

Existing and alternative financial models – A WELLBASED study



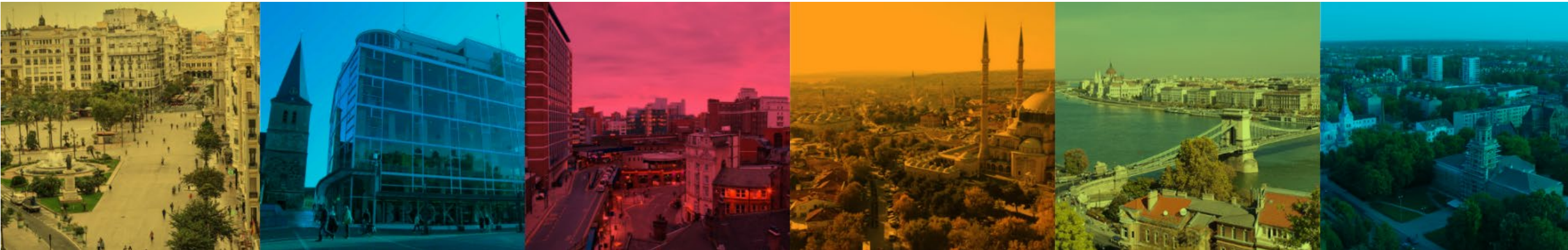
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Scope and objective of the deliverable



- Main objective: To review and analyse the financing models applied to tackle energy poverty (primarily in the EU and its partner countries)
 - How do they operate in the current economic and social environment?
 - What are the main barriers and/or limitations?
 - What are the facilitators that support their functioning?
- 3 main parts:
 - Background and history of financial models
 - Analysis of Social Impact Bonds (SIB)
 - Urban Financial Metabolism (UFM)
- Methodology: desk research (literature review) + input collection from partners (best practices) + primary research (SIB, UFM)
- The deliverable will be submitted in December

The need of financing: Interactions between energy poverty and health



- Energy Poverty negatively affects the quality of human life in many ways
 - WELLBASED is focusing on the health aspects of energy poverty
 - Worst-performing buildings are often paired with energy poverty and social problems → low-income households have little control on their energy expenditure
 - The quality of our homes has a significant impact on our well-being
 - Energy poverty can be associated with poor housing conditions therefore with several health risks
 - Inadequate comfort and sanitary conditions in housing (indoor temperature, air quality, exposure to harmful chemicals etc.) contribute to lower productivity, health problems, higher mortality and morbidity
 - Energy poverty poses threat to health during the winter and due to the climate change the summer as well
 - Health care costs deriving from energy poverty are growing → so is the need for available financing

Policy background and funding opportunities



- European Commission Recommendation on Energy Poverty
 - Sharp increase between 2021 and 2023 among the households unable to keep their homes adequately warm (more than doubled in the lower income categories)
 - Households affected by energy poverty have limited access to commercial loans
 - Face barriers to access finance for investments → they need public financial support
 - Direct upfront subsidy
 - Direct payment of the energy efficiency or renovation works
 - Public loan to pay back the public investment as they save on energy bills
 - Zero-to-low interest loans
- Energy Efficiency Directive: a required amount of energy savings should be achieved among people affected by energy poverty, vulnerable costumers, people in low-income households
- Renovation Wave Strategy: mobilizes renovation strategies to handle energy poverty and improving housing conditions for all households
- Social Climate Fund: allocates specific financial resources to MSs to directly assist the most vulnerable groups, including those suffering from energy poverty
- EU4Health Programme: unprecedented financial support from the EU in the field of health

Main types and categories



- Possible categorization of energy efficiency improvements
 - a) Non-payable rewards (grants, subsidies), Debt funding, Equity funding → subgroups according to their degree of market penetration
 - b) ESCO financing, Customer-financing, Third-party financing (TPF, e.g. debt financing)
- Best suited to
 - Grants, subsidies: vulnerable or low-income households, hard to reach properties
 - Loans: households with sufficient credit
 - Equity funding: large condominiums
 - Energy efficiency obligations (EEO), tax incentives: well suited for all kind of buildings and households

Different priorities, different paths



- There is no universal solution to tackle energy poverty → energy poverty can be recognised as social or energy-related issue → determines the type of policy measures which are put in place
 - Financial aid as part of social policy: competition is less distortive and most vulnerable households will be affected ↔ heavily rely on public expenditure
 - As part of energy-policies: more positive effect on environmental and health costs ↔ targeting and possible exclusion of vulnerable households
- Different solutions target different problems: paths must be recognised by policy-makers in order to choose the right policies

Barriers to financial models



- Financial barriers are the most common ones +
 - Awareness and access barriers (lack of technical knowledge and information about energy efficiency);
 - Geographical barriers (additional difficulties in the rural areas)
 - Regulation barriers (Prioritization of bigger cities in improving energy efficiency)
 - Retrofitting activities in blocks require a collective decision-making approach (diverse characteristics of the residents)
- Targeting of the subsidies: if they are not targeted, subsidies tend to be taken by households that do not fall in the lowest income groups
 - Upfront financing and complex administrative procedures hinder such households to access these fundings
 - Insufficient amount may reduce the depth of the renovations
 - Lack of national definitions of energy poverty and the applicable concept of vulnerability
- Financial institutions
 - Risks linked to credit;
 - Financing duration that may not align with the payback period of energy renovation projects in buildings

A collection of good practices



- Innovative existing practices where target groups are well defined and multiple stakeholders are involved
→ introduction in the same format
 - Selection of a subjective basis according to the publicly available information
 - The quantity of the information is not homogenous and limited → In line with other similar researches
- Selection criteria
 - Applied in Europe;
 - Include a targeting of low-income households;
 - Include direct financial assistance either for consumers or social service providers;
 - Health, wellbeing and social aspects are taken into consideration.
- Existing models predominantly energy and cost focused, health impacts are marginal in the evaluations

A collection of good practices

Project name	Location (Country, city)	Implementation timeframe	Geographical scope	Leading stakeholder	Health aspect	Focus of Implementation	Link
Warm Home Prescription	UK (Aberdeen, Middlesbrough, Gloucestershire, London)	2022/23	Municipality level	NGO	Mental and physical health conditions	Financial assistance to keep homes warm and home energy improvements	https://es.catapult.org.uk/project/warm-home-prescription/improvements
Dampoort OP!	Belgium, Gent	2014-2016	Municipality level	Municipality	Healthier and more comfortable homes (less damp and CO)	Renovation of homes	https://www.cltgent.be/sites/default/files/Brochure_Dampoort_knapT_OP.pdf
REELIH	Armenia, Bosnia-Herzegovina and North-Macedonia	2012-2022	Country-level	NGO	Healthier homes for the low-income households	Renovation of homes and the elaboration of a scheme	https://getwarmhomes.org/
Energie Solidaire	France	2017-	Country-level	NGO	Healthier and more comfortable homes	Supporting the most vulnerable households to help them escape energy poverty in the long term	https://www.energie-solidaire.org/agissez-a-nos-cotes/
Les 7 Vents Cooperative	France	1998-	International scale	non-profit SME	Healthier and more comfortable homes	Free advices and guides from a public service for individuals concerning their home energy improvement projects.	https://www.7vents.fr/
Collective purchasing renovation (ENERGENT)	Belgium	2013-	East Flanders	cooperative	Healthier and more sustainable homes	Sustainable home renovations with a citizen-led approach.	https://revolve.media/features/citizens-building-renovation https://energent.be/

A possible classification

Focus of implementation	Funding		
	Public	Private	Public+private
Renovation	1	2	3
Financial assistance for energy costs	4	5	6
Financial assistance to cover health expenditures emerged as a consequence of energy poverty	7	8	9

Thank you for your attention!

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