



From Grant-Programme to a Revolving Fund

Mirja Adler

05.11.2009



Part-financed by the European Union
(European Regional Development Fund
and European Neighbourhood and
Partnership Instrument)

Success guaranteed



Presentation

- Estonian housing stock
- Economical situation
- Previous measure – grant scheme
- From grants to revolving fund – why?
- Revolving fund scheme
 - Scheme
 - Terms
 - Information to market participants
- Conclusions

Housing stock

- ~95% housing stock is in private ownership:
 - ~60% of the housing stock has been built in 1960-1990
 - ~30% before 1960
- ~ 75% population living in multi-apartment buildings
- Low quality and low energy efficiency
 - Average energy consumption per year in buildings which have not been renovated 200-220 kWh/m²
- Energy used in buildings ~50%
- Economic recession and increase in energy prices
- Disproportional aging of the housing stock (1960-1990) – high need for renovation



Previous measure – grant scheme

2003-2007 state grants all over Estonia:

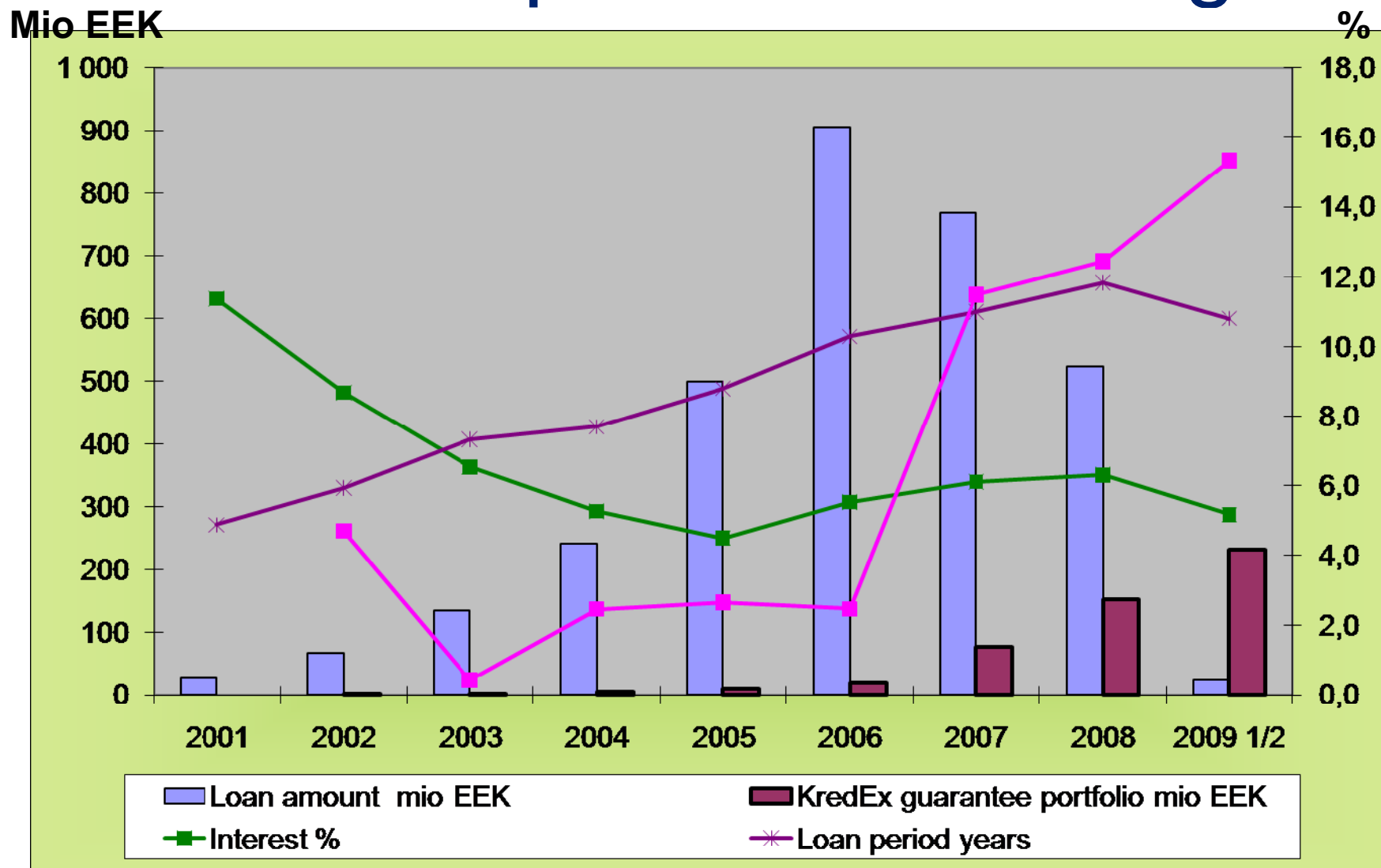
- For energy audits, building designs and technical expertise 50% of the costs (since 2003) – still continuing
 - Supported 3 800 buildings
 - Totally 1,4 million €
- For renovation, 10% of the costs
 - Supported 3 200 buildings
 - 17 million m², totally 11 million €
- Problems:
 - Insufficient funding
 - Singel works
 - Grant available after payments



From grants to revolving fund – why?

- Opportunity for re-usage of the funds
- Funds stay in state
- Support scheme (10% support) *versus* loan scheme (state support is even bigger)
- Loan is needed for reconstruction anyway
- Opportunity also to smaller buildings
- Easier to administer, lower administrative costs
- End-beneficiary is used to take loan
- Innovative scheme

Credits to apartment buildings



Economic situation

- Credits are used in all over Estonia
- Interest rates are higher than before
- Loan conditions are tougher than before
- People are afraid of taking obligations



reconstruction works are difficult and expensive to finance, decision making is difficult

Legal body in multi-apartment buildings

For the management of apartment buildings are 3 possibilities

Apartment association

- Apartment owners have formed apartment association which is legal body ~ 50% of all apartment buildings.

Apartment cooperative

- People own shares from cooperative, can not use their apartments as a collateral – small part from all buildings (~3%).

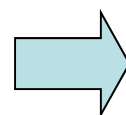
Community of apartment owners

- Only apartment owners, no legal body. Usually they choose a manager who is responsible for the maintenance ~ 47% of all apartment buildings.

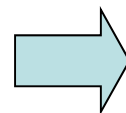
In all cases power of decision making is on General Assemble.

Economic situation (2)

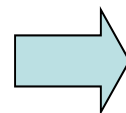
- Heating costs have risen dramatically (over 100% within the last year in some areas)
- All other livings costs have increased
- Residents in multi-apartment buildings tend to have lower incomes
- Unemployment rate is increasing
- Prices in building sector are falling



Heating costs (being completely unavoidable for a household) are consuming a steadily growing proportion of the income of the population

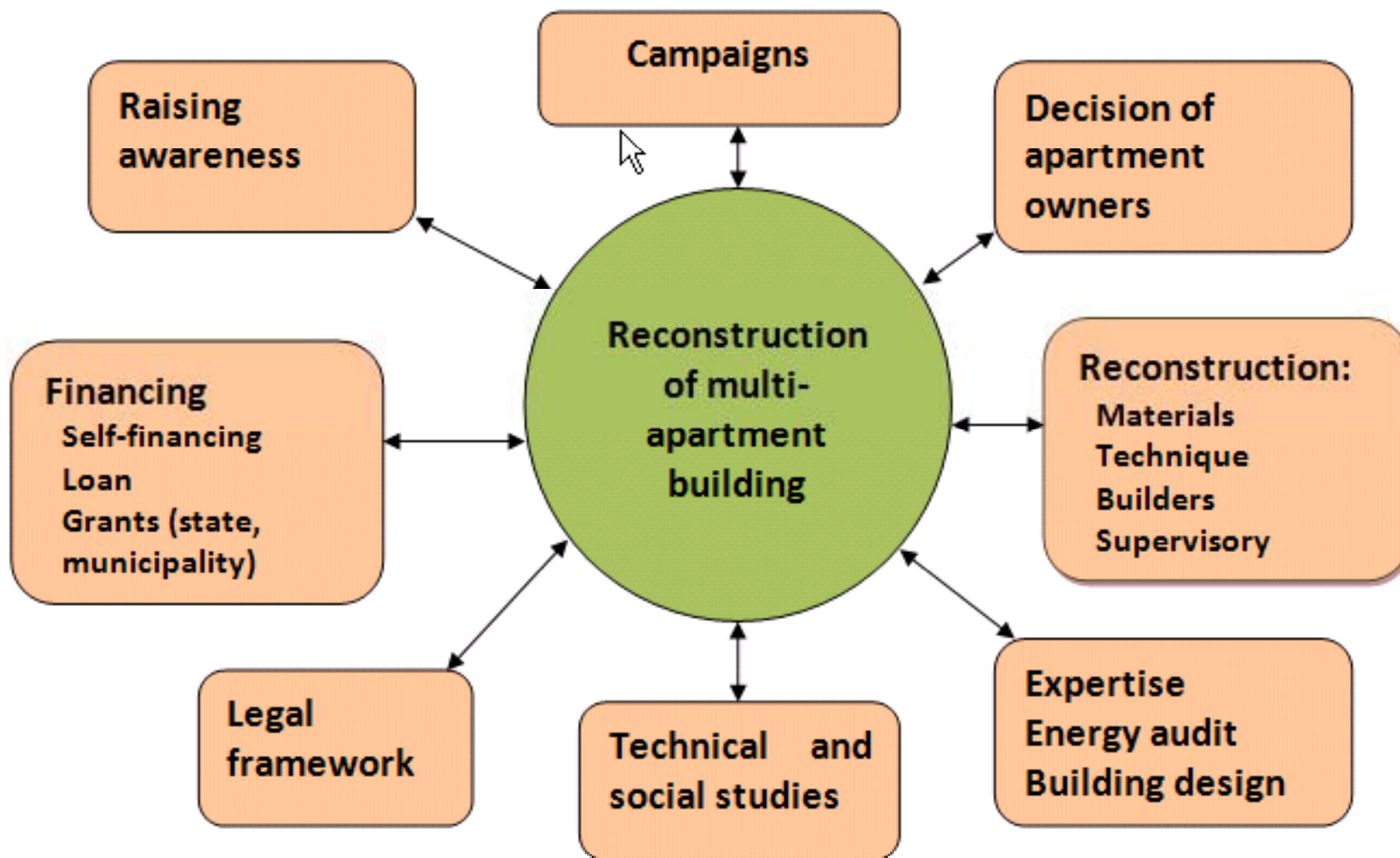


Our energy issue is becoming a social issue



Population is becoming more interested in energy saving and willing to spend money to save money





Complex approach

- Legal framework
 - Decision making, financing, reconstruction
- Grant for seminars from 2003/6000 participants
- Energy Efficiency Competence Centre
- Campaigns about energy efficiency
- Energy auditors, supervisory
- Grant for energy audits, building design etc
- Technical studies
- Financial schemes

Campaigns 2009

Kui Sinu kodu külmetab, siis...
Sina kaotad raha!



võida küttekuludest aastas kuni 45%

Eestis on Põhjamaadega sarnane kliima, aga energiat tarbime kuni 2 korda rohkem. See on raiskamine, mille lõpetamiseks saad ka Sina oma panuse anda – **muuda oma kodu energiasäästlikuks!**

Küsi nõu või saada Sinu maja korrashoiu eest vastutava inimese kontaktandmed KredExile. Meie võtame temaga ise ühendust – nii on Sinul vähem tüli! Lisaks võid just Sina võita oma kortermajale ühe viiest tasuta energiaauditi. Kampania kestab kuni 29. novembrini.

Iga võidetud päev on sääst Sinu rahakotist!
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9.-16. november 2009

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 Tagatud edu

Uus renoveerimislaen korterelamutele



muudab kodu energiasäästlikumaks

Soodusintressiga pikaajaline renoveerimislaen korterelamutele. Kasuta võimalust ja tee oma maja korda!
Lisainfo: www.kredex.ee, www.swedbank.ee/business, www.seb.ee/yhistu

  **Swedbank**  **KREDEx**

Revolving fund for energy efficiency:

1. ERDF to equity of the fund

ERDF
EUR 17 Million

KredEx (Fund)
EUR 49 Million
(+15% self-financing,
total 57 mln €)

2. Additional funding up to 50% of total

Development Bank (CEB)
EUR 29 Million

3. Favorable funding to the commercial banks

Swedbank

SEB

State guarantee

Apartment Building
Apartment Building
Apartment Building

Apartment Building
Apartment Building
Apartment Building

4. Loan to the apartment associations. Commercial Bank takes the risk of the lenders

Banks selection

- Tender for the banks, criteria:
 - Rating at least Baa 3 (Moody's) or BBB (Fitch or Standard & Poors)
 - Respond to credit institutions act and have license
 - Budget over 15 billion EEK
 - Bank has at least 1 year experience with financing multi-apartment buildings
 - Bank accepts loan-maturity for 20 years

Process for end-beneficiaries

- Decision in General Assembly
- Self-financing part (own funds or usual loan)
- Energy audit for the building
- Building design documents – approved by energy auditor
- Building permit
- Credit from banks
- Tender and agreements with builders
- Guarantee (state) from KredEx if needed – up to 75% of loan amount
- Construction with owner supervision



Financial support to end-beneficiaries

- Credit guarantee – if needed
- State grant from KredEx for:
 - Energy audit – 50%, max 10 000 EEK (640 €)
 - Technical inspection – 50%, max 10 000 EEK (640 €)
 - Building design documents - 50%, max 50 000 EEK (3 195 €)

Credit to apartment buildings 1

- Main purpose - energy efficiency measures:
 - to save at least 20% of energy in buildings up to 2000 m²
 - to save at least 30% of energy in buildings more than 2000 m²
- Self-financing 15% (includes works from 01.01.2008)
- Energy audit is obligatory
- Renovation according to energy audit (by priorities)
- Loan period: up to 20 years
- Interest rate: up to 4,7% (first tranche, average 4,5%) fixed 10 years

Credit to apartment buildings 2

- A complete building design if energy audit was drafted after 7.05.2009
- Building company: has to be entered into the register of economic activities and has paid state taxes
- No prepayment to building company
- Multi-apartment buildings: at least 3 apartments, built before 1993 and apartment association or community of apartment owners
- Credit is given against cash flow – no collateral is needed

Selection of works

- Thermal insulation of the roof
- Thermal insulation of the walls/facade
- Thermal insulation of the cellar/roof ceiling
- New windows / staircase windows /outdoors
- New heating system/renovation of the heating system
- Renovation of the ventilation system / new ventilation system
- Installation renewable energy devices

Obligations of end beneficiaries

- To report energy consumption (3 years before + loan period, via internet)
- To present all building contracts, design projects and reconstruction budget
- Information about using ERDF funds
- KredEx can do the spot verification by end beneficiaries (5%)
- Other loan obligations



Obligations of banks

- Monthly reporting about loans given
 - Information about building
 - Description of investments
 - Number of dwellings concerned
 - Date of energy audit, savings
 - Total investment cost
 - Loan amount
 - Supplementary Bank loan
 - Loan maturity
 - Loan interest rate / margin
- KredEx can carry out audits in banks
- Loan is given in maximum 8 tranches, next tranche available after previous is used

SF loan vs usual loan

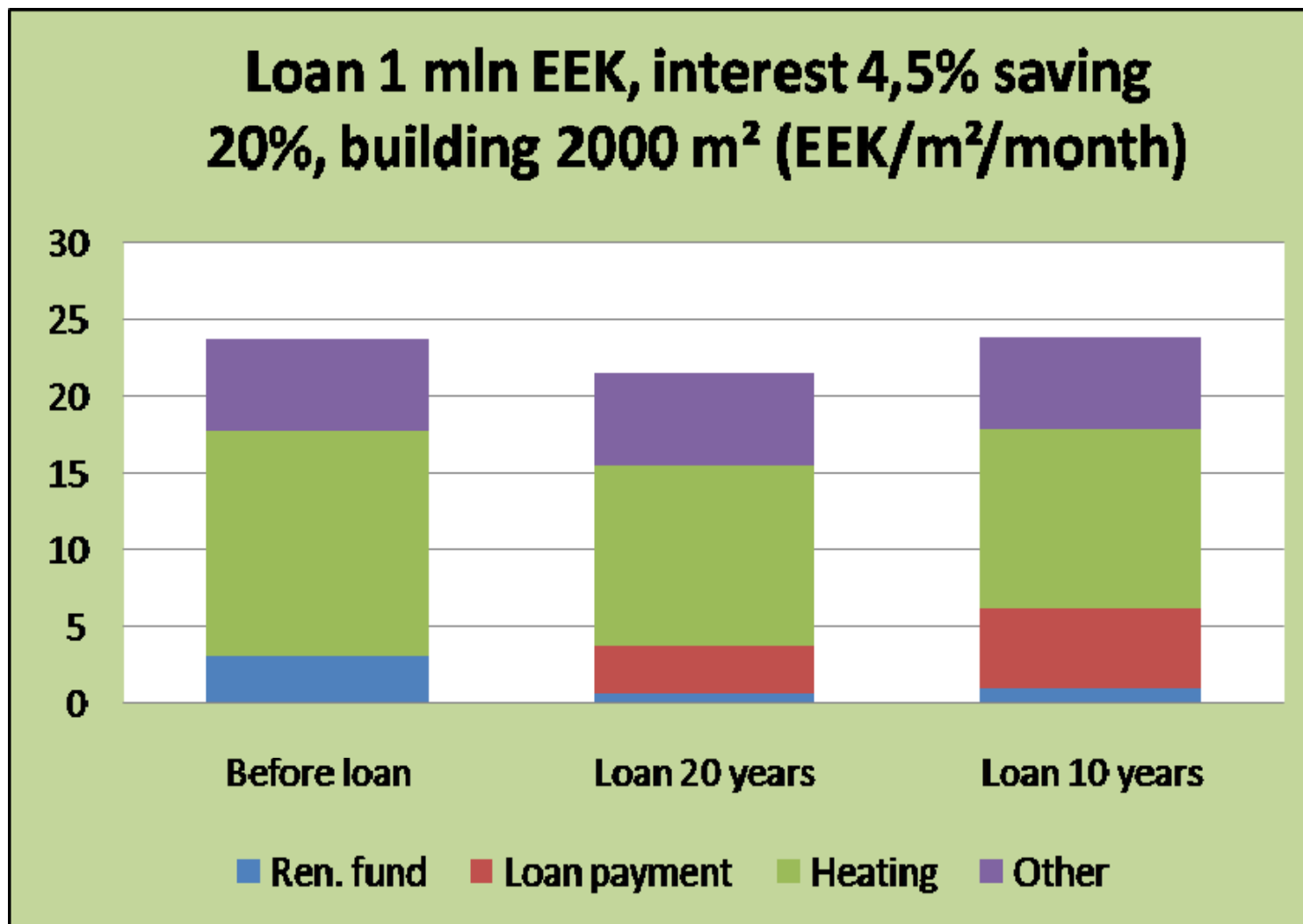
SF loan

- Interest:
 - Fixed for 10 years
 - Between 4,3 – 4,8%
 - Interest on 64 000 € loan
4,5% 10 years **15 573 €**
- Contract fee:
 - 0,5% - 0,75% from loan amount
- Maturity:
 - Up to 20years

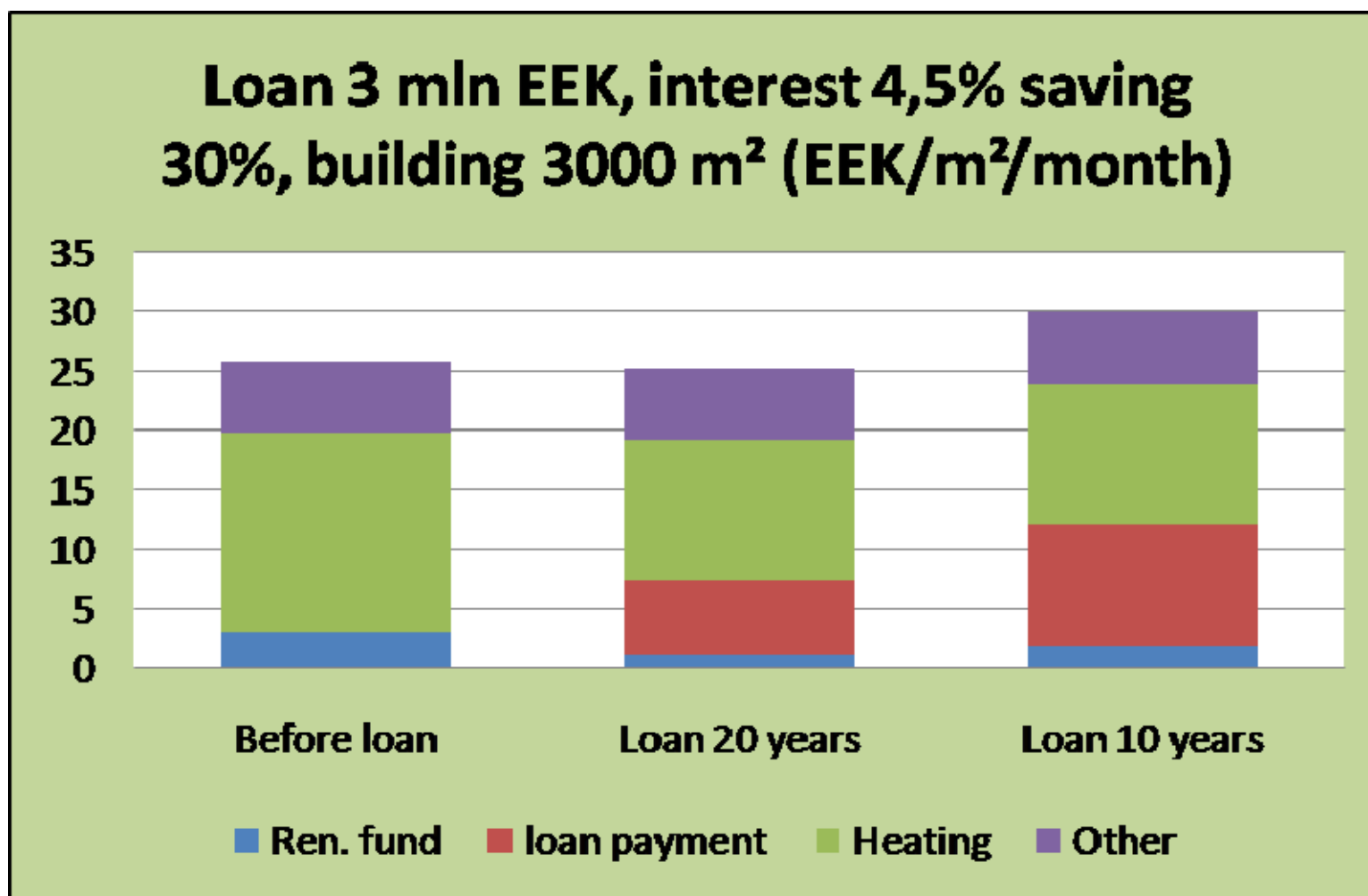
Usual loan

- Interest
 - Fixed for 5 years or floating
 - Interest ~ 7-10% (fixed)
 - Interest 64 000 € loan 7%
10 years **25 137 €**
- Contract fee :
 - Up to 1% from loan amount
- Maturity:
 - Average 2008: 11,8 years

Burden of payments – 2000 m²



Burden of payments – 3000 m²



Information to market participants

- Press-conference on 25.05, coverage on biggest newspapers
- **55 (10.2009)** presentations to end beneficiaries, builders, energy auditors, project designers, local municipalities
- Advertisements in local and Estonian newspapers, magazines, internet, direct mailing, articles
- New campaign is going

Status quo

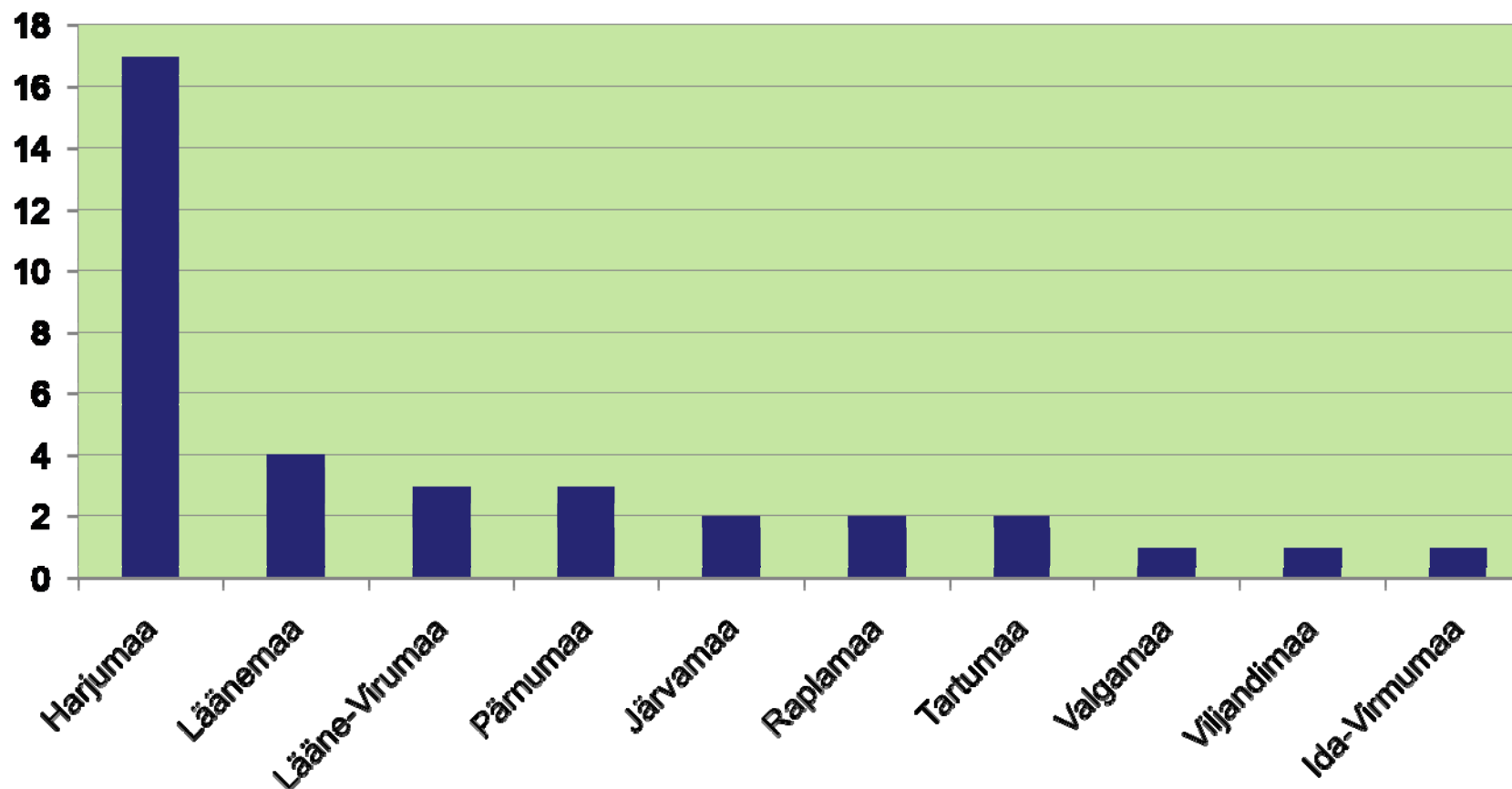
- Last contract was signed 24.06
- 31.10.2009:

54 contracts with multi-apartment buildings, total 4 mln € (average 74 000 €, 2035 apartments, 117 200 m², saving 33%)

- Interest is there, but preparation of documents takes time, terms are complicated, people are careful



Loans in counties



Conclusions

- Building reconstruction is unavoidable
- 2 years for preparations as a first country to implement revolving fund scheme in housing – long period
- Economical conditions have changed drastically
- Scheme has great future (low interest, high energy efficiency) – best financial terms over history
- Complex approach - awareness raising, promotion, state support, legal and financial framework, is very important





Contact:

Credit and Export Guarantee
Fund KredEx

Mirja Adler

Pärnu mnt 67b
10134 Tallinn, Estonia

Tel: +372 6 819 950
Fax: +372 6 819 951

E-mail: mirja.adler@kredex.ee

www.kredex.ee



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