Energy efficient refurbishment projects and programs - ESTONIA

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Vilnius, 24.05.2007

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Topics

- General information
  - About KredEx
  - About Estonia and Estonian housing stock
- Housing policy in Estonia, grants for multi-apartment buildings
- Energy Efficiency Consulting Centre
- Refurbishment grant
- Loan and loan guarantee
- Lessons learned
- Future plans

Credit and Export Guarantee Fund KredEx

- Self-financing, founded in 2001, 3 existing funds were merged
- Under the jurisdiction of the Ministry of Economic Affairs and Communications
- State guarantee limit for:
    - Export guarantees EUR 64 million
    - SME guarantees EUR 51 million
    - Housing loan guarantees EUR 61 million
        - » Young families
        - » Young specialists
        - » Tenants of restituted buildings
        - » Apartment buildings
- Grants in housing:
    - Multi-apartment buildings
    - Local municipalities
    - Raising awareness
- Number of staff: 27

General information about Estonia

- Population 1,4 million
- Area 45 227 km²
- Capital: Tallinn
- Inflation 4,5% in 2006
- Income tax on salaries 22%, social taxes 33%, unemployment tax 0.5+1.0%
- 2 major banks (75% of the loan volume)

Estonian Housing Stock

- 626 000 dwellings, floor in 1000 m² 7 760
- Dwellings per 1 000 inhabitants 464
- Average floor area per inhabitant in m² 28
- Dwellings in private ownership 592’600 (96%)
- Multi-apartment buildings ~ 17 000
- 75% of population are living in the multi-apartment buildings

Main problems in the housing sector

- **Technical problems:**
  - Due to the age and low quality of existing housing stock, serious problems arise regarding repair and energy conservation.
  - Most of the housing stock requires extensive renovation.
  - Lack of regular information about the housing stock.
  - Reconstruction works and architectural, esthetical and reservation of national heritage are not always combined

- **Social problems:**
  - Owners responsibility - rights and obligations
  - Different household incomes
  - Different cultural background

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Estonian Housing Development Plan for 2003-2008

- Reconstruction work grants for **1500** houses
- Technical inspections applied in **2800** houses
- Supported more than **300** energy audits

- **Awareness raising activities 2003-2006**
  - **3,4 million** EEK for training and seminars
  - Over **50** seminars all over Estonia
  - Trained more than **4106** heads of apartment unions, apartment owners‘ associations, house unions and real estate maintenance managers
  - Publist several leaflets, booklets
  - Articles in newspaper

Energy Efficiency Consulting Centre

- Founded in 2006, part of KredEx
- Financed from the state
- 2 persons in 2006
- **Purpose**: implementing the energy performance in residential buildings
- **Main goals:**
  - to promote smart energy saving measures in apartment buildings
  - to administer information concerning the energy saving topics for all apartment buildings
  - to find common grounds between different parties related to the further use of energy consumption development in buildings in Estonia.

Development Plan's measures

- **Subsidies:**
- Reconstruction of apartment buildings.
- Expanding the municipal rental housing stock.

Securing of housing loans:

- state loan guarantee for apartment buildings
- loan guarantee for young family,
- loan guarantee for young specialist
- loan guarantee for tenants in returned houses.

Refurbishment grant

- Purpose: to preserve the existing housing stock
- Target group: housing cooperatives, apartment associations, community of apartment owners,
- Description of activity:
  - The state supports the reconstruction of the main structures of pre-1990 apartment buildings and work to restore the electrical and gas system – 10% of the cost
  - Conducting technical inspections – 50% of the cost
  - Training and information dissemination related to the measure.
- Implementer: KredEx
- Similar grants are planned from EU Structural Funds 2007-2013

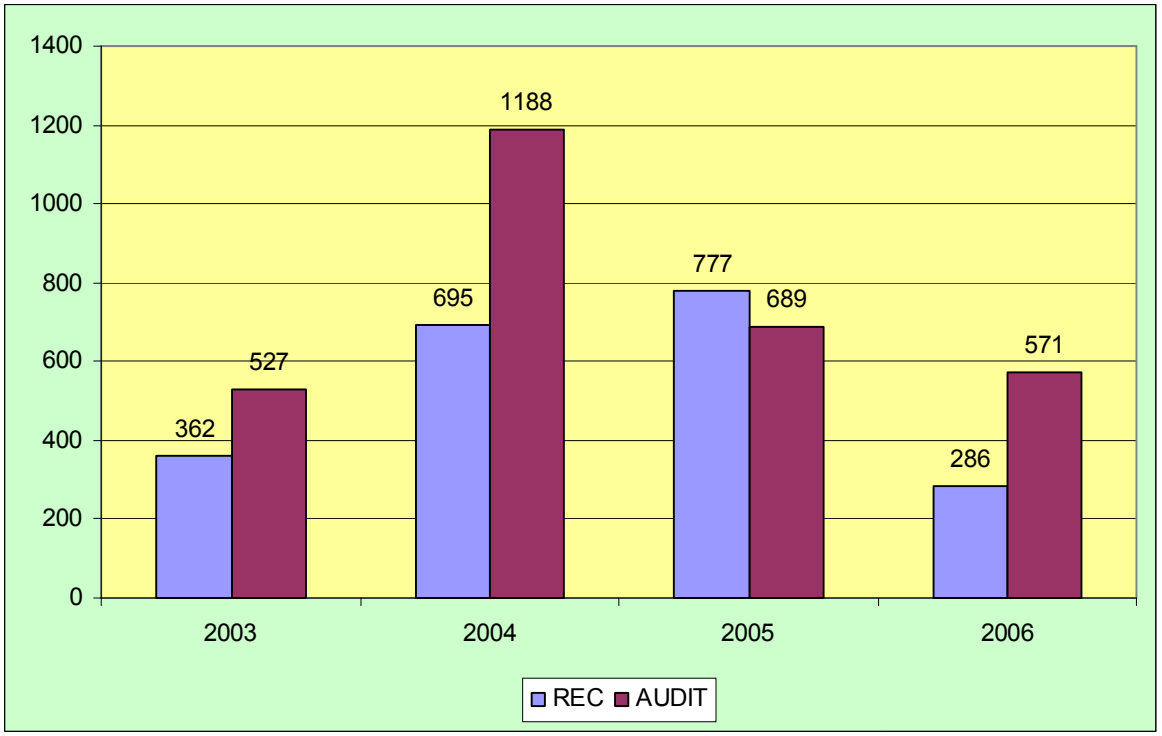
Refurbishment grant

Grants for reconstruction

2003.a. 12 mio EEK (769 000 euro)
2004.a. 16,4 mio EEK (~1 mio euro)
2005.a. 21 mio EEK (~1,3 mio euro)
2006.a. 45,5 mio EEK (~3,8 mio euro)

Grants for technical inspection

2003. a. 1 mio EEK (64 000 euro)
2004. a. 2,4 mio EEK (154 000 euro)
2005. a. 1,9 mio EEK (120 000 euro)
2006. a. 5,4 mio EEK (300 000 euro)



Legal body in multi-apartment buildings

- Apartment association
  - People own apartments and 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.
- Community of apartment owners
  - People own apartments, no legal body. Usually they choose a manager who is responsible for the maintenance ~ 50% of all apartment buildings.

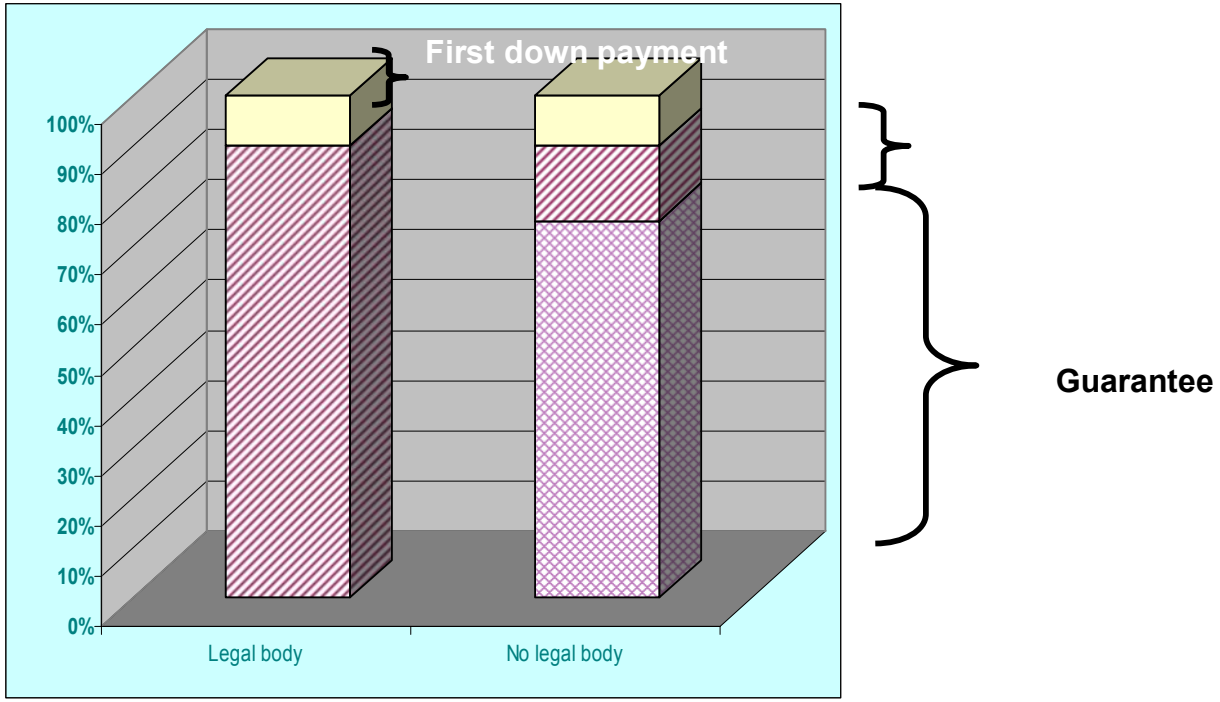
In all cases power of decision making is on General Assemble.

Loan guarantee for multi-apartment buildings

- **Target group**: apartment associations, apartment cooperatives, community of apartment owners (represented by manager)
- **Purpose**: building renovation
- **Amount of guarantee**: 75% of the loan amount proportionally until the end of the loan period. KredEx can take over loan payments for up to 12 months
- **Guarantee fee:** 1.2-1.7% a year on the amount of the guarantee
- If the house measures up to curtain terms bank can give the loan and guarantee himself

Financial scheme

- Self-financing –
from 0% up to 10%
- Credit from banks –
up to 100% of renovation value
- Grant from KredEx -
State grant up to 10% of renovation value for main structures, electricity and gas system and 50% of technical inspection
- Interest subsidy from municipalities –
few municipalities (Tallinn)
- Guarantee from KredEx
– if needed up to 75% of renovation value



Credit for renovation

- Interest: from 5,0% per year
- Term of a loan up to 15/20 years.
- Repayment of a loan monthly.
- Self-financing from 0%.
- Loan is given against cash flow. No collateral is needed. Bank can use the guarantee of KredEx. For community of apartment owners guarantee is obligatory.

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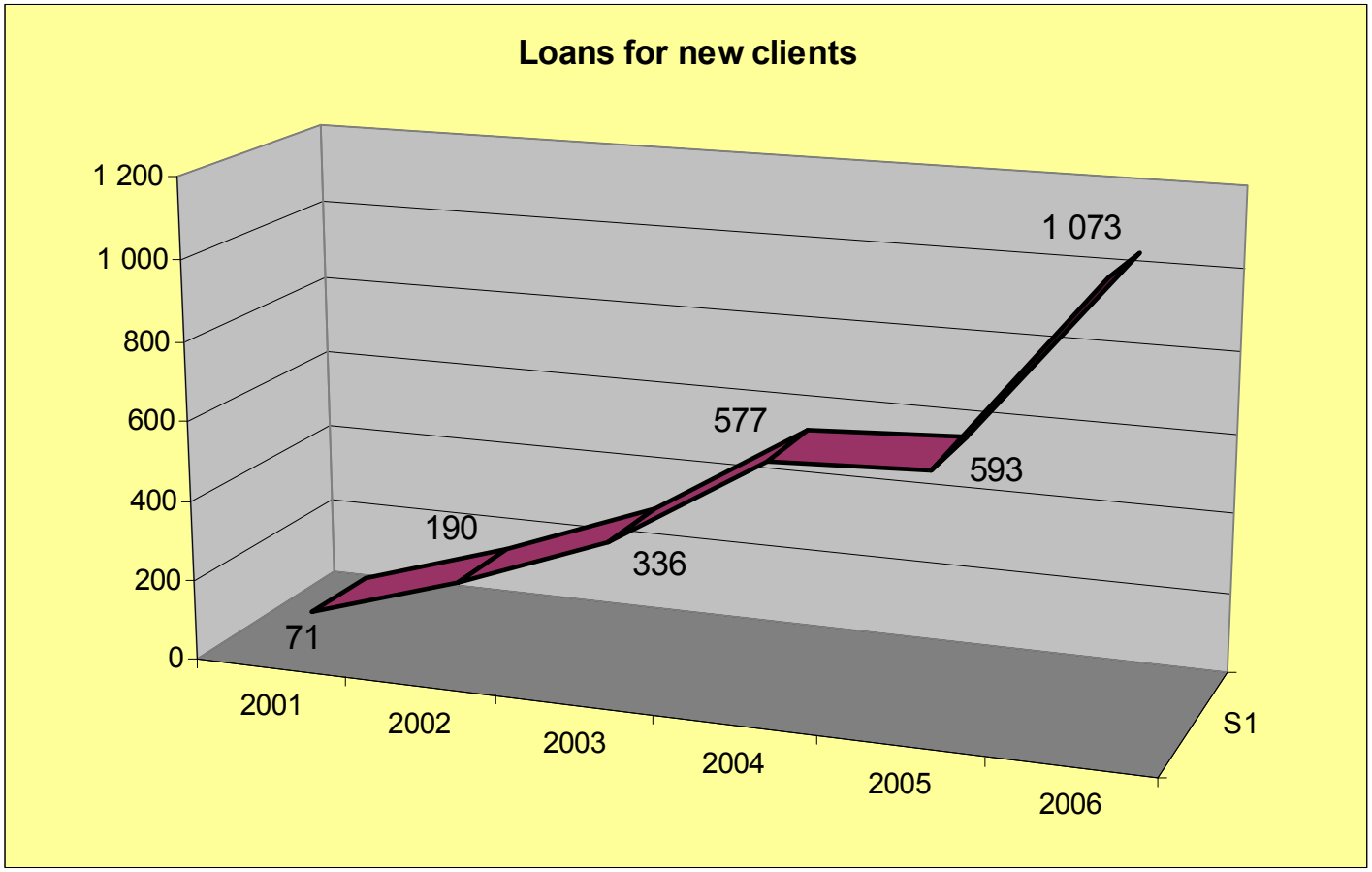
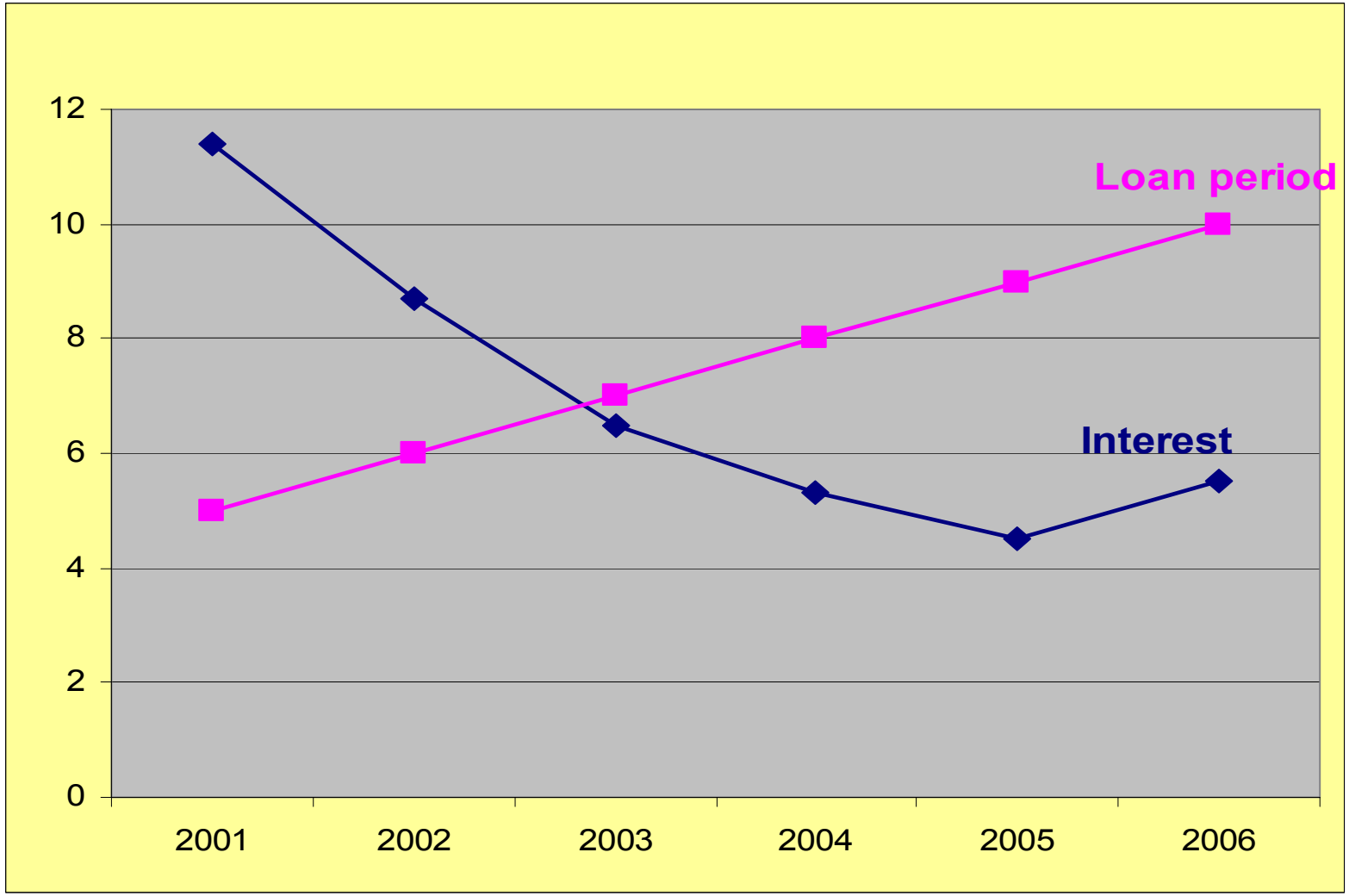
Number of loans for multi- apartment buildings

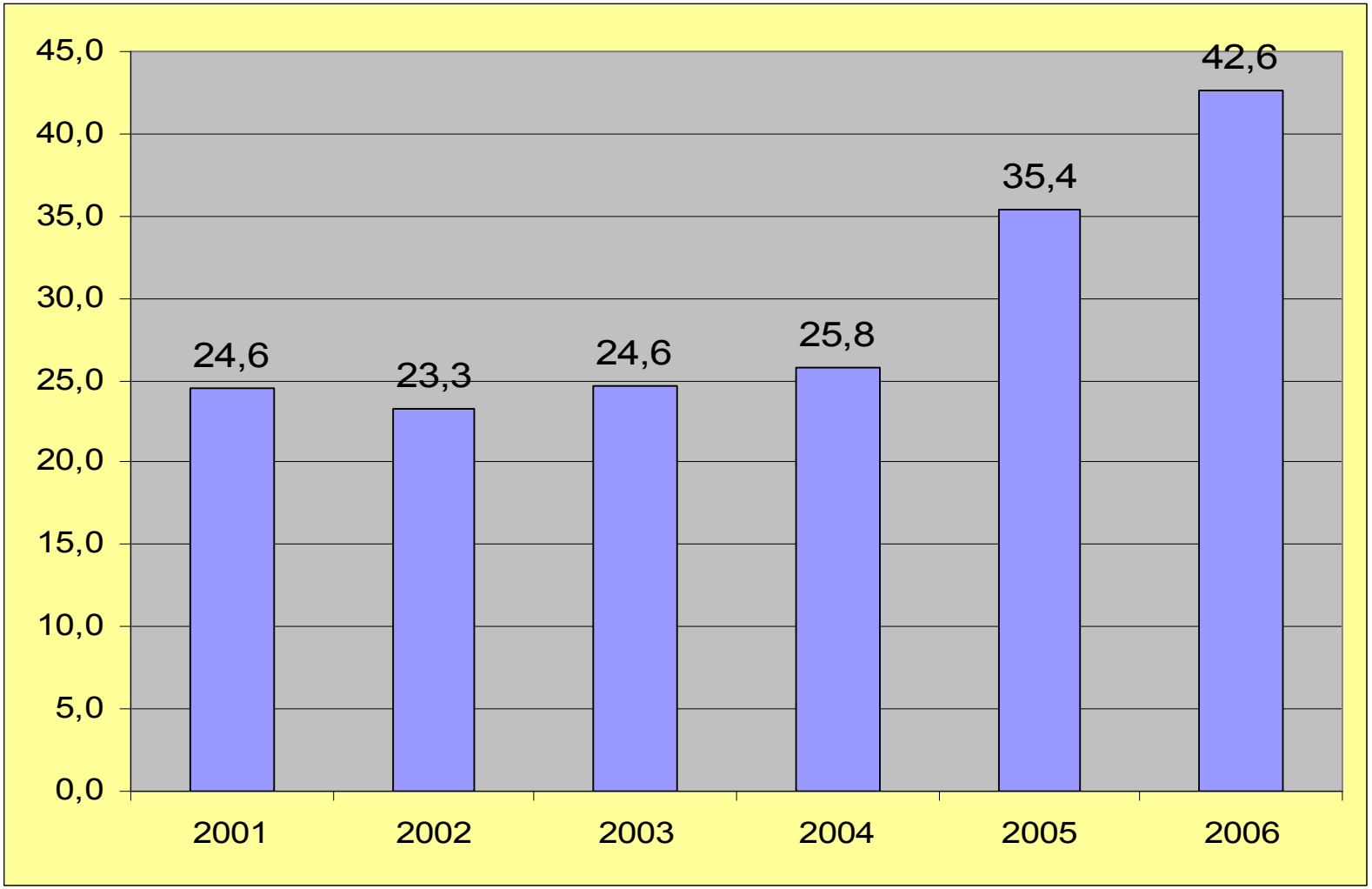
First loan was issued on 1996, on 2002 terms changed largely



Average interest and loan period



Average loan amount (th. euro)



Key elements of financing scheme

- Decision in General Assembly
- Self-financing
- Technical expertise or energy audit for the building
- Agreement with builder
- Credit from banks
- Guarantee from KredEx if needed – up to 75% of renovation value
- State grant – 10%

Lessons learned

- Energy audits are showing that at least 20% saving from heating costs is accomplishable
- Renovated walls and roof are significant factor for apartment market value
- With repayments so far now problems
- Associations are coming to the bank to ask new loan amount – it shows that taking a loan is positive experience.

Future plans

- State housing policy is under renewal. Hopefully all measures, which are important for energy efficiency will be supported from the state.
- More and more buildings will be renovated – probably we will have problems with auditors and builders – there are not enough of them
- The use of EU-funds to serve as a catalyst to regard energy efficiency in housing sector

Thank you for your attention!

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