Residential Energy Efficiency Finance
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

USD million

year of product in the market

Poland

Hungary

0 1 2 3 4 5

0 20 40 60 80 100 120 140 160 180 200

IFC International Finance Corporation
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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

- **Individual building**
  - Natural person
  - EE renovation
  - Personal income
  - Personal assets

- **Multi-family building**
  - HoA (legal entity)
  - EE renovation of common space
  - Increase of payment / energy savings
  - Future cash flow

- **Borrower**
  - Purpose
  - Repayment source
  - Collateral

- **Loan**
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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