



EeMAP
Energy efficient
Mortgages
Action Plan

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Green Mortgages: First Consumer Insights

Preliminary results

May 25th, 2021

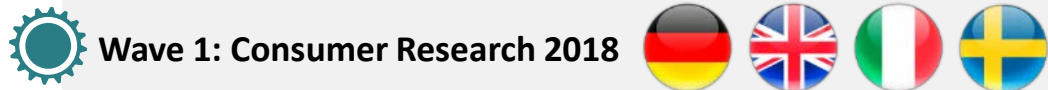
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Agenda

- 1 Consumer insights on green attitudes
- 2 **Consumer reactions to green financing products tested**
- 3 Sneak peak on upcoming quantitative survey research



Countries in scope and research timeline



New countries added this year

- For newly added countries: Focus groups in Mar'21
- For all countries: Quantitative survey (500 resp.) during Jun'21
- Full research report to be published October 2021

Methodology

About the research:

- All insights on upcoming pages are extracted from research conducted by **BASIS** - a research and insights consultancy - and mandated by **E.ON and UCI** (Spain and Portugal research are financed by UCI)
- Research results are preliminary, and they will be published in the final report in October 2021
- Focus groups conducted in HU, RO, NL, ES, PT



Methodology

- Exploratory research
- 2 Focus groups per market
- 5-6 participants per focus group
- 2 hours duration of each focus group

Criteria for participant selection:

Less experienced homeowners

First time buyers, in process of buying / have taken 1st mortgage

More experienced homeowners

Remodelers/Movers, in the process/ recently remortgaged/ moved

1. Consumer green attitudes

The background of the slide is an abstract composition of flowing, organic shapes in various shades of green, ranging from a deep teal on the left to a bright lime green on the right. The lines are smooth and curved, creating a sense of movement and depth.



**Across markets,
consumers are more
ready than ever for
energy efficient
conversations**

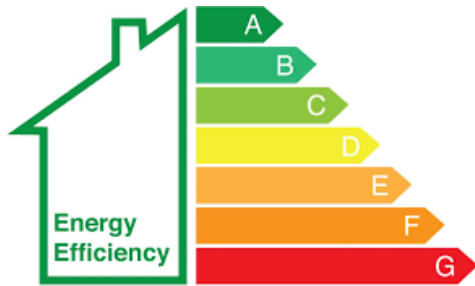
Green topics are becoming increasingly salient

Climate change is becoming a mounting concern, there is a growing sense of urgency

Energy efficiency is increasingly prominent in many spheres of life (politics, products, transport)

Benefits are becoming clear for most in terms of financial and environmental impact

Yet, familiarity with home energy efficiency is patchy and remains remote / abstract



→ Most have encountered an EPC or energy certificate since it is increasingly mandated for home purchases or rental agreements

→ Familiar format from appliances

- In some markets the appliance energy rating is **more well known**
- **More frequent purchase** drives this?

→ Majority do not know **their own home's** EPC rating

- A **minor fact** for most
- Not usually central to the **home purchase decision**, or experience

→ Tiers / certification **not understood**

- What makes a home an 'A'?
- **Poor understanding** of what 'A' means

Intent / desire to make energy efficiency changes is widespread, but will act and willingness to compromise remain low



High barriers

Poor understanding:
hard to know how, or what it would look like

Real and perceived cost:
efficient homes and/or home improvements perceived as expensive

Practical limitations:
many homes are hard to improve



Limited motivation

What's in it for me?
direct benefits (comfort, cost savings) are relatively minor

Long-term pay-off:
any benefits would take years to actually make a (financial) difference

No urgency:
why should I act now?



Dream home

Historic charm:
many people dream of living in a historic home with loads of character

No compromise:
improvements that conflict with a romantic 'ideal home' are unlikely to be made



Home energy efficiency is a low priority for most homeowners

Different markets are at different levels of maturity in terms of understanding, prioritisation and acting on home energy efficiency

Least green-thinking

Most green-thinking



2. Consumer reactions to green financing products tested

Which products did we test?

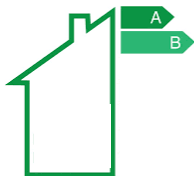
Green financing product

If the EPC of the house is:

Consumer gets an interest rate discount of (in pp):

1a

“Green Home Discount Mortgage”

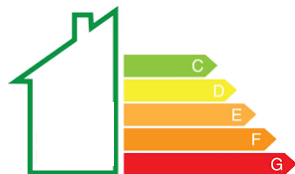


Your discounted mortgage

HU & RO: 0.50% for A and 0.25% for B
NL: 0.25% for A and 0.15% for B
ES & PT: 0.1% for A & B plus 5% lower down payment

1b

“Green Home Improvement Mortgage”



Extra green loan

→ Extra discounted loan to the same conditions as the mortgage (interest rate & duration)

Your discounted mortgage

→ Tested version with and without discount on mortgage after conversion to green home

2

Green Loan

Regardless of EPC rating

Extra green loan

→ Discounted loan compared to standard consumer loan (0.5%- 2%) for the ones who want to lower CO2 emissions of their homes & live sustainably and invest in solar panels, EV chargers, new heating systems etc.

The Green Home Discount Mortgage falls short of its potential due to unimpressive discount and a sense that most could not access it

1b

“Green Home Discount Mortgage”

Product details:

RO/HU/NL: A discounted interest rate on your mortgage when mortgaging an A or B rated home (0.15%-0.50%)
ES/PT: a lower minimum down-payment required when mortgaging an A or B rated home, and a discount on the mortgage interest rate (0.1%)

- A **clear proposition** rewarding green behaviors
- At a basic level: **discount = good**
- Offers a **tangible, monetary incentive** towards green homes – as this becomes established it will begin to have wider market effects
- In very low interest environments (NL), a **small discount** feels quite meaningful



- The discount itself is **too low** to be motivating in most cases
- EPC is almost **never a major factor** in choosing a home, regardless of a small discount on borrowing costs
- Many assume that top-rated homes are hard to get, and would be **expensive** – low relevance, and negates the benefit of the discount
- Feels **unfair** – a discount only for those who can afford it



Green Home Improvement Mortgage is most attractive where it's a 'win-win' proposition, offering both short and long-term benefits

1a

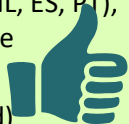
Green Home Improvement Mortgage"

Product details:

Borrow money to make energy efficiency improvements to your home. This additional borrowing is added to your mortgage, and takes on the same conditions (interest rate, term) as your main mortgage. This makes the monthly repayments much cheaper than for an equivalent personal loan

Note: We also tested additional discount on the mortgage itself

- **Greatly reduces monthly cost** of borrowing by spreading repayments over 25+ years
- Makes home energy improvements more **affordable/accessible** for many
- In markets with low mortgage costs (NL, ES) it offers **long-term savings** as well as short-term
- In markets where mortgages feel **safer** than loans (NL, ES, PT), it makes additional borrowing much more acceptable
- A **double benefit**: cheaper borrowing and an additional discount (when additional discount tested)



- In markets where mortgages are more expensive, this saves in the short term but **costs more in the long term**
- In markets where people are wary of long-term debt, this can feel like an **inflexible burden**
- The process of selecting installers and certifying the work can feel **complex & off-putting**
- The prospect of failing the accreditation and being penalized feels **frightening and risky**



The Improvement Mortgage can be improved by minimizing bureaucracy, increasing trust and offering greater flexibility

Bureaucracy

- The process of selecting an approved provider; creating an improvement plan; and getting the work installed and certified could feel **daunting**
- In “greener” markets the energy audit could feel valuable
- In other markets, this could feel **meddling and controlling**

Streamline the process by using digital tools

Trust

Offering a list of **approved providers** had divided response:

- In more trusting markets this is a **fair, convenient & straightforward** way to find a provider
- In other markets (RO, HU) this felt **restrictive** and **raised doubts** about cozy relationships between bank & installer

Allow more customer choice for less trusting markets

Little flexibility

A **range of options** for borrowing, installing and repaying will broaden appeal

1. Many value the ‘full-service’ option, while **others** will want to manage their own project
2. ‘Do it now’ vs ‘do it later’ also **depends** on personal circumstance
3. **Early repayments** will be very attractive

Offer flexibility in product and payment

The simplicity and clarity of the Green Home Improvement Loan is valuable – but the discount falls short of expectations

2

Green Loan

Product details:

A loan for home energy efficiency improvements, at a reduced interest rate (0.5% - 2% pp)

- A **very simple offer** that feels clear and straightforward
- **Shorter term** and separation from mortgage makes it feel more **flexible, simple** and **streamlined**
- **No long-term cost** – just a straight saving on the cost of the loan
- In markets wary of additional long-term borrowing, this feels **safer and simpler (RO & HU)**

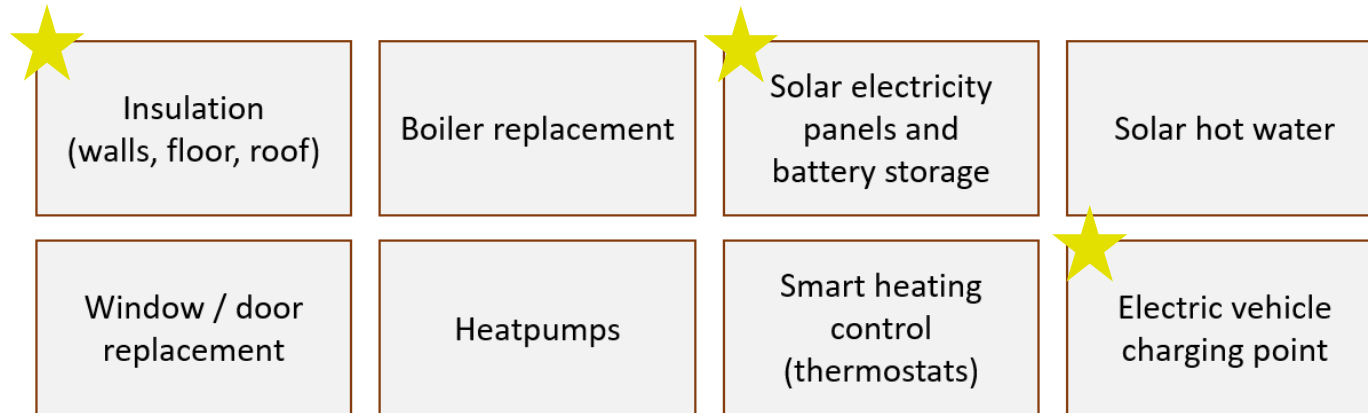


- The value of the discount is **very underwhelming**
- For such a limited saving, the loan comes with lots of **conditions and restrictions** – this loss of flexibility outweighs the saving for many
- In markets that strongly favor mortgages, loans are often **viewed very negatively (NL)**



Consumers find insulation, solar and EV charging as the most promising improvements

Example of potential energy efficiency improvements that can be covered by the green mortgage/ green loan



3. Sneak peak on upcoming quantitative survey research

Green Home Mortgage Product

Introducing the mortgage that empowers you to invest in a green home.
For a new mortgage or if you want to refinance your mortgage.
Save money on your mortgage payments and your energy bills.



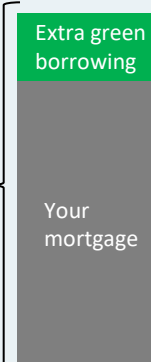
Your benefits at a glance:



Financial savings:

Attractive interest rates for your mortgage

Your total mortgage



Extra green borrowing

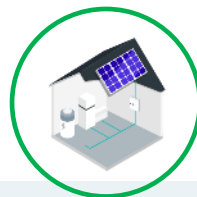
- The discount is applicable on:
- Your full loan amount, not just on the extra amount needed to make your home green
 - For the full duration of your mortgage (if you And/OR: Reduction in down-payment)



Home analysis & savings assessment

Do our online home analysis check and find out what potential improvements are suitable for your home

If you improve your home by 2 energy classes, you get the assessment for free



Optional: Green products and services from our network of partners

- Choose among a network of certified partners for energy improvements
- Solar panels & batteries
 - Insulation
 - Efficient heating
 - Smart heating controls
 - EV chargers
 - Window replacement
 - Etc.



Energy cost savings + increased home value

Energy efficient homes can save you between **20-50%** on your energy bills!

Also the market value of your home could **increase!**



Improved CO₂ footprint

High energy efficient homes tend to save ~ **1 tonnes CO₂/year**, equivalent to ~ **100 trees**

Thank you!

Q&A