



## **Tackling energy poverty issue: Recommendations for improving or developing financial mechanisms**



This document has been produced as part of the FinSH project – Financial and Support Instruments for Fuel Poverty in Social Housing.

The FinSH project was established to develop support materials with regard to ‘energy poverty’ in social housing. It is a partnership of organisations in 5 countries: France, Germany, Italy, Poland and the UK. The project runs from December 2007 to May 2010.

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# 1. Introduction

The financial instruments studied in connection with the FinSH project serve to fund efforts to improve the energy efficiency of buildings and household appliances, whilst providing the necessary support to households to help them achieve a sustainable reduction in energy costs and greater comfort, thereby effectively reducing energy poverty. The FinSH project is primarily aimed at tackling energy-inefficient buildings and household behaviour that can be inappropriate, one of the root causes of energy poverty. Conversely, the other two main reasons for energy poverty, i.e. the affected households' low income and the high price of energy, do not fall within the project's remit.

The description of a financial instrument covers all the stakeholders, the source of the funds employed, the fundraising procedure and beneficiary support systems. However, it can be difficult to dissociate the finance side from the overall support measures needed in respect of energy efficiency work.

To trace all the key stages and factors in the success of effective, sustainable energy renovation operations with residents' involvement, please refer to "Affordable Warmth for all – a guide to improving energy efficiency in the social housing stock, for social housing providers and supporting organizations" at [www.finsh.eu](http://www.finsh.eu).

The financial actors involved in making the funds available and managing those funds including:

- National institutions (government bodies such as national energy agencies, State-owned banks and housing agencies)
- Local authorities
- Banks
- Local energy agencies
- energy providers
- equipment manufacturers
- foundations
- associations

But also:

- Landlords and social housing organisations
- Owner occupiers
- Tenants (in some cases)

Drawing on the study of existing mechanisms, this document puts forward recommendations for financial actors to improve or develop financial instruments designed to reduce energy poverty by improving the energy efficiency of homes and appliances and also the conditions of replication of the previously selected mechanisms.

It follows on from two other reports produced in connection with the FinSH project:

- A review of existing financial instruments in participating countries (available in English and French)
- Case studies of financial instruments for energy renovation in housing (available in English and French)

Like all the other outputs of the FinSH projects, these documents can be downloaded from the project website: [www.finsh.eu](http://www.finsh.eu).

## 2. Context

### ■ ■ ■ Helping stakeholders to achieve sustainable, energy-efficient renovation

A financial instrument for vulnerable households or for landlords that is implemented without technical and social support has every chance of not being used or not being effective in preventing energy poverty on a long-term basis. For example, if a financial incentive is set up to encourage renovation work but the landlord receives no assistance with the technical choices, it is very likely that the measures will be neither sustainable over time nor energy efficient (failure to take account of residents' needs; inappropriate technical choices resulting in little or no reduction in energy consumption or leading to problems such as mould as a result of lack of ventilation). Housing renovated like this may then be in such a state as to need further work one year down the line and, if energy consumption does not fall, residents may be unhappy.

Consequently, it is very important to include a whole raft of support measures when funding renovation schemes:

- Technical support in deciding on the work to be done/choosing efficient equipment
- Mobilizing residents to get them involved in designing the renovation work and raise their awareness of energy-saving measures and how to use their new equipment on completion of the work
- Evaluating the renovation project (cost savings achieved, cost-benefit analysis of the work carried out, improved comfort, etc.)

### ■ ■ ■ What are the specific characteristics of vulnerable beneficiaries of the funded work?

When developing financial instruments to improve the energy efficiency of the housing stock for households most at risk of energy poverty, it is vital taking account of the position of these households which, in general:

- Are low income
- Have few or no financial resources of their own (usually no available savings)
- Cannot make any cash down payment on the work
- May have difficulty in managing repayments (due not only to inadequate resources to meet the repayments but also to possible difficulties in budget management). Also, some households can have problems with the idea of borrowing (especially elderly people who may refuse to get "in debt" and do not want to leave liabilities for their descendants, or people who have already had difficulty repaying an earlier loan)
- May already be over-indebted

Experience difficulty in projection even into the immediate future (living from day to day and primarily concerned with balancing the household budget)

### 3. Criteria check list for the development of a financial mechanism

Starting from the case studies analysis, FinSH partners identified a criteria check list for the development of financial mechanisms.

The preliminary key points to be identified are:

- The average financial amount needed to cover all retrofitting measures (per household / apartment)
- The level of own available resources (equity)
- The resources (grant, loan...) already available (review of the existing financial mechanisms and their application conditions)
- The stakeholders to be involved for the support of the target group (energy auditors, social worker ...)

The criteria check list is as follows:

- Does it allow enough funds per household or per social housing organisation to cover all the necessary work?
- Does the mechanism cover the necessary retrofit measures (technical requirement)?
- Is the capital fund of sufficient size to cater for needs of target group?
- Is there a realistic and practical method for identifying and reaching target group?
- Is there an understandable system for target group to access? Are supporting measures needed?
- Is there accompanying energy efficiency advice - to identify and prioritise necessary measures, and address associated behavioural adjustments?

In case of **subsidies**:

- When and how is the subsidy paid?

In case of **loans**, then:

- What is the system for repaying loan?
- Is it a zero or low interest rate?
- Is the level of repayments affordable to target group?
- Is the repayment method convenient and accessible?
- Which repayment term is feasible, depending on the target group profile, a rapid one to reassure the households against future uncertainty or a long term one to allow repayment to be lower than the energy savings
- Is there any system for transferring loan to new occupant if occupants move home?

## 4. Recommendations on developing or improving a financial instrument for sustainable renovation to reduce energy poverty

This section on recommendations deals specifically with issues relating to funding. To make more progress on reducing energy poverty, it is essential to carry out a detailed assessment and implement an overall strategy including all components downstream of energy renovation of buildings. These components are tackled in particular in the guide prepared as part of the FinSH project: "Affordable Warmth for all – a guide to improving energy efficiency in the social housing stock, for social housing providers and supporting organizations".

### ■■■ Assessment Phase / Getting to know the stakeholders

#### **Barriers:**

Energy poverty is a complex phenomenon caused by factors such as energy-inefficient buildings, inadequate financial resources and high energy prices. Solutions designed to reduce the incidence of energy poverty concern stakeholders from various sectors including housing, energy, welfare and finance. Although the situation varies from country to country, these stakeholders are not always accustomed to working together.

#### **How to overcome them:**

By gaining a good understanding of stakeholders concerned with housing, energy, finance or funding and the welfare sector. This can be done by taking part in the various networks at local or regional level, as appropriate, in which these stakeholders are involved:

- Energy and energy poverty (in some countries, stakeholders have already formed groups dealing with these themes)
- Social housing providers, including those with the poorest tenants
- Consumers' and tenants' associations
- Social actors (social support for households, focusing in particular on assistance connected with housing)
- Energy sector stakeholders (technical associations, consultancies, etc.)
- Energy suppliers. They play a major role, because they not only sell energy but also provide a more comprehensive service that can include incentives to save energy. In some countries, they are under obligation actively to promote energy saving by their customers
- Networks of banks and financial institutions; solidarity finance networks
- Foundations able to sponsor local activities in the housing, social and/or environmental fields
- Professional organisations; chambers of trade

### ■■■ Assessment Phase /Targeting

#### **Barriers:**

Difficulty in identifying households experiencing energy poverty.

#### **How to overcome them:**

Financial instruments may have different target groups:

- Directly affected households, usually owner occupiers (experiencing or at risk of energy poverty) when there is a need to work on buildings;
- Social housing providers

Identification is a very serious problem and has meant that some experiments have failed to achieve their expected objectives due to the difficulty in targeting beneficiaries accurately.

This document focuses on the financial aspect and does not dwell on the subject of targeting, which is nevertheless very important and needs to receive special attention when implementing the overall mechanism.

## ■■■ Assessment Phase / Identifying existing financial incentives

### **Barriers:**

Beneficiaries' lack of knowledge of existing financial instruments.

Difficulty for beneficiaries in finding out whether different incentive schemes can be combined and what the eligibility criteria may be.

### **How to overcome them:**

It is therefore essential to assess the instruments and funds already available at both national and local level to tackle housing/social/energy issues. To get an overview of the different types of current instruments, please refer to the study of financial instruments carried out as part of the FinSH project "A review of existing financial instruments in participating countries", which can be downloaded from the project website: [www.finsh.eu](http://www.finsh.eu).

Care must be taken not to dissociate energy poverty from other issues related to housing or welfare, so as to put forward comprehensive solutions wherever possible (financial incentives that include topics other than energy are therefore of great interest).

The instruments to be identified are essentially the following:

- Incentives to renovate social housing (which may include measures to improve energy efficiency);
- Incentives to improve energy efficiency in housing (which may apply to social housing); and
- Less often (although becoming more common due to greater awareness of the issues), instruments designed to improve energy efficiency in social housing (which are therefore directly aimed at reducing energy poverty).

If information on existing financial instruments is presented in a clear, accessible manner to social housing providers, private landlords and households, the latter will be in a better position to set up renovation projects. A summary of financial incentives available in the area can be a very useful tool. The key points to note are:

- The type of instrument (subsidy, facilitated loans, group purchase schemes, tax relief, etc.)
- Who can claim (target group)
- Amounts available (possibly based on criteria such as an increasing amount depending on the number of measures implemented, the notion of a "package of work", etc)
- Technical and financial requirements (technical criteria concerning materials and equipment, threshold values, etc.)
- Ancillary measures to be implemented (compulsory audit, financial envelope to be set aside for informing residents, assessment of consumption over a given period, etc.)
- Whether or not the instrument can be combined with others.

[This summary sheet may be illustrated with case studies.]

## ■■■ The ancillary costs essential for sustainable retrofitting measures: pre retrofit

### **Barriers:**

Funding of ineffective work/equipment (inappropriate for users or not the best in terms of energy efficiency, e.g. changing windows without insulating the roof).

Instruments not compatible as a result of the financial or technical conditions imposed.

### **How to overcome them:**

The measures adopted to improve or develop a financial instrument for energy renovation in social housing must be in balance with existing financial instruments to ensure that they are compatible and can be accessed at the same time.

Where this is not already the case with existing instruments, it is recommended that an independent energy audit or energy audit based on clear, detailed methodology be carried out to choose the most appropriate measures in any given situation. Ideally, this technical approach to energy should be combined with a more social approach which takes account of residents' needs in order to come up with relevant options.

For households experiencing energy poverty (owner occupiers), this energy audit should be offered free of charge in order to prioritize the work needed and estimate the costs. Advantage can also be taken of this opportunity to provide personalized advice on steps that will help to save energy on a day-to-day basis.

## ■ ■ ■ The ancillary costs essential for sustainable retrofitting measures: post retrofit

### **Barriers:**

Inefficient use of the new equipment.

Lack of feedback that could enhance future energy efficiency measures.

### **How to overcome them:**

Information on the benefits of renovation measures and ways to change behaviour must be provided to households free of charge (home visits, personalized advice, etc.). Advice must be designed to help establish priorities in terms of work to be carried out and energy-saving behaviour.

In Frankfurt for example, home visits are made by formerly unemployed people who have received special training. The Employment Agency and the Town Council fund the provision of advice in this way as part of a programme to reduce energy consumption as well as facilitate return to work.

Evaluation after completion of work (formal documentation and data analysis): funding of this evaluation must be planned upstream to ensure that it is undertaken. Evaluation may include metering systems and/or feedback questionnaires. This means expenditure on equipment and possibly software (meters, intelligent meters, readers, etc.) as well as human resources (preparing the questionnaires, deploying the equipment, collecting and analysing data).

This evaluation after completion is still rarely taken into account in existing financial mechanisms but apart of the interest for the beneficiaries, it can also be attractive for financial stakeholders. Including:

- Local, national and European authorities, wishing to receive feedback;
- Private enterprises (energy companies, equipment suppliers, etc.) wishing to get a better idea of the use of buildings and residents' behaviour with a view to improving the service they provide to their customers or upgrading their appliances/equipment in accordance with actual use on site. It is then important to take account of residents' behaviour.

## ■ ■ ■ Financial instruments development

### **Barriers:**

See the paragraph on the specific characteristics of vulnerable beneficiaries in part 2

### **How to overcome them:**

In the case of **subsidies**:

Financial stakeholders must therefore take into account the fact that households experiencing energy poverty will be unable to make a down payment on the work. In case of a financial instrument requiring down payment, care needs to be taken to ensure that these households can nevertheless benefit. It is possible to set up an additional mechanism to advance the funds, for example by encouraging providers of social and/or technical support to take the work over and possibly advance the costs. In this case, the support organisation has to raise fund for this co-ordination work. Local authority, energy providers ... could fund this work.

In the case of **loans**:

- Limited repayment ability due to inadequate resources (€ 50 - € 100 per month is usually the maximum vulnerable households can afford in the Western Europe countries). It is absolutely essential to discuss the matter with households)
- The interest rate must be as low as possible so as not to reduce the gains made on energy savings that will go some way towards repaying the loan
- The term, frequency and amounts of repayments must match the needs/concerns of the households in question: it is possible to start from the perspective of rapid repayment due to the genuine difficulty households experiencing energy poverty have in seeing themselves in the future (in which case the creditworthiness of the household must be carefully examined) or of longer-term repayments where the repayments are equivalent to or lower than the savings made as a result of the work. The case study in Italy; also adopted in other places proposes a solution that provides for the amount of the monthly repayment to represent 50% of the energy cost savings expected. I.e. in this particular case, the amount of monthly repayment is 10 € with energy savings representing 20 € per month
- In the case of loans, the need to consider the creditworthiness of households, i.e. their ability to repay the loan (which financial resources are available to repay the loan if appropriate). It is possible either to use as a basis the fall in energy costs on completion of the work or to identify additional resources
- The inability in most cases to make down payments, so that the instrument must provide for pre-funding of the work
- Development of a guarantee mechanism (or use of an existing one)

One possible solution is to bring the property into the financial equation (increased valuation on completion of the work, or using the property as security for the loan). The PAYS – Pay As You Save - scheme in the United Kingdom is one example. During the experimental phase, the government will underwrite the loan.

### ■ ■ ■ Particular recommendations for local authority to take action

Local authorities can encourage energy renovation in the social housing stock in their areas. They can either implement a new financial incentive scheme or take part in an existing one.

When preparing a financial instrument, it is important to include the costs relating to targeting beneficiaries (a key point), identifying their needs, providing social support throughout the project - as required - and assessing the energy and cost savings as well as improvements in residents' comfort. The total amount needed for renovation including improvements in energy efficiency can range from €5,000 to more than €70,000 for comprehensive renovation in older buildings to meet ambitious energy efficiency targets. Supporting households and evaluating the results will be additional to this budget.

A local authority can raise its own funds to promote sustainable energy renovation in its area, usually as a complement to other funds. Local authority participation can include:

- Facilitating loans for housing improvement with an energy efficiency component (if possible already existing, in partnership with local banks or a state bank that has developed a financial instrument)
  - This means contacting banks in the area and examining national-level schemes to determine how much interest rate relief can be provided
- Exempting the renovated housing from local taxes, on a means-tested basis, for owner occupiers or landlords charging rents below market rates on condition that the terms for renovation established by the local authority have been observed. Before implementing such exemption, it will be necessary to check whether national legislation allows for this possibility
- Subsidy (contribution to a support fund for energy management work, financial participation in energy audits and home visits for owner occupiers, direct subsidy to renovation projects in

social housing, etc.). A local authority can also impose ecological conditions on its grants for renovation, especially in social housing: funds will only be allocated if a certain level of energy efficiency is achieved. For example, a local authority may restrict its assistance to renovation schemes that comply with current thermal regulations and exceed the required efficiency standard (e.g. 20% above the minimum). In this case, existing quality schemes can be used to determine the required standards

- Loan guarantee: to boost the confidence of lending institutions, local authorities can act as guarantors for loans serving to improve the social housing stock. If an agreement can be reached with one or several banks, they will then be more prepared to lend the funds for renovation work. Guarantees require mobilization of substantial sums on the part of local authorities, not all of which will be in a position to do so
- Organization (or promotion of the organization) of group purchasing to reduce the costs of materials and equipment

Apart from providing financial assistance, local authorities can also play a part in raising funds for energy renovation work: if there are no schemes at national or local level, the local authority can offer support, directly via its own services or by agreement with a consultancy, to owner occupiers to help them identify available sources of funds and put together grant or loan applications.

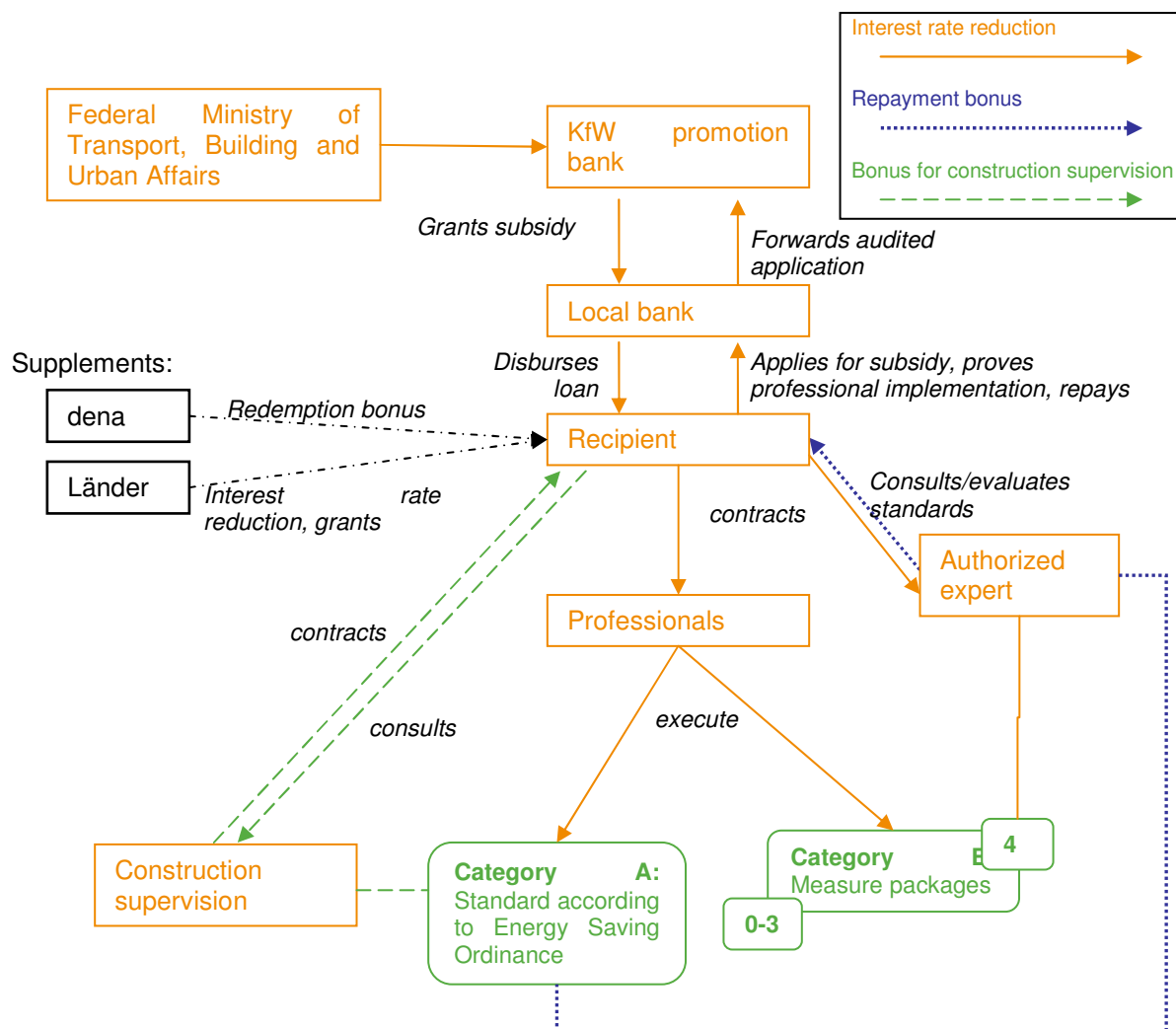
To implement its support programmes for energy renovation in social housing, a local authority can raise funds, either to collect directly and redistribute through the services it offers to help landlords with energy renovation or to facilitate direct contact with owner occupiers planning such work:

- It may be possible, for example, to establish a partnership with energy companies which are obliged, in some European Union countries, to take part in efforts to reduce energy consumption. In this case, the terms for implementation must be carefully researched (especially as regards technical requirements for renovation). The “Gwynedd Council ‘Here to Help’ Insulation Scheme” case study illustrates co-operation between a local authority and an energy supplier in the United Kingdom
- Governments, the European Union and other institutions may provide financial support, especially in the case of pilot projects

## 5. Conditions of replication of the selected financial mechanisms:

This part reviews the conditions of replication of the financial instruments previously selected by FinSH partners. The partnership implemented for each mechanism is presented on a graph in order to give a clear vision of the involved stakeholders. This partnership is actually a success key to well understand the mechanism and to be able to replicate it in another country.

### Energy-Efficient Rehabilitation - Germany



- Nature: loan and grant version, (grant version only available for private investors in one- and two-family buildings)
- Total committed fund initially planned: 6,4 € billion 2006-2009 - 2010/2011: 1,5 billion/annum
- Source of capital: State = public
- Maximum amount per living unit: loan version: KfW Efficiency House: 75,000 € Individual measure 50,000 €

grant version: Individual measures: 5% of investment cost, max. 2,500 €; KfW Efficiency House 100: respectively 10% of investment costs, max. EUR 7,500;

- All investments being necessary for the implementation of energy-efficient measures (material, specialized firms, architects, engineers, administration costs etc.)
- technical conditions: KfW Efficiency House 100: new building standard according to Energy Saving Ordinance 2007 regarding annual primary energy and heat transmission losses / KfW Efficiency House 70: max 70% of annual primary energy and heat transmission losses of comparable new building
- Amortization 75% of the interests
- The KfW Bankengruppe reserves its right on on-site monitoring
- Evaluation of the programme by independent research institute
- Cost effectiveness: Effects of former CO2 Rehabilitation Programme in 2007
- Overall CO<sub>2</sub>e reduction: 330 000 t/year (grant version: 20 000t, loan version: 310 000t) (-50%). Overall reduction of final energy: 940 GWh/year (-45%)
- .Energy savings per 1€ of promotion: reduction of 0.17 kg CO<sub>2</sub>e/a and 0.46 kWh/a (loan version) 1.45 kg CO<sub>2</sub>e/a; 5.12 kWh/a (grant version)
- Direct employment effects per Euro billion of investment: 16.5 person years
- Heating costs savings: EUR 67.3 billion in 2010 and EUR 85.9 billion in 2036 in total

### Weaknesses

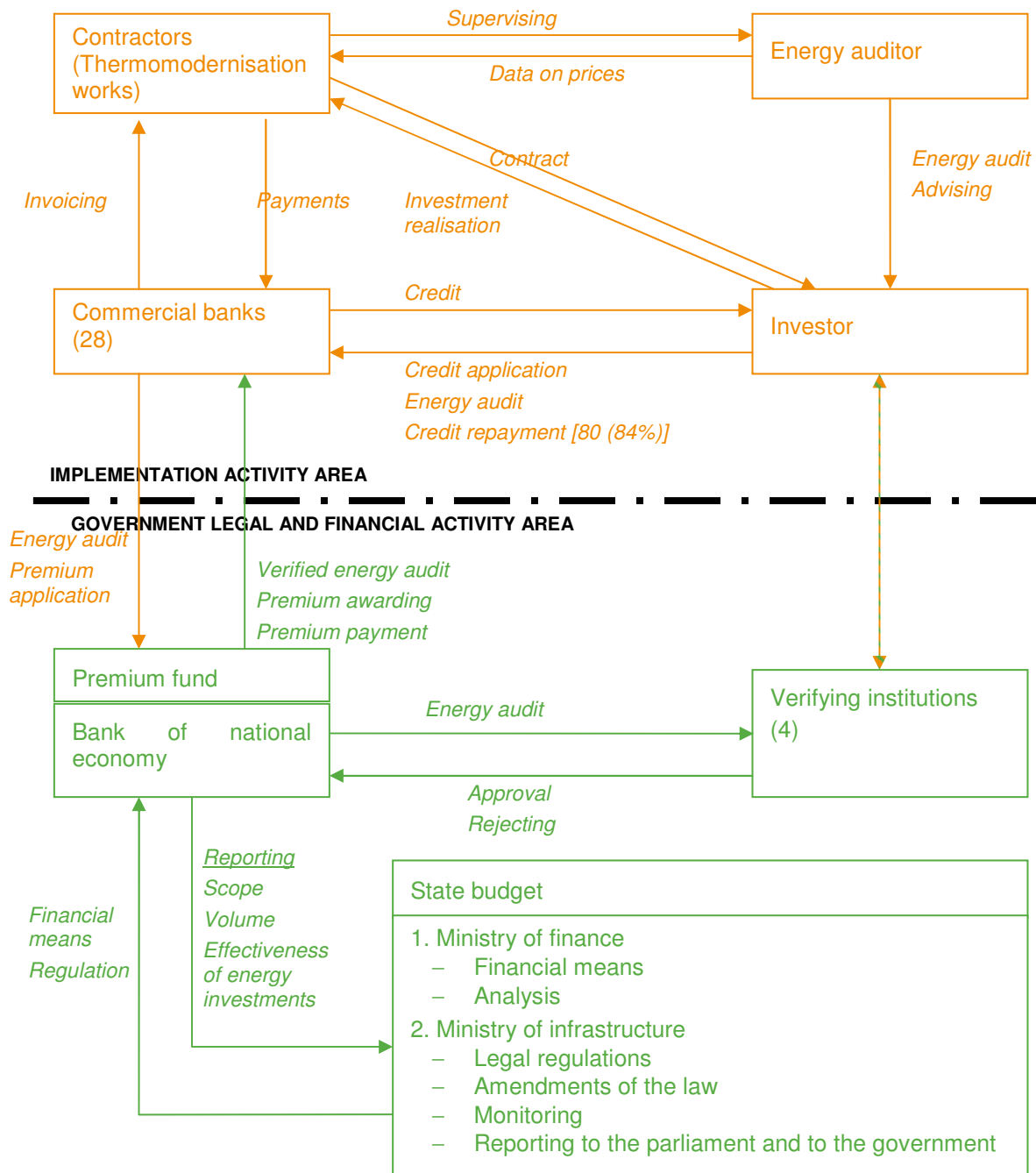
- No focus on low-income households to date, this is to be improved.
- Wide-ranged action might be prevented by very high technical standards and the requirement of specialized firms
- Local banks, which carry out the programme, might not inform about the programme if offering competing products
- Grant version only available for one- and two-family buildings

### Replication

It is funded and coordinated on federal level. So the replication is not so easy.

The high technical standards required can be considered as a good practice to really improve the buildings standards allowing low energy bills. But also as a difficulty: according to the experts met during the project, the financial products offered by KfW Bankengruppe were perceived as not sufficient as regards the (too) high technical standards required and the interest rates as not attractive enough.

**Thermomodernisation Mechanism - Poland**



**Replication**

- Nature: Bonus to cover a part of the loan
- Total committed fund: PLN 250 mil/2007
- Source of capital: State = public
- Maximum amount per living unit: according to energy audit recommendation, it depends on size of building
- Eligible costs and technical requirements: an improvement that reduces the amount of energy needed for space heating and water heating.

- Required legislation: The act "On support for thermo-modernisation and renovation undertakings"
- Household involvement: Not required
- Time scale: Unlimitedly
- Amortization: None
- Assessment: under the energy audit requirements and National Economy Bank monitoring according to building law
- Cost effectiveness: The unfavourable influence of inflation and price growth of building materials and services from the point of view of the attractiveness of thermo-modernisation undertakings realization, stays with overage surplus through the growth of the energy and energy carriers prices. The growth of the prices of energy and energy carriers, beyond the credits interest size fall, influenced for increasing the border admissible size of the SPBT of expenses for realized investments (above 50% in the period of 2002 up to 2006), and also on the growth of the possibility of the extension of their factual range.

### Lessons to learn

From June 2002 until now when the act was amended and the credit interest rates have dropped down up to the 7-8% per year (especially in 2003 and 2004), the number of applications has significantly increased. For these two years almost 1700 more applications were submitted and the total volume of investments was around 720 million PLN (171 million Euros).

The State and the housing and bank sector stakeholders joined together to implement this national "Thermomodernisation" programme of incentives for renovation. This grouping allowed the banking institutions to get a better understanding of the energy renovation stakes and thus, to readily lend to landlords and investors. Bank services (private or state banks) work in close association with independent auditors (carrying out energy audit and advising on works).

### Barriers to replication

Requires obligated legislation

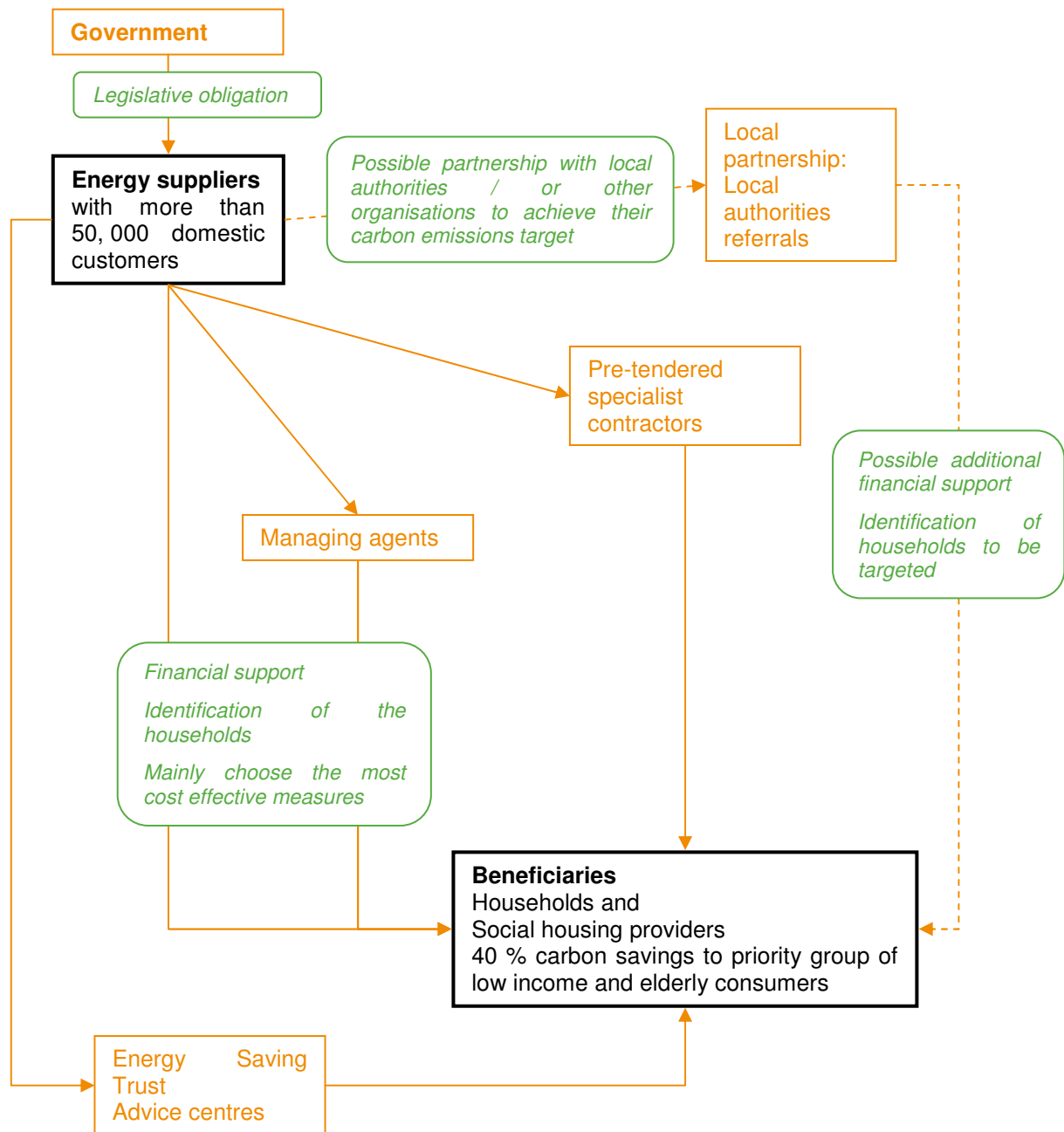
### Weaknesses

No other relevant sources of funding - special state fund. Dependence on financial statement of building owners (social building)

### Replication

The part of the mechanism that would be interesting to be replicated is the wide partnership involving banks, national and local authorities, consultants ... The required technical measures could probably be improved.

## ■ ■ ■ The Carbon Emission Target (CERT)



■ Time scale Current programme is 2008 to 2011

### Mechanism features:

- Nature: Capital grant for both energy efficiency and renewable energy technologies
- Total committed fund: £3.36 billion
- Source of capital: Private – obligated
- Maximum amount per living unit: Unrestricted - technology dependant
- The amount of grant assistance available is totally to the discretion of the individual energy supplier
- Eligible costs and technical requirements 35 different measures including energy efficiency and no or low-carbon technologies

- Required legislation Obligated - The Electricity and Gas (Carbon Emissions Reduction) Order 2008
- Household's involvement: household situation and measure type dependant. I.e. whether or not the householder is in receipt of state benefits, existing fuel type, dwelling type and number of bedrooms.
- Assessment: through contractor surveys for suitability including householder and dwelling eligibility criteria. 100% of certain measures (and 5% of other measures such as loft insulation) are post completion checked independently for quality control purposes by a 3rd party employed by the energy provider
- Cost effectiveness: each 3-year programme is analysed for effectiveness by the legislative body (Office for Gas and Electricity Markets - Ofgem) against the programme target of lifetime CO2 savings and this information is made available publicly.

### Lessons to learn

- Very large sums of funding available.
- Large array of measures available, both energy efficient and no or low-carbon.
- Available to all tenures.
- Cross sector partnerships.
- Different levels of funding available but essentially funding available to all regardless of means.
- Programme requires a large proportion (40%) of detection for the most vulnerable persons in society.
- Encourages the use of other sources of funding to maximise the benefit of the scheme.
- Allows organisations to pilot/test technologies that would otherwise not be a priority as part of any retro-fit programme.
- Creates market penetration of certain technologies.
- Quality control for both installers and measures.

### Weaknesses and possible improvements

Market penetration of other technologies is held back due to lower levels of funding available for example, external wall insulation.

Other relevant sources of funding cannot be combined together i.e. WarmFront/HEES and Low Carbon Building Programme which leads to scheme confusion and having to determine which provides the best deal.

Due to competition it is very difficult to make comparisons between schemes offered by the different energy companies as often they will not divulge this information.

The scheme is not sustainable with too many breaks as the energy companies are able to stockpile their carbon savings and carry them forward into another phase causing start/stop of local initiatives.

### Replication

This mechanism is a really efficient one to target vulnerable households.

The replication requires a national legislation. But similar mechanisms are already implemented in France and in Italy; the main difference is that at the time, those mechanisms don't target specifically vulnerable households. In this context, it could be easier to replicate the good practice identified, i.e. well targeting vulnerable households.

The role of the state is to carry out an obligation of energy or carbon reduction for energy suppliers.

The legislation should define the targeted energy suppliers and the targeted objectives

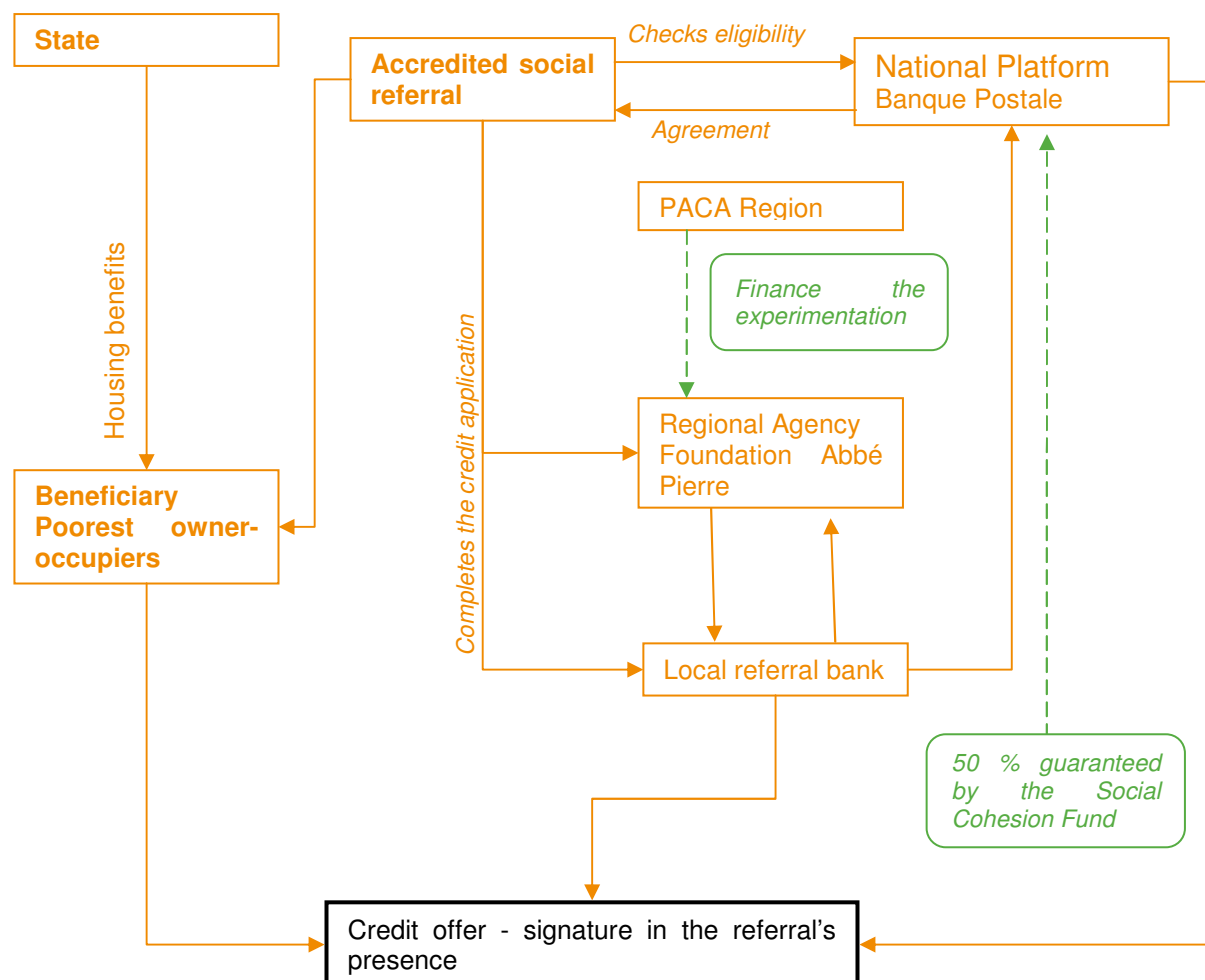
- Eligible measures and carbon (energy) savings related

Assessment of the results:

The most important point regarding energy poverty reduction is the definition of the beneficiaries. In order to orient the measures towards vulnerable customers, two possibilities have been reviewed: either to impose a quota of actions towards vulnerable customers or to implement a bonus to encourage energy supplier to target vulnerable households. A combination of both is also possible.

An improvement could also be done on the level of performance requested for energy efficiency measures in this mechanism. Namely, the energy suppliers choose the most cost effective actions and maybe not the most effective for households.

## Micro credit - France



### Mechanism features:

- Nature: micro credit and housing benefit
- Source of capital: Private with a public fund guarantee
- Maximum amount per living unit: 3 000 to 6 000 €
- It is an experiment over 4 years (two years of implementation and 2 others for the support of households during the repayment).

### Lesson to learn

- The loan enables owner-occupiers to access an entitlement from which they were previously excluded: housing benefit. It is thus an instrument that links aid with access to entitlements
- People previously unable to take out a loan can now do so because access to social micro-credit is more flexible (although still clearly structured) than traditional loans
- These people also benefit from voluntary sector support during the period of the loan, and this is proving to be crucial

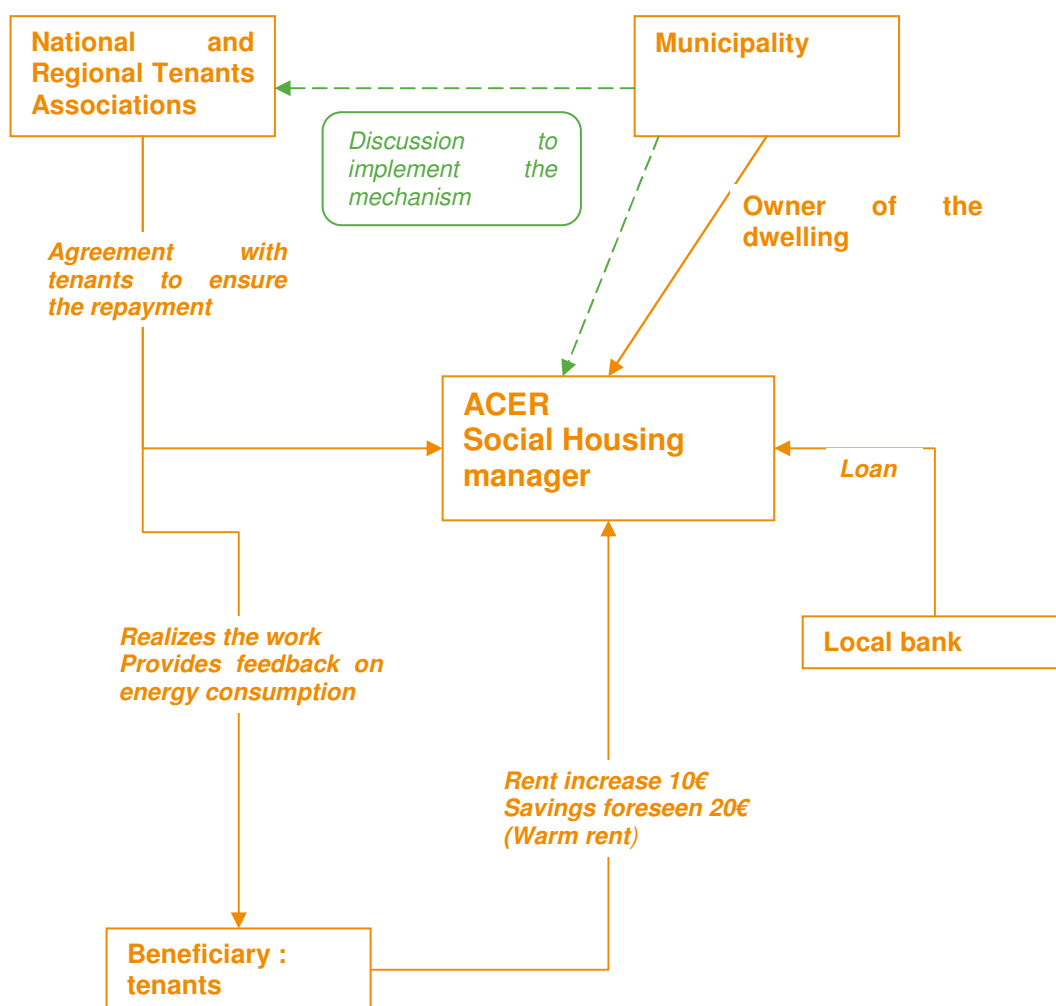
- The partnership formed in the context of this micro-credit is a broad one, enabling joint and consistent monitoring
- Supervised DIY renovations are, under some circumstances, subsidisable by the National Housing Agency and so can entitle beneficiaries to Housing Benefit

### Weaknesses

- The instrument is experimental: it has a finite life
- The number of beneficiaries is limited: given the complexity of National Housing Agency grant procedures in particular, it can take around two years for an application to be processed; to date some thirty applications have been completed, around 100 more are still pending
- Owner-occupiers find it hard to ask for financial support/assistance to improve their home (it is not in their culture)

### Replication

A key point of this mechanism is that funds are guaranteed 50 % by the bank and 50 % by a national social cohesion fund. This can be replicated in other countries. This is well received by stakeholders; it facilitates thus the engagement of the bank and allows a little bit more flexibility in regard to the financial situation of the households. The support of households during the repayment period seems to be really necessary. In this case, the Regional council co-finances the mechanisms with Foundation Abbé Pierre to allow a good support of the households during the experimentation and during two years after the project to support households for the entire repayment period. This can also be replicated, but it would require finding a national or local authority interested in testing such a mechanism.



### Mechanism features

- Nature: loan
- Total committed fund: 160,000.00 € in 15 years
- Source of capital: Public / private
- Maximum amount per living unit: 3 721 €
- Eligible costs and technical requirements: Energy audit
- Energy efficiency measures: loft insulation, boiler replacement, Individual metering of heating and hot water)
- Local experimentation. (with national replicability foreseen)
- Required legislation: The possibility to increase rent level is required.
- Household involvement: 10 € / month
- Amortization 15 years
- Assessment: Positive assessment realized by ACER Reggio Emilia on the 43 units involved
- Cost effectiveness: Positive for tenants - 20€ monthly saved on 10€ monthly of rent increasing

### Lessons to learn

The possibility to involve partially the tenants in the investment, proportioning their investment to the money saved in each energy bill and to the rate of the rent.

### Barriers to replication

Tenants' characteristics (old people, low education level...): The implementation of the product needs a strong communication activity, face to face meetings with tenants in order to overcome cultural barriers, agreement with The National Tenant Syndicate Association.

### Weaknesses

Small real estate property of ACER, too low to represent a bank guarantee for bank loans, in comparison to the retrofitting intervention needed.

### Replication and improvements

A good help would be a reduced-interest loan from the bank, the interest costs being shared between the bank and the Municipality. The result of this is a zero interest loan for tenants. At least it lowers the costs for tenants and municipality.

The Stability Pact must be respected. But a re-definition would be appropriate.

New initiatives are undertaken to revise the obsolete norms and laws that Municipalities have to respect and to create a Regional/National Guarantee Fund able to provide Investment Funds with the requested guarantees to avoid any risk.

This mechanism can be replicated in other municipalities and in other countries.

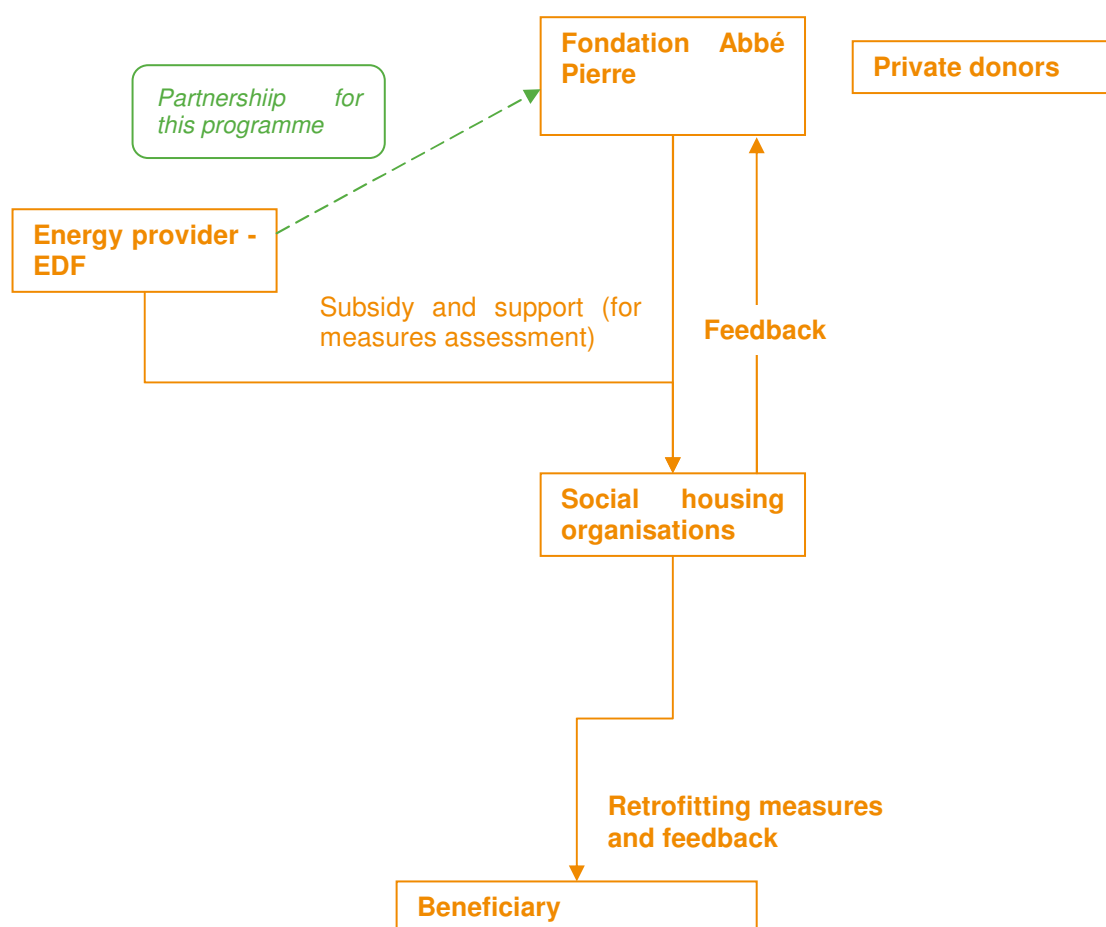
The important point to be checked is the possibility for social housing organisations to increase the rent, as a reimbursement mechanism for the tenants for the retrofitting measures.

A replication requires a full involvement of tenants and a good assessment of the implemented measures to monitor the actual energy savings (and energy bills reduction).

Door-to-door calls to explain the advantages of the retrofit measures and energy behaviour courses are considered to reduce most of the friction that can be the cause of anger and misunderstanding.

The SHOs should start an Energy Awareness / Energy Saving Campaign and organise seminars to train their tenants explaining how to consume less energy and increase comfort.

Also periodical assistance from qualified personnel making house calls would be of great importance to contribute to change the tenants' energy behaviour.



### Mechanism features:

- Total committed fund: 10 billion € for the 3 years programme + energy provider contribution
- Maximum amount per living unit : Depends on the project – 1 000 to 10 000 €
- Energy retrofitting but without precise requirement (intended goal: reducing energy bill of beneficiaries)
- Feedback campaign is under preparation with social housing organisations

### Lessons to learn

This charity fund (private investment) completes usually public ones.

The final beneficiaries are households dealing with social and economic difficulties, so they would be risking energy poverty if they wouldn't benefit from this social housing system. The aid is therefore very well targeted.

### Replication

Raising awareness of private donors on energy efficiency measures in social housing should encourage them to provide means for energy retrofitting targeting vulnerable households.

This could be implemented all over Europe.