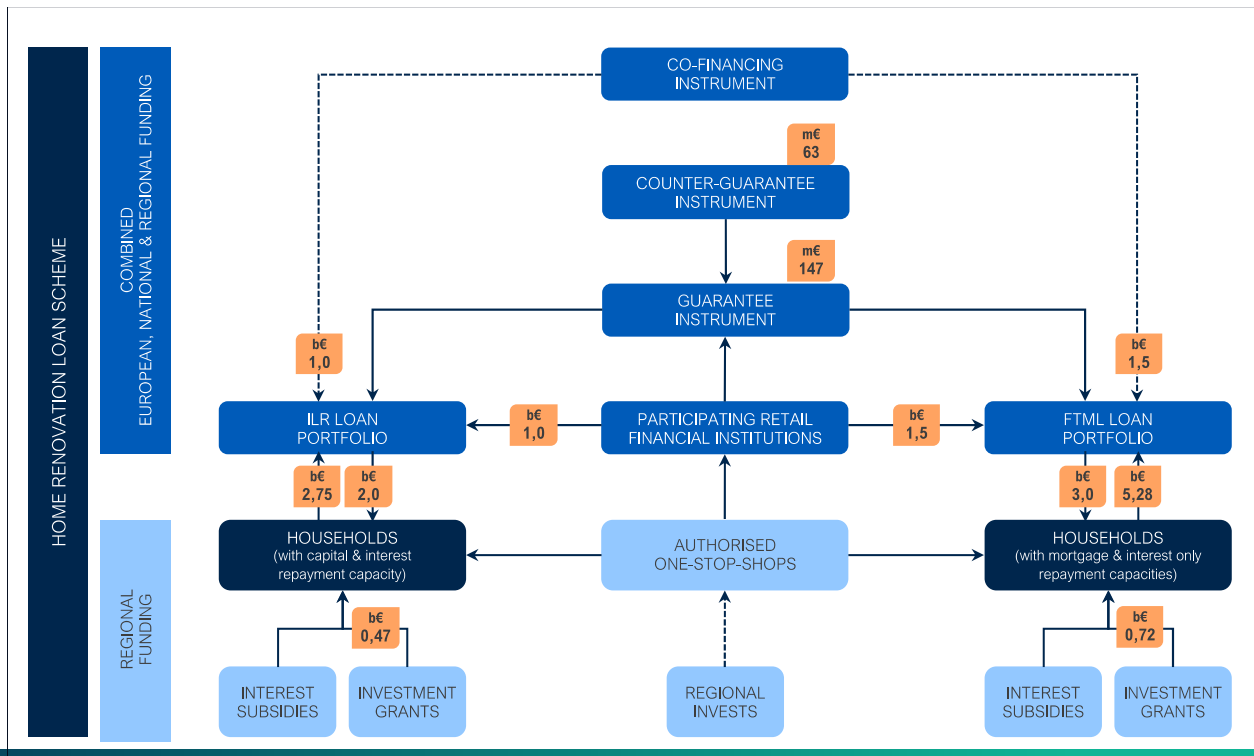
A FULL LOAN PORTFOLIO HRLS WOULD TRIGGER 20 BILLION INVESTMENT AND CUT PUBLIC SPENDING BY €9,3 BILLIONS

	CURRENT MARKET	HRLS FULL PORTFOLIO
INVESTMENTS TRIGGERED	b€ 6,7	b€ 20,1 (+300%)
PUBLIC SPENDING	b€ 31,4	b€ 22,1 (-30%)



A 5 BILLION LOAN PORTFOLIO HRLS WOULD INCREASE INVESTMENT TRIGGERED BY 15% AND CUT COSTS TO HOUSEHOLDS BY €1,6 BILLION

	CURRENT MARKET	HRLS 5 BILLION
INVESTMENTS TRIGGERED	b€ 5,4	b€ 6,2 (+15%)
HOUSEHOLDS COSTS	b€ 9,6	b€ 8,0 (-16%)



Agenda



The financing challenge to unlock a renovation wave

Towards a Home Renovation Loan Scheme in Belgium

Summary of the recommendations

MAIN OUTPUTS

A report

1



Upscaling the financing
of Residential Renovation in Belgium

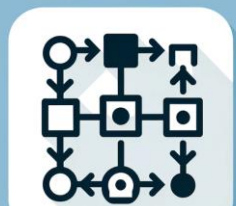
**DOWNLOAD
THE REPORT**



www.climact.com/en/sfaim-study-reno-residential

A modelling framework

2



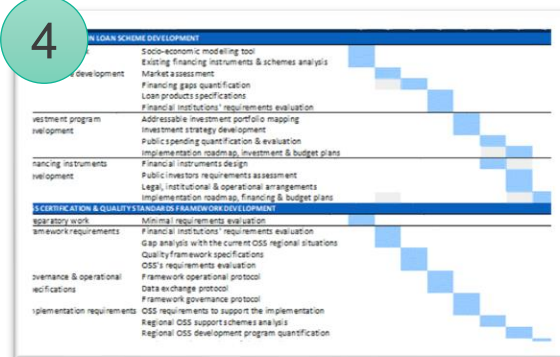
Preliminary considerations of instruments design

3



Roadmaps for the mechanisms

4



SUMMARY OF THE RECOMMENDATIONS

Quickly leveraging financing at scale

If governments can afford it, **massive public financing (grants and lower-cost capital) would better ensure the conditions for a fair transition**

Alternatively, improve homeowner's access to private financing by **developing the Home Renovation Loan Scheme**

Federal action should target instruments to lower the interest rate, enable extended maturities and reduced requirements for assessing the consumer's creditworthiness, while regional action should target the reduction of credit needs

Refine the design and build a solid implementation roadmap of these instruments

Required complementary actions

Develop further socioeconomic knowledge on Belgian household typologies

Keep investigating and experimenting innovative financing solutions and mechanisms

Reform the grant administration processes

Strongly develop OSS renovation services, key enabler for the upscale of deep energy renovation financing

Financial barriers must not overshadow the many obstacles to energy renovation

DOWNLOAD THE REPORT

*Upscaling the financing
of Residential Renovation in Belgium*

**DOWNLOAD
THE REPORT**

www.climact.com/en/sfpim-study-reno-residential

