

Parma, Italy | Key figures

BUILDING STOCK

18,671 buildings

80,595 housing units

47% houses

53% condominiums

400 social housing units

TERRITORY

Area of 260.8 km²

32%

Carbon footprint of the city housing stock

PEOPLE

Population of 191,734



Majority

of people living in Parma have an average revenue of less than EUR 22,000/year and are eligible for a commercial bank loan.

- Less than 4% of households have low or very low income and are not eligible for a commercial bank loan.

In Parma the housing stock is responsible for more than 32% of CO₂ emissions. The city council has decided to focus on residential buildings as this sector accounts for more than 70% of the building stock.

Two specific actions within Parma's Climate Plan are related to energy retrofits. The first is the renovation of **1,000 condominiums**. It has been estimated that through this measure it is possible to avoid 4,500 tons of CO₂ emissions by 2020. The second is to focus on single family houses or apartments.

The issue

Homeowners' low awareness and confidence in energy retrofits

Parma citizens do not show a great interest in implementing energy efficient refurbishments. Some of them are afraid to invest as they are not confident in the process and are wary of a poor result after renovation.

The Municipality's big challenge is to **raise public awareness** and convince citizens that investing in energy measures is a sensible decision, as

it not only limits and decreases the energy use of their homes but also improves the quality, comfort and value of the property.

In **condominiums**, the decision-making process is perceived as the biggest obstacle as it is difficult to reach an agreement that is satisfactory for all owners. In this regard, the municipality notes the importance of involving the **condominium managers** as the main partners and intermediaries in the internal decision-making process and promotion of energy efficiency measures.

Existing financing tools are insufficient and unattractive

Apart from the non-financial barriers, Parma citizens do not have access to attractive financing. Currently several financial instruments support energy renovation but they are either unattractive or not well known:

- **Commercial banks** offer two types of loans to finance energy retrofits:
- **Consumer loan**: short payback period and high interest rate (average of 10%).
- **Mortgage**: long payback period and

only attractive when purchasing the home.

► The State offers:

- A **65% fiscal deduction** for implementation of measures going beyond the national energy efficiency standards.
- **'Conto termico'** – a national grant funded by the Ministry of Economic Development. The grant is offered to private homeowners who want to replace their heating system with more energy-efficient technology. The conto termico and the fiscal deduction cannot be combined.

A market survey shows that citizens perceive the energy bill reduction, tax deductions and increasing energy prices as the most motivating factors encouraging them to energy retrofit their homes. A free energy audit is also a strong incentive. As regards the loans, 63% of survey respondents found the incentive in the form of a soft loan very attractive. 66% would accept a 0% interest loan, while 34% would be willing to pay at most 2% interest.



Solution

In order to raise awareness, provide technical support and offer complementary financing solutions to its citizens, the municipality of Parma:

– Developed a soft loan financing scheme in cooperation with a local bank

The municipality together with the Cassa di Risparmio di Parma e Piacenza (Bank Cariparma - Crédit Agricole) set up a financing scheme that provides low-interest loans to home-owners of single individual

houses and condominiums, in order to increase energy efficiency and the use of renewable energy in their dwellings.

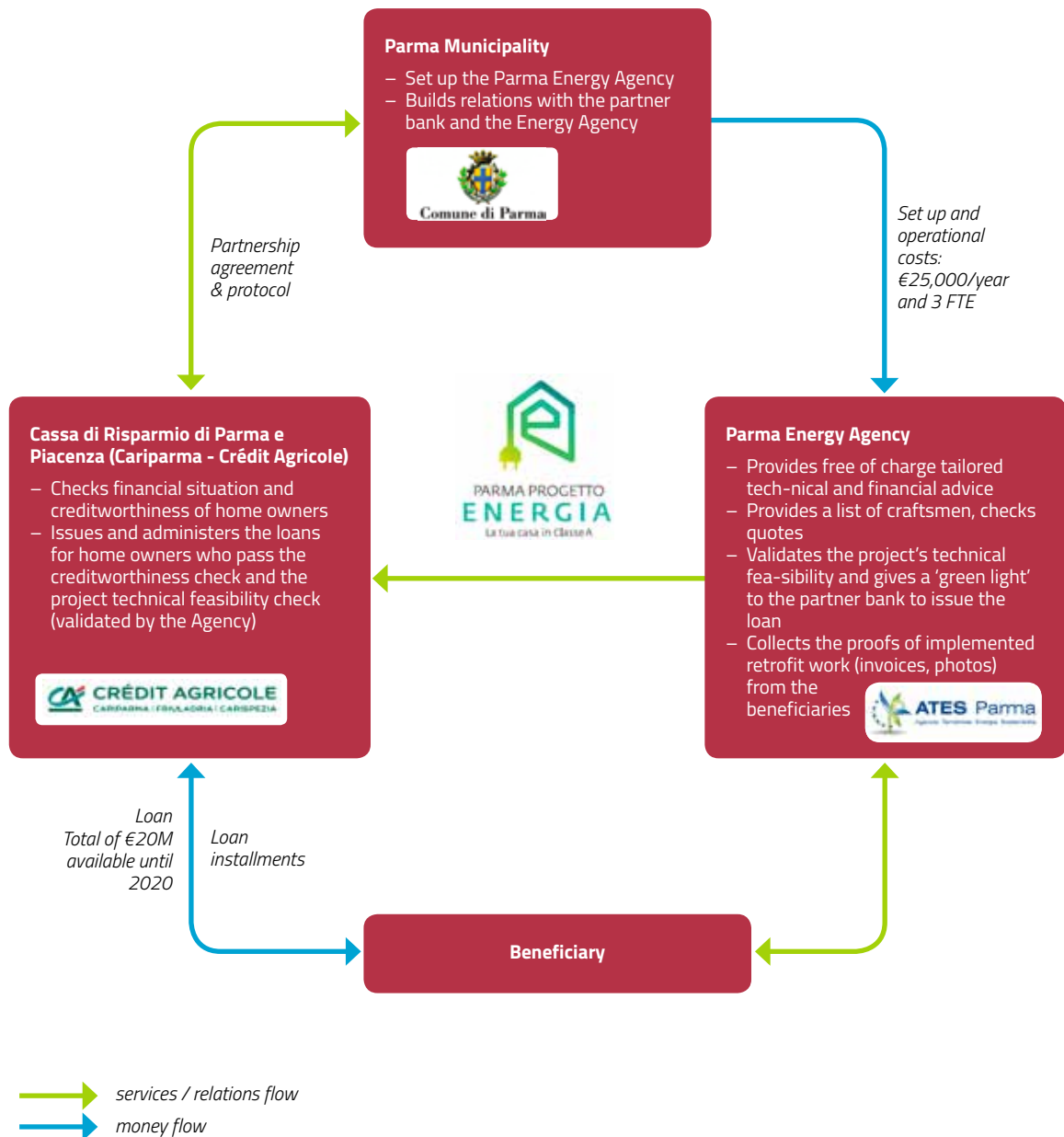
– Set up a partnership with Parma Energy Agency whose role is to raise awareness and provide technical assistance to homeowners

The Parma Energy Agency that was set up by the Municipality of Parma provides support to homeowners

in developing the technical and financial aspects of their energy retrofit projects, selecting craftsmen and implementation of energy saving measures.

Involvement of the municipality and the independent local energy agency adds value and credibility to the energy renovation programme and the soft loan scheme.

Business Model



Soft loan scheme step by step

Step	Action
Set up a team	<ul style="list-style-type: none"> - The Municipality's technical and economic departments collaborated on the financing scheme development – approx. 3 full time equivalents (FTEs).
Carry out a market study	<ul style="list-style-type: none"> - A market study was carried out to: <ul style="list-style-type: none"> ▪ Analyse the composition and age of the Parma building stock. ▪ Identify an economically optimal set of retrofit measures. ▪ Identify the main financial and non-financial barriers as well as the most appealing incentives for homeowners. ▪ Evaluate the economic, social and environmental impact of a revolving fund / soft loans, including a Social Return on Investment. - Key findings: better knowledge of the building stock and measures that need to be implemented; main homeowners' incentives - increasing energy prices, energy bill reduction, tax deductions, free energy audit and soft loans of max. 2% interest rate. - The part of the study related to the building stock was carried out by the Energy System Research in collaboration with the Ministry of Economic Development (cost: €3,000). The rest of the study was done by the Interdepartmental Centre for Energy and Environment of the University of Parma (cost: €2,000)
Develop a business model	<ul style="list-style-type: none"> - Due to recent budget cuts, the municipality of Parma was not able to allocate any funds to a revolving fund or to a soft loan financing scheme. - The only option was to establish a partnership with a financing institution interested in providing soft loans without any financial involvement of the municipality. The preliminary discussions with banks showed that these were not willing to get involved unless a municipal guarantee fund was set up to cover potential loan payment defaults. - At the first stages of the business model development, the city discussed the possibility of setting up a regional guarantee fund with the Emilia Romagna region which is managing the European Structural and Investment Funds (ESIF). Unfortunately, according to the Region, the ESIF were committed to public sector projects and it was impossible to re-allocate them to finance projects targeting the private residential sector. - Finally, Cariparma agreed to become a partner despite the fact that the guarantee fund could not be created.
Set up strategic partnerships	<p>Partnership with banks</p> <ul style="list-style-type: none"> - Parma launched a call for an expression of interest that was open for one month. The call contained 5 majors requirements: <ul style="list-style-type: none"> ▪ Earmark an annual budget of min. €10 million to finance energy efficiency work (up to €50,000 per project) until 31/12/2020. ▪ Loan maturity of between 5 and 10 years. ▪ An interest rate lower than 5%. ▪ A service delivered from local offices. ▪ Publication of a specific form to stimulate loan applications. - To try to ensure a response from the banks, the city discussed the idea prior to the launch. However, none of the local banks made an offer, even though the deadline was extended by one more month. The municipality later found out that one local bank was interested in the project but some key points were missing in the call. For example, the standard procedures between the bank, the Municipality and the Parma Energy Agency were not described and the laws and regulations related to energy retrofits of condominiums were not clear. - The City published a second call. Cassa di Risparmio di Parma e Piacenza (Cariparma - Crédit Agricole) responded. The partnership agreement stipulates that the partner bank will allocate €20 m to a soft loan until 2020 and actively promote the loan. The agreement includes the commitments taken by the Municipality and the bank as well as the specifications of eligible beneficiaries and the loan conditions (amount, maturity, interest rate). Another document called 'protocol' specifies the cooperation and standard procedures between the Municipality, the Bank and the Energy Agency. - Cariparma - Crédit Agricole joined for the following main reasons: <ul style="list-style-type: none"> ▪ To attract new customers and reach a new market. ▪ Cooperation with a municipality is an added value. It gives credibility to the soft loans offered by the bank. ▪ The Energy Agency is believed to reduce risks - Parma also strived to explore the partnership opportunity with the European Investment Bank and the European funding instrument called 'The Private Finance for Energy Efficiency' (PF4EE). However, none of these attempts was successful.



Set up strategic partnerships	<p>Partnership with other key actors</p> <ul style="list-style-type: none"> - The Parma Energy Agency actively cooperates with the building sector and contractors specialised in the field of energy renovation
Launch the scheme & communicate	<ul style="list-style-type: none"> - The soft loan scheme was officially launched by the Mayor and a partner bank representative in December 2016 at a press conference. - A communication campaign is currently being developed (late 2016) and involves the Municipality, the bank and the Energy Agency. The Energy Agency acts as a front office for citizens. - The communication tools include: <ul style="list-style-type: none"> ▪ A webpage on Parma's website ▪ A Facebook page ▪ The municipality's newsletters ▪ The bank's newsletters ▪ Media Relations ▪ Printed materials: brochures, leaflets, posters ▪ Info point: Parma Energy Agency ▪ Info corners: (offshoots of the info point): in bank offices and municipal buildings ▪ Video campaign ▪ Agreement with contractors and other professionals (Architects' associations, ...) ▪ Adverts on public monitors across the city
Monitoring and improvement	<ul style="list-style-type: none"> - The bank, the municipality and the agency will meet every 6 months to monitor the results and procedures, number and (total amount of loans issued, revision of the standard procedures)

Homeowners' advantages

Technical assistance

1. Homeowners interested in energy retrofits visit the **Parma Energy Agency**. They get initial advice on potential energy saving measures and existing technologies.
2. When they have decided to carry out energy renovation measures, they present the project to the Agency which **checks its technical feasibility** and gives the Bank the go-ahead to issue the loan.
3. Homeowners contact the bank which analyses their **financial situation** and issues the loan provided they pass the creditworthiness check. The renovation work can start.
4. Parma Energy Agency **checks if the work is completed** (invoices, photos, drawings, declaration of completion of work and of conformity).

Soft loans

Eligibility criteria		
Type of housing	Type of households	Eligible measures
<ul style="list-style-type: none"> -Single family houses and apartments -The housing unit has to be the owner's main residence 	<ul style="list-style-type: none"> - Parma inhabitants - Homeowners - Have to pass the banks' creditworthiness check 	<ul style="list-style-type: none"> - Thermal insulation of roofs, walls, glass walls, doors and windows - Installation, regulation or replacement of heating systems connected or not to energy efficient ventilation systems or hot water production. - Installation of renewable energy sources. <p>All work must be performed by certified professionals able to deliver a declaration of conformity required by the law. Only measures going beyond the national energy efficiency standards are eligible</p>

Loan conditions

Cassa di Risparmio di Parma e Piacenza (Cariparma - Crédit Agricole)



Loan Amount: max €50,000

Maturity: 5 to 10 years

Interest rate: Variable interest rate; Euribor (3 months) + 2.9%

Current market conditions: Euribor 3 months is negative. Parma homeowners get the interest rate of 2.9%.

Guarantee:

Not required. The Energy Agency ensures the money is used for energy retrofits and not for another purpose.

Financing scheme highlights

Strong points	Weak points
<ul style="list-style-type: none"> – Management carried out by the bank, less bureaucracy for the municipality – Impartial technical check made by the Energy Agency – There is no similar financial product on the market with such attractive conditions. Given the low interest rate, energy savings and the fiscal deduction, the investments quickly pay for themselves. – The presence of the Municipality in this project increases of citizens' trust. – Contribution to the city's energy transition strategy approved by the City Council 	<ul style="list-style-type: none"> – Energy retrofits remain a complex issue for homeowners. The procedure of a 'double check' (technical and financial) may be seen as overly bureaucratic. – Requires good coordination among the bank, municipality and the energy agency and regular meetings

Recommendations: High quality and continuous marketing campaign

Next steps:

- The Municipality is working on a project called Sustainable Condominiums that is directed at multi-residential buildings. The Municipality has signed a protocol with 5 ESCOs whereby they commit to performing energy audits on condominiums, developing and applying EPC contracting and creating a local network of building enterprises, tradespeople, designers and banks.

Need more details about this case study?

Comune di Parma

Settore Lavori Pubblici e Patrimonio
S.O. Sismica-Energetica
L.go Torello de Strada, 11/a – 43121,
Parma
ITALY

+39 0521 4 0521
www.comune.parma.it

Enzo BERTOLOTI

e.bertolotti@comune.parma.it

Marco MORDACCI

m.mordacci@comune.parma.it