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# Green Home Finance Innovation Fund (GHFIF)

## Stakeholder Information Event

Webinar 30 July 2019

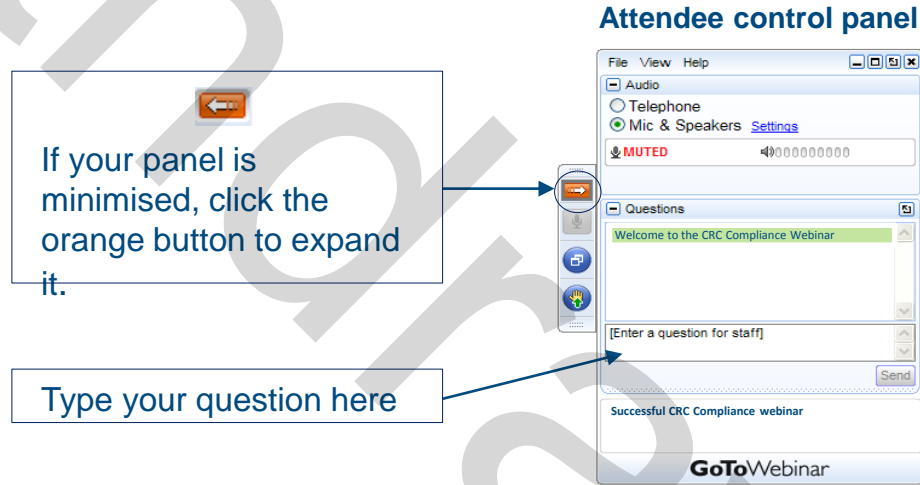


Department for  
Business, Energy  
& Industrial Strategy

## Any questions?

You can submit your question or comment in writing at any time during the webinar, using the control panel on your screen.

(The control panel is usually located in the top right or top left of your screen.)



# Agenda

10:00 – 10.10	Policy context
10:10 – 10:50	Green Home Finance Innovation Fund – Stakeholder Information
10:50 – 11:00	Q & A



## Aims of the event:

- To provide information about the competition purpose and timeframe
- An opportunity to put questions to the BEIS team.
- For BEIS to gather information to feed into the project design.



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# Green Home Finance Innovation Fund

## Policy context

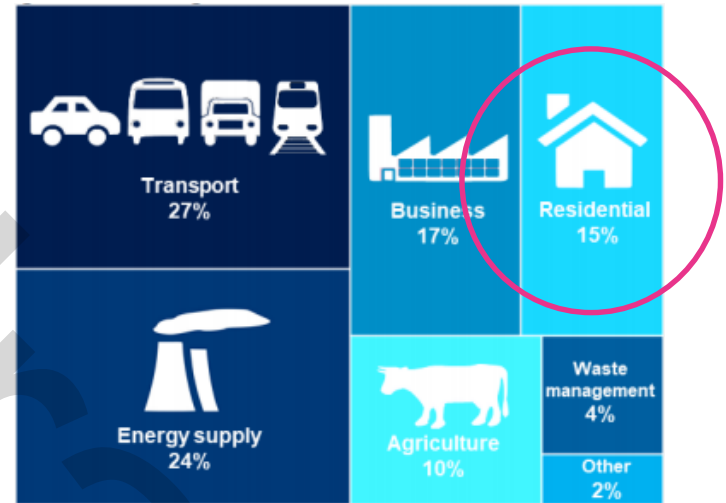
Stephen Ryman, Energy Efficiency & Local



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# Our homes account are a big source of emissions...

- UK homes account for 15% of UK emissions. If electricity is taken into account – the figure is 22%.
- Average household energy consumption has improved by 17% since 1990
- In order to meet Carbon Budget 5, emissions must fall by a fifth.
- By 2050, emissions from homes need to be largely eliminated.



# To address this, we set out a number of goals...

In the **Clean Growth Strategy**, we set out a number of goals, including:

- all fuel poor homes to be upgraded to Energy Performance Certificate (EPC) Band C by 2030 and our aspiration is for as many homes as possible to be EPC Band C by 2035 where practical, cost-effective and affordable
- Develop a long term trajectory to improve the energy performance standards of privately rented homes, with the aim of upgrading as many as possible to EPC Band C by 2030 where practical, cost-effective and affordable
- Consult on how social housing can meet similar standards over this period

In the **Buildings Mission**, we set out our aim to halve the cost of retrofitting existing buildings to a similar standard as new build by 2030.



# And we have been making progress on this...

Since the **Clean Growth Strategy**, we have:

- Published a Call for Evidence on Building a Market for Energy Efficiency.
- Introduced strengthened regulations to set minimum energy performance standards in the private rented sector.
- Stakeholder engagement around setting a long term trajectory in the PRS
- Working jointly with MHCLG on improving efficiency in social housing
- Begun piloting supply chain initiatives across England.
- Launched a £10m innovation competition to reduce the costs of improving existing homes to a high energy performance standard.
- Launched a digital Simple Energy Advice service to help households make better decisions about improving the energy performance of their homes.





# A key element is mobilising green finance...

- Green Finance Strategy published this month with a range of actions to mobilise green finance for home energy efficiency, including:
  - Consulting on setting requirements for lenders
  - Publishing retrofitting standards and launching a quality mark
  - Publishing EPC bulk data
  - Announcing a £5m Green Home Finance Innovation Fund
- Green Home Finance Innovation Fund to pilot over 18 months green home finance products that have sustainable business models, will incentivise energy efficiency retrofit, and are supported and promoted effectively by the lender;
- Successful pilots will test the extent to which green finance products are attractive to consumers, drive energy efficiency works and can be self-sustaining.



# So what does success look like for us...

- Understand the market and lender and consumer preferences
- Build relationships with the supply chain, to offer attractive and innovative products
- Develop IT infrastructure to capture energy efficiency data and link it to finance decisions
- Develop an effective verification method for energy efficiency to mitigate investment risk to lenders
- To demonstrate that innovative green home finance can mitigate risk for lenders and generate sustainable profits
- Develop a route to market



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# Green Home Finance Innovation Fund

## Stakeholder Information

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Department for  
Business, Energy  
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# Green Home Finance Innovation Fund

Approximately **£4.63 million** available for a limited number of projects which **develop innovative green mortgage and other lending products**, targeting any consumers that would not get support under other Government Energy Efficiency schemes.

## GHFIF Aim:

To promote the establishment of green lending products by overcoming the barrier to innovation posed by high initial development costs in an immature green finance market.

# What are BEIS looking for from lenders?

- a) Financial products that meet the criteria of GHFIF
- b) A monitoring process for the products to confirm their impact
- c) Lenders need to partner with other specialists
- d) Lenders have until mid-September to work out how best to deliver the requirements of this competition.

Note: BEIS funding is designed to cover the costs of developing and piloting the financial product and NOT for subsidisation of interest rates

# GHFIF Objectives

Successful proposals will be expected to achieve the following **objectives**:

- To develop innovative green home finance products that have sustainable business models, that will incentivise energy efficiency retrofit, and which are supported and promoted effectively by the lender
- Lenders to develop the necessary expertise in energy efficiency, the necessary IT infrastructure to incorporate energy efficiency considerations into investment decisions, and the necessary relationships with the energy efficiency supply chain to build energy efficiency into their financial products
- To pilot these green finance products to demonstrate:
  - That these products are desirable and a viable market exists
  - That these products drive energy efficiency retrofit works
  - That these products can generate a sustainable profit in addition to adding to lenders' brand value
- To establish an evidence base on customer demand for green home finance, including marketing techniques, profiles of potential "green finance" customers, product design and the likely size and scope of the market
- To establish an evidence base on barriers and enablers for setting up a range of green home finance products within financial institutions of various types, including any potential avenues for future government intervention

# Scope of the competition (1)

- Funding will be allocated over 16 months (end March 2021).
- BEIS expect to fund a mixed portfolio of proposals to ensure a spread of approaches are trialled in the product pilots, eg;
  - Products that offer favourable rate mortgages for more efficient properties.
  - Unsecured home renovation loans with % of loan allocated to energy efficiency works.
  - Improved terms on existing mortgages/re-mortgages/additional borrowing against mortgages.
  - More ambitious/innovative proposals might cover incentivising energy efficiency works when taking out a mortgage for property purchase; equity loans for asset-rich, cash poor property owners, whereby consumers receive funding for measures in exchange for equity in their homes; lending for major energy efficiency renovations and/or whole house retrofit; pay-as-you-save schemes for low income property owners.
- BEIS anticipate 3 - 5 funded proposals with funding awarded in the region of £800K to £1.8m.

## Scope of the competition (2)

- Proposals should demonstrate how the financial product incentivises homeowners to improve EE of existing properties or otherwise reinforces a market relationship between EE properties and property value.
- Proposals should demonstrate how the funding would enable development of brand new marketable products
- Financial products that have a realistic proposition of being continued past the end of the pilot period without the need for additional Government support would be favoured, although smaller organisations entering the market who would not necessarily have this confidence would also be supported



## Scope of the competition (3)

- Successful bids will need to demonstrate a process to ensure that the proposed finance product will result in a substantive improvement in EPC banding to properties taking up the product.
- Products must be designed so that this EPC improvement can be appropriately verified.
- Home renovation projects that are not solely energy efficiency-related would be eligible for incentives, as long as there is a substantial additional energy efficiency component to the works.
- However, energy efficiency improvements that are a legal requirement under building regulations or PRS legislation would not be considered additional.

# Expected outputs

- The winning bidders will be expected to deliver periodic update reports and a final report, to be published, describing all outputs and outlining the lessons that should be taken forward. More specifically the final document should set out detailed information on:
  - Breakdown of lender's portfolio by EPC band
  - Insight reports covering market research and routes to market.
  - Details of the Green Home Finance pilots launched for 6 months covering approx. 1000 homes per product.
  - Evaluation report covering enablers, barriers and unknown consequences.
  - Evaluation of pilot.

# Eligibility criteria

- Location: UK
- Open to applications from financial institutions & mortgage lenders with a retail presence (e.g. banks, building societies, and consumer organisations) & partner organisations (e.g. energy suppliers and smart data/analytics companies) that could deliver energy assessments and retrofit.
- The proposal must be within the competition scope
- The proposal must be led by a single organisation
- Only 1 submission per lead organisation

# Funding criteria – State aid

- The competition will be delivered within the terms of GBER, specifically, Article 25 (Aid for research and development projects)
- Funded activities will fall within 'Experimental Development'
- Max. aid intensity 25-60% (according to organisation type, planned dissemination or collaboration uplifts)
- Bidders will be responsible for demonstrating they comply with the general conditions of GBER and any aid intensity uplift they seek to use.

# Eligible costs

## Funding can be used for:

- Initial scoping, programme design and launching pilots
- Energy efficiency-related risk profile for the lender/financial institution
- Market research/consumer profiling/market testing
- Supply chain development work
- Development of IT infrastructure to link mortgage decisions to energy efficiency
- Marketing strategy/routes to market/consumer interface
- General programme management and reporting to BEIS
- Monitoring and evaluating success of pilots
- Energy audits

## Funding cannot be used for:

- Subsidised interest rates
- Profit
- The development of new technologies
- Protection of IPR
- To cover interest payments, Hire Purchase agreements, or repay fines
- Any VAT you are able to recover from HM Revenue & Customs

# Monitoring & Evaluation

## Portfolio level

### BEIS Key Performance Indicators (KPIs):

- Indicators which are a clear articulation of the desired policy outcomes
- For example: number of TRLs increased, private sector funding leveraged.

## Programme level

### Evaluation:

- To understand how initiatives are being delivered and potential improvements (*process / mid-term / formative*)
- To understand what impact has been achieved, for who, and why we have seen this (*Impact, outcome, end-term*)
- To assess whether value for money has been achieved. (*Economic evaluation, Vfm evaluation*)

## Project level

### Project Level Monitoring:

- Collection of data to understand how a programme/project is being delivered in practice.

# Timeframe

Aug-  
Sept  
2019

## Application window

- Application form & guidance document published (early August 2019)
- Q & A from potential bidders (deadline end-August 2019)
- Deadline for receipt of applications (6 weeks post launch date)

Sept –  
Oct  
2019

## Awarding Grants

- BEIS officials and sector experts assess applications and notify applicants of the results
- Grant Contracts awarded and milestone schedules agreed

Nov  
2019 –  
Mar  
2021

## Project Delivery

- Development of tools/services and internal approvals process
- Homeowner/EE supply chain engagement & recruitment
- 6 month pilot with 1,000 homes
- Regular reporting to BEIS Monitoring Officers
- Milestone grant claims
- Project final report

## Monitoring & evaluation

- QA of selected sample of homeowners
- Evaluation report

# Questions for stakeholders

- What are the key delivery challenges from your perspective?
- Could any of the outlined criteria be improved upon?
- Would bidders prefer to be able to put in multiple proposals?
- Is the scale of 1,000 homes per pilot achievable by March 2021?