EEFIG MS-level Process Results
Spain 2015

Prepared by Peter Sweatman, CEO Climate Strategy
Since 2011, GTR has been active in analyzing opportunities to assist the energy transition of Spanish Buildings…

GTR = Working Group for Buildings Renovation 2011-2015

GTR 2011 Report
Has gained momentum among Spanish policy makers and private sector

GTR 2012 Report
It is an update which has furthered the model and its conclusions

GTR 2014 Report
A National Strategy for Rehabilitation

2015-2016
✓ Assessment of the Autonomous Communities
✓ Study on financing tools. GTR Finance
✓ Review of the 2017 National Strategy:
GTR = 12 Independent Experts, EU Context and 3x 2015 TGs: Autonomous Communities, Financing and Build-UPON

**GTR Members**

Valentín Alfaya  
Director de Calidad y Medio Ambiente del Grupo Ferrovial.

Luis Álvarez-Ude  
Arquitecto

Xavier Casanovas  
Director de Rehabilitación y Medio Ambiente del Colegio de Aparejadores y Arquitectos Técnicos de Barcelona.

Albert Cuchí  

Enrique Jiménez Larrea  
Abogado, ex-Director del IDAE.

Francisco J. González  
Profesor de la Escuela de Arquitectura de la Universidad Europea de Madrid.

Fernando Prats  
Asesor del Centro Complutense de Estudios e Información Medioambiental para el programa Cambio Global España 2020/50.

Juan Rubio del Val  
Director de la Sociedad Municipal de Rehabilitación de Zaragoza.

Peter Sweatman  
Director general de Climate Strategy & Partners.

Alicia Torrego  
Gerente de la Fundación Conama.

Ignacio de La Puerta  
Arquitecto

Dolores Huerta  
Secretaria Técnica de GBCe

**Coordinated by:**

**Sponsored by:**
“GTR Finance” has 50 members, is supported by the CNC, and 46 participated in EEFIG MS-level process…

GTR Finance = Seeks to solve financing needs for the energy rehabilitation of buildings

- **GTR Finance Mandate:**
  - Define those essential and much needed instruments for the financing of the sector;
  - Identify changes needed to increase the economic activity regarding energy works

- **46 from 50 participants answered EEFIG survey in Spanish**

- **Participants belonged to multiple sectors:**
  - Banks, Private Sector, Public Sector, Experts, Industry, ESCOs, SMEs, Trade Associations, Distributors of plumbing and electricity supplies, Spanish Banking Association, Construction Companies, and NGOs
Used EEFIG Methodology and MS-level Process…
## Analysis: “Top 10” Demand and Supply Drivers

<table>
<thead>
<tr>
<th>DEMAND</th>
<th>SUPPLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behavioral Economics (personal priorities)</td>
<td>Price of energy</td>
</tr>
<tr>
<td>Price of energy</td>
<td>Definition and common understanding of the value of energy cost savings</td>
</tr>
<tr>
<td>(Individual/Owner) Payment Capacity</td>
<td>Sustainable Real Estate Funds</td>
</tr>
<tr>
<td>Clear Business Case</td>
<td>Use of National Energy Efficiency Fund</td>
</tr>
<tr>
<td>Tailored Financial Product availability</td>
<td>Use of European Structural &amp; Investment Funds</td>
</tr>
<tr>
<td>Measurement, Reporting &amp; Verification (MRV) and Quality Assurance</td>
<td>Communication between market actors</td>
</tr>
<tr>
<td>Body of Evidence (including Social Benefits and Costs)</td>
<td>Regulatory Stability</td>
</tr>
<tr>
<td>Buildings Regulation, Certification and Energy Performance Certificates</td>
<td>Fiscal Support</td>
</tr>
<tr>
<td>Awareness of appropriate timing for energy efficiency measures within the traditional building cycle</td>
<td>Buildings Regulation, Certification and Energy Performance Certificates</td>
</tr>
<tr>
<td>&quot;Green Premium&quot; / Brown Discount</td>
<td>Risk-return targets</td>
</tr>
</tbody>
</table>
Analysis: Demand Drivers per Segment

- Tertiary / Commercial
- Primary Residence occupied by its owner
- Public Housing
- Public
- Rented Housing

Demand Driver (All)
Analysis: Results for Demand Drivers

GTR Finance EEFIG MS-level WG notes the following results based on the Expert Survey:

- Demand drivers are aligned across several sectors except in Public Buildings
- Energy Efficiency is not a priority in any segment when compared to Other Priorities
- There is a lack of awareness (except for the Public Sector) of the multiple economic benefits inherent to energy efficiency upgrades
- The Value Increase (“Green Premium”) due to retrofits is indeed a big driver within housing and commercial buildings
- A Tax benefit could significantly catalyze the retrofit of properties
Analysis: Spain vs EU, Demand By Segment
Analysis: Spain vs EU, Demand By Segment

GTR Finance EEFIG MS-level WG notes the following results based on the Expert Survey:

- In Spain the price of energy and the availability of capital is more relevant than the EU average, except in dwelling occupied by owners.
- The demand drivers for energy renovation in the Spanish public and commercial sectors differs considerably other EU countries.
- Regulatory instability and human capacity are less important in Spain when compared with other EU countries.
- In Spain, Technical assistance, Data and Rules on Accounting are not perceived as such strong barriers as in other EU countries.
Analysis: Supply Drivers by Segment

Drivers by Segment
- Tertiary / Commercial
- Primary Residence occupied by its owner
- Public Housing
- Public
- Rented Housing

Supply Driver (All)
Analysis: Results for Supply Drivers

GTR Finance EEFIG MS-level WG notes the following results based on the Expert Survey:

- Price of energy is the most relevant factor for Financial Institutions finance supply in all sectors
- The understanding of the economic value of energy savings are certainly relevant drivers except in properties for rent and public housing
- For housing, risk-return targets for banks is a significant barrier – yet not for the public and commercial sectors
- Tax benefits could also catalyze the supply of financing for the rehabilitation of housing
Analysis: Spain vs EU, Supply By Segment
GTR Finance EEFIG MS-level WG notes the following results based on the Expert Survey:

- In the case of Housing in Spain, the price of energy and the availability of capital are more relevant supply drivers than the EU average.
- The lack of funds and tailored financial products for rehabilitation in all sectors is indeed very relevant in Spain.
- The supply of the so called “integral rehabilitation” of multiple measures (energy and access) is also relevant.
- Standardization and Technical Issues are not perceived as barriers in terms of supply drivers, contrary to the EU level survey.
Assessment: Barriers for Private Financing

GTR Finance: “Identify challenges and barriers that prevent the financing of the sector”

Barriers in terms of subsidies and private financing.

- **Clear identification of the collateral provider.** Who will pay back the loan? The occupier/user, the neighbors association, a third party?

- **Collateral ought to be clear and measurable.** The monetization of energy savings is quite complex for banks.

- **Payback periods of** over 5 and 8 years are barriers for private banks, as they face ever changing and complex regulatory barriers.

- **Loan Amounts.** Increased financing leads to banks requiring greater collateral making access to financing harder. This has a greater adverse effect on the integral rehabilitation rather than for instance just changing boilers.
Assessment: Barriers for Private Financing

GTR Finance: “Identify challenges and barriers that prevent the financing of the sector”

Barriers and solutions in terms of subsidies and private financing.

- **Develop a single “Model-Type” for each segment:** The challenge remains finding a tailored business model with clear definition for each building segment and typology.

- **Guarantee Scheme or Financing Collateral.** Models that can increase finance flows include: Registered claims in the Property Rights Registry, collective guarantees (eg. SAECA type) or partial coverage (Junker Plan), payment insurance, “equity” like complex financial products, in addition ESCOs can also take part in the financing or providing part of the collateral.

- **Clear Fiscal Signal:** Fiscal measures ought to foster strategic economic activities. The possibilities to provide incentives to users through these activities are sometimes more effective than those with direct subsidies because they don’t require as much paperwork/ processing. VAT, deductions on personal income and property taxes are fiscal instruments capable of promoting the energy rehabilitation of dwellings. Taxation on existing subsidies remains a problem.

*SAECA is Spain’s Sociedad Anónima Estatal de Caución Agraria
CONCLUSIONS/FINDINGS
A Regulatory Framework that Promotes a Culture that Upholds Energy Efficiency

#EnergyEfficiency First

Spain lacks a massive offer of energy rehabilitation supported by its energy companies, retail networks, complemented by a fund that acts as a “Green Bank” focused on the development of energy efficiency projects.

Energy Prices are not good signals as they are now more “fixed” than floating and prices are influenced by Govt which poses uncertainty in the future.
1 Educate and train
“Accredited Agents” / “Technical Tutors” / “Project Managers”

Mainly for neighbour associations as they need professionals that understand and promote the energy rehabilitation model and are trained and accredited to manage such projects on behalf of the owners.

These professionals ought to be knowledgeable and able to offer the financing of the projects as well.
Industrialization & Replication of “Model Types”

Each climate zone and building type ought to have a “model type”. The supply chain for “model types” should be transparent and its financing should be simple and accessible in all Banks’ branches.
A financing packet that is simple and tailored specifically for energy retrofits

The financing packet for energy retrofits ought to provide key elements such as the loan, public subsidies and precise instructions that would enable attaining tax deductions. Also, this packet should be available via a network of accredited agents.

...and easy to explain
Please visit www.eefig.org
Engage and join the conversation!

Users can access:

1. Latest EEFIG Report & supporting materials

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 11 white papers written in the past 8 years and supporting international policy initiatives.

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.

“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

250+ key note speeches and public conferences on the Transition to a Low Carbon Economy and 120+ press articles, Climate Strategy is working towards the implementation of the Paris Agreement at COP22

Follow us @ClimateSt
Thank you from GTR – @ClimateSt

Thanks!

Please download GTR reports at: www.climatestrategy.es

This document has been prepared for specific use and should not be published or circulated outside of its intended audience. The facts and figures are derived from public sources and have not been independently verified by Climate Strategy who provides no guarantees for its accuracy nor completeness nor will assume any liabilities for such arising from any third party use of the contents. Any opinions in this document constitute the present opinion of Climate Strategy which is subject to change without notice. There are no financial services marketed here nor intended as promoted herein.

Please refer to website for further information.