Financing Low-Carbon Refurbishment

The residential sector is responsible for approximately 30 percent of Europe’s carbon dioxide emissions. With an estimated 110 million homes in Central and Eastern Europe (CEE), South Eastern Europe and the Black Sea and Baltic regions, there is huge potential for emissions reductions. If this potential is to be realised, around 2.75 million homes require comprehensive energy efficiency refurbishment each year up to 2050.
The Regional Environmental Center for Central and Eastern Europe (REC) aims to mobilise a significant amount of investment across Europe in the market for low-carbon single and multi-family housing refurbishment. It can accomplish this by utilising an innovative revolving guarantee fund model to provide sustainable solutions and address principal barriers within the sector to mainstream retrofitting. The blueprint of the finance mechanism demonstrates how to upscale renovation in the single and multi-family housing sector to levels of 2 percent of national housing stock each year. The will require the deep involvement of private sector financiers — especially commercial banks and SMEs.

The final aim is to boost investment in the public and private buildings sector to create new jobs through a flexible, conceptual finance mechanism that is replicable across Europe.

Refurbishments resulting in annual household carbon dioxide emission reductions of between 60 and 80 percent could cost up to EUR 27.5 billion per year, or EUR 10,000 per home. Cost is therefore a significant barrier to progress in this area. In many countries, either there are no commercial loan products available for energy efficiency refurbishments in the housing sector, or existing commercial loans serve only middle-income to high-income homeowners, who represent just 30 percent of society.

It is in this context that the REC has undertaken research activities in the CEE region in the framework of the project “ Financing Low-Carbon Refurbishment”. Research was carried out on the existing policy framework, available financing mechanisms, and the current mix of energy efficiency and renewable technology. Based on this research, recommendations were developed to support the goal of establishing a green bank and guarantee fund in CEE countries. The research focused on Hungary, Poland, Bulgaria, Romania, Serbia and the Netherlands.

Building on the findings and knowledge of the project’s outcomes from analysis and recommendations, the REC was able to start negotiations with the Hungarian banking sector in order to set up programmes utilising the green bank and guarantee fund concept. Detailed financial term sheets of the revolving guarantee fund were developed through concrete negotiations with banks in Hungary, and the REC has gained on-site experience that can be adapted in the other countries. Continued cooperation and new discussions between the REC and Hungarian banks are opening up new possibilities for cooperation with banks based in Serbia and Romania.

The “ Financing Low-Carbon Refurbishment” project seeks partners who are interested in developing and implementing a guarantee programme in Hungary and Eastern and Southern Europe based on the Hungarian example.