

# CEFC

CLEAN ENERGY FINANCE CORPORATION



# Financing energy efficient community housing



Presentation to  
Financial Officers Forum  
NSW Federation of Housing Associations  
April 2016

# Agenda

1. About the CEFC
2. The CEFC's aspirations in the Social and Affordable Housing Sector
3. Potential CEFC Debt Offering & Community Housing Program
4. Case study CEFC and St George Community Housing Partnership



# 1. About the Clean Energy Finance Corporation

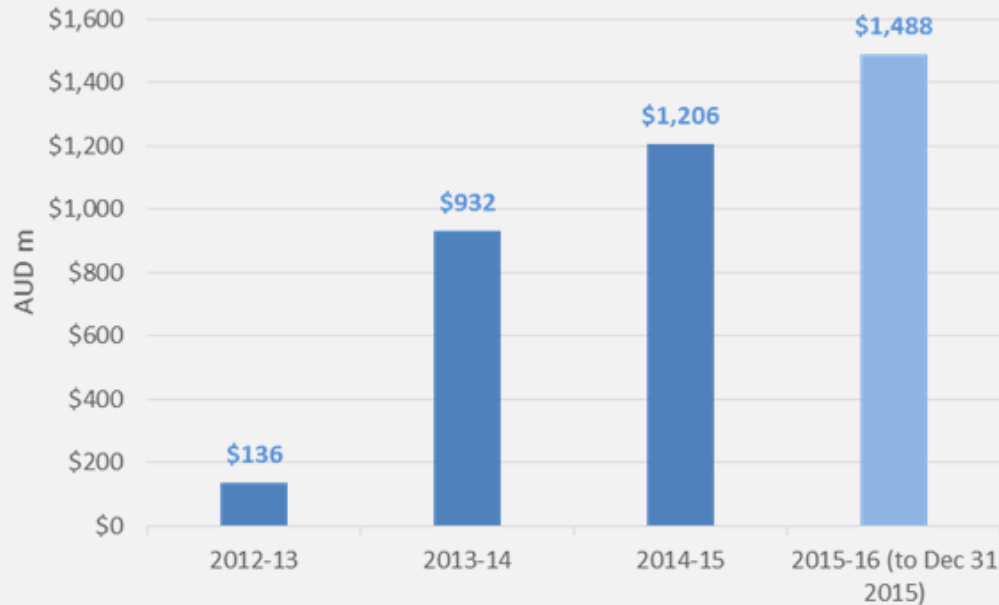
Driving productivity gains, lowering energy costs and reducing emissions

- Independent, Australian Government institution that operates like a traditional financier
- Private sector expertise with a public purpose: increasing the flow of finance to energy efficiency, low-emissions and renewable energy
- \$10 billion in funding to deploy
- Commercial return on investment (debt or equity)
- Projects that are smaller, more complex or new to the Australian market
- Operates as a co-financier to encourage participation in the sector from private sector financiers



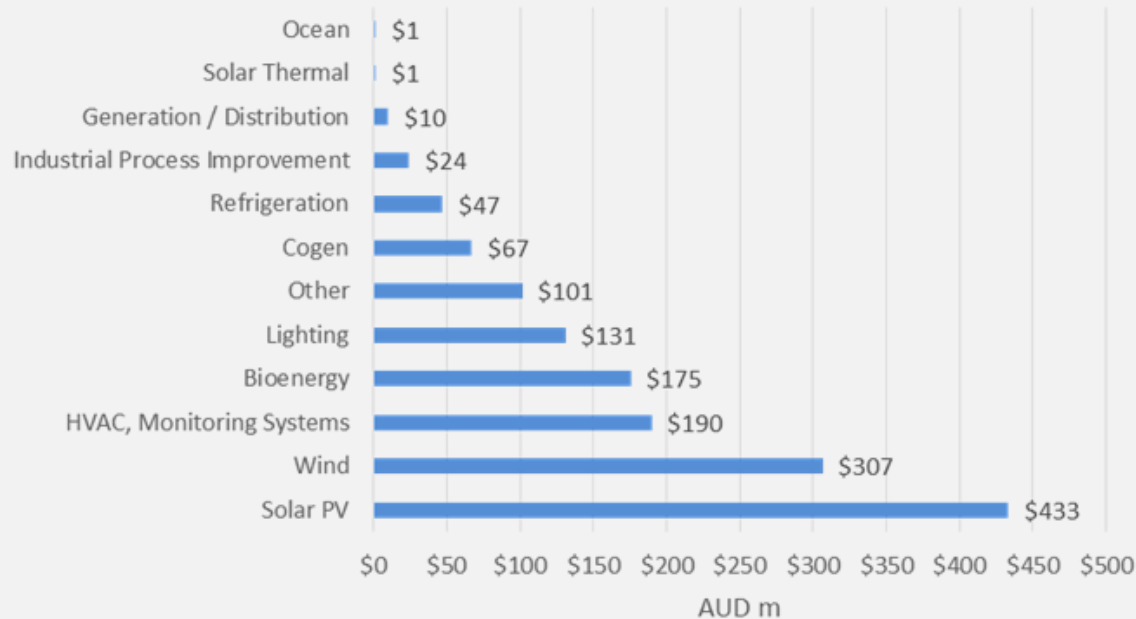
# 1. About the Clean Energy Finance Corporation

A growing portfolio of clean energy investment commitments



# 1. About the Clean Energy Finance Corporation

## The CEFC invests across technologies



## 2. CEFC's vision for energy efficient community housing

- As part of our purpose to ***increase the flow of finance into clean energy***, the CEFC is working with the **community housing industry** to promote energy efficient community housing
- Financial institutions, including the CEFC, have an important role to play in supporting community housing providers and governments, and through them tenants and other stakeholders



## 2. CEFC Market Report

### Financing energy efficient community housing

- In February, the CEFC published a **market report** on financing energy efficient community housing alongside the launch of a **\$250 million community housing program**

#### Financing energy efficient community housing

A market report by the  
Clean Energy Finance Corporation

February 2016



## 2. CEFC Market Report

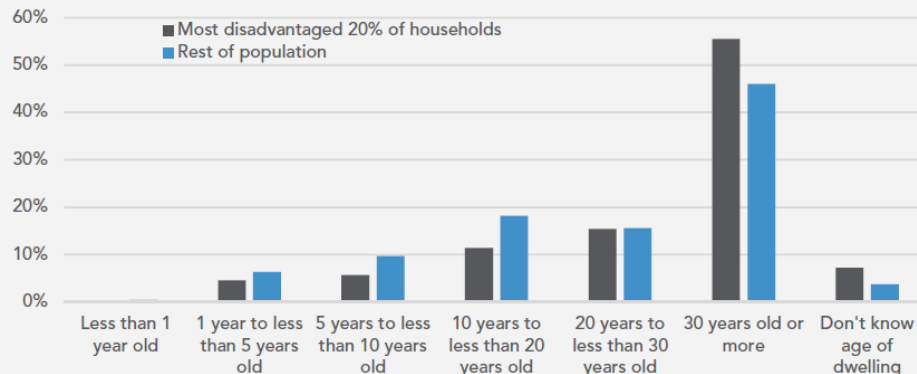
Poor energy efficiency can have significant financial effects

- Low-income households tend to live in buildings with poorer energy efficiency, leading to higher energy costs.
- Many social housing tenants have high energy consumption.
  - As share of household income, low-income households spend three times what high-income households spend on in-home energy (ABS)
- Households that received most of their gross weekly income from a government pension spent \$61 per week – close to 10% of their income – on total energy costs, around twice the income share of other households (ABS)

## 2. CEFC Market Report

### Low-income households tend to live in buildings with poorer energy efficiency

- Around 70% of the most disadvantaged households live in dwellings that are more than 20 years old, indicating that they are less likely to be designed with active or passive energy efficiency features incorporated.
- The most disadvantaged households are more likely to live in fibro houses than the rest of the population.
- More than half of all community housing dwellings do not have any insulation and nearly one third have inefficient electric hot water systems (2011 survey)



Share of households in each category by age of dwelling

Source: unpublished ABS data from Environmental Issues: Energy Use and Conservation survey

## 2. CEFC Market Report

### Energy efficiency improvements in new builds

- Many energy efficiency improvements with payback periods of five years or less can be incorporated into the fabric of the dwelling
- There is a large stock of existing social housing dwellings with low levels of energy efficiency, suggesting there is a significant investment opportunity in retrofitting dwellings as well

	Estimated additional capital cost per unit	Estimated energy cost saving	Estimated simple payback period
	\$	\$	Years
Improving insulation in external walls and adding floor insulation	1,000	250	4.4
Double glazing instead of single glazing	1,500	250	6.0
LED lighting in place of fluorescent lighting	250	75	3.3
Induction stoves in place of gas stoves	600	200	3.0
Secure screen door where no clear cross ventilation	300	150	2.0
In-home energy monitoring	250	150	1.7
Central solar plant to meet base building electricity demand from lighting, lifts etc	*20,000	*7,300	2.7

Illustrative energy efficiency improvements in a new-build social housing development

Payback period assumes 25c/KWh tariff including network charges

Central solar plant cost is total cost for base building installation (not per-unit cost)

Source: CEFC

## 2. CEFC Market Report

### Energy efficiency improvements in new builds

- There are a number of national ratings systems for energy efficiency in residential properties which can be used for benchmarking new and existing community housing dwellings.

The **Nationwide House Energy Rating Scheme (NatHERS)** provides a reliable way to estimate and rank the potential thermal performance of residential buildings. The system, administered by the Department of Industry, Innovation and Science, can be used to determine the efficiency of a design of an existing or planned home and give it a star rating of between 0 and 10, allowing for different sized houses and climates to ensure nationwide consistency.

The Green Building Council of Australia developed the **Green Star** system to evaluate the environmental design and construction of new buildings, new fit-outs and master-planned precincts.

## 2. Financing energy efficient community housing

Improving energy efficiency to benefit low income families

- Sustainability initiatives can be implemented in a cost effective manner (e.g. five year payback on investment), delivering long term value to the social and affordable housing sector
- New housing stock should be designed and built to high energy efficiency standards (e.g. 7 star NatHERS rating) where economically viable
- Existing stock should be refurbished, or recycled through a proactive asset management strategy, where possible to improve energy efficiency and maximise value for money
- Tenants should benefit from the energy efficiency of the property and have access to additional alternatives (such as energy efficient whitegoods or smart meters) to assist with managing their energy demand, saving money for low income families



### 3. CEFC \$250 million Community Housing Program

- **Substantial financing capacity:** A \$250 million financing program to build energy efficient community housing dwellings.
- **Energy efficient new dwellings:** CEFC financing will ensure that new dwellings are designed to higher energy efficiency standards, benefitting tenants by reducing their energy bills.
- **Tenancy sustainability initiatives:** CEFC will allocate a portion of its interest income to finance sustainability initiatives for tenants across a CHP's portfolio of existing dwellings.
- **Willing to take on additional risk:** CEFC is willing to consider design and construction risk.
- **Flexible structure:** CEFC will work with CHPs to develop a financing structure that promotes the efficient financing of future projects.
- **Fixed rate loan:** CEFC is a fixed rate lender and typical swap arrangements in a commercial bank loan would not apply. This also has the benefit of reducing refinancing fees.
- **Tenor:** CEFC is able to provide longer dated debt of up to 10 years.

## 4. Case study CEFC loan to St George Community Housing



- The CEFC is making long-term financing available to SGCH to incorporate energy efficient initiatives into a number of new housing projects during construction.
- In addition, CEFC finance will support a long-term plan to make ongoing sustainability improvements to SGCH's existing housing for the benefit of tenants.
- The CEFC will lend up to \$60 million to develop over 200 new high performing energy-efficient homes.
- Initiatives made possible through the CEFC finance include improved insulation, window glazing, LED lighting, energy efficient appliances, smart meters and solar installations in SGCH's new and existing properties.
- Properties built as part of the CEFC's financing program with SGCH will be built to a 7 star NatHERS on average.

# CEFC

CLEAN ENERGY FINANCE CORPORATION

## Contact us

Clean Energy Finance Corporation  
Suite 1702, 1 Bligh Street, Sydney NSW 2000

Telephone  
1300 00 2332  
1300 00 CEFC

[www.cleanenergyfinancecorp.com.au](http://www.cleanenergyfinancecorp.com.au)  
[contact@cleanenergyfinancecorp.com.au](mailto:contact@cleanenergyfinancecorp.com.au)

