

# REMOVING BARRIERS TO RESIDENTIAL ENERGY EFFICIENCY IN CENTRAL AND EASTERN EUROPE

Kiev, 6-7 February 2006

## Financial Possibilities for Energy Efficiency in Residential Housing Stock

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# Bulgarian Housing Association

- Non-governmental organization established in 1995
- promoting the development of non-governmental forms of social housing in Bulgaria
- initiating changes in the legal framework for housing as a prerequisite for the accession of Bulgaria to the European Union
- developing research and investment housing projects with new methods for financing, construction, management and maintenance of housing

# Renovation of Condominium Buildings in Sofia

## The problem:

- 97% of the housing stock in Bulgaria is occupied by home owners, 60% is in condominium multistory buildings
- Chronic lack of maintenance of existing buildings
- Decapitalization of the stock
- High energy costs
- Urgent need for reconstruction and efficient management

## Project Goal:

- To formulate and implement through a pilot project a sustainable scheme for energy efficient renovation, management and maintenance of existing condominium buildings

## The Partners:

- Bulgarian Housing Association
- De Nieuwe Unie Housing Association from Rotterdam
- Woondrecht Housing Association from Dordrecht
- Dutch International Guarantee Fund (DIGH)

## With the Collaboration from:

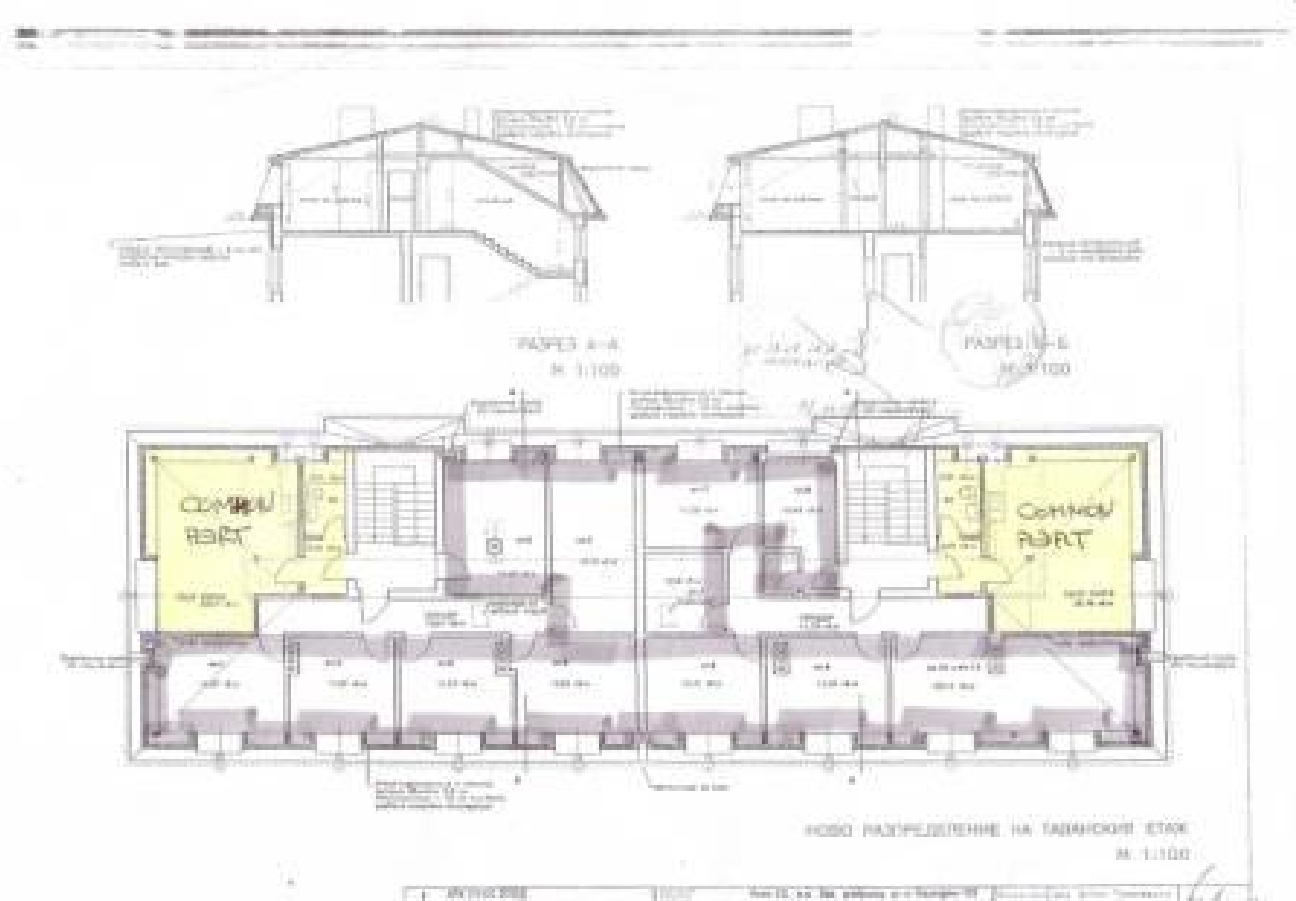
- VROM – the Dutch Ministry for Housing, Spatial Planning and the Environment
- The Bulgarian Ministry for Regional Development and Public Works
- Sofia Municipality

# Content of the Project:

- Creation of feasible technical and financial scheme for renovation and further maintenance of the buildings
- Establishment of homeowner unions in the pilot condominium buildings
- Establishment of Project Development Unit for project management
- Signing of contracts for long term soft loan for financing of renovation works
- Execution of the building renovation works
- Management and maintenance of the buildings during the period of loan repayment

# Project Key Points

- The value of the land is activated through upgrading the buildings; newly added space used as guarantee with its future value for the loan to the financing institution
- Energy efficiency measures decrease the expenses for heating and redirect serious portion from heating bills to the repayment of the expenses for renovation
- The rent collected from the newly added space under the roof contributes to the loan repayment
- In general the same level of the average monthly expenses for housing is kept after executing the energy efficient renovation of the pilot buildings







## Bulgarian Energy Efficiency Fund:

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- Established in 2005 according to Law for Energy Efficiency
- Initial capitalization - about 15 million EUR
- Initial capital donated by the World Bank, Bulgarian government, Austrian government, private firms etc.
- Combines functions of a bank, guarantee facility and consultancy center
- Condominium residential buildings eligible if homeowners association is established
- Free consultancy in development of energy efficiency projects



# Bulgarian Energy Efficiency Fund:

Major conditions for loans and bank guarantees issued:

<b>beneficiary</b>	<b>Annual interest rate</b>	<b>Max. period</b>	<b>Grace period on the principal</b>	<b>Grace period on the interest</b>	<b>Own resources of the borrower</b>
Municipalities	first year: <b>0%</b> each next: <b>2.5-5%</b>	Up to 5 years	Up to one year	One year	10% - 25%
Other legal bodies	first 6 months of the first year: <b>0%</b> , each next: <b>4-7%</b>	Up to 5 years	Up to six months	6 months	10% - 25%
Small companies and physical bodies	first year: <b>0%</b> each next: <b>6-9%</b>	Up to 5 years	Up to one year	One year	10% - 25%



# Bulgarian Energy Efficiency Fund:

## Additional conditions for loans and bank guarantees issued:

<b>beneficiary</b>	<b>loan fee for consideration</b>	<b>fee for loan approval</b>	<b>annual loan fee</b>	<b>Penalty fee for advanced repayment</b>	<b>Payment scheme</b>
Municipalities	no	no	no	no	According to borrower's needs
Other legal bodies	no	no	no	no	According to borrower's needs
Small companies And physical persons	no	no	no	no	According to borrower's needs

## Guarantees

<b>Type of guarantee</b>	<b>Annual fee</b>	<b>Max. term of the guarantee</b>
No priority for redemption of the lending bank	0,25 -1,5 %	Up to 5 years
Priority for redemption of the lending bank	2 -3%	Up to 5 years

# Residential Energy Efficiency Credit Facility (REECL)

- Approved by EBRD Board on 17 May 2005
- The Project has been prepared in co-operation with the Ministry of Energy and Energy Resources of Bulgaria

EBRD funds of up to EUR 50 million are complemented by the Kozloduy International Decommissioning and Support Fund (KIDSF) grant funding of EUR 10 million. The Contributors to the KIDSF are the European Commission, Austria, Belgium, Denmark, France, Greece, Ireland, Netherlands, Spain, Switzerland, UK.

# Residential Energy Efficiency Credit Facility (REECL)

- The REECL facility aims to give householders across Bulgaria an opportunity to realise the benefits of energy efficiency home improvements by providing them with loans and incentive grants through 4 local participating banks
- Householders can obtain incentive grants from €200 to €850 – up to 20% of the amount of the loan approved by the bank
- Loans given to individual owners, not to homeowners associations – less suitable to condominium buildings

# Residential Energy Efficiency Credit Facility (REECL)

Loans and grants are given to the following energy efficiency installations:

- Energy Efficient Windows
- Insulation of Walls, Roofs, and Floors
- Gas Boilers
- Biomass Fuelled Room Heaters, Stoves and Boiler Systems
- Solar Thermal Systems
- Cooling and Heating Heat Pump Systems

Applicants need to use eligible products and materials to qualify for the incentive grants.

# Expected new opportunities:

- National Program for renovation of condominium buildings
  - Approved by Bulgarian government in 2005
  - Improvement of multistory buildings in Bulgarian big cities
  - EUR 430 million subsidies for 15 years period
  - 20% from renovation costs subsidized
  - Creation of homeowners unions in renovated buildings
- Establishment of Housing savings bank system
  - new law to be approved in 2006
  - existing network of similar banks in CEE countries
  - Convenient financial tool for energy efficiency measures

# Conclusions:

- Urgent need of energy efficiency activities in Bulgarian residential sector due to the status of the housing stock and constant increase of energy prices
- Energy efficient renovation of condominium buildings is of a major importance due to their prevailing quantity
- Need for development of homeowners associations for condominium buildings in order to improve the access to funding institutions and the efficiency of renovation activities
- Need for further diversification of funding opportunities and the amount of funds available for energy efficiency renovation in residential stock
- Above mentioned conclusions are valid not just for Bulgarian residential stock

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