



European Construction Sector Observatory

Policy measure fact sheet

France

Picardy Renovation Pass

Thematic Objective 1

January 2017

Implementing body:	The Public Service for Energy Efficiency (PSEE) (Agency of the Regional Council of Picardy ¹)
Key features & objectives:	Innovative third-party financing scheme dedicated to incentivising deep renovation works. Property owners benefit from financial and technical support throughout the whole renovation process. The programme is currently at pilot phase (2014-2018) prior to a foreseen roll-out at larger-scale (from 2018 onwards).
Implementation date:	1 June 2014
Targeted beneficiaries:	Private property owners and public building owners (e.g. municipalities)
Targeted sub-sectors:	All construction sub-sectors.
Budget (EUR):	65.9 million (2014-2018)

In a nutshell

In recent years, the Regional Council of Picardy has demonstrated a strong political commitment to providing greater support to the renovation of the local building stock. Picardy's engagement aims to address some important challenges that are particular to the regional building sector. Firstly, Picardy's local building stock is relatively energy inefficient: it is on average older than the national building stock as 70% of the regional principal residences were built prior to the first thermal regulation in 1975². There are also a relatively high number of energy inefficient households in the region³. Secondly, the local building sector accounts for a great share – around 23% in 2012 – of the Region's overall greenhouse gas emissions. Thirdly, the local building sector was hit hard by the financial crisis which led to the loss of around 9,000 jobs in the region⁴. As a result, the Regional Council of Picardy decided to adopt tailored programmes to encourage building renovations with a particular focus on providing financial incentives.

In 2006-2010, Picardy implemented the "Picardie avantage

isolation" programme as an interest-free loan scheme to support energy renovation of the private building stock. The rationale behind this instrument was to experiment with economic incentives other than direct grants. The Regional Council of Picardy put an end to this initiative in 2010 when the French government decided to create a similar scheme at national level. Discussions on Picardy Renovation Pass (PRP) started in 2010 and lasted until its establishment in 2013.

Picardy Renovation Pass (Picardie Pass Rénovation) is a regional renovation funding and support scheme for homeowners. Loans are offset by energy savings and are complemented by the provision of expert assistance to ensure satisfactory work completion. PRP is currently at the pilot implementation stage, prior to being rolled out across the Hauts-de-France region if the objectives for the pilot phase are achieved by the end of 2018. Initial results are positive and the scheme is strongly supported by all key stakeholders.

General description

Picardy Renovation Pass is an innovative finance and technical assistance scheme that aims to encourage and support building renovation work across the region. The Regional Council of Picardy created the Public Service for Energy Efficiency (PSEE) body to play a central role in programme implementation. The PSEE supports private renovation projects by providing technical assistance and long-term loans to homeowners. Loan repayments are offset by significant energy savings and lower energy bills. The PSEE also supervises all supported work on behalf of property owners throughout the renovation process.

Picardy Renovation Pass has three overall objectives:

- Objective 1** • Support homeowners throughout the whole renovation process of their property, by providing financial support and technical assistance;

Objective 2: • Foster job creation in the local construction sector and broaden the expertise of local building companies;

Objective 3: • Reduce greenhouse gas (GHG) emissions from the local building stock and ensure that energy savings are turned into financial savings for homeowners.

PSEE's main activities include:

Technical support:

- Free thermal diagnosis prior to contract signature
- Advice from a PRP technician on the type of renovation to carry out
- Selection of local construction companies

Financial support:

- Access to third-party financing scheme
- Issuance of loans to homeowners

Monitoring service:

- Supervision of the renovation works
- 5-year monitoring service after work completion

Comprehensive technical support from the PSEE includes inter alia: a free thermal diagnosis and advice by a PRP technician prior to contract signature; the selection of local building companies through simplified public tenders; and works supervision as well as a 5-year monitoring service after work completion to ensure that targeted energy savings have been achieved and to assess whether any repair is needed. Regarding the selection of building companies, the simplified tender offer is based on an energy audit and an assessment of the building's energy performance carried out by a PRP technician, and tailored to small and very small companies (i.e. response is limited to a 4-page technical document, allotment, 30% down-payment after the award of a contract)⁵.

PRP activities are currently being piloted (2014-2018) and are being carried out in 12 specific areas of Picardy. Around 2,000 households are expected to be renovated by 2017. Dependent on the pilot programme's outcomes and achievements, PRP may be rolled out across the Hauts-de-France Region from 2018 onwards.

The scheme is accessible to almost all households regardless of their financial situation (i.e.: except for over-indebted households)⁶. However, homeowners⁷ that are willing to carry out major renovation work must first pay a membership fee of EUR 1,860⁸ to join the PRP.

PRP's financial support is based on an innovative third-party financing scheme. The PSEE issues loans to homeowners at average of EUR 40,000 per project with a 2% interest rate. Homeowners can then reimburse their loans to PRP with a maximum payback period of 25 years. They also remain eligible to seek other sources of financial support (additional public grants, tax abatement etc.).

PRP is a financially self-sustaining scheme that relies on the achievement of significant energy savings in renovated buildings

Country: France

and lower energy bills for homeowners. Table 1 presents the PRP economic model. The cost of renovation is fully covered (100%) by the PRP loan. 50% energy savings are matched by a 50% reduction in a homeowner's energy bill, and the difference is then used to repay the loan awarded by PRP over a period of 15 to 25 years. Upon work completion, the homeowner will benefit from a well-insulated and refurbished house, whilst paying an energy bill that is no more than it was prior to work being carried out.

Table 1: Example of economic model for a PRP project

	Before works	Renovation works	After works
Household energy bill (EUR)	240 p/m	50% savings	120 p/m
Renovation costs (EUR)	0	30,000	120 p/m
Total costs for homeowner	240 p/m	0	240 p/m

Source: Picardy Renovation Pass, Press Release, October 2016⁹

In each project, energy savings are measured by a PRP technician who provides an initial target prior to contract signature based on a thermal diagnosis of the building, as well as on the household's energy consumption and financial situation. The technician is in charge of supervising the renovation works and will also assess the energy savings at the end of the renovation work. After work completion, PRP's 5-year monitoring service includes an annual assessment of the household's energy consumption to avoid any "rebound effect" that would offset the achieved energy savings (i.e.: a change in household behaviour that leads to increased energy consumption as a result of greater energy efficiency). The PRP technician ensures that household energy consumption remains in line with the initial target and provides information and advice to homeowners on environmentally responsible behaviour¹⁰.

PSEE has a budget of EUR 65.9 million for the pilot phase (2014-2018), of which EUR 57 million is allocated to renovation works and EUR 9 million to PRP management costs. It benefits from three main sources of funding. The Regional Council of Picardy has initially provided EUR 8 million to cover initial retrofitting activities. PRP has also received grants of EUR 4 million from the ELENA (European Local Energy Assistance) and FEDER (Fonds Européen de Développement Économique Régional) EU funds, as well as from the ADEME (i.e. The French Environment and Energy Management Agency). Finally, the programme should benefit from a joint loan of EUR 47 million from the European Investment Bank and the Caisse des Dépôts et des Consignations (i.e. the French Deposit and Consignment Office)¹¹.

PSEE's legal structure and lending activity has significantly changed since its inception in 2013. Initially, the French legal framework was not adapted to the experimental use of third-party financing due to a banking monopoly that exclusively entitled financial institutions to issue loans and prevented the PSEE's lending scheme to receive the official approval of the Bank of

France¹². The PSEE managed to get around this stumbling block by resorting to an alternative financial instrument: the credit supplier. It was legally entitled to cover the costs of refurbishments and to receive payments from homeowners, but acted as “general contractor”. The public office was legally bound by a 10-year guarantee and is accountable for the whole renovation works within this period. As a consequence, the PSEE had to subscribe to an insurance that implies higher transaction costs¹³.

In August 2015, France adopted the “Energy Transition for the Green Growth Act” that officially authorised third-party financing schemes by public companies¹⁴. The PSEE was eventually officially recognised by the Bank of France on 7th July 2016. The PSEE acts today as the delegated contracting authority (i.e.: “*Maître d’ouvrage délégué*”)¹⁵. It is no longer legally responsible for the whole renovation process and no longer needs to subscribe to the 10-year guarantee¹⁶.

Picardy Renovation Pass sets ambitious objectives in terms of job creation in the medium and long term. PRP services expect to create 650 jobs in the local construction sector by the end of the pilot phase in 2018, and up to 5,000 jobs in 2025 after the programme roll-out across the Hauts-de-France Region¹⁷. The programme is expected to stimulate business activity in the building sector by significantly increasing the number of local renovation projects over time and in particular by offering better business opportunities for micro-enterprises through the use of simplified tender offers.

One of PRP’s key objectives is also to significantly reduce GHG emissions from the local building sector. Although the Regional Council of Picardy did not set any specific energy efficiency target for PRP, the programme is one of the key policy instruments supporting the Region’s strong and long-term commitment to achieving its energy transition. Indeed, in 2012, the Regional Council, in collaboration with the State, adopted its Energy, Air and Climate Regional Plan (i.e. “*Schéma Régional Climat- Air- Énergie*”) setting a target of an 18% reduction in GHG emissions from the regional building sector by 2020 and an overall target of 75% GHG emissions reduction across all sectors by 2050¹⁸.

Achieved or expected results

By 15th September 2016, 1,250 PRP renovation contracts had been signed, of which 458 renovation projects were still ongoing or finalised (Table 2)¹⁹. PRP has been successful in terms of outreach. Around 1,900 energy audits have been carried out by PRP technicians and around 3,900 households got into contact with the PSEE²⁰. Although this does not mean that all households that showed interest will eventually join PRP, it demonstrates that the programme benefits from a significant untapped potential and a strong interest from the public. Therefore, the programme seems highly likely to meet its objective of 2,000 renovation contracts signed by the end of the pilot phase. However, as the programme remains at a pilot phase, definitive figures on the PRP progress or

its impact in terms of GHG emissions reduction, job creation or business activity are not yet available.

Table 2: PRP results: achieved & expected

	PRP Renovation Results		
	Contracts signed	Total cost (M EUR)	Local job creation
Results achieved by 15/09/2016	1250 (458 ongoing or finalised)	25	n/a
Expected results for 2018 (end of Pilot)	2000	60	650
Aims for 2025 (scale-up)	18000	450	5000

Source: Picardy Renovation Pass, Press Release, October 2016²¹

Table 3 provides a recent example of a completed PRP project that has delivered very significant energy savings (80%) to a house that was previously a high-energy consumer and has upgraded its energy label from E to B (A to G scale, where A is the highest).

Table 3: Example of a completed PRP project

Building:	Individual house built in the 1980s.
Motive:	Poorly insulated house; household in situation of energy poverty.
Type of works:	Complete insulation (walls, floors, etc.), installation of a heat pump and a controlled ventilation system.
Duration of works:	4 months (June-September 2016)
Total cost:	EUR 64,000
PPR loan:	EUR 52,000
Additional support ²² :	EUR 12,000
Energy savings:	80%
Repayment to PRP:	First 15 years: EUR 235 p/m Final 10 years: EUR 190 p/m

Source: Picardy Renovation Pass website²³

The programme has the strong support of local SMEs and local authorities. According to the President of the CAPEB in Picardy (local association of construction companies), PRP has already shown positive results as it has provided new business opportunities for local craftsmen and will prove key for the recovery of the regional building sector²⁴. More than 650 local building companies and craftsmen have joined Picardy Renovation Pass out of which 71% are micro-enterprises and 29% are SMEs²⁵.

Local authorities are also supportive of the initiative. 63 municipality associations (i.e. Communautés de Communes) have become PRP implementation partners and 10 public buildings are currently being renovated. To incentivise homeowners to enter into contract with PRP, some municipalities are providing grants which cover a share of, or up to, the total amount of the fixed PSEE membership fee. For example, the Villers-Cotterêts association of

municipalities provides grants of EUR 1,860 (i.e. full coverage of the PSEE fee) to homeowners that sign a PRP contract²⁶. This financial effort from municipalities remains external to the PRP funding scheme and demonstrates their strong political commitment to the programme.

The PSEE and the Hauts-de-France Regional Council set ambitious long-term objectives for “Picardy Renovation Pass. If the pilot phase targets are achieved in 2018, the regional roll-out of the PRP scheme will aim to invest EUR 450 million to renovate 18,000 buildings and create 5,000 local construction sector jobs by 2025.

Perspectives and lessons learned

The programme is broadly welcomed by all parties. One of the greatest strengths of PRP lies in the PSEE’s intermediary role between property owners and building companies. The PSEE provides technical and financial support to homeowners and acts as the main contact person for renovation companies throughout the renovation process. There is however room to improve the PRP business model for an anticipated large scale roll-out.

From an implementation perspective, the **regional authority** (PSEE) is happy with the success of the pilot initiative thus far. A larger scale roll-out of PRP in 2018-2019 is therefore highly likely. The PSEE points to three main reasons for the programme’s positive results²⁷. Firstly, one of its greatest assets is its capacity to provide long-term funding for renovation work which is available to almost all households. Long-term loans for refurbishment purposes are rarely offered by the traditional banking network, and are often out of reach for many ineligible households²⁸. Secondly, PRP incentivises homeowners to opt for a deep renovation of their property. Although previous policy initiatives in the region mainly supported the renovation of some parts of individual buildings (e.g. roof insulation, boiler replacement, etc.), the PSEE’s services include an energy audit of the whole property from a qualified technician, prior to contract signature, that enables homeowners to make the best-informed decisions. Finally, PRP’s greatest strength lies in the integrated service provided by the PSEE to property owners²⁹. The public office, officially mandated by homeowners to act on their behalf, is in charge of managing and supervising all the renovation process. Thanks to this intermediary position, the PSEE provides a long-term financial and technical support to private client and assumes the role of trusted third-party.

Nevertheless, there is room for improvement, according to the PSEE. PRP’s greatest weakness is its unbalanced budget. PSEE procedures and services (energy audit, technical support to homeowners) are costly. The average cost of these services ranges between EUR 3,000-3,500 per project. In contrast, homeowners pay a fixed contribution of EUR 1,860 to the PSEE. Originally, the remaining 50% was supposed to be covered by the energy savings certificates scheme (ESCs)³⁰. However, due to a significant fall in the ESC market price after the launch of the PSEE, these extra expenses are now supported by public debt. Addressing this debt

problem is today considered to be the key condition to a larger scale PRP roll-out, to ensure its long-term economic viability. One of the potential policy options currently being examined is the use of green bonds³¹.

Homeowners are also very supportive of PRP services overall³². Those that have subscribed to PRP and have mandated the PSEE to supervise their renovation work are highly satisfied with the financial and technical support provided. Indeed, in some cases, homeowners comment that they were unable to get a loan from a bank in order to renovate their house, and PRP proved to be the only accessible and affordable source of funding available³³. They consider the self-financing dimension of PRP, based on lower energy bills, as very attractive and they value the expert advice of PRP technicians on best solutions to adopt and the technical advice and guidance they provide throughout the renovation process. Homeowners that chose not to subscribe to PRP have tended to only carry out limited renovation work or have decided against any work.

Industry representatives entirely support the existence and implementation of Picardy Renovation Pass³⁴, because it is having a positive impact on local construction sector job creation and additional business opportunities³⁵. However, the programme has not yet achieved its potential, although industry recognises that PRP remains at the pilot phase. Thus far, it has only led to a marginal increase in business volume compared to the level of activity at regional level³⁶. Local building companies are confident that PRP will recreate favourable market conditions and become a pivotal source of business growth and job creation for the regional renovation sector after its foreseen scale-up in 2018. Industry representatives are all the more supportive of the programme as Picardy’s building sector has not yet fully recovered yet from the recent economic crisis, which notably led to the destruction of around 9,000 jobs³⁷.

Industry representatives also point to PRP’s additional strength factors. In its role as the main contact point and interlocutor between building companies and homeowners, the PSEE is proving to be a flexible and effective intermediary that is open to dialogue and is actively managing PRP procedures³⁸. Industry representatives are also in favour of the simplified public tender offer that the PSEE uses to select companies³⁹. Additionally, only renovation companies that have received the “*Reconnu Garant de l’Environnement*” (RGE) label are eligible to participate. The label demonstrates a company’s qualifications to improve building energy performance and to carry out works in accordance with high environmental standards⁴⁰.

However, representatives of local building companies do acknowledge that there are still some areas for improvement. In particular, greater effort is needed to attract more private homeowners. Information on the benefits of the PRP financing scheme could be better disseminated and consideration should be given to lowering of the fixed contribution that homeowners are required to pay to the PSEE⁴¹.

Endnotes

- ¹ Following the French territorial reform implemented on 1 January 2016, the Regional Council of Picardy merged with Nord-Pas-de-Calais Regional Council into the new Hauts-de-France Regional Council. Picardy Renovation Pass is now governed by the latter. Hauts-de-France Regional Council website: <http://www.hautsdefrance.fr/>
- ² Picardy Renovation Pass, Press Release, May 2016, p.21: http://www.pass-renovation.picardie.fr/wp-content/uploads/sites/11/2016/05/DP_PicardiePass-MAI2016_BD.pdf
- ³ Regional Council of Picardy, Press Release, November 2013: http://www.picardie.fr/IMG/pdf/6/6/f/dossier_de_presse_service_public_de_l_efficacite_energetique.pdf
- ⁴ PPicardy Renovation Pass website, CAPEB et FFB partagent le challenge du SPEE, 17 November 2016: <http://www.pass-renovation.picardie.fr/pass-renovation/les-federations-du-batiment-soutiennent-picardie-pass-renovation/>
- ⁵ Picardy Renovation Pass, Press Release, October 2016: http://www.pass-renovation.picardie.fr/wp-content/uploads/sites/11/2014/07/MiniDP_PPR.pdf
- ⁶ Picardy Renovation Pass, Press Release, May 2016: http://www.pass-renovation.picardie.fr/wp-content/uploads/sites/11/2016/05/DP_PicardiePass-MAI2016_BD.pdf
- ⁷ It is noteworthy that Picardy Renovation Pass is not only open to private homeowners, but also to public authorities such as municipalities.
- ⁸ The fixed contribution to the PSEE services can be reimbursed with a maximum payback period of 15 years, and with a minimum down payment of 300 EUR: http://www.picardie.fr/spip.php?page=aide&id_dispositif=384
- ⁹ Picardy Renovation Pass, Press Release, October 2016: http://www.pass-renovation.picardie.fr/wp-content/uploads/sites/11/2014/07/MiniDP_PPR.pdf
- ¹⁰ Picardy Renovation Pass, Press Release, May 2015: <http://www.pass-renovation.picardie.fr/wp-content/uploads/sites/11/2015/12/DP3-Septembre2015-MaJ-BD.pdf>
- ¹¹ In the process of validation at the time of writing. Picardy Renovation Pass, Press Release, October 2016.
- ¹² Interview held with Vincent Piboulet, PSEE Governance Manager, on 23rd November 2016.
- ¹³ European Federation of Agencies and Regions for Energy and the Environment (FEDARENE), Innovative Financing Schemes in Local and Regional Energy Efficiency Policies, Report, June 2015, p.22.
- ¹⁴ French Ministry of Environment, Energy and the Sea: http://www.developpement-durable.gouv.fr/IMG/pdf/16172-GB_loi-TE-les-actions_DEF_light.pdf
- ¹⁵ Interview held with Vincent Piboulet, PSEE Governance Manager, on 23rd November 2016.
- ¹⁶ The difference between “*Maître d’ouvrage*” and “*Maître d’ouvrage délégué*” is further explained on the Picardie Pass Renovation website: <http://www.pass-renovation.picardie.fr/pass-renovation/maitrise-doeuvre-chantiers-aux-petits-oignons-2/>
- ¹⁷ Picardy Renovation Pass, Press Release, October 2016: http://www.pass-renovation.picardie.fr/wp-content/uploads/sites/11/2014/07/MiniDP_PPR.pdf
- ¹⁸ Schéma Régional Climat-Air-Énergie, 2012: http://www.picardie.fr/IMG/pdf/3/9/d/02-srcae_rapport.pdf
- ¹⁹ Picardy Renovation Pass, Press Release, October 2016: http://www.pass-renovation.picardie.fr/wp-content/uploads/sites/11/2014/07/MiniDP_PPR.pdf
- ²⁰ Ibid
- ²¹ Ibid
- ²² For example: grants, tax abatements
- ²³ Picardy Renovation Pass, A renovated house, finally comfortable! (Nov 2016): <http://www.pass-renovation.picardie.fr/pass-renovation/maison-renovee-enfin-confortable/>
- ²⁴ Picardy Renovation Pass website, CAPEB et FFB partagent le challenge du SPEE, 17 November 2016: <http://www.pass-renovation.picardie.fr/pass-renovation/les-federations-du-batiment-soutiennent-picardie-pass-renovation/>
- ²⁵ Picardy Renovation Pass, Press Release, Oct 2016: http://www.pass-renovation.picardie.fr/wp-content/uploads/sites/11/2014/07/MiniDP_PPR.pdf
- ²⁶ Ibid
- ²⁷ Interview held with Vincent Piboulet, PSEE Governance Manager, on 23rd November 2016.
- ²⁸ Ibid
- ²⁹ Ibid
- ³⁰ Presentation of the energy saving certificate market in France: <http://www.developpement-durable.gouv.fr/-Certificats-d-economies-d-energie,188-.html>
- ³¹ This solution is today only at the pilot project stage. Source: Interview with Vincent Piboulet, PSEE Governance Manager, on 23rd November 2016.
- ³² The PSEE recently carried out an internal survey to assess customer satisfaction. The results of the survey are not publicly available.
- ³³ Picardy Renovation Pass, Press Release, October 2016:

- http://www.pass-renovation.picardie.fr/wp-content/uploads/sites/11/2014/07/MiniDP_PPR.pdf
- ³⁴ Picardy Renovation Passwebsite, CAPEB et FFB partagent le challenge du SPEE, 17 November 2016:
<http://www.pass-renovation.picardie.fr/pass-renovation/les-federations-du-batiment-soutiennent-picardie-pass-renovation/>
- ³⁵ Telephone inquiry with Floriane Izquierdo, Environmental Policy Officer, Fédération Française du Bâtiment (FFB) Picardie, 05 December 2016.
- ³⁶ Interview with Vincent Pibouleu, PSEE Governance Manager, on 23 November 2016.
- ³⁷ Picardie Pass Rénovation, Fiche Technique: Le SPEE une expérimentation de tiers financement, 2015:
http://ret-ademe-picardie.fr/docs/2015/26-03-2015_Renovation_energetique_de_L_habitat_privé/FT_pass_picardie.pdf
- ³⁸ Telephone inquiry with Floriane Izquierdo, Environmental Policy Officer, Fédération Française du Bâtiment (FFB) Picardie, 05 December 2016.
- ³⁹ Ibid
- ⁴⁰ French Ministry of Environment, Energy and the Sea:
<http://www.developpement-durable.gouv.fr/La-mention-RGE-Reconnu-Garant-de-l.html>
- ⁴¹ Telephone interview held with Floriane Izquierdo, Environmental Policy Officer, Fédération Française du Bâtiment (FFB) Picardie on 5th December 2016.