Summary Results of the EEFIG Survey for France 2015/16 – draft for workshop

Prepared by Peter Sweatman, CEO Climate Strategy supported by Francoise Refabert Project lead for Vesta Conseil

2nd February 2016, Paris France.
“French EEFIG Survey” received 18 responses which were well distributed among various sectors…

- 18 participants in the EEFIG France survey
- This is near 100% response rate from the “Grouppe de Vingt”
- Good distribution among stakeholders with around 20% from Financial Institutions
- “Other” category is large & includes:
  - Think tank, Construction supplier, Independent Experts, Project developer and researchers.
Methodology: Using the EEFIG Tool

<table>
<thead>
<tr>
<th>Buildings Sector</th>
<th>Commercial</th>
<th>Public</th>
<th>Public Rental</th>
<th>Owner Occupied</th>
<th>Private Rental</th>
<th>Average Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardization</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td>Regulatory Stability</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td>Increased Investor Confidence &amp; Change in Risk Perception</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>5</td>
<td>4</td>
<td>4.6</td>
</tr>
<tr>
<td>Transaction costs / simplicity</td>
<td>7</td>
<td>10</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>5.2</td>
</tr>
<tr>
<td>Measurement, Reporting &amp; Verification (MRV) and Quality Assurance</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>10</td>
<td>8</td>
<td>5.6</td>
</tr>
<tr>
<td>Lender’s approach to risk assessment (non-recourse project financing vs. Borrower-based credit recourse)</td>
<td>8</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>6.0</td>
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<tr>
<td>Risk-return targets</td>
<td>6</td>
<td>11</td>
<td>9</td>
<td>7</td>
<td>7</td>
<td>8.0</td>
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<tr>
<td>Use of European Structural &amp; Investment Funds</td>
<td>18</td>
<td>3</td>
<td>3</td>
<td>11</td>
<td>9</td>
<td>9.8</td>
</tr>
<tr>
<td>Availability of Data</td>
<td>5</td>
<td>9</td>
<td>13</td>
<td>12</td>
<td>10</td>
<td>10.8</td>
</tr>
<tr>
<td>Price of energy</td>
<td>14</td>
<td>7</td>
<td>10</td>
<td>8</td>
<td>15</td>
<td>10.8</td>
</tr>
<tr>
<td>Aggregation Challenge</td>
<td>19</td>
<td>16</td>
<td>8</td>
<td>9</td>
<td>11</td>
<td>12.6</td>
</tr>
<tr>
<td>Buildings Regulation, Certification and Energy Performance Certificates</td>
<td>10</td>
<td>12</td>
<td>14</td>
<td>14</td>
<td>13</td>
<td>12.6</td>
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<tr>
<td>Definition and common understanding of the value of energy efficiency measures</td>
<td>12</td>
<td>8</td>
<td>15</td>
<td>17</td>
<td>18</td>
<td>14</td>
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</table>

Energy Efficiency
Financial Institutions Group

Energy Efficiency – the first fuel for the EU Economy
How to drive new finance for energy efficiency investments

FINAL REPORT
covering Buildings, Industry and SMEs
February 2015

CLIMATE & STRATEGY
PARTNERS
## Analysis: Top 10 Drivers of Demand and Supply of EE Investments in France…

<table>
<thead>
<tr>
<th>DEMAND</th>
<th>SUPPLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Individual/Owner) Payment Capacity</td>
<td>Regulatory Stability</td>
</tr>
<tr>
<td>Measurement, Reporting &amp; Verification (MRV) and Quality Assurance</td>
<td>Body of Evidence (including Social Benefits and Costs)</td>
</tr>
<tr>
<td>Regulatory Stability</td>
<td>Buildings Regulation, Certification and Energy Performance Certificates</td>
</tr>
<tr>
<td>Facilitation/ Technical Assistance</td>
<td>Measurement, Reporting &amp; Verification (MRV) and Quality Assurance</td>
</tr>
<tr>
<td>Tailored Financial Product availability</td>
<td>Increased Investor Confidence &amp; Change in Risk Perception</td>
</tr>
<tr>
<td>Behavioural Economics (personal priorities)</td>
<td>Price of energy</td>
</tr>
<tr>
<td>Awareness. Communication &amp; Marketing</td>
<td>Risk-return targets</td>
</tr>
<tr>
<td>Awareness at Key Decision Maker Level &amp; Leadership</td>
<td>Standardization</td>
</tr>
<tr>
<td>Effective enforcement of regulation</td>
<td>Definition and common understanding of the value of energy cost savings</td>
</tr>
<tr>
<td>Body of Evidence (including Social Benefits and Costs)</td>
<td>Availability of Data</td>
</tr>
</tbody>
</table>
Analysis: Demand Drivers by Building Segment
We note the following key trends and points of interest from the Survey Results for Demand Drivers:

1. French survey contained more segments and less drivers than in other countries.
2. Individual Owner Payment Capacity (read: affordability) is TOP demand driver.
3. MRV and Quality Assurance is second demand driver and very consistent except in rental homes critical for public & commercial buildings.
5. Technical Assistance and Tailored Financial Product is Top-5 driver across the residential categories, much less important in Public and Commercial.
7. Regulatory Enforcement and Body of Evidence are key for Commercial, Public and Social Housing, but not residential.
Analysis: France vs EU Difference in Demand Drivers

+ve score = MORE important in France

-ve score = MORE important in EU
We note the following key trends and points of interest from the Survey Results for Demand Drivers:

- “MRV and Quality Assurance” is CONSIDERABLY more important in France vs EU
- “Individual Owner Capacity” is much more important in French Commercial and Public buildings; and Behavioural Economics impacts French Commercial not in EU
- “Human Capacity” is much more important in France in the Residential sectors, but not other
- Non-Residential sectors in France much less impacted by Regulation which impacts at key Investment moments in the Natural Upgrade Cycle (vs EU)
- “Clear Business Case”, “Regulation and Certificates” and “Standardisation” seen as far less important demand drivers in France than EU.
We note the following key points of interest raised from the Survey Results for Demand Drivers:

- **Training for Client-side Professionals:** “Training for professionals in energy renovation and ability to deliver and deploy solutions tailored to each client's needs”

- **Key Points Not Covered:** “developing a consulting service to offer choice of works and financing the same time”, “valuation criteria related to the energy performance depends on the price of land and whether the housing market is tight or not”

- **Project Management Issues for Condominiums:** “the board must also take into account the difficulty of managing a group project”

- **Exemplarity of Public Buildings:** “many of these buildings are used intermittently (local educational, sporting, cultural facilities)” yet “policymakers see greater exemplar impact here than for other building segments”
We note the following key points of interest raised from the Survey Results for Demand Drivers:

- **Commercial Buildings focus more on Rental Improvement**: “thermal efficiency is only a secondary factor that may impact the building's market value”, “design of renovations should mainly take into account prospect of better rental yields”

- **Multi-annual Plans best for Social Housing**: “Social landlords have to establish multi-annual work plans for a long-term recovery target”, “thermal improvement reduces tenants’ exposure to increased costs and therefore should limit the non-payment of rent”

- **Need to Impact Master developer on Life-cycle**: “Energy renovation has to be made attractive for the master developer through life-cycle approach to project” “this can be facilitated through public finance and by communicating positively on the benefits”

- **Deep Renovation Offer Package**: “Deep renovation needs a package of grants, tax support and long-term finance offered with the bundle of works” plus “overall technical engineering condition check to reassure the banking sector and the applicant.”
Analysis: Supply Drivers by Building Segment
We note the following key trends and points of interest from the Survey Results for Supply Drivers:

- French survey contained more segments and less drivers than in other countries
- Regulatory Stability TOP for supply in all sectors
- “Body of Evidence” key in Social Housing, Commercial and Owner Occupied
- “MRV and Quality Assurance” critical in all but NOT Commercial Buildings
- “Price of Energy” fundamental to Owner Occupied Homes, but not others
- “Risk Return Targets” only critical to supply in Commercial and Rental segments
- “Standards” only important in Condominiums/ Multi-family Homes
- “Availability of Data” only real drivers for Commercial and Public Buildings
- Surprisingly, supply not impacted by Awareness/ Comms, On-bill Mechanisms or Capital Markets Environment.
Analysis: France vs EU Differences in Supply Drivers

+ve score = MORE important in France

-ve score = MORE important in EU
We note the following key trends and points of interest from the Survey Results for Supply Drivers:

- The body of evidence, including the multiple societal benefits is much more important in France than in the EU.
- Many of the other supply factors are closer to the EU and more harmonized than in other countries.
- Price of Energy is more important in Residential sectors and less in Public buildings and social housing in France.
- MRV and Quality Assurance is considerably less important in Public buildings and Commercial segments in France than it was seen in the EU survey.
- On-bill mechanism and data availability more important in the EU and Standardization much less important in Commercial and Public Buildings.
Diagnosis: Points Raised on Supply Side

We note the following key points of interest raised from the Survey Results for Supply Drivers:

- **Comfort / Health**: “Missing the notion of "comfort" and “Heath Impacts” in the drivers.

- **Tailored and Low-Cost Funding**: “Key to offer some standard and some tailored funding at subsidized rates”

- **Best Practice Key Driver**: “Need to encourage integral renovation through its benefits and encourage existing finance players to understand it: Example the principle renovator BBC in Lower Normandy Region”

- **Guarantee Fund for energy renovation**: “Create a "green“ standard with a guarantee provided by national funds with specific targets” (to be defined individually for each sector)

- **Right Product**: “Global offer with a technical and financial quality check on the result”.
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   - How to drive new finance for energy efficiency investments
   - FINAL REPORT covering Buildings, Industry and SMEs
   - February 2015

2. **Engage with the “Energy Efficiency De-risking Project”**
   - Become a user and/or become a data provider and engage in an expert dialogue which contributes to enhancement of the fundamentals of energy efficiency investments in the buildings and corporate sectors

3. **Use the “EEFIG National” Tool & Database**
   - It relies on used a standardized method and process to engage with key expert stakeholders in Spain, France, Germany, Poland and Bulgaria over 12 months. Each country’s results can be found with a series of summaries as well as an interactive review of the EU data
Climate Strategy leads in Energy Efficiency Finance with 9 white papers written in the past 7 years and supporting international policy initiatives.

"Energy efficiency investing has a fundamental and beneficial role to play in the transition towards a more competitive, secure and sustainable energy system with an internal energy market at its core."

Peter Sweatman CEO of Climate Strategy - EEFIG Launch Feb 26th 2015

Climate Strategy understands the interdependent relationships between:

- Environment
- Business
- Society
- and Government

and their roles in guiding the global transition to a low carbon economy.

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