

How can the European Central Bank help unlock the Renovation Wave





Positive Money Europe



Why buildings renovation is a crucial priority?

36%

buildings and construction sector accounts for 36% of EU GHG emissions from energy.

European Commission, 2020

50 billions

How much the EU could save from energy expenditure if it succeeds with energy efficiency targets

European Commission, 2020

34 millions

Energy-poor citizens in the EU

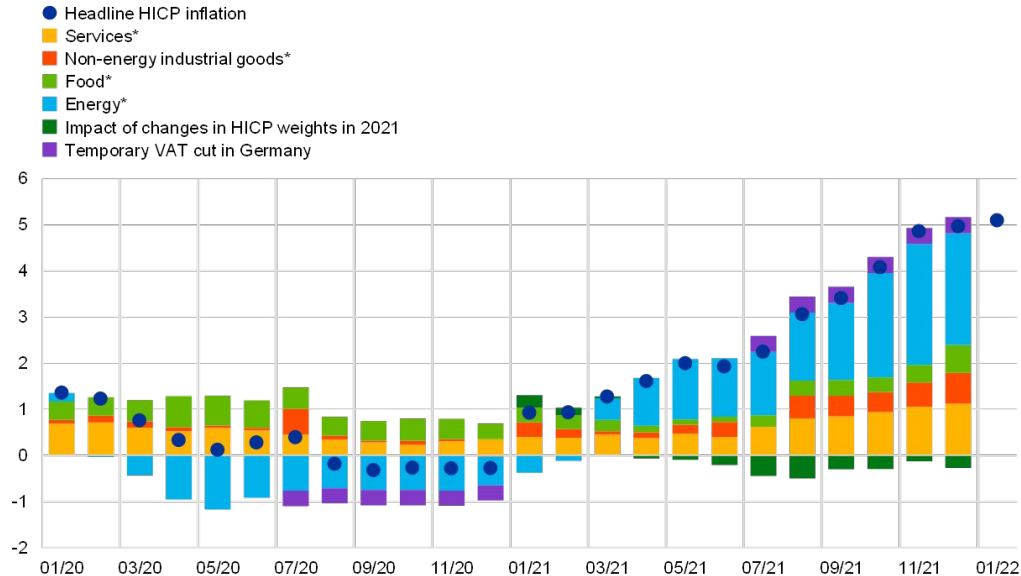
EU Energy Poverty Observatory, 2020

1,8% inflation

Due to energy prices - around half of the total inflation

European Central Bank, February 2022

A win win for the ECB



Reducing the EU's reliance on imported fossil fuels will contribute to reducing the impact of energy prices in the inflation index (HICP).

220 millions

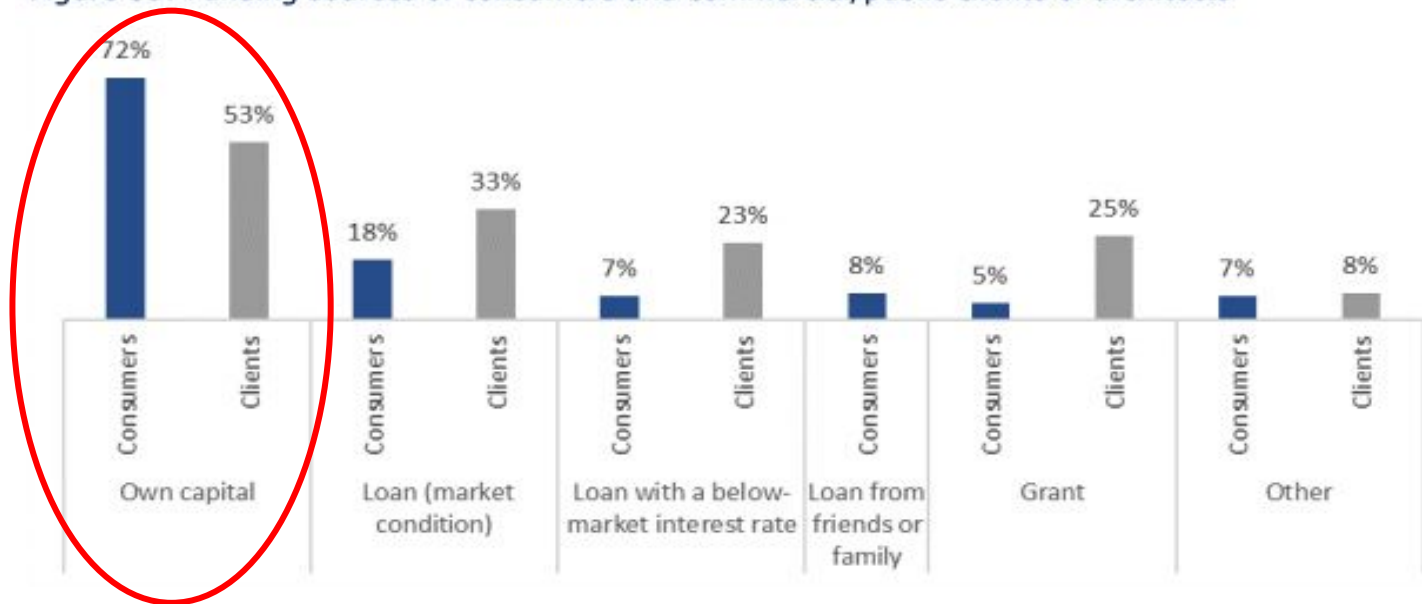
Buildings need renovation by 2050 (that's about 150,000 per week!)
European Commission

150-275 billions

Additional investments needed per year
European Commission, European Central Bank

Most households finance renovation from their own savings

Figure 53: Funding sources of consumers and commercial/public clients of architects



EC (2019) Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU.

Limitations of current public subsidies

- Most renovation are light / partial renovation (in France only 2 500 dwellings achieve high EE performance among 644 000 grants)
 - Grants are unscalable (eg. superbonus)
 - Complexity
 - Delays and upfront costs
 - Subsidized loans are often capped (eg. 30.000 EUR for ECO-PTZ in France)
- Banks can play a key role in unlocking deeper renovation

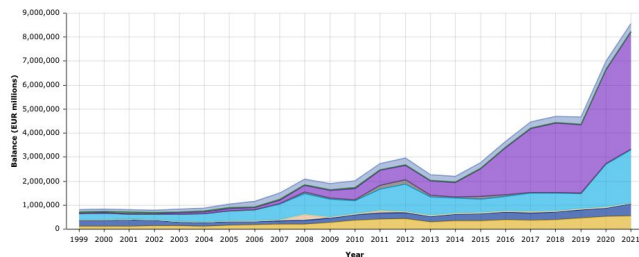
Current barriers to bank financing – cost and complexity

Clients	Banks
<ul style="list-style-type: none">• Reluctance to borrow more money• Lack of availability of savings / disposable income• High cost of credit / not eligible due to lack of collateral / too short maturity• Cost of energy assessment & other upfront costs• Complexity to access public support schemes• Lack of technical assistance• Discomfort during the renovation	<ul style="list-style-type: none">• Low profitability of small renovation loans due to high fixed costs• Absence of collateral on renovation loans• Lack of expertise in energy renovations, certification and auditing

The role of the ECB (aka green TLTROs)

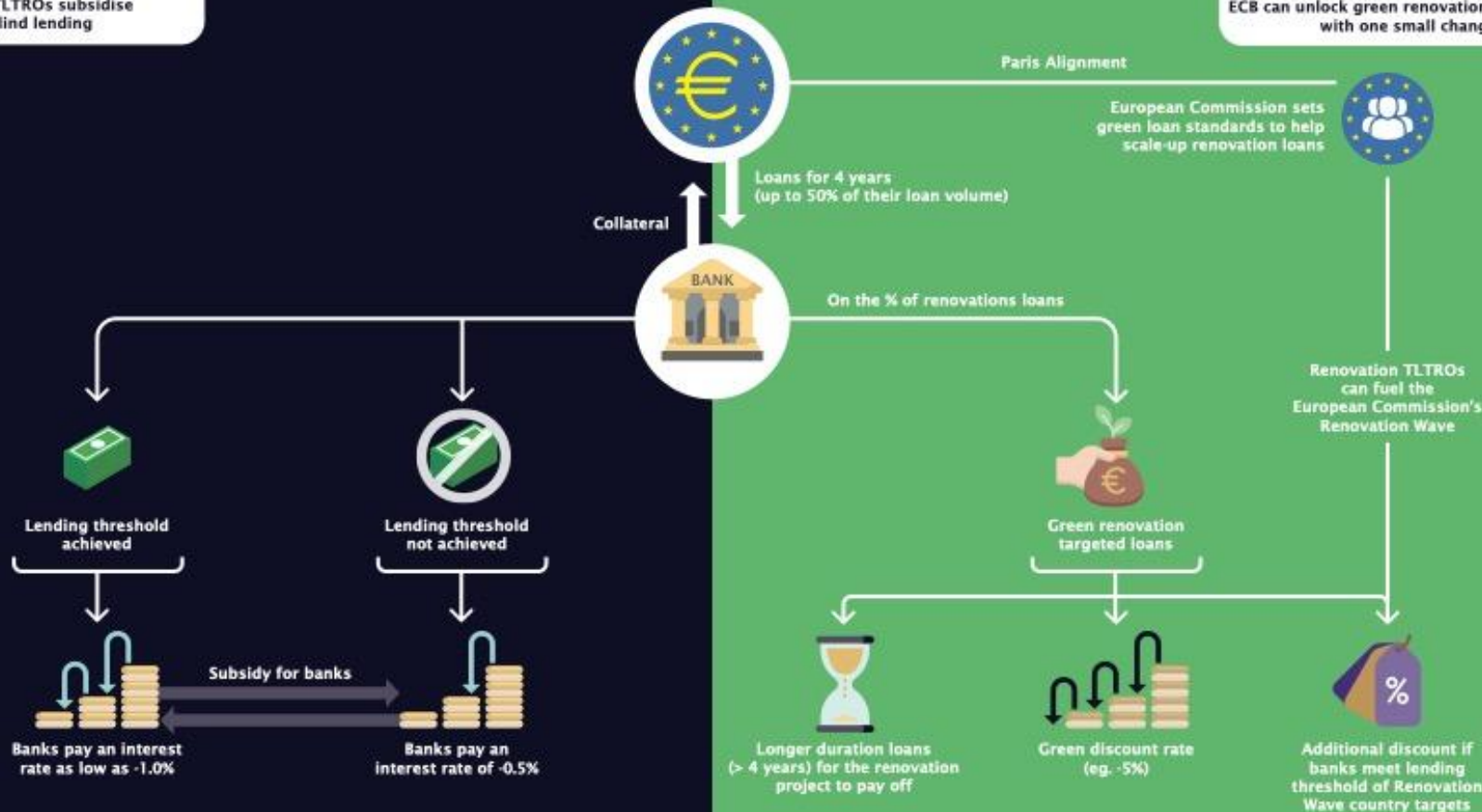


- TLTROs = 2 trillion ECB loans to banks
- Negative rates (-0.5%) = gift to the banks!
- Lending incentive as banks receive an even more negative interest rate (-1%) if they reach a certain lending volume.
- No environmental conditions
- **Green TLTROs Proposal:** launch of a pilot project including a reduced interest rate on the % of renovation loans issued by banks



Current TLTROs subsidise climate-blind lending

ECB can unlock green renovations with one small change



What we propose

1. **EU green renovation loan standard:** a new bank lending product to incentivize banks and consumer to carry out deep retrofitting
2. **Mortgage portfolio standards:** oblige banks to report the energy efficiency performance of their mortgage portfolios, and to achieve ambitious targets (Art. 15 of EPBD recast)
3. **A green discount interest rate** by the ECB to compress financing costs for banks and consumers (aka “green TLTROs”)
4. **Smarter use of public funding for** upskilling programmes, technical assistance / one stop shops, and grants for most vulnerable groups

EU green renovation loan – definition

- A loan collateralized by the underlying real estate property (like a mortgage) + state loan guarantees
- Issuance is conditioned to the purpose of carrying out **deep renovation** (in compliance with EU standards)
- Zero interest (or capped by EU's cost of borrowing eg. 1%)
- Maturity of 30 years
- Not mandatory monthly repayments: the repayment is made in full when the house is sold or transferred, or after 30 years.

Unlock campaign

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Thank you!

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