



Green Loans

In Poland, Sweden, Denmark, Norway and
Finland

EFFECT4buildings Toolbox:
Funding; Annex 7



The project “Effective Financing Tools for implementing Energy Efficiency in Buildings” (EFFECT4buildings) develops in collaboration with public building managers a comprehensive decision-making support toolbox with a set of financial instruments: **Financial calculation tools; Bundling; Funding; Convincing decision makers; Energy Performance Contract; Multi Service Contract; Green Lease Contract; Prosumerism**. The tools and instruments chosen by the project has the biggest potential to help building managers to overcome financial barriers, based on nearly 40 interviews with the target group. The project improves these tools through different real cases.

To make sure building managers invest in the best available solutions, more knowledge on different possibilities is needed as well as confirmation from colleagues that the solutions performs well. EFFECT4buildings mapped **technological solutions** for energy efficiency in buildings with the aim to share knowledge and experiences of energy efficiency solutions among building managers in the Baltic Sea Region.

This document is about Green loans which refer to loans that depend on environmental criteria for the intended use of the funds. It is part of a broader sustainable investment and aims to reduce the environmental impact of new lending activities

Partners



EFFECT4buildings project is implemented with the support from the EU funding Programme Interreg Baltic Sea Region (European Regional Development Fund) and Norwegian national funding. The aim of the project is to improve the capacity of public building managers in the Baltic Sea Region by providing them a comprehensive decision-making support toolbox with a set of financial instruments to unlock the investments and lower the risks of implementing energy efficiency measures in buildings owned by public stakeholders. More information: <http://www.effect4buildings.se/>



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1. What is an Green loan/Energy loan?

Energy loans refer to favourable loans that allow interest rate discount on green investments and energy-saving renovations.

Loans can be used for investments to reduce electricity costs by installing district heating, pellets, solar cells, solar heating and similar installations. But it is also possible to be granted an energy loan to reduce electricity consumption by exchanging doors and windows, improving insulation, buying energy-efficient appliances and more. Investing in a wind turbine through wind power shares can sometimes also covered by an energy loan.

Terms

Loan

Loan is a generic term for any kind of borrowing that is documented as a loan. Loans can be secured or unsecured.

Mortgage

Mortgage is a secured loan. Most common example is a residential mortgage using the house as a security.

Bonds

A bond is a fixed income instrument that represents a loan made by an investor to a borrower. Bonds are used by companies, municipalities, states, and sovereign governments to finance projects and operations. Banks have clients, insurance, pension and other institutional investors very interested in buying bonds that finances good causes, whereby the banks act as an arranger, organizing, structure terms, write documentation and then distribute the bond.



Collateral

Something pledged as security for repayment of a loan, to be forfeited in the event of a default.

How can banks offer interest rate discounts for green financing?

There are several reasons why the banks are investing in and marketing Green loans.

Axel Wallin Sustainability manager at SBAB explains:

- In addition to sustainability, it is good for the brand and provides better dialogue with the customers. Energy-efficient buildings also lead to better economy for customers. The banks can also issue more green bonds, which is in great demand.

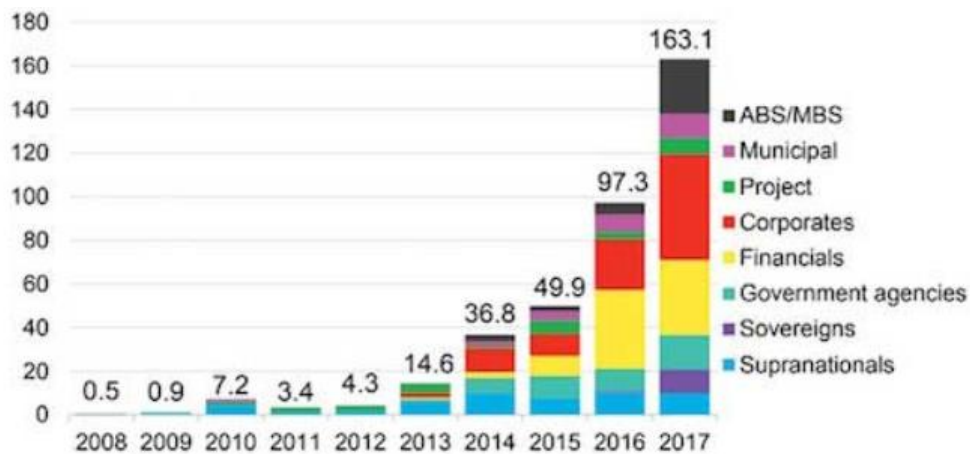
Axel Wallin also describes how the market's interest in green bonds is increasing.

“SBAB’s aim is to finance its green lending by way of green funding. As a step in that direction, SBAB, as the first bank in Sweden, successfully issued its first green bond in Mid-2016. By updating its Green Bond Framework, SBAB wish to offer investors further insight on SBAB’s sustainability strategy in line with SBAB’s commitments. It is important for SBAB to continue to promote, and offer investors the opportunity to support, the transition to a low carbon and climate resilient society by mitigating or adapting to climate change through the funding of green buildings and buildings which are or will become more energy efficient”

https://www.sbab.se/1/in_english/investor_relations/sbab_unsecured_funding/sbab_green_bond.html

There is a great interest among investors in lending capital to environmental and climate projects, which becomes very clear if you look at the development for green bonds. Since 2008 investments have grown almost explosively and all the leading banks have their own green bonds, which are then used to support both larger and smaller investments in green projects, long-term sustainability and energy improvements. Part of this money is used to finance lending through energy loans and green real estate and corporate loans.

Picture below - Green bonds issued annually bn \$



Källa: Bloomberg New Energy Finance, Bloomberg LP

Banks also focus on the benefits for building owners. For example Swedbank, market Energy loans with the arguments the ability for customers to lower energy costs, increasing the value of the building and making it more attractive on the market.

EU action plan on green financial products

The action plan sets out a comprehensive strategy to further connect finance with sustainability. Its key actions include:

- establishing a clear and detailed EU classification system – or taxonomy – for sustainable activities. This will create a common language for all actors in the financial system
- establishing EU labels for green financial products. This will help investors to easily identify products that comply with green or low-carbon criteria
- introducing measures to clarify asset managers' and institutional investors' duties regarding sustainability
- strengthening the transparency of companies on their environmental, social and governance (ESG) policies. The Commission will evaluate the current reporting requirements for issuers to make sure they provide the right information to investors
- introducing a 'green supporting factor' in the EU prudential rules for banks and insurance companies. This means incorporating climate risks into banks' risk management policies and supporting financial institutions that contribute to fund sustainable projects

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/green-finance_sv

For more information read also

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-taxonomy_en.pdf



EeMAP

The EeMAP Initiative aims to create a standardised “energy efficient mortgage”, according to which building owners are incentivised to improve the energy efficiency of their buildings or acquire an already energy efficient property by way of preferential financing conditions linked to the mortgage.

For more information read <https://eemap.energyefficientmortgages.eu/>

2. SWEDEN

Most major banks in Sweden offer some form of energy loans. Both individuals and companies can be offered particularly advantageous loans for energy saving purposes.

To take this type of loan, no collateral is required, but often the bank has a minimum amount for the loan, which can range between 3000 to 5000 US Dollars. The money is then ear-marked. This means that you must not spend them on anything other than the planned installation.

Most customers extend their mortgages instead of taking a new loan.

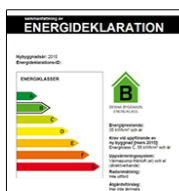
Three examples

Terms from the bank SEB – focus on companies, associations and individuals

To get a green mortgage, your home needs to be:

A- or B-rated according to the Swedish National Board of Housing, Energy's classification or A Nordic Eco-labelled house according to the state-owned company Ecolabelling Sweden or A gold or silver certified environmental building according to the Sweden Green Building Council or

A certified passive house



SEB offers an extra advantageous loan for those who have an eco-labelled home. The rebate is 0.10 percentage points on the mortgage interest rate.

The bank **also** offers Green building credits. On their homepage they write:

“Climate change from the construction and civil engineering sector is significant and the transition to a fossil-free sector in 2045 has begun. To meet that goal, environmentally



classified buildings need to be produced. Green building credit is a form of financing suitable for companies and tenant-owner associations who want to take environmental considerations into conjunction with the new production of real estate”

<https://seb.se/foretag/finansiera/gron-byggnadskredit>

Terms from the bank SBAB – focus on companies, associations and individuals

Green investment loans to companies and tenant-owner associations provide better interest rates. Energy promotion measures can be of type change of energy source, change to triple glazed windows, additional insulation etc.

For those who live in a villa or apartment in a building that has a valid energy declaration with energy class A, B or C. Deduction of the mortgage rate for energy class A & B by 0.10 percentage points and energy class C by 0.05 percentage points.

Terms from Handelsbanken – focus on buildings and solar energy investments

Buildings

For a project to be financed with Green loan for buildings it must meet the technical criteria developed and established to ensure that the environment and climate are considered.

Common to all buildings is that they should be in Sweden and certified in any of the following systems and levels:



The Swan: Approved



Environmental certificate: Silver



BREEAM: Very Good



LEED: Gold

Solar energy

Solar energy projects are eligible for green loans at Handelsbanken because these projects together with others renewable energy sources mean a move to greenhouse gas-free energy solutions.

Green loans for solar energy must exclusively finance the plant, installation and necessary infrastructure to put the plant into operation. They can be used for example to pay for the network connection, transformers and associated equipment and labour costs.

Terms from Swedbank – focus on buildings and solar energy investments

Buildings

For a project to be financed with Green loan for buildings it must meet the technical criteria developed and established to ensure that the environment and climate are considered.



Common to all buildings is that they should be in Sweden and certified in any of the following systems and levels:

For those who live in a villa or apartment in a building that has a valid energy declaration with energy class A, B or C. Deduction of the mortgage rate for energy class A & B by 0.10 percentage points and energy class C by 0.05 percentage points.

The building has to meet one of the following criteria:

- Having energy certificate class A or B
- Certified by Swahn labelling or Environmental certificate Miljöbyggnad
- Being a passive house



The Swan: Approved



Environmental certificate: Silver

Solar energy

Swedbank also offer solar loans for investments in solar panels. No matter what type of PV systems or supplier, the interest rate is always 1,65 %.

3. POLAND

In Poland, local government units and companies can count on favorable loans, guarantees and other types of support, both from the financial sector and state institutions.

The following are examples of the most important financial products to finance environmental investments that are offered by banks for the public sector and business entities.

Example No. 1: Bank Ochrony Środowiska

Information about the Bank



BOŚ Bank is a Polish bank since 1997 and its shares are listed on the main market of the Warsaw Stock Exchange. The Bank's mission is to support environmental projects.

The Bank allocated about PLN 18.6 billion to finance ecological projects.



BOŚ Bank has many years of experience in cooperation with local governments and an established position on the market for financing projects related to environmental protection and financing of infrastructure projects.

The Bank's offer is a precise response to the expectations of local government units at the municipal, powiat and voivodship level, as well as organizational units associated with local governments and associations of local governments. The adjustment of the loan offer to the needs of the public sector can be demonstrated by the Bank's increased exposure to loans and advances. In the first half of 2019, new loan and loan agreements were concluded for a total amount of PLN 2.2 billion, i.e. by approx. 87% more than in the corresponding period of 2018. Thanks to the implementation of the new business model, sales in the institutional customer segment increased by approx. 94%. At the same time, by implementing the Strategy, the share in the sale of loans to finance environmental activities was constantly increased. The amount of pro-ecological loans granted amounted to PLN 929.3 million and was almost 60% higher than in the corresponding period of the previous year.

Credit offer

The bank has a credit offer tailored to the needs of each group of entrepreneurs, both small and medium enterprises, corporations, as well as local government units.

The subject of "eco" lending can be the needs arising from current operations as well as investments. Being aware of the fact that often ecological innovations are associated with a higher cost to be incurred by the entrepreneur or JST - Bank Ochrony Środowiska also offers facilities in the form of a longer repayment period for such projects.

"Eco" products can be used not only by entrepreneurs conducting activities directly related to environmental protection, but also those who want to finance smaller and larger investments, where at least 50% of the funds from the loan is intended for the purpose of obtaining an ecological effect (e.g. reduction of the consumption of e.g. electricity, heat energy, water, raw materials used for production; construction of an installation for the production of energy for own needs, or obtaining savings due to changing the energy source or changing the way of supplying energy).

For entrepreneurs conducting sole proprietorship, the bank has a special offer "Shopping credit for the company", under which you can finance the purchase, transport and installation of broadly understood machines and devices for environmental protection used for the purposes of conducting business activities, including vehicles for the needs of business.



The maximum loan amount an entrepreneur can obtain for this purpose is up to PLN 500,000. PLN, and the repayment period can be up to 15 years.

The bank offers the possibility of financing up to 100% of the project value. Price terms depend on the loan amount.

The entrepreneur does not need to have his own material security - the basic security is the COSME guarantee offered by Bank Gospodarstwa Krajowego. The commission for granting financing is only 3.5%. The interest rate based on the WIBOR 3M rate is increased by BOŚ margin, which starts from 2.8 p.p.

A simplified, partly automated credit assessment process is prepared for the product, which means that an entrepreneur can obtain a credit decision in just three days from the moment of submitting a set of necessary documents.

BOŚ Bank offers many products for entrepreneurs operating on a larger scale (small, medium enterprises and corporations), but also for local government units.

The Bank also offers bridging and supplementary financing in the scope of investments carried out by clients applying for or benefiting from support under the NFOŚiGW or WFOŚiGW priority programs implemented from national and EU funds.

Taking into account the needs and capabilities of local governments, BOŚ offers financing up to 100% of the investment value and repayment period extended to 20 years.

It is worth emphasizing that there is the possibility of customer support by the team of BOŚ ecologists who help at every stage of investment planning and implementation.

Example 2: ING Bank Śląski

ING Bank Śląski's offer includes several financial products promoting the application of ecological solutions at the investment stage.

The **Eco-loan offer** for companies is addressed to entrepreneurs (sole proprietorships) who use simplified accounting principles. The eco-loan is intended for the purchase of, among others: windows, external doors, insulation materials for the basement ceiling, floor, external walls, roof, ceiling, LED lighting, energy-saving controllers, bicycles and rehabilitation equipment, passenger cars and delivery vans with a maximum permissible weight of 3.5 t with electric or hybrid drive as well as motorcycles and scooters with electric drive, computer equipment with efficiency certificate of at least 80 Plus Platinum, household appliances A +++ (washing machines, dryers, washer-dryers, dishwashers, refrigerators, ovens, etc.) with energy-saving class at least A +++, other organic materials or goods.



Based on the invoices provided for the purchase of organic goods (ecological objectives are included in the regulations) - invoices should be issued for a minimum of 50% of the loan amount - the bank returns a commission (max. PLN 4,000) after three months of regular repayment, based on the invoice delivered to 1 month after taking out a loan.

The margin is from 5.5% depending on the loan amount, the commission is 2.5% (the commission is returned when the conditions are met).

The offer for corporate clients (full accounting) includes all projects with EU support, and EU loans offered by ING Bank Śląski for their implementation are pro-ecological.

Each project submitted for EU funding must meet the requirements of the criteria, among which is a positive impact on sustainable development. This applies to all EU projects (and hence to loans).

In any case, a positive environmental impact is required, by reducing energy consumption, closed water cycle, recycling, reuse, repairability and circular economy. Many of the projects introducing new technologies are focused on waste management or recycling.

ING also **offers financing for renewable energy sources**, e.g. wind energy, biomass, and recently very high interest in photovoltaic projects.

The third type of credit products are products related to partner services in the field of energy efficiency audits. The bank guarantees the stability of benefits due to lower energy bills, after investing in more economical machines or thermo-modernization of facilities.

ING Bank is ready to finance local government units, which will grant loans to their residents for furnace replacement or connection to the central heating network.

Example 3: Bank Pekao SA



Bank Pekao

Information about the Bank

Bank Pekao SA is the second largest bank in Poland in terms of assets. The mission and principles of this institution (and the entire capital group) are building customer value, participating in local communities, creating the best jobs, achieving the highest standards and introducing.

Credit offer



The bank offers a special loan for environmental purposes. The 'Take care of a good climate' campaign is a new offer of 'Express Loan for ecological purposes' on preferential terms - with APRC 8.3% and 0% commission. Everyone can benefit from the preferential conditions, not just existing bank customers.

When deciding on an offer, you can receive from 5,000 up to 50,000 PLN, provided that at least 80% of this amount will be allocated to the purchase or installation of one of the following ecological objectives: renewable energy sources, i.e. solar collectors, solar panels / cells; central heating boilers (excluding coal boilers); heat pumps; windows, doors and materials for house insulation; passenger cars with electric or hybrid drive and motorcycles and scooters with electric drive.

The loan repayment period can be spread over any period of up to 10 years, thanks to which the installment amount can be adjusted to your individual needs and possibilities. Special conditions are available to anyone interested until 30/06/2020.

For companies looking for an offer for financing photovoltaics, Bank Pekao offers a loan with the help of EU subsidies to interest from the Biznesmax program. The transparent loan is an investment loan to finance the purchase, assembly and commissioning of a photovoltaic micro installation that generates electricity for the enterprise's own needs.

The amount of the queditte depends on the borrower's needs and the size of the solar installation, however, it cannot exceed PLN 300,000.

An additional benefit for the customer is the reimbursement of interest costs on the loan for the first three years of financing (maximum interest up to 5% of the loan capital).

Thanks to the agreement with the European Investment Bank, Pekao can finance investments, e.g. in the exchange of machinery and equipment, thermo-modernization, or other activities related to reducing energy consumption.

4. DENMARK

Public loans

Municipalities in Denmark can obtain loans from the credit institution 'KommuneKredit' with very low interest rates and therefore the private market is not that relevant or used by the public sector. Furthermore, some companies are also allowed loan from KommuneKredit if the municipality offer a municipal guarantee. Yet, due to the construction limit, which determines the total amount of investment and loans in municipalities, there is not infinite possibilities in KommuneKredit loans. The construction limit is set to prevent public investment from overheating and the amount per municipality is determined through a total amount from the state and is then distributed to the municipalities by the municipalities association (KL).



The framework for KommuneKredit is determined by law (find the [law here](#)). One of the basic principles is that all members should be able to get equal access and prices on loans. This means that KommuneKredit does not offer a lower rate if the loan is for initiatives regarding green transition. Yet, they do have a green bond framework for loans that can be financed through green bonds if it matches certain demands and then the municipality will get a diploma. The green bond framework in KommuneKredit is consistent with the Green Bond Principles (2016) by the International Capital Markets Association [ICMA](#). Green bond investments must deal with water and wastewater, district heating, energy efficiency or green public transport.

Terms of the framework includes that:

- the investment must contribute to a reduction of CO₂ and / or reduce energy consumption
- energy use, initially, is based on non-fossil resources

Learn more about the green loans and green bonds in KommuneKredit [here](#)

Private loans

In Denmark green loans have not been available on the private market until recent years. In 2019 there has been a development on the market, and more banks now offer some green loans. In 2018 the association of financial institutes in Denmark (Finans Danmark) created a Forum for Sustainable Financing to provide recommendations for a more sustainable financial sector in Denmark. In December 2019 the Forum for Sustainable Financing published 20 recommendations for how to create a more sustainable and greener financial sector in Denmark. Some of which includes to provide more green loans and possibilities to create sustainable investments (learn more about the [recommendations here](#)).

Banks that has recently launched green loans and/or green mortgages loans includes some of the major banks in Denmark; [Danske Bank](#), [Nykredit](#), [Nordea](#). It is expected that more green loans will become available in the near future. Still they will be more relevant for the private building owners given the KommuneKredit option for public building owners.

5. FINLAND

Introduction – situation in Finland

- Financing the energy efficiency investments not the problem – Available for economically feasible projects, if the applicant is creditworthy – increasing interest in the topic among banks and financial institutions
- Successful long term, persistent work for energy efficiency, aids granted by the Finnish Government – Especially through investment subsidies (and grants for energy audits) granted to businesses, industry and local authorities within the energy efficiency agreements – Few



energy subsidies for improving the housing conditions (only for special groups) – Tax deductions for consumers, e.g. for repair work for energy efficiency repairs etc.

- The role of the communities is a crucial in EE investments – Third party financing, joint green procurements, MuniFinGreen Bond
- Encouragement to utilize the EU possibilities, e.g. – European Regional Development Fund (ERDF), the European Social Fund (ESF) and Rural Development Programme (RDP) - promoting low-carbon economy

Subsidies

- Energy Efficiency Agreements (EEA) are in a key role of EE implementation – In 2008-2016: 17 000 energy efficiency measures, 1 200 M€ energy efficiency investments and 500 M€ annual savings in energy costs
- The participants in the EEA scheme can get subsidies from the Government – for conventional and new energy efficiency technology investments* – for the Motiva-model energy audits and analyses ** – also for ESCOs

**Energy subsidies are not granted for housing Properties and outside the agreement scheme only for new energy efficiency investments.*

*** The mandatory energy audits of large enterprises are not subsidised.*

Communities and Financing Green Bond by MuniFin

- The framework drafted according to the Green Bond Principles
- Second opinion by CICERO and SEI
- Independent Green Loan Committee evaluates, grades, and approves/ declines each project
- Margin discount is offered for eligible projects
- First Finnish Green Bond issued in October, 2016 Joint green procurements
- In 2016 joint green procurement of solar panels by Finnish Environmental Institute SYKE and KL Kuntahankinnat (municipal procurement unit)
- 34 municipalities, 1,2 MW and M€ (now 2 M€)
- Some kind of ESCO model (4 year grant agreement)
- Own investment or monthly charged



- Plans to increase the framework for joint green procurements

Structural Funds (ERDF, ESF)

- Encouraging to utilize European Programmes for low carbon projects (target for low carbon economy 25% = ~190 M € in ERDF) • Situation in May 2017: total 3 700 projects of which 2700 in ERDF. – 19 % low carbon projects. • Supporting material for applying, as – A guidebook “Low carbon approach in structural funds” with case examples – Networking events “Low Carbon Dates” with Rural Development Programme during this week 17.5.2017

Banks and financial institutions

- Increasing interest to improve energy efficiency among banks and financial institutions
- An increasing need to improve energy efficiency in existing building stock* – Traditional loans can be used to finance energy efficiency (renovations) – Interest rate low in traditional loans
- Green loans, green mortgages are still at the beginning phase (some already existing)
- Collaboration between banks, financial institutions and for e.g. building sector is needed – Tools and checklists for decision making should be developed – Interest already raised

Summary and the Next Steps

- The topic “finance and energy efficiency” needs e.g. – Simple, targeted information on different mechanisms and possibilities – Collaboration between stakeholders – Examples, best practises and sharing experiences of implemented cases – Open mind set for new opportunities
- Energy efficiency and the financing will be on the increasing focus in Finland – A lot of activities (events, surveys, information sharing etc.) is ongoing – The different national/EU/ Nordic/international possibilities will be explored.

6. NORWAY

Kommunalbanken, the Norwegian Municipal Bank (NMB)

Financing investment projects from but not limited to the sectors of renewable sources or energy, and energy efficiency of buildings.



Financing environmental protection projects, i.e. measures that promote reduction of greenhouse gases into the atmosphere, including financing projects that involve renewable sources of energy, as well as energy efficiency projects. The Norwegian government holds 100% of shares in the Norwegian Municipal Bank.

Loans may be granted for the implementation and completion of the following projects (involving buildings):

- New green buildings,
- Renewable energy,
- Improving Energy efficiency (EE) performance,
- Water supply and sewerage systems,
- Adaptation measures in terms of climate.

Projects financed from loans must have greater values than the minimum requirements stipulated in the relevant regulations, and they must refer explicitly to the issues of climate or environment. They should be anchored in municipal / regional climate roadmaps and energy plans, or otherwise form integral parts of the environmental protection and climate protection systems drafted by applicants.

On its way to low-carbon society, Norway will limit emissions and create new values.

Combined efforts by the Norwegian Municipal Bank that grants green loans, by the Norwegian energy agency Enova, and by the Norwegian Environmental Protection Agency that grant their financial contributions, are important support programmes in helping the Norwegian communal sector pursue Norwegian green future more promptly and powerfully.

NMB offers its loans on favourable terms to Norwegian local government entities, communal/municipal partnerships, inter-communal and inter-municipal organisations, intergovernmental partnerships, as well as other enterprises or organization that have been granted communal/municipal guarantees.

As regards green loans, territorial government entities / state entities are granted 0.1% discount on current margins, with interest rate involving either fixed or variable rates connected with 3-month Nibor.

Projects that qualify for funding from the Norwegian energy agency, Enova or from the Norwegian Environmental Protection Agency, qualify automatically for green loans from NMB.

