



The European Renovation Loan:

An innovative financial instrument to Repower EU



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Gas energy consumption in EU buildings

- Represents the highest share of energy use in residential and non-residential EU buildings **(36%)**.



- Represents the largest consumption in a significant number of member states



Synchronizing EU Renovation Efforts



- The Renovation Wave plans to improve the energy performance of buildings 35 million buildings by 2030

Requiring a total investment of nearly a trillion euros (€900 billion).

- The EU needs to more than 2x the renovation headline rate of 1% per annum + increase the number of deep renovations by 10x.



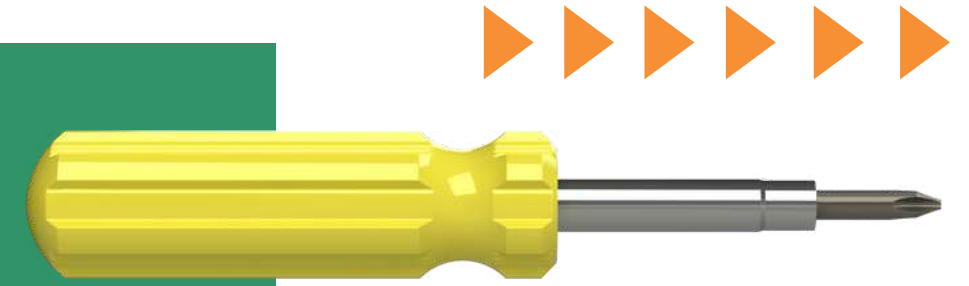
What is the EU Renovation Loan (ERL) ?



- The ERL is long-term (30 year) financing with a zero coupon structure:
 - Homeowners borrow the amount they require to transform their home through a deep renovation
 - They do not have to pay cash interest until the property is sold or transferred (or the loan matures in 30 years).



The ERL supports vulnerable communities



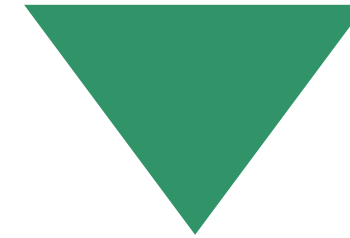
.....
The elderly with
reduced pensions
.....



.....
Young couple with a
mortgage and with no
savings
.....



The ERL allows homeowners without savings and with tight budgets



Address affordability from a cash perspective by:

- Delivering cashflow savings directly ✓
- Rolling up interest payments until the end ✓

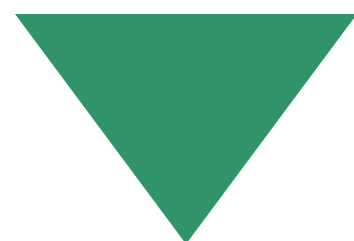
Levering the Power of Green Equity



- European residential buildings' worth = €17 trillion and are home to 220 million homeowner families.



- €7 trillion of mortgages outstanding in Europe



- €10 trillion of home equity against which owners can borrow for their deep renovation by 2050.



ERL interest rates **MUST** be super-low:



- If the deep renovation of an EU semi-detached home costs €20,000 and the zero-coupon interest rate was set at 1%



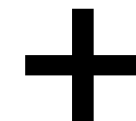
- Then the borrower would have to pay back around €27,000 (net of distribution fees) in 30 years.



ERLs can be offered to underserved families and backed by an EU-guarantee



- Their interest would accrue at EU borrowing costs (plus a small spread)





- Be distributed to "unbankable families" through mortgage lenders alongside top-up or commercial mortgages



More benefits to homeowners and lower costs...



Customers benefit from a zero-coupon loan

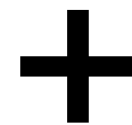
- As there are no cash interest payments to make ERLs are also cheap to manage for lenders; and 
- All the cash savings from lower energy bills and associated operational costs will be realised immediately. 



An ERL would be backed by a backed by a junior lien on the property



- Supported by central bank liquidity for holders to guarantee a secondary market for this asset.



- Lenders can:

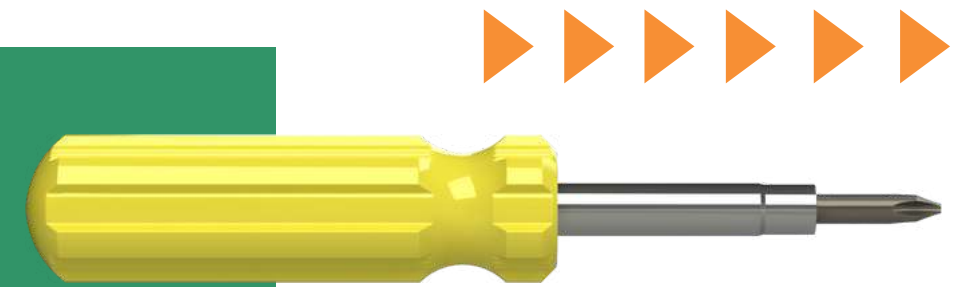
1. Make fees through ERL origination
2. Improve the creditworthiness of their clients
3. Green their mortgage books



Align their assets more quickly with the Paris Agreement.



The ERL can be introduced in the REPowerEU action plan and resolve the renovation finance gap at the right scale:



- Today, there are no EU banks are offering a zero coupon low cost deep renovation loan product. ✓
- The ERL can guarantee homeowners cash savings immediately and all of the other multiple benefits of a deep renovation. ✓
- The ERL's junior status and EU guarantee makes it accessible to all homeowners who demonstrate their home is not in negative equity. ✓
- At EU borrowing rates the rolled-up interest cost is likely to be lower than the house price inflation over the next 30 years. ✓



Retail banks can be more engaged to “green” their existing mortgage portfolios



- The existence of a bank distributed ERL that provided customers enhanced credit (positive cash from day 1)
- ⋮ +
- That does not impact the expected payments nor recovery of the existing mortgage, and yet earns distribution fees
- ▼
- Is a very strong way to engage the millions of retail bank customers and deliver millions of deep renovations.



Peter Sweatman, CEO Climate Strategy & Strategy

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■ 30 years in finance and climate:

- ❑ JPMorgan
- ❑ Climate Change Capital
- ❑ Climate Strategy
- ❑ Energy Efficiency Capital Advisors

■ Published 22 white papers on low carbon finance and innovation

■ Long-term relationships with:

- ❑ Bloomberg NEF
- ❑ S&P Trucost (prev.)
- ❑ ECF

Clients:



CS Group
launched EE
advisor in 2016:



Thanks!

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