

San Javier improves public lighting energy efficiency through a soft loan, Spain
Tinerjie helps finance housing energy renovation through soft loans in Brest Métropole, France

Soft loans



EU Soft loans helped San Javier renew 4000 lighting points



Soft loans help energy renovation for households in Brest Métropole

Background

Soft loans are loans with no interest or below-market rate of interest. They may also have lenient terms, such as extended grace periods, in which only interest or service charges are due, or interest holidays. Soft loans are often used by states, regions or local authorities to encourage investment supporting energy policies. They are often complementary to subsidies or fiscal incentives. Soft loans are particularly suitable for citizens wishing to carry out energy renovation works in their homes, a pole that represents around 35% of a city's total energy consumption, and therefore a great potential for energy savings.

Objective

The main objective of soft loans in the context of energy and climate policies is to enable investment that would not be possible otherwise. Those investments may be large infrastructures such as trams, energy renovation of local authorities' legacy (public lighting, buildings...), energy renovation of homes, etc.

Description of the funding opportunity

This section will describe two types of soft loans:

- Soft loans for investments done by local authorities (LAs):
Soft loans are very attractive for local authorities that do not have sufficient financial resources to carry out significant energy performance improvement actions. The principle is as follows: The local authority has a project to improve its energy performance (e.g. renovation of public lighting, energy renovation of schools, etc.). It carries out studies to quantify

investments and potential savings, and then takes out a soft loan from a recognised institution (European Investment Bank, national banks, etc.). It then reimburses its loan at a reduced interest rate, possibly after a grace period, mainly with the financial savings generated by the reduction in consumption resulting from the actions implemented.

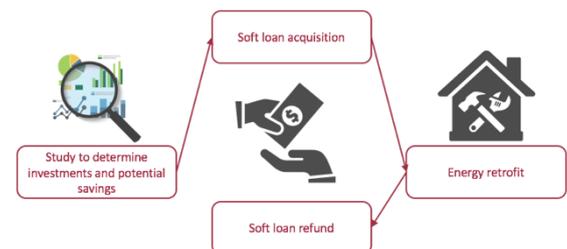


Figure a. The different steps of a soft loan

- Soft loans triggering combinations of financing for citizen, e.g. for housing renovations:
In the residential sector, soft loans are a solution that comes in addition to the various types of assistance already in place (subsidies, technical support, etc.) and are often subject to particular income conditions. It thus serves as a lever to encourage residents to carry out energy renovation work. Its path is similar to that of local authorities but the resident also has technical advice to support him in the various stages (studies, contact companies, request for funding, supporting documents...). Figure b shows the different actors in a soft loan process and the interactions between them.

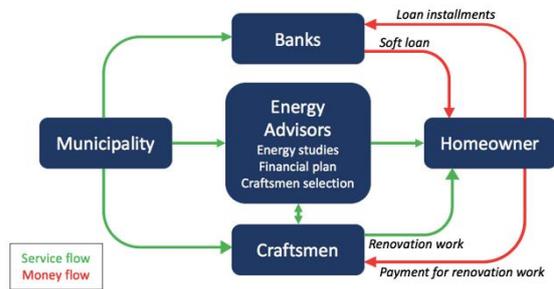


Figure b. Soft loan from its allocation to its repayment

Pros and cons of the soft loans

The main advantages of the soft loan are:

- A lower rate than the market rate to carry out energy saving actions
- An additional investment fund at the disposal of energy efficiency improvement actions
- Complementary to other support systems such as subsidies, so it is a leverage effect to carry out actions to improve energy performance
- A longer maturity that allows homeowners to adjust the amount of monthly loan repayments based on their financial resources and, ideally, to take into account the financial savings from energy savings to repay their loan
- A longer grace period that allows homeowners to accumulate financial savings by reducing their energy bills and start repaying the loan at a later stage
- Reduced or zero administration and insurance costs in the event of early repayment

However, soft loan has also some cons, like:

- The investment horizon goes beyond the decision horizon (many homeowners expect to sell their property in the short to medium term)
- Energy renovation of a home requires many market players: construction companies, craftsmen, real estate agencies, financial institutions, consultants, energy auditors

Examples : Energy renovation of San Javier's public lighting, Spain

San Javier City Council approved a EUR 4.8 M financial operation to renovate the municipality's street lighting, which will involve replacing 3950 lighting points with more energy-efficient LED type lights and 94 command and control panels, representing an energy saving of 2.4 GWh/year and an amount of annual savings of 402 378 euros.

The approved soft loan will be repaid over 10 years with a two-year grace period at a zero percent interest rate, without commissions, and is formalised by BBVA as

manager of the JESSICA-FIDAE investment fund for diversification and energy savings, managed by the European Bank for Industry and the Institute for the Diversification of Savings and Energy.

The payback period is expected to be less than 10 years of repayment of the loan, which will therefore be financed with the savings made. The expected energy savings are 26.5% and the financial savings 34.88%.

Energy renovation of housing for residents of Brest, France

Tinerige was created in 2012 at the initiative of Brest Metropole as part of its Local Housing Plan and the Sustainable Energy Action Plan. It is an action led by the local energy and climate agency Ener'gence that allows homeowners to be monitored free of charge throughout the energy renovation process.

This system promotes the emergence of energy renovation projects among residents such as insulating the building envelope and installing efficient heating systems, which represents more than 50% energy savings in older homes.

San Javier summary Table

City & country	San Javier, Spain
Investment project	Public lighting renovation
Sector of SECAP	Public lighting
Year	2016
Financing opportunity	Soft loan
Energy saving	2.4 GWh/year
Cost saving	402 378 €/year
Green energy produced	N/A
Impact on the environment	26.5 % less than before

Brest summary Table

City & country	Brest Métropole, France
Investment project	Energy renovation and REs
Sector of SECAP	Housing
Year	2018
Financing opportunity	Tinerige
Energy saving	N/A
Cost saving	N/A
Green energy produced	N/A
Impact on the environment	N/A

Measures eligible for soft loan

- Investments in renewables energies
- Investments in energy efficiency
- Investments in large infrastructures

This fact sheet is part of a series on funding opportunities, which can be found here: [html-link](#)

Other soft loan examples :

- Brussels, Belgium, green loan
- Bordeaux Métropole, France, soft loans for very low income households
- Riga, Latvia, soft loans to condominiums