The EeMMIP project has received funding from the European Union’s Horizon 2020 research and innovation programme under grant agreement No. 894117

Market Demonstrator Project

Overview of financing pilot being delivered in Scotland as part of the EeMMiP Initiative.
Introduction

01 OVERVIEW OF PILOT
Aims of pilot, key partners and EeMMIP

02 DELIVERING MEASURES FOR GCU MEMBERS
Overview of key challenges

03 TOOLS FOR OVERCOMING BARRIERS / CHALLENGES
Consider use of retrofit coordinator to support pilot

04 DISCUSSION
What else could be done, collecting others thoughts and ideas
Pilot Objectives

Contribute to promoting EE measure uptake
In the absence of regulation, the pilot provides an opportunity to develop a ‘one stop shop’ type service.

Test ‘novel’ financing tools
The finance products are unique and differ from current offerings.

Financing to support lower income households
Particularly challenging demographic for lending and this may help provide support in this area.

Use pilot as platform for scaling wider finance in OO market
Establishing commercial agreements and principles with socially minded partner can allow future participation with other market lenders.
**Project Partners**

**Scottish Government**
Initial idea for pilot considered c. 2 years ago through our participation with EEMI initiative. Together, we have secured H2020 funding to support delivery of the pilot over the next 2-3 years. 1 year to establish and 1-2 years to operate.

**Glasgow Credit Union**
Offer loans, savings and mortgages exclusively to people who live or work within the Glasgow ‘G’ postcode area. A financial mutual, owned by GCU members. Aim of financially empowering members and their communities.

**EeMMIP project**
The Pilot is a market demonstrator project within a larger European wide initiative that includes E.On, University of Venice, Copenhagen Economics, Province of Trento, and CRIF.
The Initiative

**EeMMIP**
Energy Efficiency Mortgage Implementation Plan – consumer research, loan risk guidance, institutional co-operation.

**GCU Pilot**
Market demonstrator alongside Trento in Italy.

**Advisory Council**
Scottish Government sit on advisory Council providing policy and advisory support to initiative.

**EMF - ECBC**
European Mortgage Federation and European Covered Bond Council lead the initiative with support from European Commission.

**3rd Phase of EEMI**
Phase 1 (EeDaPP) and 2 (EeMAP) looked at data and definition of a Green Mortgage.

**Development of Green Mortgage Label**
Aim to have a label that is used across Europe to attract private market actors in financing the energy transition.
Challenges & Barriers

1. Available routes to market
2. Encouraging EE measure deployment
3. Crowding in private sector investment
4. Scaling to meet emission reduction targets
Customer Journey

**Loan drawdown**
- Need to ensure loan proceeds are used as intended

**Loan application**
- This will follow current GCU procedures for credit checks etc

**Advice & Information**
- Potentially accessed through credit union or through existing scheme

**Assessment**
- Key to understand applicable measures. Needs to tie to loan application

**Quality Assurance / Confirmation of EPC improvement**
- Confirmation that improvement has been made

**Approved supplier undertakes work**
- Approved or preferable supplier list needed to deliver measures
Guarantee

Average House Value
This is the average house value in Scotland per Land registry data.

Annual repossesssion rate
This is very low and historically well defined based on economic indicators such as GDP.

Loan conditions
To classify the mortgage/lending as green then there needs to be a specified level of improvement to EPC C.

Long term average LTV
This % will vary significantly across first time buyers to established homeowners.

Average equity in house
This is likely to have a lower limit of c.£17k for first time buyers.

Guarantee provided to GCU
Guarantee likely to have small if no impact on affordability of borrower as credit risk exposure is to SG.
Benefits of Guarantee

1. **Crowds in private money**
   - Capital provided by GCU and so SG’s balance sheet is protected

2. **Route to market**
   - GCU can engage with members that would not occur ordinarily

3. **Low Risk**
   - For mortgage top-ups, there is likely to be a very low rate of default

4. **Low / no interest cost**
   - Potentially provide heavily discounted or 0% top up lending

5. **Scaleable**
   - Creation of ‘boiler’ documentation will permit expansion to other national institutes
Customer Journey

**Loan drawdown**
Need to ensure loan proceeds are used as intended

**Loan application**
This will follow current GCU procedures for credit checks etc

**Advice & Information**
Potentially accessed through credit union or through existing scheme

**Assessment**
Key to understand applicable measures. Needs to tie to loan application

**Quality Assurance / Confirmation of EPC improvement**
Confirmation that improvement has been made

**Approved supplier undertakes work**
Approved or preferable supplier list needed to deliver measures
EeMMIP
Energy efficient Mortgage Market Implementation Plan

PAS 2035

01 Intended Outcomes
Understanding what the homeowner wants to achieve and how they plan to pay for it, captured in the form of an Intended Outcomes statement.

04 Design and Coordination
Using the data gathered to create a plan for retrofitting the property over the next 30 years, deciding what to do in what order. Followed by creating an appropriate design.

02 Risk Assessment
Deciding how much risk is involved in the project, which determines how it will be managed moving forwards.

05 Installation
The measures are installed, tested, and handed over to the resident so they know what’s happened and how to adapt.

03 Whole Dwelling Assessment
Providing accurate data about the property so that the right decisions can be made about it.

06 Monitoring and Evaluating
Ensuring the owner is satisfied with the project and that they have not experienced any snags.

Energy efficient Mortgage Market Implementation Plan
**Retrofit Co-ordinator**

**Key role for oversight and management of pilot**
Responsible for overseeing the assessment of dwellings as well as the subsequent specification, monitoring, and evaluation of energy efficiency measures, in accordance with PAS 2035.

**Key contact for GCU member**
The RFC may have a role that can involve project management of the works undertaken.

**Intelligent agent for Scottish Government**
The RFC can feedback useful intelligence and information arising from the pilot to government officials that can be used to support ongoing policy development eg in developing the assessment process.

**Understand potential for scaling use of PAS 2035 Trustmark standards**
RFC may provide useful insights into the scope and limitations of the various PAS2035 roles in larger scale deployment.

**Support delivery of ‘one stop shop’ service**
An RFC would help join and co-ordinate the various aspects of the project and provide robustness to the pilot for future scaling.
Timeline

**Start Project (March 2021)**
Begin planning and secure involvement across SG teams

**Submission to Ministers**
Ministerial update post elections (May 2021), re-affirming project and progress

**Develop Pilot Scheme components**
Key work to establish legal documentation, and all key elements of pilot such as advice and information, assessment, accredited suppliers, QA, monitoring and information (Apr-Sept 2021)

**Pilot Launch (Sep-Oct 2021)**
Have scheme in place and operational in time for COP 26.

**Finalise scheme delivery**
Seek final approvals from SG as well as undertake marketing and communication with GCU members (Sept 2021).
The EeMMIP project has received funding from the European Union’s Horizon 2020 research and innovation programme under grant agreement No. 894117.