



**MLTC - Marc Lutz  
Training and Consulting**

**MLTC - Марк Лутц  
Тренинг и Консалтинг**



**Seventy-fourth session and  
Ministerial Meeting:**  
Thematic discussion on energy  
efficiency in housing

**Key challenges of EE in the  
housing sector – focus on financing  
for housing associations and  
condominiums**

**Marc Lutz**  
EE Financing Expert  
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# Agenda

## Content

- Opportunities for residential EE investments
- Barriers to sustainable residential EE financing for banks
- Institutional and regulatory barriers
- Social barriers
- Measures overcoming barriers
- Backbones of an “enabling” environment
- Supporting key aspects

## EE in Housing

# Opportunities

- Large social impact of EE in housing
- Removal of subsidies on energy tariffs
- Long life-time of technically simple measures
- Labour intensive, locally implemented projects
- Positive micro and macro economic impact

## EE in Housing

# Barriers to sustainable EE financing for banks

- Lack of established special crediting schemes
- Tenors needed longer than those of commercial business lending
- Lack of collaterals
- Liability of stakeholders
- Legal enforcement in the property and residential sector
- Lack of technical expertise for appraisal and risk assessment
- Information asymmetries and misconceptions about the technical risks and financial benefits of energy efficiency
- Lack of specific structures for implementation
- No specific marketing tools or budget allocated for such activities

## EE in Housing

# Institutional and Regulatory Barriers

- Legal statute of associations of apartment owners
- Responsibilities and legal liabilities of Associations
- Management of Associations
- Decision making procedures
- Relationship with management companies and utilities
- Insufficiencies of building regulatory
- Lack of energy performance classification
- Lack of energy certification scheme
- Structure and complexity of energy efficiency requirements
- Lack of institutionalised energy assessment procedures
- Insufficient institutional framework supporting energy performance assessment

## EE in Housing

# Social Barriers

- Complete privatized housing stock
- No traditions of ownership responsibility for real estate assets
- Excessive government involvement in housing services in past which is reversed by complete withdrawal of state from sector management
- Weak and insufficient level of multi apartment building management institutions
- HOAs lack of knowledge and skills in economic/financial property management including energy efficiency
- Social exclusion of poor home owners

## EE in Housing

# Measures overcoming Investment Barriers

- **Objective**
  - Overcoming initial investment barrier
  - Using measure as a communication vector
  - Market transforming by involving banking sector (leverage effect)
- **Types of measures**
  - Tailor made financing schemes
  - Credit guarantee systems
  - Interest rate subsidy
  - Capacity building for local banks

# Measures overcoming Institutional and Regulatory Barriers

- **Objective**

- Reducing institutional and regulatory barriers
- Using measure as a communication vector
- Stimulating by market requests

- **Types of measures**

- High leverage of national (Donor funded) support programs
- Policy dialogue: assistance on development/upgrade of supportive legal and regulatory framework:
  - ✓ Secondary legislation on EE of buildings
  - ✓ Law on Energy efficiency of buildings
  - ✓ Regulations, technical regulations, ministerial decree/ordinances
  - ✓ Sustainable Energy Action Plans



# Measures overcoming Social Barriers

- **Objective**

- Informing owners, HOA, HMC
- Using measure as a communication vector
- Stimulating market transformation

- **Types of measures**

- Awareness raising for HOA general public, project stakeholders, authorities
- Capacity building for HOA, technical consultants, engineers, local authorities
- Support for corporate sector (technology and service providers, utilities, project developers)
- Social programs for poor home owners

## EE in Housing

# Backbones of an “enabling” Environment

## Housing Associations

- **willing** (consensus reached)  
and
- **able** (affording) to borrow

## Local Banks

- willing to lend (able to **assess risks**)  
and
- comfortable with the **collateral**

## Government

- **Enabling Legislation** (housing code and civil code)
- **Social Safety Net** for the low income households
- **Financial and Fiscal Instruments**

# Supporting Key Aspects

## EE in Housing

**In countries where residential EE financing works the following are true...**

- HOA registered as a legal body
- legal requirement for HOA to maintain the building
- HOA legal capacity to borrow to carry out investments
- decision to invest in thermal rehabilitation is simple to take and enforceable to all its members
- legal requirement to contribute and accumulate funds in the Building Maintenance Fund
- buildings have metering and control devices and energy is paid according to actual consumption
- utility companies can provide a history of payment proving 'transactional behavior' of the HOA



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**THANK YOU**

**Marc Lutz**

Tel.: +380/66/134-00-43

Skype: marc\_lutz

Mail: MLTC@gmx.de