



Scaling the UK's green home finance market

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Decarbonising the **UK's built environment**

Decarbonising the built environment is vital to achieve net-zero

- Buildings account for **23%** of UK total emissions
- Of these emissions, homes account for **77%** and commercial buildings for **14%**
- Investment of **£360 billion** is needed to decarbonise UK buildings
- Bridging this investment gap will require the **private finance markets** to deliver investment at scale

Solar and retrofitting

Why is there market failure?

Consumer demand

Low demand from households due to:

- Large up-front costs with little immediate financial payback
- Fragmented customer journey
- Limited consumer awareness & education
- Lack of central policy
- Supply chain issues create low confidence

Access to finance

Attractive green finance offerings are nascent and will struggle to scale until there is greater demand

Institutional investors require guarantees from public balance sheets to provide attractive investment

Government supported schemes focus on lower-income households e.g.

- SHDS (social housing)
- LAD3 & HUG1 (low income)
- ECO4 (low income)
- Boiler upgrade (all households)

Supply chain

Supply chain is not sufficiently scaled to support the UK's 29 million homes, as few tradespeople are retraining or entering the sector due to perceived lack of consumer demand

Government schemes (ECO+) are recruiting any spare capacity impacting the supply chain further

Global supply issues impacting the availability of materials (e.g. solar panels & batteries) is lengthening installation timescales and driving up prices

Solar and retrofitting

What can support a thriving market?

Consumer demand

Policy levers to encourage decarbonisation (e.g. targets and incentives)

Education and awareness to support consumers on their net-zero journey

Comms and marketing to signpost local and trusted schemes

Removing friction from the customer journey

Access to finance

Access to attractive financial solutions that support the unique needs of different households (e.g. green mortgages, property linked finance, low interest loans)

Blended finance structures to support less affluent households who are still classified as 'able to pay'

Integrating finance offers into the customer journey

Supply chain

Skills and training programmes for existing workforce and post-16 school leavers

Performance standards and QA to give confidence (such as MCS and PAS2035)

Development of project pipelines to encourage firms to build up their capabilities

Material / equipment – opportunity to **build UK manufacturing capability**

Financial solutions for home decarbonisation

GFI's built environment programme

In 2019, the **Green Finance Institute recognised the need for radical collaboration** to unlock the £360bn investment needed to decarbonise UK buildings.

The GFI established the **Coalition for the Energy Efficiency of Buildings**, bringing together 400+ experts, to identify the barriers to retrofitting and co-design the financial solutions to unlock largescale investment.

Over 4 years, **the GFI fostered multiple solutions** from Green Mortgages and Property Linked Finance, to Local Climate Bonds, Green Rental Agreements and Building Renovation Passports.



Recommended a portfolio of
30+ financial and data solutions
to unlock retrofit investment

Financial Solutions

New & existing products


Green Mortgages

Green Personal Loans

Property Linked Finance

Energy as a Service

Green Mortgages support property owners to a) fund energy efficiency improvements, b) self-build an energy efficient home, or c) purchase an energy efficient home.

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- 2006:** Early products by Ecology Building Society
 - 2018:** Green Finance Taskforce recommends the role of green mortgages; Barclays launches green mortgage; EeMAP launches
 - 2020:** GFI launches Green Home Finance Principles
 - 2021:** Government launches consultation on improving home energy performance via mortgage lenders, GFI launches Green Mortgage Hub
 - 2022:** HMG launches £20m green home finance competition, GFI published the Lender's Handbook
 - Today:** Over 60 Green Mortgage products on the market, GFI launches targeted campaign, publishes Broker's Handbook, and hosts the inaugural Green Mortgage Summit

Green Home Finance

Scaling the market

- **Boosting consumer demand** for green home projects will increase confidence of financial institutions to innovate.
- **Increasing the supply chain** and embedding quality controls will also boost finance sector confidence.
- **Blended finance solutions** can support more households to access finance for home improvements.
- **Integrated financial solutions** simplifies the customer journey and can reduce dropout rates.
- And many more...

Thank you