

# Residential Energy Efficiency Finance



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# Residential Energy Efficiency – lending product

## PRO'S

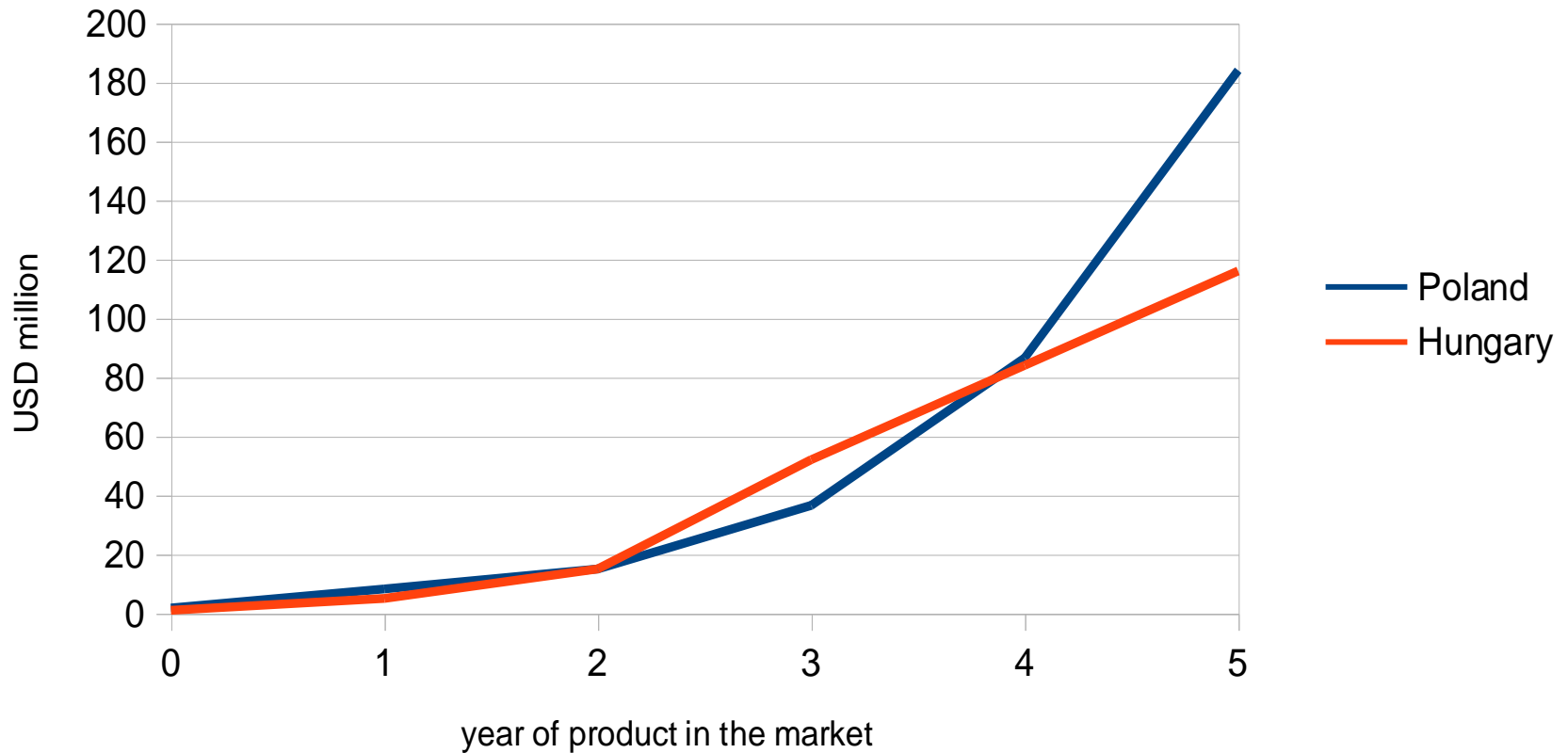
- No default expected
- Great market potential
- Low processing cost
- Generates deposit base

## CON'S

- Demand develops slowly
- Low lending margin
- Market will be shared by 2-3 banks when mature

# Residential Energy Efficiency Financing

## REE loan portfolio ramp-up



# Residential Energy Efficiency - key success factors

## DEMAND

- Interest rate
- Tenor
- Energy price
- Available alternatives

## LEGAL ENVIRONMENT

- Building's legal status (ownership)
- Decision making
- Residents' responsibility
- Ability to borrow

# Residential Energy Efficiency Financing



Natural person	←	Borrower	→	HoA (legal entity)
EE renovation	←	Purpose	→	EE renovation of common space
Personal income	←	Repayment source	→	Increase of payment / energy savings
Personal assets	←	Collateral	→	Future cash flow

## Residential Energy Efficiency Financing – success to date

- 10 loans issued to Homeowners Associations
- Lending offered by 3 local commercial banks (Ukrgazbank, Bank Lviv, Metabank)
- Co-financing schemes prepared by local government (Lutsk, Cherkasy, Lviv)
- Existing legislation non-perfect, but enables financing up to UAH 1 million per building
- Strong political support for upcoming reforms (legal reforms, tariffs and subsidies)

## Residential Energy Efficiency Financing – remaining issues

- Tariffs did not yet start to “bite” the pockets of the population
- Populist promises by politicians to carry out renovation of multi-family buildings (which also means continuation of existing corrupt schemes)
- Still low level of population’s awareness regarding the opportunity to borrow to finance energy efficient retrofits
- Vendors of EE equipment not yet fully focused on the renovations market.

## Residential Energy Efficiency Financing – current developments

- REE lending product with Oschadbank with large scale marketing campaign
- Cabinet of Ministers and Naftogaz informational campaign
- Private medial channels actively promote residential energy efficiency – composition of the message is an issue
- State-wide co-financing mechanism awaits CabMin approval



Thank you

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