



**How to create a local support and financing
service dedicated to home energy renovation?**
The example of Third-Party Financing companies in France



**A METHODOLOGICAL
GUIDE**

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The Serafin association was established in March 2022, with support from the EU-funded ORFEE project, by the following founding members: the Agence régionale Énergie Climat Occitanie, the Régie Régionale du Service Public de l'Efficacité Énergétique de la région Hauts-de-France, Île-de-France Energies, Bordeaux Métropole Energie, Oktave, Centre-Val-de-Loire Energies, Pouget Consultants, Effinergie and Energies Demain.

The objectives of the association are:

- ▶ deploy and disseminate the model of third-party financing companies,
- ▶ create a privileged space for exchange between the different energy renovation actors,
- ▶ build a portfolio of common tools and methodologies accessible to all members of the association,
- ▶ contribute to the management and optimisation of financing resources for renovation projects.

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1. Introduction

Home energy renovation is currently receiving a great deal of attention in France. Political will in this area is strong and a variety of resources (financial, administrative, etc.) have been deployed to achieve the targets set at national level. Faced with the urgent need to tackle climate change and accelerate the ecological, social and energy transition, our dependence on fossil fuels has become a major issue in France, as in the rest of Europe, especially in the private housing sector. But the results obtained so far have been mixed, for a number of reasons.

Renovation is indeed a complex undertaking:

- ▶ **Technically**, reducing energy use to the expected theoretical levels requires highly qualified professionals.
- ▶ **Socially**, the people most affected by discomfort in their homes are often those with the least (financial) resources to carry out renovation projects.
- ▶ **Financially**, banks are unable to integrate the resources specific to renovation into the loan-granting process, such as financial aid (because they are unfamiliar with the rules governing its distribution) or energy savings (because they do not know how to estimate them in order to secure the project's financing plan).
- ▶ **From an administrative point of view**, applying for grants and subsidies is a very cumbersome administrative process, which is nonetheless necessary to avoid the abuses that have plagued the "one euro programme" for the insulation of attic space, for example.
- ▶ **From a tactical point of view**, grants and subsidies are still too often perceived as the main driver behind decision-making, thus encouraging single measures to the detriment of deep, energy-efficient renovations that would make it possible to optimise the various resources.

This widespread complexity acts as a limiting factor and may even discourage households from carrying out renovation work in their homes. What households need is the support of a trusted third-party who can assist them throughout their project. Easier access to funding and subsidies is also needed to undertake work that can prove very costly (€40,000 to €80,000 per project on average).¹

There is a consensus on the need to create an entity, if possible public or semi-public, with expertise in all these technical, social and financial aspects. The Third-Party Financing (TPF) companies set up at the initiative of four regional councils and one metropolitan council in France fulfil this role. They provide individual homeowners and condominiums with technical and economic assistance adapted to both the market and local area, as well as financing services for their renovation project (directly or indirectly). The experience of such companies has enabled them to fill a gap in the market with a promise that is simple in its statement, yet complex in its implementation: providing a single point of contact capable of adapting renovation projects to the resources and expectations of households in a straightforward manner.

This experiment has raised the interest of the European Union, which has decided to fund the ORFEE project through its H2020 programme. The aim of this project is to provide these actors with a dedicated resource centre and reinforce existing TPF companies by helping them consolidate their business model in order to pool their resources, coordinate their operational processes, reduce costs and centralise feedback so that it can be better disseminated. Aware of the need to join forces to disseminate their experience, French TPF companies and their partners came together to create **SERAFIN** in 2022. This organisation is recognised by all stakeholders as a major market player and accounts for almost 30% of all renovations including more than two upgrades in the territories where its members operate.

After drawing up a matrix aimed at monitoring the quality of the methods used, SERAFIN has developed a set of guidelines covering the procedures, methods and tools to be implemented to ensure optimum quality of the works. High-quality renovations are indeed a critical success factor and the key to increasing the overall number of renovation projects.

This experience, which is unique in Europe and has demonstrated its effectiveness, should be made available to all local authorities wishing to set up a third-party financing company.

This is precisely the purpose of this guide, which describes the pathways and factors for success, as well as the limits and drawbacks of such an approach. The aim of this guide is to present the existing TPF companies and their role (part 1), explain how they operate (part 2), and help public players, particularly local authorities, set up a TPF company in their area if the conditions are right (parts 3 and 4). The objective is to make these elements available to as many people as possible, so that, in a near future, they become the norm in the renovation market.

This first edition of this guide will subsequently be adapted and modified in the light of feedback, whether positive or negative, received from interested organisations.

It is by working together, exchanging and sharing our experience that we will be able to achieve both European and French renovation targets (especially with regard to poorly insulated dwellings - the so-called "thermal sieves" with an F or a G energy rating) and mobilise the banks and other institutions involved in the process, while keeping renovation costs under control.

Enjoy your reading!

¹ Source: Sérafin, based on feedback from French third-party financing companies for the renovation of a single-family home.

1.1. Third-Party Financing companies: making support for efficient renovations accessible to all

1.1.1. What is a Third-Party Financing company?

Third-Party Financing (TPF) companies are operators set up by local authorities to provide an integrated energy-efficient home renovation service² that is simple and accessible to both private individuals and condominiums. Established and controlled by regional or metropolitan councils, French TPF companies provide a comprehensive service package (including direct or indirect technical and financial support) for energy-efficient home renovation. To make these upgrades affordable, they also offer adequate financing solutions.

TPF companies operate in a **competitive environment and aim to influence the supply and demand for home renovation through their innovative service offering.** These operators are the response of French regional and metropolitan councils, within their remit and responsibilities, to the obstacles encountered by private individuals and condominiums in their energy-efficient renovation journey. The technical and financial support services provided by TPF companies have proved an effective driver for promoting **energy-efficient home renovation.**

5 Third-Party Financing companies are active in France:

- ▶ Régie régionale du Service Public de l'Efficacité Energétique Hauts-de-France
- ▶ Oktave in the Grand-Est Region
- ▶ AREC Occitanie
- ▶ Centre-Val-de-Loire Energies
- ▶ Facirénov by Bordeaux Métropole Energies.

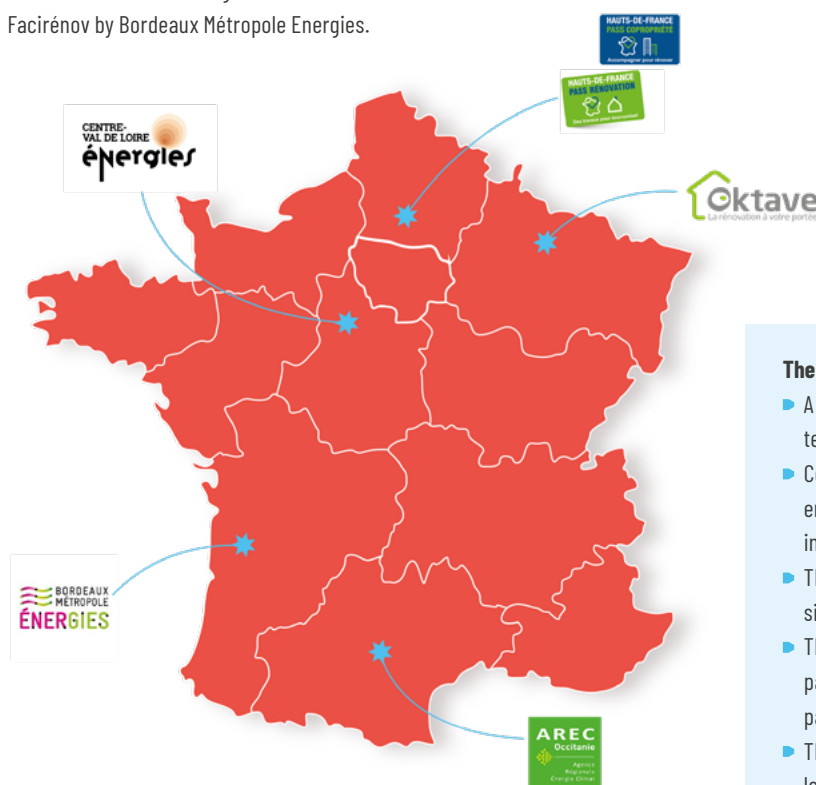


Figure 1: Map of Third-Party Financing companies operating in France (2024)

The advantages of creating a local TPF company

- ▶ A comprehensive range of services including technical and financial support.
- ▶ Control by local or regional authorities ensures that the general interest is taken into account.
- ▶ The model can be adapted to a variety of situations.
- ▶ The company's local profile means that partnerships can be forged with local partners and similar schemes.
- ▶ The services provided meet the needs of local residents.
- ▶ This instrument addresses the main obstacles to energy renovation, namely the complexity of managing a renovation project and lack of access to financing.

² TPF companies only support renovation projects delivering energy savings of at least 40%

1.1.2. The challenges of massifying energy-efficient renovation

According to the forward-looking scenarios³ aimed at **achieving carbon neutrality by 2050 in France, the number of energy-efficient renovations in the private residential sector should be increased tenfold.** In France, the notion of energy-efficient renovation was defined by ADEME, the French Agency for the Ecological Transition, in January 2021. “Energy-efficient renovation refers to a package of upgrades resulting in the building achieving at least BBC⁴ renovation standard or equivalent.”

Energy-efficient renovation is distinct from deep renovation, which requires the works to be carried out in a single stage, and from complete renovation, which applies when the entire building is renovated.

The French response to the European One-Stop Shop model

The European Union is committed to reducing its greenhouse gas emissions by 55% by 2030 compared to 1990 levels and to becoming the **first climate neutral continent** by 2050. The means of achieving these objectives are described in the **“European Green Deal”** (2019). A strategy to improve the energy performance of buildings, known as the **“renovation wave”**, has also been put in place.

European legislation has a major impact on the energy renovation of residential buildings and two European directives adopted in autumn 2023 (one on the energy performance of buildings, the other on energy efficiency) encourage the creation of one-stop shops (OSS) for the renovation of buildings in all EU Member States. Because of the variety of national and local contexts, these texts do not provide a single definition of one-stop shops. However, CINEA (the European Executive Agency for Climate, Infrastructure and the Environment) classifies one-stop shops according to three models: advice, support and implementation. The provision of a financing offer is considered an additional option. The French Third-Party Financing companies illustrate this OSS model, applied to the French territory. For more information on these three models, see Annex 3 “The 3 one-stop-shop models defined at European level”.

1.1.3. How were Third-Party Financing companies created?

In the 2000s, a number of French Regional Councils started to invest in the energy-efficient renovation of buildings in their area by offering advice to private individuals in order to encourage them to renovate their homes. These authorities were also concerned with facilitating the financing of renovation works. As early as 2006, the Picardie Regional Council (which in 2016 merged with the Nord-Pas-de-Calais Region to become the Hauts-de-France Region) offered a zero-interest loan, foreshadowing the interest-free eco-loan scheme (or Eco-PTZ) introduced in 2008 at national level. A number of French metropolitan cities then followed suit, improvements of housing conditions falling within their remit.

Some pioneering local authorities carried out preliminary studies in order to come up with a suitable service offering for households and identify the legislative and regulatory stumbling blocks that needed to be addressed to enable direct financing for renovation work. These studies have resulted in the development of a **technical engineering and support offering for home renovation associated with a financing offer with monthly instalments adapted to the household's budget and integrating energy savings.** This offering, defined as third-party financing, differs from third-party investment (see Annex 2 “Definition of third-party investment and difference from third-party financing”). The initial idea was to finance this service through white certificates called Energy Savings Certificates (CEE – certificats d'économie d'énergie), which were introduced in France in 2006.



³ See : The Shift Project – Construction neuve et rénovation : les points communs des scénarios ADEME, négaWatt, Shift Project et Pouget Consultants / C4 (theshiftproject.org)
⁴ BBC = Bâtiment Basse Consommation : French standard for low-energy buildings

Following these studies, two Regional Councils (Picardy and Ile-de-France) decided to set up operators providing third-party financing services. This implied that these operators would be able to offer direct financing to individuals and condominiums, despite the fact that credit activities were regulated and the prerogative of banks and financial institutions (with a few limited exceptions). Several options were envisaged. The choice was made to amend the law to make the new energy renovation operators controlled by local authorities an exception to the monopoly of banks and financial institutions regarding credit supply. This led to the creation of Third-Party Financing (TPF) companies, a notion that appeared in French law

in 2014⁵ and 2015⁶ and was introduced into the French Construction and Housing Code (CCH - Code de la construction et de l'habitation).

This ability to offer loans to households gives TFP companies a comparative advantage over other operators, in particular private operators supporting energy renovation projects. TFP companies also benefit from their members' local connexions and their close relations with the local authorities that set them up enable them to develop interactions and partnerships with other service providers (home energy assessors, operators from ANAH, the French National Housing Agency), who are often their subcontractors.

Key factors explaining the deployment of TPF companies in France:

- ▶ Regional and metropolitan councils have the capacity to play a leading role in energy renovation.
- ▶ The preliminary studies initiated by two regional councils have led to the emergence and definition of a new model: third-party financing.
- ▶ Intense lobbying on the part of these local actors has resulted in the official recognition of this model at national level and its integration into French law and regulations.

⁵ Law no.o 2014-366 of 24 March 2014 on access to housing and urban renewal.

⁶ Law no.o 2015-992 of 17 August 2015 on the energy transition for green growth



1.1.4. Gradual integration into French law and regulations

The regulatory provisions relating to third-party financing are set out in the French **Construction and Housing Code (CCH - Code de la construction et de l'habitation)**.

- ▶ The **legislative part**, instituted by law no. 2014-366 of 24 March 2014, known as the ALUR law, provides a legal basis for using third-party financing for housing renovation, through articles L. 381-1 et seq.
- ▶ The **regulatory part**, instituted by Decree no. 2015-306 of 17 March 2015 and codified in articles R. 381-9 to R. 381-12 of the CCH, specifies the scope of third-party financing services for energy renovation work in the housing sector. It defines the **minimum** services to be offered as part of the third-party financing package, the conditions for financing the project, as well as the type of buildings and dwellings to which it may apply. It also sets an obligation to achieve a specific result, since **third-party financing operations must deliver energy savings and result in a reduction** of at least 25% in the building's conventional primary energy use, as per the Order of 8 February 2016⁷.

In addition, article L511-6 of the French Monetary and Financial Code (CMF - Code Monétaire et Financier) specifies that TPF companies may carry out credit activities as an exception to the banking monopoly⁸, following authorisation from the French banking authority (APCR - Autorité de Contrôle Prudentiel et de Résolution). They are not, however, considered to be credit institutions.

In a nutshell...

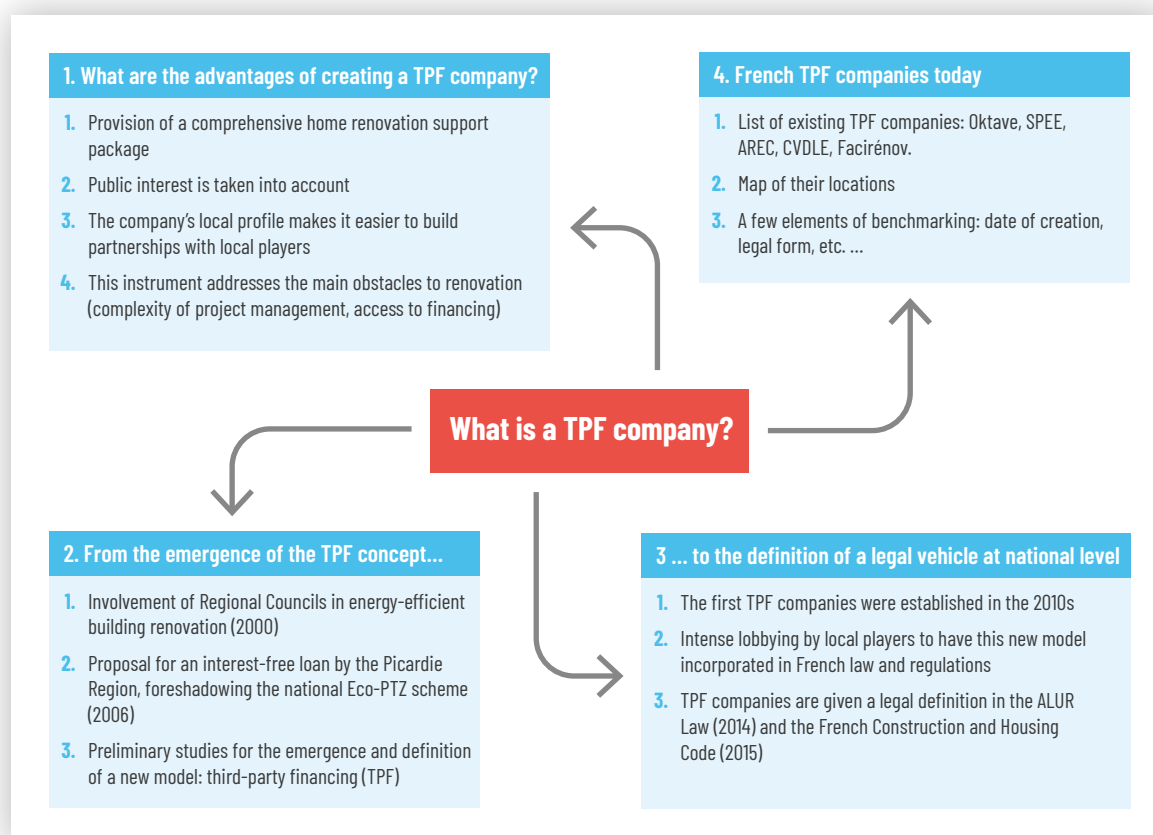


Figure 2: Define a TPF

⁷ <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000032005487>

⁸ https://www.legifrance.gouv.fr/codes/article_lc/LEGIARTI000044563826

2. Prerequisite conditions to the establishment of Third-Party Financing companies

2.1. General conditions

2.1.1 The administrative and geographical context

The administrative context is the first criterion to take into account when assessing the relevance of setting up a Third-Party Financing company in a given area. Two conditions must be met:

- ▶ The local population must be large enough to achieve renovation volumes that will enable the company's fixed costs to be recouped. Regions and metropolitan areas are therefore the most suitable levels.
- ▶ The local authority must have responsibilities in terms of housing and/or energy renovation.

In France, the General Local Authority Code (Code général des collectivités territoriales) identifies regions as "the relevant level for coordinating, disseminating information and promoting energy efficiency measures". A network of third-party financing operators can therefore be set up as part of a regional energy efficiency programme.

The 2021 Climate and Resilience Law also specifies that the public service for housing energy performance must include:

- ▶ a network of "Espaces Conseil - France Rénov' (ECFR)" energy renovation information, advice and support centres set up by inter-municipal structures,
- ▶ Approved advisers known as "Mon Accompagnateur Rénov'". Where necessary, their role includes:
 - ▷ support in drawing up a financing plan and energy surveys;
 - ▷ assistance with prospecting and selecting tradespeople;
 - ▷ where appropriate, an assessment of the quality of the work carried out by these professionals.

As for municipalities, they have very limited financial resources, represent too small a volume of potential renovation projects and do not have the necessary skills to develop a dedicated policy. However, as the administrative level closest to the citizens, they are instrumental in relaying the measures implemented at inter-municipal or regional level in their communication tools (municipal magazine, website, social media, etc.) and through the organisations they partly finance, e.g. local social action centres (CCAS - centres communaux d'action sociale).

Given the volume of renovation projects needed to create a dedicated organisation and the amount of capital required (€2 million under the law, more like €5 million in practice), it is not surprising that the local authorities behind French TPF companies are four Regions - Grand-Est, Hauts-de-France, Occitanie and Centre-Val-de-Loire - and the Bordeaux metropolitan authority.

Geographical characteristics (dwellings in urban, peri-urban or rural areas) also have an impact on the relevance and format of a TPF company. They influence the definition of the target (single-family homes, condominiums), the service offering (number of on-site visits) and the business model (travel costs to be taken into account, motivation to carry out work in relation to property value, etc.).



2.1.2 The political context

Depending on the political ambitions of the local authority behind the project, the design and subsequent establishment of a TPF company will be more or less straightforward and will take different forms. A favourable political context involves:

- ▶ Strategic, quantitative and ambitious targets for tackling climate change and energy renovation, defined in regional (SRADDET) or local (PCAET) planning documents,
- ▶ A clear, coherent action plan demonstrating a committed political stance, with a number of interlinked initiatives aimed at facilitating energy renovation (financial aid, one-stop shop, initiatives aimed at economic players involved in renovation work, etc.),
- ▶ A substantial budget, particularly when the TPF company is starting up, when fixed costs are proportionally higher than variable costs, and the number of renovation projects is low,
- ▶ A taste for innovation: TPF companies can be seen as experiments.

2.1.3 The demographic and sociological context

The socio-demographic characteristics of the local population have an impact on the service offering and business model of the TPF company:

- ▶ **Well-off households** are interested in turnkey support, the quality of which is guaranteed by public authorities. They can be charged for this service. On the other hand, it is not essential to offer them a loan, as they have easy access to bank financing.
- ▶ **Households on intermediate incomes** are interested in turnkey support and a loan offer to finance the work. They have little access to public subsidies and do not always qualify for bank financing. The offer of a loan to finance the work is therefore important, with low monthly instalments ideally close to the energy savings generated by the renovation project. They may be asked to pay for part of the cost of support.
- ▶ **Households on low or very low incomes** are interested in turnkey support and a financial offering to help them finance the work, in addition to subsidies (payment of the remaining cost). Additional social support may be required. Offering a loan to finance the work is essential for this population, with low monthly instalments ideally close to the energy savings generated by the renovation project. Support should be offered free of charge or at a very low cost, through subsidies from the local authority.

2.1.4 Taking into account the existing ecosystem of local players

The ecosystem of local players involved in energy renovation is more or less the same throughout France, but may differ in terms of dynamism and involvement depending on the area.

In any case, it is essential that the decision to establish a TPF company be made taking into account the initiatives already deployed in the area. Indeed, integrating the TPF company into an existing ecosystem is a key factor of success, as it enables coordination between the various players, allowing them to intervene at various stages of the renovation project, transfer contacts, adapt processes to avoid redundancy and ensure consistency, communicate about what each player has to offer, and so on.

Involving these stakeholders from the outset and taking their concerns into account in a spirit of consultation are essential to win their support and build relations based on cooperation rather than competitiveness.

In France, the main players are as follows:

- ▶ Initial advice
 - ▷ Espaces Conseil France Rénov': one-stop shops for initial information
- ▶ Project facilitation
 - ▷ Support:
 - Single-family homes: France Rénov' advisers, other private advisers, some of whom work exclusively for French local authorities as part of Anah (French National Housing Agency) operations.
 - Condominiums: Anah-approved "AMO Copro" operators, private operators, some working exclusively for local authorities as part of Anah operations (OPAH or PIG).
- ▶ Renovation professionals:
 - ▷ Design professionals: home energy assessors, project supervisors, architects, etc.
 - ▷ Professionals involved in renovation work: building contractors, tradespeople, etc.

A TPF company should be set up when private initiative is lacking or insufficient.



2.2. Specific requirements relating to direct financing

The possibility of offering direct financing – paragraph 1 of article L. 381-3 of the French Construction and Housing Code – is established as an exception to the banking monopoly and may only be exercised by entities controlled by local authorities, as specified in point 8 of article L. 511-6 of the French Monetary and Financial Code.

In practice, the French Banking Authority (Autorité de contrôle prudentiel et de résolution - ACPR) requires TPF companies to have at least 5 million euros in own funds and may refuse to incorporate the company if it believes it will be unable to ensure "sound and prudent management of the credit transactions it carries out and manages", as set out in the Monetary and Financial Code.

In addition, issuing a loan offer requires specific equity requirements. According to the French Monetary and Financial Code ([Monetary and Financial Code: Section 6: Third-party financing companies - Articles R518-70 to R518-74](#)), the creation of a third-party financing company requires an equity investment of at least €2 million.

In a nutshell...

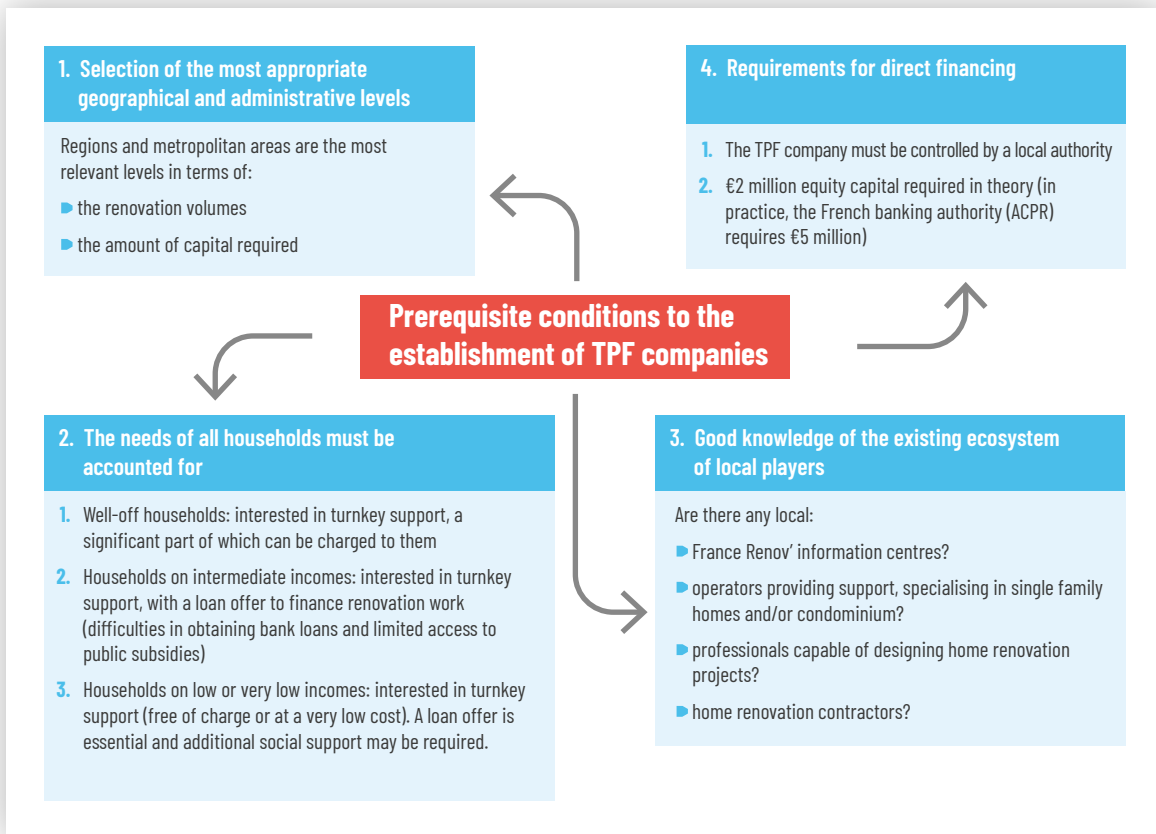


Figure 3: Prerequisite conditions to the establishment of TPF companies

3. How do Third-Party Financing companies operate? Feedback from French STF companies

3.1 Services provided by TPF companies: technical and financial support

The article “Towards large-scale roll out of integrated home renovation services in Europe” (Milin, Bullier, 2021) defines the different tipping points between the three models mentioned in introduction: advice, support and implementation. The first tipping point is the provision of personalised support and the definition of a renovation package. **Personalised technical support for energy**

renovation projects is the first level of service provided by TPF companies. Another tipping point towards an integrated service is the **provision of an autonomous financing solution.** This financial offering (indirect or direct, depending on the model) is also a central part of the services provided by TPF companies.

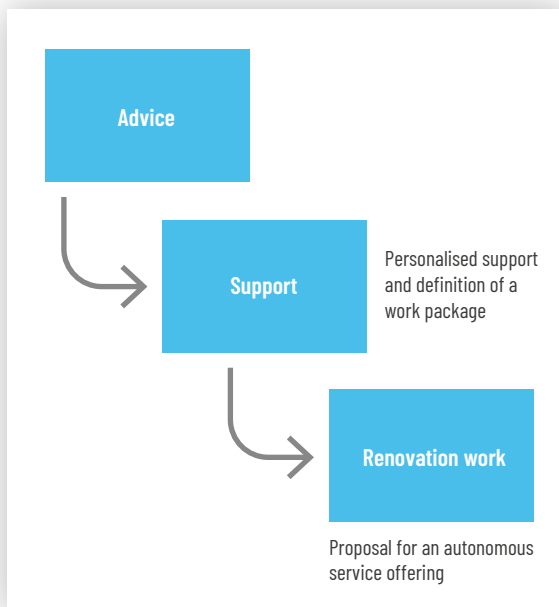


Figure 4: The services provided by French TPF companies include technical and financial support

To sum up, the range of services provided by TPF companies includes:

- ▶ **Personalised technical support** for energy renovation projects.
- ▶ **Financial support** (assistance with identifying subsidies and bank financing).et
- ▶ **A financing offer.** This financing offer may be indirect, if provided through partnerships with banks, or direct, since TPF companies are authorised to offer loans to finance renovation projects as an exception to the banking monopoly. Unlike banks, TPF companies integrate the expected energy savings into the offer, thus enabling households with no or little access to standard bank financing to carry out renovation work. Moreover, loans are repayable over a period of up to 25 years, versus 10 years for consumer loans offered by banks.

3.1.1 Support provided by TPF companies

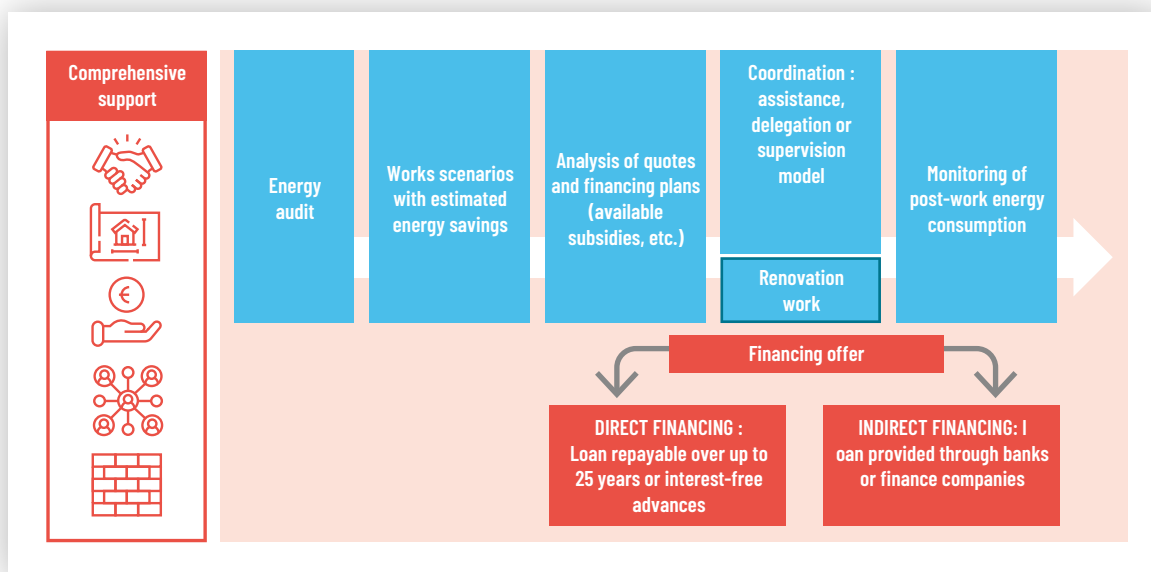


Figure 5: Support provided by TPF companies

The support provided differs according to the target (single-family home or condominium) and the role played by the TPF company (see 3.4).

But part of the support process is common to all households. Third-party financing companies indeed offer a standardised range of services that takes local conditions into account and addresses both **technical and financial aspects**.

3.1.2 Technical aspects

For single-family homes, the support process takes from 5 to 10 days and includes:

- ▶ Identification of the main issues and initial advice (this can be provided by public energy advisers from the France Rénov' network for example).
- ▶ A technical and operational part integrating a minimum service offering
 - ▷ Design of a works programme based on an energy audit (on-site visit before renovation)
 - ▷ Estimated energy savings associated with the works programme (several scenarios are presented)
 - ▷ Support with carrying out the work (consultation phase, analysis of quotations, between 2 and 4 site visits) will depend on the role played by the TPF company: owner assistant (assistance model), project supervisor (supervision model) or owner delegate (delegation model).

Some TPF companies complement this minimum service offering with:

- ▶ Quotation requests,
- ▶ Monitoring of the proper execution and acceptance of the work (unless the TPF company is the project owner assistant),

- ▶ Post-work monitoring to check that energy use reduction targets have been met.

For condominiums, the amount of support varies considerably depending on the type of condominium (around 70 days of work per renovation project).

The support process also has to follow the pace set by the general meetings of co-owners, who are required to take a vote before each of the following stages can be launched:

- ▶ Comprehensive energy audit,
- ▶ Selection of a project supervisor to carry out the design studies (draft and detailed preliminary designs) and appointment of a project owner assistant (the TPF company) to draw up the financing plans for the condominium and co-owners and invite tenders,
- ▶ Approval of quotes from contractors and beginning of renovation works.



3.1.3 Financial aspects

Financing is a major obstacle to energy renovation and public subsidies do not always provide an adequate solution.

This is because most public subsidies are paid to homeowners upon presentation of the invoices after work completion, whereas contractors require that a down payment be made before starting renovation work. The fact that homeowners have to pay first and are reimbursed later is a major deterrent and explains their reluctance to undertake renovation work, especially among low-income households.

TPF companies facilitate the financing of renovation work for owners of single-family homes and condominiums. Their offering includes an economic/financial package with at least a proposal for a suitable financing plan for the renovation project, thus making it easier for homeowners to apply for bank loans.

Their financial offering may also include (example of Régie du SPEE):

- ▶ Advance payment of subsidies: the TPF company advances the amount of the subsidies, pays the contractors and then collects the subsidies in lieu of the owner (subrogation principle).
- ▶ A loan to finance the remaining cost (in the case of direct third-party financing): this loan may be an individual loan (single-family home owners or condominium co-owners) or a group loan (co-owners' association). It may take the form of a regulated interest-free eco-loan, or a conventional third-party financing loan.

Unlike bank loans, the estimated energy savings generated by the upgrades are taken into account when analysing the household's capacity to repay the loan. Monthly instalments are also reduced as the loan is repaid over a period of up to 25 years.

Example: Financing a project with Hauts-de-France Pass Rénovation

Here is a practical example of a renovation project handled by HDF Pass Renovation. Renovation works cost €45,000, of which €20,000 was provided via an interest-free loan, €3,600 via an additional HDF Pass Renovation loan, €7,600 via subsidies and €13,500 via the household's own funds or other sources.

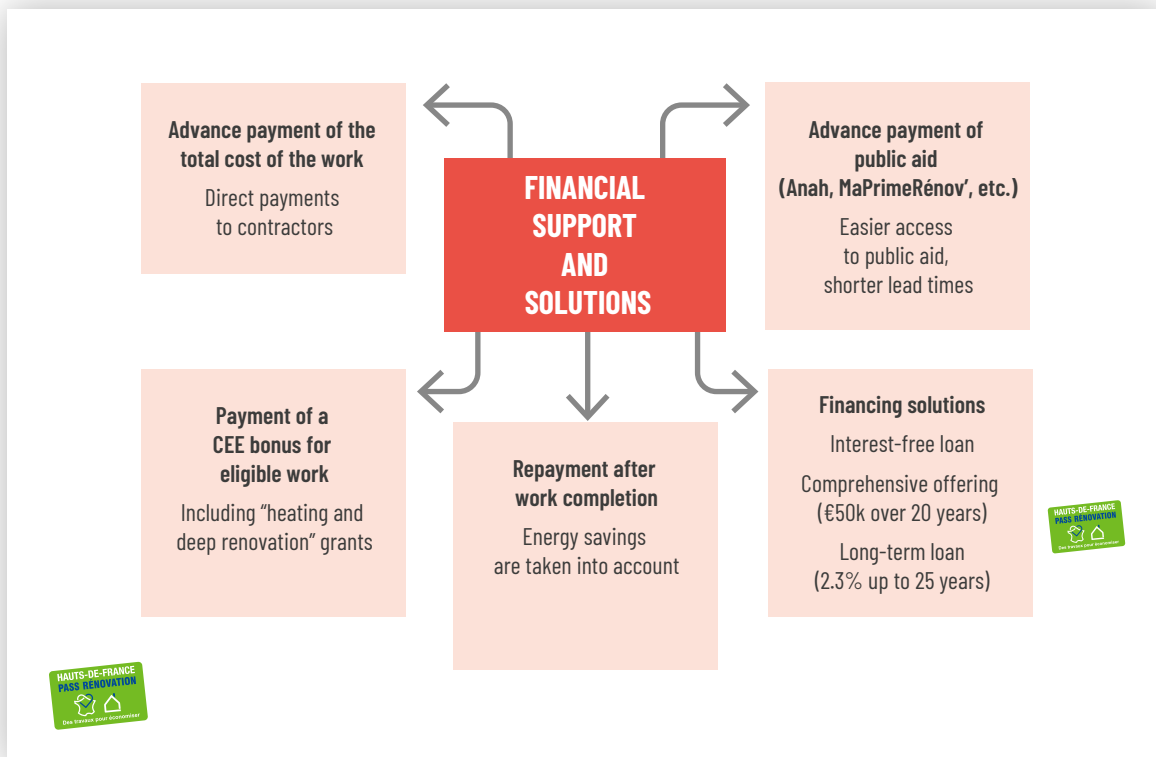


Figure 6: Example: financing a project with Hauts-de-France Pass Rénovation

3.2 The business model

The business model of TPF companies varies according to their organisation, corporate form and mode of operation.

The main components of this business model are shown in the diagram below.

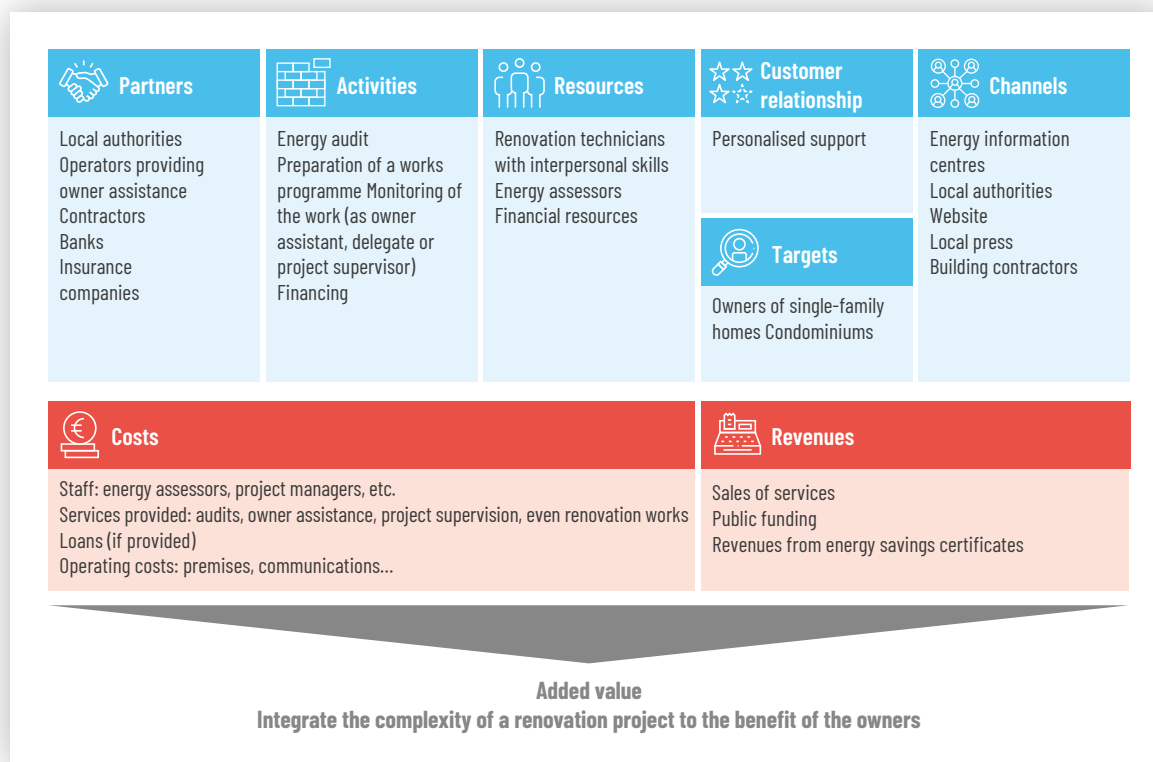


Figure 7: The business model of TPF companies

3.2.1 The activities carried out by TPF companies

Articles D. 381-9 to D. 381-12 of the French Construction and Housing Code define the activities of TPF companies in France. These include:

- ▶ mandatory missions :
 - ▷ under the “technical mission” part: design of the works programme based on an energy audit, estimation of the energy savings associated with said programme and assistance with carrying out the work or execution of the work if the TPF company is the owner’s delegate.
 - ▷ as part of the “financial service” mission: financing plan for the renovation project, including the identification and management of available subsidies on behalf of the owner.
- ▶ optional missions: provision of a loan offer⁹.



⁹ The “third-party financing service” does not necessarily include credit activities or loan offers: this component is optional. In fact, article D. 381-12 of the CCH states that “The service may also include a loan offer, with the aim of facilitating the financing of all or part of the work mentioned in article D. 381-10. This offer may be made directly by the third-party financing company, either via a credit offer when it is approved as a credit institution, finance company or third-party financing company benefiting from the authorisation referred to in article R. 518-70 of the Monetary and Financial Code, or in the form of free advance payments. When this offer is issued by a credit institution, finance company or third-party financing company benefiting from the authorisation referred to in article R. 518-70 of the Monetary and Financial Code, the third-party financing company is approved as an intermediary in banking transactions and payment services, as defined in paragraph 1 of article L. 519-1 of the Monetary and Financial Code, or operates exclusively free of charge”.

With regard to the optional provision of a loan offer, TPF companies can offer suitable financing for renovation projects because they benefit from an exception to the rule prohibiting “any entity other than a credit institution or a finance company to carry out credit transactions on a regular basis” under the conditions specified in article L.511-6 point 8 of the French Monetary and Financial Code (CMF). This ability to finance renovation work directly is what distinguishes TPF companies from other players operating on the renovation market.

Because they integrate the household’s “discretionary income” and future energy savings when assessing its capacity to repay the loan and budget limit for an energy-efficient renovation project, TPF companies maximise energy savings and enable more ambitious and more expensive renovations to be carried out. Households benefit from a loan offer with a below-market interest rate, repayable over a period of up to 25 years, thus resulting in reduced monthly instalments.

Mon Accompagnateur Rénov': a new support scheme in France

Since 2024, homeowners wishing to benefit from the Ma Prime Rénov' national subsidy scheme by undertaking renovation work resulting in a minimum 2-class leap in the energy performance rating of their dwelling must be assisted by an Anah-approved operator called “Mon Accompagnateur Rénov’”. This support scheme, which is accessible to all households, is financed between 100% for low- and very low-income households and 20% for those on higher incomes, up to a €2,000 ceiling (€4,000 in the case of substandard housing or for low-income households experiencing fuel poverty).

Mon Accompagnateur Rénov' approved operators (and TPF companies) are required to assist homeowners throughout the renovation process by providing technical, administrative, financial and social support. In addition to the basic services provided, optional or further services may be offered, in particular in situations involving substandard housing, loss of autonomy or fuel poverty.

3.2.2 Target groups

TPF companies provide services to owners of single-family homes and condominiums¹⁰. The inclusion of condominiums as a target group is important because:

- ▶ the economic equilibrium of TPF companies is easier to achieve when integrating this target,
- ▶ the demand for support is much higher in condominiums.

Condominiums: a few definitions

- ▶ **A co-owner** is the owner of part of a building, usually a dwelling unit.
- ▶ The **co-owners’ association** is composed of all the co-owners of a jointly-owned residential building. It administers the communal areas, looks after the building and defends collective interests.
- ▶ The role of the **Board** is to provide assistance and oversight, but it may also be given other responsibilities.
- ▶ The **managing agent**: professional or otherwise, the managing agent is appointed by the co-owners’ association. Its role is to run the daily operations and ensure that the regulations and decisions voted at general meetings are complied with.

¹⁰ Article R.381-9 of the French Construction and Housing Code specifies that only owners of dwellings or blocks of flats and condominiums may receive an offer from a third-party financing company.

3.2.3 Partners

TPF companies have close relations **with the local authorities that created them** (Regional or Metropolitan councils). They work with the lower levels of local government (e.g. public inter-municipal cooperation establishments or EPCIs) on a regular basis, for example to implement specific renovation support schemes via partnership agreements.

TPF companies also liaise with the public network of energy information centres (Espaces Conseil France Rénov') providing

initial advice to users on how to reduce their energy use as well as information on financial aid and existing schemes. This interaction is facilitated when the TPF company is a 100% publicly-owned company (public corporation (régie) or local company fully owned by the local authority (société publique locale - SPL). On the other hand, it may be more difficult for mixed ownership TPF companies (société d'économie mixte - SEM)¹¹ to form partnerships with these players, who consider themselves to be part of the public sector despite being privately-owned.

Example: Agence Régionale de l'Energie et du Climat (AREC) in Occitanie

To promote the Rénov' Occitanie brand and offering, AREC coordinates the 31 France Rénov' one-stop shops supported by local authorities in the Occitanie Region.

These one-stop shops provide first-level information to users and encourage them to have an energy audit and seek the assistance of AREC service providers.

Some TPF companies subcontract all or part of their support activities to private actors. These actors, selected via a competitive tendering process, often **provide assistance to project owners** and operate within the framework of programmed operations run by Anah, the National Housing Agency.

TPF companies also have different types of relationships with the following **local companies and tradespeople**, depending on their level of involvement in the renovation process:

- Home energy assessors, for the audits conducted prior to work commencement. These actors help households refine their renovation project based on technical criteria.
- Contractors, including local tradespeople, who carry out the recommended upgrades.



¹¹ In a mixed-ownership company, at least 50% of the capital is held by public partners and 15% by private partners.



The table below shows the different types of relationship that TPF companies may have with building professionals:

Relationship between the TPF company and building professionals	Mode of operation		
	Assistance	Delegation	Supervision
Home energy assessors and auditors	If the audit is part of the TPF company service offering, the auditor is either an employee of the company or a subcontractor. If the audit is not included in the offering, the TPF company may recommend a list of auditors.		
Building companies	No contractual link. It is the homeowner who contacts the companies, possibly on the advice of the TPF company.	A three-way contractual relationship between the household or condominium, the contractors and the Third-Party Financing company acting as delegate.	No contractual link. However, the TPF company monitors the work carried out by the contractors (including monitoring and acceptance of the work).
Project supervisors (especially for the renovation of condominiums)	No contractual link. It is the homeowner who has contractual links with the project supervisor, possibly on the advice of the TPF company.	A three-way contractual relationship between the household or condominium, the project supervisor and the Third-Party Financing company acting as delegate.	
Managing agents	No contractual link. The TPF company contracts with the Board.	No contractual link. The TPF company contracts with the Board.	No contractual link. The TPF company contracts with the Board.

Table 1 : Professional relations maintained by TPF companies

See the section entitled “Modes of operation” for information about how each French TPF company operates.

Because they help define renovation projects, TPF companies save contractors time when issuing quotations and guarantee them high quote acceptance rates. Building professionals also appreciate the local, committed image of TPF companies, as well as the fact that

they were established by local authorities. In addition, Hauts-de-France Pass Renovation systematically divides energy renovation works into lots so that specialized tradespeople can respond to its simplified public invitations to tender issued on behalf of individuals and condominiums that have delegated the supervision of their renovation project to the TPF company.



Example: The Oktave TPF company in the Grand-Est region

Oktave has a team of salaried advisers who cover the whole region and assist owners of single-family homes and small condominiums with their renovation projects. To reach out to medium- to large-sized condominiums, Oktave has signed cooperation agreements with architects and home energy assessors. Oktave’s local presence is strengthened by its proximity to the France Rénov’ network and consolidated through its partnership agreements with local authorities and EPCIs, which cover 60% of the Grand-Est region (100% in Alsace).



In order to be able to offer (direct or indirect) financing to supported households, TPF companies also work with **banks**. In the case of indirect third-party financing, setting up banking partnerships requires approval as an Intermediary in Banking Operations and Payment Services (Intermédiaire en Opération de Banque et Services de Paiement - IOBSP). This approval enables third-party financing companies to adapt their offering to the variety of households approaching them and also to sign referral agreements with banking networks. This is a key factor in reducing the financial effort required from households as they will be able to benefit from bank loans to finance their home renovation projects. A loan also makes it possible to carry out more ambitious renovation work than would be the case if the work were financed solely from the homeowner's own funds, resulting in greater savings on energy bills, which can then be used to pay the monthly instalments.

Several TPF companies have paired up with banks, such as Oktave with Caisse d'Épargne Grand Est Europe, or Hauts-de-France Pass Rénovation with Crédit agricole mutuel Nord de France. Most have decided to scale up their financing options by offering both direct (through a loan offer) and indirect (via banking partnerships) financing. In practice, however, few projects have been financed through banking partnerships.

Depending on mode of operation, TPF companies may opt for different contractual frameworks with **insurance companies**. For example, as project supervisor, Oktave is responsible for designing the renovation programme, supervising its implementation and accepting the work. This involves high insurance costs, but its staff can visit the work sites while being covered by the insurance policy. Hauts-de-France Pass rénovation has taken out a specific insurance policy to avoid any disputes with the insurance company in the event of a claim. However, this insurance does not cover the liability of subcontracted site operatives, who must obtain an extension to their own professional insurance policy.

3.2.4 Resources

TPF companies need human and financial resources.

Human resources

The skills required include general business management skills (corporate management, business management and financing, communication and marketing, quality monitoring, partnerships, etc.) and skills specific to the third-party financing business.

These specific skills differ depending on the position considered:

- ▶ **Project managers:** they have a technical background in building energy performance and project management skills. They oversee the project from start to finish. Generally, these positions focus on a specific target group (single-family homes or condominiums).
- ▶ **Third-party financing officers:** they have expertise in financing. They are responsible for issuing the loan offer in the case of direct third-party financing and work closely with the project manager. They assess the household's capacity to repay the loan, issue the loan offer and draw up the contract.
- ▶ **Management controller**
- ▶ **Head of internal control** (generally the person in charge of managing the company)

Project manager positions are sometimes outsourced in whole or in part, while third-party financing positions are always in-house positions. It should be noted that job titles may vary from one TPF company to another.

TPF companies are also organised into several departments:

- ▶ A technical department: coordinated by the technical manager, this department is composed of staff in charge of technical support (project managers, technicians) and quality control.
- ▶ A finance department: coordinated by the Administrative and Finance Manager, this department is composed of staff in charge of processing loan offers (financial officers, third-party financing officers). The finance department is responsible for first-level permanent control, as required in the case of financing activities.
- ▶ A marketing/sales department



Example: the Hauts-de-France Pass Rénovation team

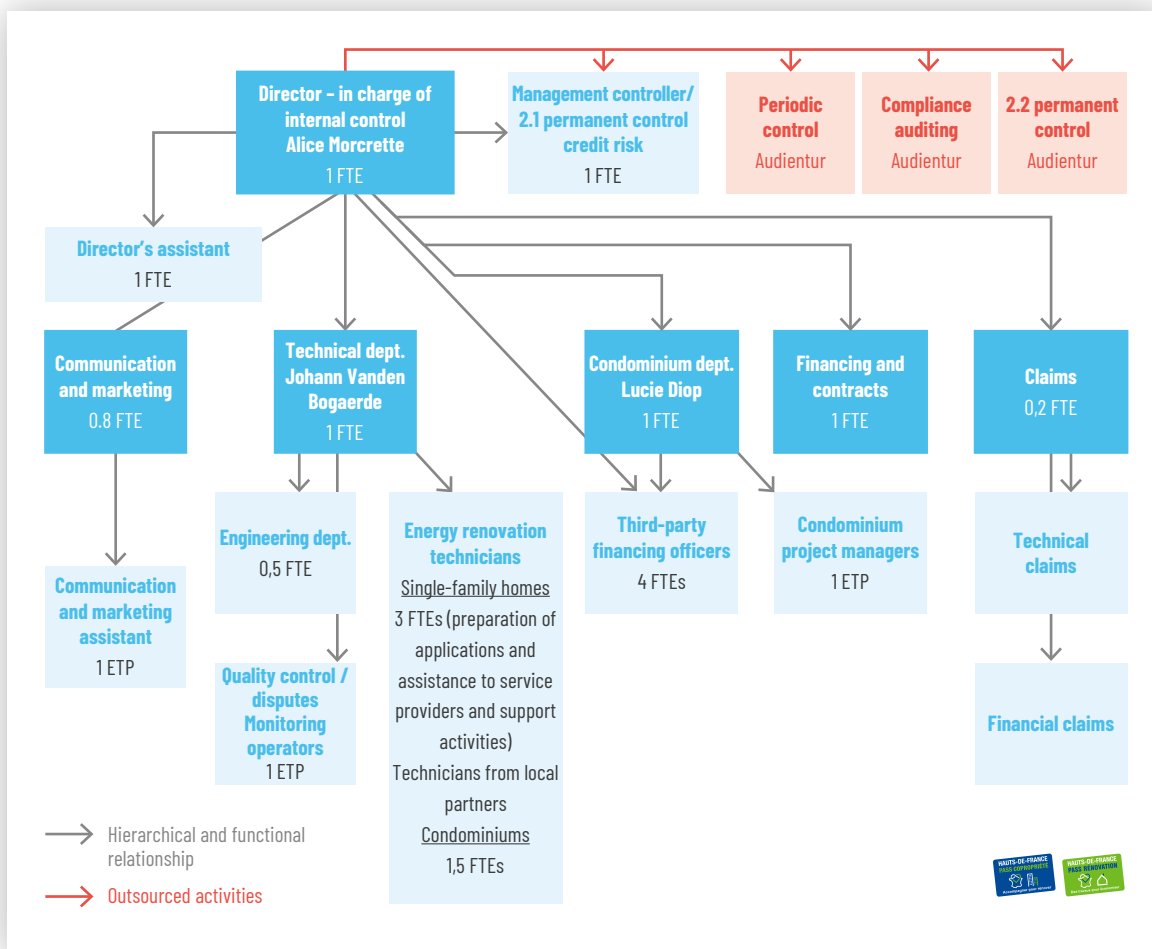


Figure 8 : Example : Hauts-de-France Pass Rénovation staff

Staffing levels vary according to the extent to which services are provided in-house. For example, Hauts-de-France Pass rénovation has 19 in-house employees and 15 FTEs outsourced to operators providing technical support

Financial resources

TPF companies have access to a number of resources to finance their activities:

- ▶ Partial invoicing of the services provided to users,
- ▶ Funding from investors (local authorities in the case of a public corporation or local publicly-owned company, local authorities and private players in the case of a mixed ownership company),
- ▶ Debt financing from institutional (European Investment Bank, etc.) or private banks,
- ▶ Public subsidies in certain cases,
- ▶ Energy savings certificate programmes (SARE programme).

3.2.5 Customer relationship

TPF companies are in contact with their customers throughout the renovation project.

After an initial contact by e-mail or telephone to identify the need, TPF companies prepare a formal contract specifying the type of support provided: energy audit, project owner assistance or delegation, or project supervision.

The project manager monitors the renovation work throughout the project, through regular exchanges with the homeowner by e-mail, telephone or face-to-face meetings. In some cases, work progress is monitored via a digital project management platform.

3.2.6 Communication channels

TPF companies use several communication channels to reach as many people as possible:

- ▶ Internal communication media:
 - ▷ Website with a contact form
 - ▷ Social media
 - ▷ Presentation leaflets
 - ▷ Video testimonials
- ▶ Communication campaigns:
 - ▷ Attendance at trade fairs
 - ▷ Informal events organised with their customers' neighbours after completion of the renovation work
- ▶ Relations with other players:
 - ▷ France Rénov' advice centres
 - ▷ Local authorities
 - ▷ Building and real-estate professionals
 - ▷ The local press

3.2.7 Costs involved

Costs may include:

- ▶ Staff costs
- ▶ Payments to service providers: use of subcontractors for auditing, assistance, project supervision, or for the works, etc.
- ▶ Operating costs: rental of premises, IT equipment, managerial tasks.



3.2.8 Revenues

Depending on their business model, TPF companies can rely on different types of income:

- ▶ Billing for advice and support services,
- ▶ Sale of other services (training courses, etc.),
- ▶ Marketing of the energy savings certificates attached to the renovation work,
- ▶ Subsidies, in particular from the European Commission.

Example: Hauts-France Pass Rénovation

Over the 2015-2021 period, the main sources of income of Hauts-France Pass Rénovation included:

- ▶ fees paid by service users (20%)
- ▶ various subsidies (around 50%)
- ▶ around 33 % came from the energy savings certificates generated by the projects supported. The company stopped collecting these certificates at the end of 2023, when Anah, the National Housing Agency, decided that it would collect them itself.

Expenses mainly consisted of staff (42%) and subcontracting costs (39%).

Two packages are available to owners of single-family homes:

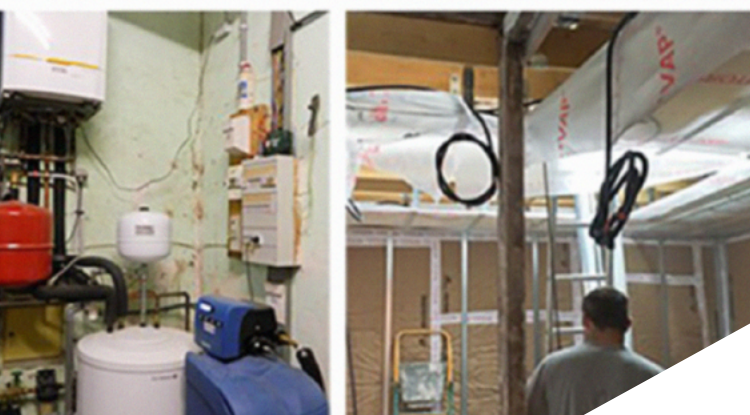
- ▶ Option 1 "Technical and financial support": the cost invoiced to the household is €1,860 including VAT. A €300 deposit is paid upon signing the contract, and the remaining €1,560 can be included in the loan offer. The actual cost of the service is €4,120 including VAT.
- ▶ Option 2 "Technical support only": the cost invoiced to the household is €1,200 including VAT. A €300 deposit is paid upon signing the contract, and the remaining €900 can be included in the loan offer. The actual cost of the service is €3,600 including VAT.

The tariffs applied to the two target groups (single-family homes and condominiums) are presented in the appendix.

For a TPF company, achieving economic equilibrium depends on 4 conditions:

- ▶ An institutional and regulatory environment favourable to energy-efficient renovation.
- ▶ Predictable and adapted subsidies to supplement primary (billing beneficiaries for the services provided) and secondary (training courses, energy savings certificates, etc.) revenues.
- ▶ The possibility of reaching break-even point thanks to public aid like the ELENA technical assistance facility to finance development costs, the SARE programme for energy savings certificates, subsidies from local authorities (mainly Regional Councils).
- ▶ Optimising the service process and control procedures.

The average conversion rate for renovation projects following an energy audit is 20%. Increasing this conversion rate is a crucial objective to increase the number of renovations and, therefore, the effectiveness of TPF companies



3.3 Corporate forms

The choice of the corporate vehicle best suited to each local area involves considering their respective **advantages** (speed of implementation, possibility of bringing in partners, control over the business) and **drawbacks** (administrative burden, time to set up the company, need to provide capital).

The table below presents the different corporate forms currently used by Third-Party Financing companies in France.

3.3.1 Existing TPF companies and their corporate forms

Existing corporate forms	Definition	Companies concerned
Régie personnalisée	Public corporation under the supervision of a local authority (100% public funding from the supervisory authority)	
Société publique locale SPL	Legal entity created by several local authorities and their groupings (100% public capital from several entities)	
Société d'économie mixte SEM	Legal entity created by one or more local authorities and/or their groupings and one or more private entities (capital and voting rights predominantly public: between 51% and 85%).	

Table 2 : TPF companies legal models

3.3.2 The service offering of TPF companies: a public service or a service provided in a competitive environment?

TPF companies operate in a **competitive environment** and may therefore be established as private sector operators. The local authority may choose between several options:

- ▶ joining an association,
- ▶ setting up a Public Interest Group (Groupement d'Intérêt Public GIP), or
- ▶ acquiring shares in a mixed-ownership company (Société d'Économie Mixte - SEM) or a local publicly-owned company (Société Publique Locale - SPL).

Third-Party Financing companies may also provide an **industrial and commercial public service** (service public industriel et commercial - SPIC¹²) to complement the provision of first-level information and personalised advice, which is a free-of-charge public service. Both the Hauts-de-France and Occitanie Regional Councils opted for this solution but while the Hauts-de-France Region decided to manage this public service directly by creating a *régie personnalisée* (a public corporation under the control of the local authority), the Occitanie Region entrusted its management to its local SPL.

Both the *régie* and SPL are **100% publicly-owned entities**, in which only local authorities are involved, with no association with private players. The contracts signed between the TPF company and the local authority are considered to be in-house services (the TPF company is considered to be an administrative extension of the local authority). This means that the competitive tendering rules set out in the French Public Procurement Code do not apply. The Hauts-de-France and Occitanie regions have signed a **public service delegation contract** with Régie des Hauts-de-France and Agence Régionale Énergie-Climat Occitanie (AREC), respectively. As seen above, the corporate vehicle is different between the two regions. The Hauts-de-France region has created a **régie** to which public accounting rules apply, whereas the Occitanie region has established a **local publicly-owned company (SPL)** which is part of AREC. Like TPF companies established as mixed-ownership companies (sociétés d'économie mixte - SEM), the SPL Occitanie has corporate status, manages financial flows directly and applies general accounting principles. The Occitanie region contributed 90% of its capital in 2021, i.e. 42 million euros.

3.4 Modes of operation for technical support

Technical support for individual homeowners and condominiums differs from one TPF company to another, depending on the political choices and specificities of the local authority, the local market context and the building stock.

The level of service also depends on the **missions and responsibilities entrusted to the TPF company**. There are four different levels:

- ▶ Project owner assistant (assistance model)
- ▶ Project supervisor (supervision model)
- ▶ Project owner delegate (delegation model)
- ▶ Main contractor. This type of service was offered by Facirénov' for the renovation of single-family homes until June 2023. It was later replaced by project supervision in order to comply with the Mon Accompagnateur Rénov' approval conditions.

These four models are detailed below:

3.4.1 Assistance model

The TPF company provides all the necessary information, advice and solutions independently of the contractors and any project supervisor. It advises the household and has no direct contractual relationship with the contractors. It is not supposed to visit the site, otherwise there is a risk insurance companies will re-qualify the services provided as project supervision in the event of a claim. This mode of operation therefore gives the TPF company fewer means of action, but also limits its liabilities and therefore its direct and indirect costs (decennial liability insurance). This is the approach chosen by Renov' Occitanie, Oktave, Centre-Val-de-Loire Energies and Facirénov for condominiums, and by Hauts-de-France Pass Rénovation where financial solutions (loans) are not available. Île-de-France Energies also used to offer owner assistance.

It is to be noted that the assistance model may be extended to include some sort of project supervision (e.g. Oktave for condominiums). In this case, the owner entrusts the TPF company with preparing and managing the contracts with the various parties involved in the project (project supervisor, contractors, etc.), as well as overseeing the technical, administrative and financial aspects of the project and dealing with the parties involved (excluding contractors, which are the responsibility of the project supervisor). However, the TPF company does not stand in for the project owners in their contractual relationships with the parties involved nor does it make any commitments on their behalf. Similarly, the TPF company does not replace the project supervisor in designing or supervising the renovation work.

¹² In France, an industrial and commercial public service (SPIC) is a form of public service management primarily governed by private law.

3.4.2 Supervision model

The TPF company is responsible for designing the renovation programme, supervising its execution and accepting the work. This means that a great deal of work has to be put in before work commencement (specifications) and during the renovation process (monitoring contractors), and insurance costs are high. Oktave has chosen this mode of operation for single-family homes and small

blocks of flats, whether they belong to a sole owner or to several co-owners, so that they can visit sites without incurring any risk of requalification by the insurance company. Île-de-France Energies also used to act as project supervisor, providing a full range of technical, financial and support services (project supervision + integrated assistance) for medium to large-sized condominiums.

Feedback from Ile-de-France Energies

Although Ile-de-France Energies' third-party financing activity ceased in 2023 following the decision by the Ile-de-France Region to refocus its activity on the renovation of tertiary buildings, its experience remains relevant.

Ile-de-France Energies was active in the condominium market as an integrated operator, providing both technical solutions (as project supervisor) and support (as owner assistant), and offering direct group loans.

By drastically reducing the number of parties involved, the company simplified the process for condominiums and contributed to building a relationship of trust. At the beginning, Ile-de-France Energies experimented with setting up consortiums of which they were the representative. However, this system meant reduced remuneration for Ile-de-France Energies, without limiting the risks of quality defects or poor coordination. Additionally, these consortiums were unincorporated organisations, with no legal existence of their own, and could not therefore be insured as such. In fact, consortiums are a complex legal arrangement, which may result in increased liability for the participating companies.

3.4.3 Delegation model

The TPF company supervises the work on the basis of a mandate given by the homeowner or the co-owners' association. This mandate enables the TPF company to have direct relations with the contractors, in particular to request quotes and give instructions on the worksite. It is a three-way contractual relationship between the household, the contractors and the TPF company acting as delegate. The TPF company chooses the best technical solutions and work organisation.

It organises consultations, selects the companies on the basis of a call for tenders, and monitors the proper execution and acceptance of the work on behalf of the owner, after approval by the latter. This was the choice made by Hauts-de-France Pass Rénovation. Households sign a public service subscription contract delegating the management of the work to the TPF company. Facirenov also offers this type of service for grouped projects.

Feedback from Hauts-de-France Pass Rénovation

The Régie du service public de l'efficacité énergétique (SPEE) of the Hauts-de-France region offers private individuals and condominiums a contract by which they give the TPF company mandate to act as their delegate, while benefiting from an insurance policy covering the liabilities of a project supervisor.

This insurance policy covers the projects managed by SPEE employees, but presents a residual problem, as it does not cover the liability of its subcontractors on site (these are often associations that are also operators of the France Rénov' public service, approved by Anah and the local authorities). These subcontractors must obtain an extension to their professional insurance coverage (in particular to cover site visits).

3.4.4 Main contractor

The TPF company acts as project supervisor and then, during the execution phase, subcontracts the renovation work to building companies, which then work under its responsibility. This is the

model used by Facirénov and Bordeaux Métropole Energies when dealing with single-family homes.

Modes of operation	Role of the TPF company
Assistance model	<ul style="list-style-type: none"> ▶ Providing the information and advice required by the household, independently of the contractors and any project supervisor, with whom it has no direct contractual relationship ▶ No site visits, otherwise there is a risk insurance companies will re-qualify the services as project supervision in the event of a claim. ▶ Limited liabilities, means of action and costs (no decennial liability insurance).
Delegation model	<ul style="list-style-type: none"> ▶ Supervision of the work on the basis of a mandate from the homeowner or co-owners' association ▶ Three-way contractual relationship between the household, the contractors and the TPF company acting as delegate ▶ Choice of the best technical solutions and organisation of the work by the TPF Company ▶ Organisation of consultations, selection of contractors following a call for tenders, monitoring of the proper execution and acceptance of the work, on behalf of the owner, after approval by the latter.
Project supervision	<ul style="list-style-type: none"> ▶ Design of the renovation programme and preparation of specifications ▶ Supervision of the work and contractors, including site visits, supervision of execution and acceptance of the work ▶ High liability and insurance costs
Main contractor	<ul style="list-style-type: none"> ▶ Design of the renovation programme and preparation of specifications ▶ Selection of subcontractors under the responsibility of the TPF company ▶ Supervision of the work and contractors, including site visits, supervision of execution and acceptance of the work ▶ High liability and insurance costs






Modes of operation		
Assistance model		
Delegation model		
Project supervision		

Table 3 : The French TPF companies and their modes of operation, per target group



Legal aspects are crucial when setting up a TPF company, both in terms of the company's legal form, mode of operation and responsibilities that this legal form may imply.

Form	Capital allocation	Local authorities	Private partners
SEM	Oktave €3m in capital	<ul style="list-style-type: none"> ▶ Grand Est Region 	<ul style="list-style-type: none"> ▶ Procivis Alsace (representing the SACICAP in the Grand Est region) ▶ Banque des Territoires (CDC) ▶ Caisse d'Épargne Grand Est Europe.
	Bordeaux Métropole Energies €140m in capital (a minority of which is dedicated to third-party financing)	<ul style="list-style-type: none"> ▶ Bordeaux Métropole: 67.9%. ▶ 13 municipalities in the Gironde département: 0.1%. 	<ul style="list-style-type: none"> ▶ Engie: 10% ▶ Banque des Territoires: 12%
	Centre-Val-de-Loire Energies €4.16m in capital	<ul style="list-style-type: none"> ▶ Centre Val-de-Loire region: 58.2%. ▶ Tours Métropole Val de Loire: 5.3% ▶ Communauté d'Agglomération de Blois: 2.4%. ▶ Communauté d'Agglomération de Bourges: 1.44%. ▶ Energy Eure et Loir: 2.4% ▶ Syndicat Départemental d'Énergie d'Indre et Loire: 2.4% ▶ Syndicat Départemental d'Énergie d'Indre: 2.4% 	<ul style="list-style-type: none"> ▶ PROCIVIS Berry: 4.8% ▶ PROCIVIS Rives de Loire: 1.44% ▶ PROCIVIS Eure et Loir: 9.6 ▶ Caisse d'Épargne Loire-Centre: 9.6%
	Ile-de-France Energies (stopped offering third-party financing in 2023) €9.9m in share capital	<ul style="list-style-type: none"> ▶ IDF region: 66% ▶ City of Paris: 10%. 	<ul style="list-style-type: none"> ▶ Caisse des Dépôts: 10% ▶ CD 94: 5%. ▶ Caisse d'Épargne IdF: 3%. ▶ Meridiam: 2% interest
SPL	Agence régionale énergie climat d'Occitanie (AREC) €42m in share capital	80 public shareholders: <ul style="list-style-type: none"> ▶ The Occitanie Region ▶ 3 departmental councils (Ariège, Gers, Lot) ▶ 1 metropolitan council ▶ 1 association of communes ▶ 10 conurbation committees ▶ 20 communities of municipalities ▶ 21 municipalities ▶ 6 regional nature parks ▶ 4 Pôles d'équilibre territorial et rural - PETRs (associations of communes) ▶ 2 SCoTs (sub-regional spatial planning documents) ▶ 10 departmental energy boards ▶ Sydel Pays coeur de l'Herault 	

Table 4: Share of public and private partners in the capital of TPF companies established as mixed-ownership companies (société d'économie mixte-SEM) or local publicly-owned companies (société publique locale -SPL)

4. What are the steps to setting up a TPF company?

Third-Party Financing companies usually start operating several years after the idea was launched and a detailed study commissioned. In the meantime, the process follows a number of consecutive, and sometimes simultaneous, steps.

4.1 Analysis of the local area and needs

4.1.1 Analysis of the objectives set out in the planning documents

The quantitative and qualitative strategic objectives regarding climate change and energy renovation are set out in regional (SRADDET) and local (PCAET) planning documents. They are accompanied by action plans specifying the practical measures to be implemented to achieve these objectives.

A TPF company may be established in response to one or more measures defined in the PCAET (local energy, air and climate plan). The first targets assigned to the TPF company shall be in line with the PCAET and correspond to a given proportion of its renovation objectives (number of homes to be renovated). The aim of a TPF company is not to carry out all renovation projects in a given area, but to give an impetus to the local renovation market.

4.1.2 Identification of specific needs in some geographical areas

In addition to the general objectives guiding public action, more specific objectives (quantitative or qualitative) may be set for certain geographical areas.

Depending on the build period, local climate, number of private players involved in energy renovation, energy consumption levels, etc., certain areas, towns or districts may require priority action to be taken by a public operator.

Housing characteristics in the area are then analysed to determine the most relevant modes of intervention or specific objectives. This analysis may rely on resources such as the PCAET assessment report, data from the National Institute of Statistics and Economic Studies (INSEE), ADEME's database of energy performance certificates (diagnostic de performance énergétique - DPE), urban planning agency reports and the cartocopro.fr website for condominiums.

The analysis may include quantitative information (number and proportion) on:

- ▶ Single-family homes / privately-owned blocks of flats (condominiums)
- ▶ Owner-occupiers / landlords
- ▶ Main homes / second homes
- ▶ Unoccupied dwellings
- ▶ Dwellings by date of construction
- ▶ Dwellings by energy rating
- ▶ Dwellings by energy consumption and type of heating energy
- ▶ Households in fuel poverty

Specific information about condominiums:

- ▶ Average number of units per condominium
- ▶ Number or proportion of condominiums where the managing agent is a non-professional managing agent
- ▶ Number or proportion of condominiums with communal/individual heating systems
- ▶ Number or proportion of condominiums not connected to a heating network and which could be connected to one

4.1.3 Analysis of the demand side (homeowners and condominiums)

In addition to the characteristics of the dwellings, an analysis of the occupants and owners will help refine the TPF company's targets.

Indicators of financial resources may be added to the analysis to assess the households' standard of living, their energy effort rate (i.e. the proportion of disposable income they spend on energy bills), and their discretionary income. These indicators can be used to identify the households that are potentially in the greatest difficulty when it comes to financing energy renovation work.

This analysis should also consider access to bank financing and eligibility for grant funding and identify several types of household depending on their situation and needs.

The barriers to energy renovation among the various target groups should also be analysed. These may include the cost of renovation work, the lack and /or poor quality of available tradespeople, or the lack of skills to define the renovation project.

4.1.4 Analysis of the supply side (renovation professionals)

Although a TPF company does not directly affect the organisation of the supply side, its establishment requires prior knowledge of local professionals:

- ▶ tradespeople and building firms: number, RGE (Reconnu garant de l'environnement) certification, type of work offered (general or specialised contractor, etc.)
- ▶ support provided: private companies offering owner assistance, energy assessors providing home audits, etc.
- ▶ design professionals: project supervisors, architects, etc.
- ▶ property professionals: condominiums' managing agents, estate agents, notaries, etc.
- ▶ financing professionals: banks, etc.

A TPF company has to rely on local players as it needs building contractors to carry out the projects it supports, managing agents to support and monitor the renovation of condominiums, and banks to help finance the cost of the work, especially in cases where the TPF company does not provide direct financing.

The analysis of these professionals must be:

- ▶ quantitative: are there enough of them? and,
- ▶ qualitative: what is their knowledge and understanding of the energy renovation market, what is the performance of the works proposed and carried out? what services are offered to private individuals and condominiums?

This inventory will then be used to help define the TPF company's service package and ensure that it complements what already exists.

4.1.5 Analysis of existing public schemes

The establishment of a regional operator requires **careful coordination with existing players**. Indeed, Third-Party Financing companies have to work in close connection with the energy information centres (Espaces Conseil France Rénov') and renovation advisers (operators from the National Housing Agency - Anah) in their area.

In the Occitanie region, for example, AREC is responsible for coordinating the Rénov'Occitanie energy information centres. This ensures a seamless process between the first-level support provided by the Rénov'Occitanie centres and the owner assistance services provided by AREC's contractors.



Here is a detailed breakdown of the support process:

- ▶ Identification of the needs
- ▶ Information and first-level advice
- ▶ Personalised advice
- ▶ Energy assessment or auditing
- ▶ Definition of the works programme
- ▶ Identification of potential funding sources
- ▶ Search for a company providing owner assistance and/or project supervision
- ▶ Consultation with companies, analysis of work estimates and selection of the contractor
- ▶ Preparation of a financing plan
- ▶ Site preparation (planning, relocation of living areas, temporary rehousing, etc.)
- ▶ On-site monitoring and acceptance of the work
- ▶ Post-work monitoring: energy consumption monitoring, maintenance.

This analysis may be carried out in several stages:

- ▶ **Collection and analysis of documentation** presenting the various players: agreements, balance sheet documents, etc.
- ▶ **Interviews** with local renovation actors:
 - ▷ Public service actors
 - France Rénov' information centres
 - ADIL (Departmental housing information associations)
 - CAUE (Council for architecture, urban planning and the environment)
 - ▷ Sub-regional authorities (EPCI (public inter-municipal cooperation establishments), metropolitan councils, départements, energy syndicates, etc.)
 - ▷ State institutions and agencies: DREAL (Regional directorates for the environment, regional planning and housing) - ADEME (French energy transition agency)

The aim of these interviews is to determine:

- ▶ the role, scope and missions of the actor interviewed
- ▶ their mode of intervention at each stage of the household's renovation journey
- ▶ their connections with other players, how their mission is perceived (feedback/opinions) and the results/performance of the public scheme they support
- ▶ what resources (especially financial ones) would be needed to make regional and/or local support more effective
- ▶ their opinions on the schemes already available at a regional and/or local level and their connections with other schemes (such as "Mon Accompagnateur rénov" in France)
- ▶ any gaps to be filled
- ▶ any expectations of the future TPF company.

At this stage, a **stakeholder mapping** diagram can be drawn, highlighting the positioning and involvement of each player at each stage of the household support process, as well as the links between them (redirection of households, sharing of information, other links, no interaction, etc.).

4.1.6 Analysis of existing funding sources for home renovation

Existing sources are analysed so as to provide an overall view of all resources available for renovation purposes and identify **existing gaps**.

The first step is to list, for each of the schemes identified, the volumes and characteristics that explain their greater or lesser distribution:

- ▶ national financial aid (Ma Prime Rénov'...) and regulated loans (interest-free eco-loan (Eco-PTZ), mortgage loans (Prêt avance renovation), etc.).
- ▶ energy savings certificates,
- ▶ other schemes: local financial aid, subsidy advance facility, guarantee funds, etc.

Other sources of funding may be explored, for example EU funding, which is not directly accessible to homeowners, but could and should be to the future TPF company.

A distinctive feature of third-party financing as opposed to bank financing is that in this business model, financial savings on energy bills as a result of the renovation project are integrated as financial resources. Only third-party financing companies - which combine technical skills (assessing future energy savings) and financial ones (integrating them into the loan-granting process) - can integrate this data.

Given the recent increase in energy costs, which is likely to continue, this lever is also becoming an increasingly decisive factor when calculating household solvency.

4.2 Definition of the objectives and business model of the TPF company

Building a strategy involves creating a **shared vision** of the objectives and defining the actions to be implemented.

This vision is based on the priorities defined and promoted by the initiating authority, such as:

- ▶ Improving energy performance: energy rating to be achieved, number of upgrades, deep or staged renovation, etc.
- ▶ targeting a specific audience (low-income households, for example)
- ▶ targeting a specific type of dwelling (single-family homes and/or condominiums)
- ▶ targeting a type of beneficiary (only occupiers or owners, or also professionals to boost the market)
- ▶ level of involvement of the TPF company (just a supporting role or in charge of executing renovation works)

Once this strategy has been defined, qualitative (in terms of energy performance) and quantitative objectives can be set, broken down by type of project and housing.

While defining an initial strategy is essential, it should be reviewed on a regular basis (every 5 years, for example) to integrate new needs and test innovations.

4.2.1 Definition of technical and financial support

The previous steps have identified needs and potential gaps in the local home energy renovation market. Among these needs, those the TPF company can fulfil in a relevant and appropriate manner should be highlighted.

To be successful, the services provided have to:

- ▶ **Meet identified needs**, considering current shortcomings and obstacles to renovation (e.g. financing, lack of support for homeowners in their renovation project).
- ▶ **Fit into the existing ecosystem of players**, taking into account the specificities of each local area and drawing on the skills already available locally (France Rénov' advice centres, private players, etc.).
- ▶ **Be clear enough to generate interest.**

At this stage, a number of resources can be used:

- ▶ Information collected during the previous stages: local context, needs.
- ▶ Interviews and/or consultation workshops organised with local stakeholders.
- ▶ Work meetings within the local authority to define several scenarios.

Quite often, local authorities wishing to establish a TPF company call on the services of an external consultancy or advisory firm, asking them to carry out a preliminary study of the TPF company, including the definition of its service offering, business model and legal form.

4.2.1.1 Defining the various targets

As a first step, a number of targets will have to be defined. For example:

Type of housing

- ▶ Single-family homes or condominium units
- ▶ Dwellings considered to be thermal sieves, i.e. dwellings with an E, F or a G energy rating
- ▶ Dwellings in urban or rural areas

Type of occupants

- ▶ Owner-occupiers or landlords
- ▶ Homeowners on low or very low incomes, eligible for a wide range of financial aid options
- ▶ Elderly homeowners

4.2.1.2 Defining a catalogue of services

To meet the requirements set out in Article L381-1 of the French Construction Code and Decree no. 2015-306 of 17 March 2015, TPF companies must provide the following services:

- ▶ Design of a works programme (based on an energy audit),
- ▶ Estimation of associated energy savings,
- ▶ Assistance with carrying out the work or execution of the work if the TPF company is the owner's delegate,
- ▶ Preparation of a financing plan for the renovation project (including available grants),
- ▶ Applying for and collecting public aid in lieu of the owner (subrogation principle).

The service offering may also include a financial package.

The catalogue of services will therefore have to include the above minimum service package.

Other services may also be added:

- ▶ **Analysis and qualification** of the renovation project.
- ▶ **Site visit:** making contact, collecting documents about the dwelling, presentation by the user of their needs (in terms of comfort, energy savings) and renovation requirements.
- ▶ **Carrying out an audit with recommendations for work scenarios:** analysis of the dwelling, recommendations for unitary energy upgrades identified on the basis of the household's needs and renovation opportunities, preparation of work scenarios with estimates of costs and savings on bills, financial engineering to determine the remaining cost in each scenario and simulation of a third-party financing loan if available, recommendations for preserving biodiversity during the renovation project (e.g. protected bird nests, bats....).

▶ Owner assistance:

- ▷ Assistance with understanding the results of the energy audit and recommended works, and with choosing the works programme.
- ▷ Support in identifying the companies to be consulted.
- ▷ Transmission of lists of professionals: lists of tradespeople with RGE certification, local or regional directories of professionals, project supervisors for complex projects, etc.
- ▷ Assistance with analysing quotes: this includes checking that the information required to qualify for financial aid is included and that the technical criteria (thermal resistance, etc.) meet those required to obtain subsidies.
- ▷ Identification of the funding sources the owner is entitled to:
 - National, regional and local financial aid based on eligibility criteria,
 - Bank financing: interest-free loan (eco-PTZ), mortgage loan (Prêt avance rénovation), other types of financing,
- ▷ Assistance with applying for financial aid and bank financing.
- ▷ Available to answer any questions the owner may have during the renovation works, advice to private individuals on how to handle problems with contractors.

▶ Owner delegation:

- ▷ All the tasks described above in the assistance model, plus the tasks below.
- ▷ Selection of the contractors with the owner (quotes are signed by the contractor, the owner and the TPF company),
- ▷ Handling of administrative formalities (applying for financial aid, bank financing) on behalf of the owner,
- ▷ Supervision of works on the basis of a mandate from the owner: site visits, discussions with contractors,
- ▷ Acceptance of work and assistance until all reservations are lifted.



- ▶ **Project supervision:**

 - ▷ Design of the works programme and preparation of the specifications that will be sent to contractors,
 - ▷ Selection of construction companies,
 - ▷ Coordination of contractors, supervision of works: site visits, discussions with contractors.

- ▶ **Financing for private homeowners**

 - ▷ Pre-financing of financial aid, including direct payment to contractors if available,
 - ▷ Loan offer via a banking partnership (indirect third-party financing),
 - ▷ Direct loan offer (direct third-party financing) subject to authorisation from the French banking authority (Autorité de Contrôle Prudentiel et de Résolution ACPR).
 - ▷ In addition, an EcoPTZ loan may be offered for deep home renovations.

- ▶ **Energy use monitoring after work completion.**

Once this catalogue has been drawn up, the service offering can be further refined to adapt it to the various targets (single-family homes, condominiums). A distinction may be made between the minimum service package and the additional services provided by the TPF company.

For each of the missions planned, a **precise estimate** of the workload will have to be calculated. This will be used to establish the business model.

4.2.2 Definition of the financing offer

The financing plan drawn up during the support phase shows the amount remaining to be paid by the homeowner, once subsidies and other sources of financing have been accounted for. If necessary, homeowners may be offered a loan to cover this remaining cost. The loan offer may be issued directly by the TPF company (direct third-party financing) or via a banking partnership (indirect third-party financing).

TPF companies issuing direct loan offers must apply for authorisation from the French banking authority (Autorité de Contrôle Prudentiel et de Résolution - APCR), a statutory body of Banque de France. All French TPF companies, with the exception of Oktave, have applied for and obtained this authorisation.

In the case of indirect loan offers, TPF companies must be approved as Intermediaries in Banking Operations and Payment services (Intermédiaires en Opération de Banque et Services de Paiement - IOBSP).

Most TPF companies offering direct third-party financing also offer indirect third-party financing. This enables them to address the various needs of households and also to sign referral agreements with banking networks.



	Third-party financing companies offering this service	Advantages	Drawbacks
Direct third-party financing	<ul style="list-style-type: none"> ▶ Hauts-de-France Pass Renovation ▶ AREC Occitanie ▶ Bordeaux Metropole Energies ▶ Centre-Val-de-Loire Energies 	<ul style="list-style-type: none"> ▶ Inclusion of the lowest-income households made possible thanks to the extension of the loan term to 25 years, resulting in low monthly instalments. ▶ Comprehensive household support package including technical, operational and financial aspects. ▶ Full control over the loan-granting and amicable/contentious recovery processes. ▶ This instrument overcomes the main obstacle to home renovation: that of financing. ▶ TPF companies can benefit from substantial EU funding: ELENA facility, ERDF, refinancing from the European Investment Bank (EIB). 	<ul style="list-style-type: none"> ▶ This model requires a strong commitment from local authorities, notably for its implementation. ▶ Substantial lead time: from 6 months to several years. ▶ Break-even point is difficult to reach without public funding.
Indirect third-party financing	<ul style="list-style-type: none"> ▶ Hauts-de-France Pass Renovation ▶ Oktave 	<ul style="list-style-type: none"> ▶ Reduced financial commitment from the local authority. ▶ Possibility of influencing bank practices regarding the financing of home energy renovation projects. ▶ No ACPR authorisation required. ▶ No auditing by Banque de France. ▶ No insurance for banking transactions. ▶ Fewer resources are needed : no team dedicated to bank loans, no significant debt, no banking software, etc. 	<ul style="list-style-type: none"> ▶ This is a less integrated offer, requiring private individuals to be referred to a bank; the TPF company does not know the monthly instalment in advance, nor can it commit to a time frame for granting the loan. ▶ Dependence on banks willing to set up a partnership. ▶ Bank solvency criteria apply: maximum debt ratio of 33%, energy savings are not taken into account as income (requirement of the French High Council for Financial Stability - HCSF).

Table 5 : A comparison between direct and indirect third-party financing

4.2.2.1 Defining the direct financing offer

Direct financing is a major asset for third-party financing companies, as it contributes to consolidating their service offering and

limits turn-down rates after presentation of the audit and work recommendations.

Defining the loan offer characteristics

There are two types of loans:

- ▶ individual loans for owners of single-family homes and certain co-owners (small condominiums managed by a non-professional managing agent, for example)
- ▶ group loans for condominiums.

Individual loans

Individual loans to owners and co-owners will take the form of consumer or home loans, depending on whether or not they are accompanied by guarantees/securities (external organisations as guarantors or personal sureties).

The first step is to determine the characteristics of these loan offers.

What are the characteristics of individual loan offers?

- ▶ Purpose of the loan :
 - ▷ What will the loan be used for?
 - All or part of the home energy renovation project of owners or co-owners interested in direct financing, or
 - Specific renovation works: energy-efficient works aimed at delivering minimum energy savings - works meeting the criteria of the quality matrix.

The aim is to finance home renovation works designed to improve the overall energy performance of the dwelling. But what kind of works are we talking about? Achieving sustainable deep home renovation standards may involve financing essential works that are not considered to be thermal improvements. This means that an additional loan offer may have to be provided as eco-PTZ¹³ loans can only be used to finance insulation work, the installation, regulation or replacement of heating, hot water or ventilation systems, or to implement the recommendations of an energy audit.

- ▶ Loan amount
 - ▷ Is there a minimum and/or maximum loan amount?
- ▶ Repayment period:
 - ▷ Has a minimum and maximum loan repayment period been set?
 - ▷ On what basis has this period been set (for example, 15 years for equipment and 25 years for improvements to the building envelope)?
 - ▷ Are exceptions possible? If so, what are they?
- ▶ Interest rate:
 - ▷ What will be the refinancing interest rate, which is used to determine the interest rate paid on the loan? In general, the interest rate on the loan is set so as to match the cost of the credit line granted to the TPF company by the European Investment Bank or any other financier, plus a margin to cover the cost of anticipated risks, within the limit of the French legal usury rate.

The characteristics of the loans issued to complement eco-PTZ interest-free loans therefore depend on a number of objectives and/or constraints:

- ▶ Setting a maximum amount and term can help control the amount of outstanding loans, but may also result in applications for large projects being rejected. Exceptional cases must be considered, for example in the case of cohousing.
- ▶ Interest rate: the interest rate paid on direct loans issued to complement ecoPTZ loans will depend on the refinancing interest rate obtained by the TPF company at the date of the loan offer and cannot therefore be set in advance. However, as we will see in section 4, third-party financing companies generally have access to loans from the European Investment Bank or from commercial banks, which gives them some visibility over the interest rate terms they can offer.



¹³<https://www.service-public.fr/particuliers/vosdroits/F18905>

- ▶ Insurance policy covering death and total or irreversible loss of autonomy.
 - ▷ Direct loans (eco-PTZ and complementary loans) issued by TPF companies are at risk of not being repaid. This risk may be borne by the company, or it may be transferred to other organisations for all or part of the loans issued:
 - The loan offer may include a mandatory payment protection insurance (in which case the TPF company needs to have ORIAS approval as an insurance agent). The policy covers death and may also cover total and irreversible loss of autonomy;
 - And/or a payment bond issued by a surety company. This guarantee is activated when the borrower fails to repay the loan for reasons not covered by the payment protection insurance. The surety company pays the TPF company and then seeks reimbursement from the borrower.

Group loans to condominiums

TPF companies may offer group loans to associations of co-owners, provided a number of legal and financial requirements are complied with.

The loan is taken out in the name of the association of co-owners but only concerns those co-owners who want to participate. They must notify the managing agent of their decision, specifying the amount (within the limit of their share in the investment) and the term of the loan they intend to apply for, within two months of receiving the minutes of the general meeting.

Co-owners participating in the loan commit to:

1. reimbursing the association of co-owners in proportion to their participation in the loan and in line with their proportionate share of expenses,
2. paying the association the interests, costs and fees relating thereto, in proportion to their participation in the loan and in line with the specific schedule established for ancillary costs,

3. subscribing to a guarantee issued by a surety company, as specified in article 26-7 of Law no. 65-557 of 10 July 1965 establishing the co-ownership status of built-up properties. The purpose of this guarantee is to make it clear that the various co-owners are not jointly and severally liable for repayment of the group loan: if any of them default, the surety company will fulfil their obligation.

The general meeting may authorise the managing agent to give the lender - in this case the TPF company - mandate to take the sums due for repayment of the group loan and payment of ancillary costs directly from the bank accounts of participating co-owners, and to initiate recovery procedures in the event of payment failure



Loan-granting criteria

French third-party financing companies have developed a methodology for analysing home renovation projects and scoring borrowers (see next section).

Any new TPF company interested in providing direct third-party financing will therefore be able to benefit from their experience and use it to optimise energy savings while limiting their counterparty risk. This methodology is based on striking a balance between the ambition of the project (i.e. the amount to be invested) and expected energy savings (and therefore the owner's ability to repay).

Loan applications are processed in two stages:

- ✓ Authentication of the third parties involved (borrower, co-borrower, possible guarantor, condominium managing agent and building to be renovated),
- ✓ Assessment of counterparty risk based on a scoring decision tree integrating the expense-to-income ratio and the LTV (Loan to Value) ratio.

Authentication of third parties

This authentication aims to combat fraudulent practices, money laundering and the financing of terrorism.

For the TPF company, this means being able to detect atypical operations that could be linked to criminal transactions, even though the risk of fraud or money laundering appears to be more limited than in the banking sector.

All documents proving the identity of third parties are checked and archived in accordance with the same procedures as those applied by banks. The aim is to assess the integrity of all third parties the TPF company has dealings with, including clients, whether they be natural persons or representatives of legal entities.

i. For individual borrowers

During the documentation phase, the TPF company will ensure that the information provided is consistent with the energy audit and the borrower's declarations. It will also check the identity, title deeds and marital status of the persons concerned and that they are not listed in the register of payment incidents kept by Banque de France (Fichier des Incidents Caractérisés de Paiement - FICP).

Documents and data collected:

Common documents (single-family homes and condominiums)

- ✓ Energy bills
- ✓ Title deeds
- ✓ Proof of income (pay slips for the last 3 months, tax notices for years n-1 and n-2) and employment contracts (with a certificate from the employer, if possible, certifying that the employee is still working for the company and specifying the type of contract (permanent or fixed-term contract), especially in the case of applications with an orange or red score).
- ✓ Bank statements for the last 3 months

- ✓ Original national identity card, passport or residence permit
- ✓ Family book and proof of schooling, if applicable (when family allowances are included in household resources)
- ✓ Notification of rights in the event of income from social benefits
- ✓ Consultation of the FICP to check the borrower's status.

ii. For condominiums

Once the decision to carry out renovation work and take out a group loan has been voted by the general meeting of co-owners, the TPF company then examines the financing applications submitted by the co-owners to the managing agent, and will check the applicants' FICP status.

Generally, up to €21,000, TPF companies accept applications from homeowners without examining their income, as long as they are not registered on the FICP list and are up to date with the payment of their proportionate share of common expenses to the condominium.

The following documents will be requested from each co-owner participating in the group loan:

- ✓ Group loan application form duly completed and signed without erasures or interlineations (original document)
- ✓ Completed and signed SEPA mandate for monthly direct debits, without erasures or interlineations (original document)
- ✓ Bank details showing the co-owner's identity and matching the details on the SEPA mandate
- ✓ A perfectly legible photocopy of both sides of each co-owner's national identity card, passport or residence permit - the document must be valid.
- ✓ FICP consultation
- ✓ In addition, if the share exceeds €21,000: a full copy of the co-owner's most recent tax notice.

Special cases

- ✓ If the borrower is a property investment company (société civile immobilière - SCI), or any other company, the loan offer / group loan application is made in the name of the SCI and signed by the manager, who must provide :
 - ▶ A photocopy of his/her valid identity card or passport
 - ▶ A certificate of incorporation (extrait KBIS) less than 3 months' old
 - ▶ The company's up-to-date articles of association
 - ▶ The company's bank account identification document
- ▶ The most recent 2072 return or balance sheet, together with the amortisation schedules of the company's outstanding loans
- ✓ In the event of joint ownership, all the joint owners have to accept the loan. The loan offer/application form and SEPA mandate are completed and signed by the first joint owner. The other joint owners must complete and sign the offer or application form for the group loan and provide a photocopy of their valid identity cards, passports or residence permits.

Property authentication

The property is identified on the basis of an information sheet with the following data:

- ✓ Purchase date and price
- ✓ Net floor area

- ✓ Works previously carried out
- ✓ Programme of works to be carried out

This document is prepared at the audit and works recommendation stage.

Methodology for scoring credit applications from individual borrowers

Scoring refers to the rules used to assess a borrower's ability to repay a loan. The methodology presented below was defined jointly by the existing TPF companies, which then refined it to suit their own use.

Each application is scored based on an analysis of the borrower's financial situation and the property to be renovated.

- ▶ **The expense-to-income ratio** is established according to the following process:

1: Assessment of the household's discretionary income (DI)

This assessment is based on an in-depth examination of the household's budget. Discretionary income is defined as the difference between the household's stable, recurring income streams and fixed expenses.

Stable recurring income streams	Fixed expenses
Salaries (excluding bonuses)	Home loan instalments
Bonuses (extra month's salary, etc.)	Consumer credit instalments
Allowances received for at least 4 years	Lease payments / Vehicle leasing
Pensions received for at least 4 years	Housing expenses (insurance, water, communication, etc.)
	Clothing - (minimum €20/month/person)
	Children's expenses (canteen, activities, pensions paid) - minimum €20/child
	Healthcare - minimum €10/month/person
	Transport: private vehicle maintenance, public transport
	Energy bills before renovation: electricity + heating
	Taxes
	Pensions due
DISCRETIONARY INCOME = TOTAL INCOME - FIXED EXPENSES	

Table 6 : Stable and recurring sources of revenue



2: Assessment of energy savings

The impact of energy savings on the ability of households to repay the direct third-party financing loan will depend on the works programme.

standard energy use is calculated based on the description of the building before renovation and compared with the energy bills for the years n-1 to n-3 if available (owner-occupier households); in all cases, this assessment is supplemented by a post-work questionnaire on how the dwelling is used.

Final energy use after work completion is assessed for each energy vector at the energy audit stage. Behavioural data are also taken into account:

3: Integration of a discretionary income threshold

Household composition	Threshold amount ¹⁴
1 person	€500
Single-parent family (1 parent + 1 child)	€900
Couple	€700
+ per additional person	€200

Table 7 : Subsistence thresholds according to household composition

► **Loan-to-value ratio (LTV) after work completion**

To determine the market value of the property after renovation, the TPF company may use the valuation tool on the Conseil du Notariat’s website integrating all property transactions registered by notaries in France. If the information is not available or the number of property transactions is insufficient, the technicians use their own knowledge of the market.

This is the basis on which **the LTV (Loan to Value) ratio** is calculated, i.e. the ratio between the outstanding capital on home-related loans (acquisition and renovation) and the value of the property.

It is estimated that when **LTV ≤ 80%**, the proceeds from the sale of the property, even in case of an emergency due to family reasons, will cover the debts associated with the property.

$$LTV = \frac{\text{(Home loan+Renovation loan)}}{\text{Net value of the property}}$$

¹⁴ This amount may be increased after careful examination of the population catchment area.

► **Decision chart**

A decision chart is then drawn up based on the estimated household's discretionary income (DI), energy savings, discretionary income threshold (DIT) and the LTV ratio.

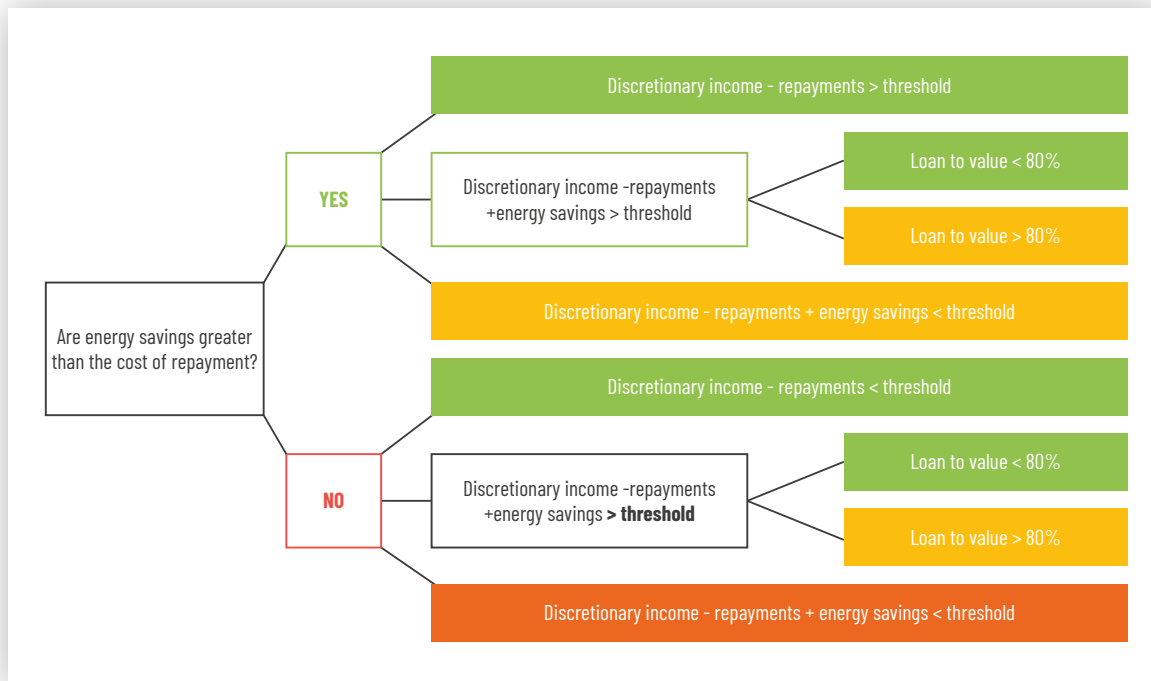


Figure 9: Decision tree based on discretionary income

The decision chart helps identify 3 types of score:

► **Green score (cases 1, 2, 5 and 6): low risk of non-repayment**

These are cases where $LTV < 80\%$ or $DI - \text{monthly instalment} > DIT$. The owner's ability to repay is sufficient to carry out the project. Slight modifications to the project and moderate additional costs may be envisaged during the design and execution phases.

► **Orange score (cases 3, 4 and 7): moderate risk of non-repayment**

The owner's ability to repay is not sufficient to go on with the project without integrating the energy savings generated by the renovation project. Particular attention should therefore be paid to ensuring that initial project costs are not exceeded and that the energy saving target has been met.

► **Red score (case 8): high risk of non-repayment**

These applications cannot be validated by the immediate superior, unless an exception is justified (significant public subsidies contributing to reducing the financial risk, both for the third-party financier (low outstanding amount) and the user

(low monthly instalment), or expectation of a significant reduction in the household's expenses in the near future). Project managers will have to provide additional information or show that the household knows how to manage its budget (no overdraft in the last three months, no more than one consumer loan) to defend the application. The final decision is taken by the Managing Director after presentation of the application to the Credit Committee.

For back-testing purposes, the TPF company will work with other third-party financing companies on developing a behavioural matrix integrating a number criteria: socio-professional category, type of employment contract, bank account management, etc. The scoring method will be adapted if a correlation can be made between the borrower's rating and payment defaults.

¹⁵ Back-testing consists of testing the relevance of a model or strategy using a large set of historical data.

Decision-making process

At the initial stage of the TPF company activity, all managers take part in the decision-making process so that the loan-granting procedure can be shared and disseminated.

A Credit Committee, whose meeting frequency will depend on the volume of applications, is set up to examine the technical and financial implications of all high-risk applications.

Risk division

In addition to this case-by-case analysis, the Credit Committee is also responsible for ensuring that the following limits are complied with:

- ✓ High-risk loans: the company's lending policy may stipulate that the number of outstanding loans with an orange or red score must not exceed a certain percentage, for example 12% and 2%, respectively.

- ✓ In France, regulations set risk concentration limits for TPF companies: for individual loans, no single counterparty (i.e. no single borrower) may account for more than 5% of the amount of outstanding loans granted by the TPF company, and for group loans, the limit is set at 1%.

Collateral

In principle, no **personal surety**¹⁶ is required. However, if the owner does not meet the loan conditions (red score), or if the surety company does not agree to stand surety for the borrower, the owner may be asked to provide a family or other guarantor.

In the case of a family guarantor, the guarantor will be assessed as if they were the borrower, without taking account of future savings on energy bills.

Loan-granting procedures

Loan offers for financing work on single-family homes or condominiums are based on the same loan contract model (financing offer, acceptance of the offer).

- ▶ A deferred capital repayment period covering the duration of the works may be included.
- ▶ The loan term is between 15 and 25 years, possibly 10 years.
- ▶ Repayment is to be made on a monthly basis.
- ▶ Early repayment, in whole or in part, is possible without penalty, provided a minimum repayment amount is complied with.

articles L.381-1 and L.381-3 of the French Construction and Housing Code, L.511-6 of the French Monetary and Financial Code, 26-4 to 26-8 of Law no. 65-557 of 10 July 1965 establishing the co-ownership status of built-up properties and L.312-2 et seq. of the French Consumer Code. Once the Credit Committee has validated the loan offer, it is sent to the borrower and, if applicable, to the co-borrower. The offer comes with a 14-day cooling-off period.

The draft contract subscription and provisions must comply with current regulations. In France, they must meet the requirements of

Once the cooling-off period has expired and provided the TPF company has received the accepted and signed offer, the funds are released within 7 days, with prior agreement from the Finance Manager.

Preparation of the application for ACPR authorisation

French TPF companies must obtain authorisation from the French banking authority (ACPR - Autorité de contrôle prudentiel et de résolution), a statutory body of Banque de France, to offer loans. This authority is responsible for supervising the banking and insurance sectors. It ensures that the stability of the financial system is preserved and that customers are protected.

An appointment is made with the ACPR to introduce the project and present supporting documents showing that all the conditions to set up a loan-granting activity are met.

These documents must provide information about:

- ▶ The company's equity capital, which must be at least 2 million euros according to French law, although in practice 5 million euros were required from the latest TPF companies which applied for authorisation,
- ▶ The credit line for refinancing purposes,
- ▶ A description of the TPF company's organisation and resources:
 - ▷ Presentation of advisory services and financing procedures,
 - ▷ Models of contracts used with private individuals (in particular, financing contracts) and refinancing agreements are presented in the appendix,
 - ▷ Description of the business plan.

¹⁶ A personal surety is a person who undertakes to repay a debt if the principal debtor fails to do so. In everyday English, this person is called a guarantor.

4.2.2.2 Defining the indirect financing offer

Some local authorities may decide to set up a third-party financing company to boost renovation but do not want to get into the lending business. In that case, banking partnerships are the solution. To be able to refer households to its banking partners, the TPF company must first obtain approval as an intermediary in banking operations and payment services (intermédiaire en opérations bancaires et en services de paiement - IOBSP). All French TPF companies have obtained this approval.

When looking for bank partners, the TPF company must demonstrate its added value:

- ▶ Technical supervision of the renovation project by a TPF company guarantees the quality of the work. The bank is reassured as to the value of the renovated property, which is considered an asset of the bank until the loan has been repaid in full.
- ▶ Application for financial aid is monitored by the TPF company; the bank knows with certainty that the household will obtain the aid.
- ▶ Borrowers' incomes are slightly increased as the renovation will result in reduced energy bills, and TPF companies usually obtain below-market prices from contractors.
- ▶ Default rates on projects monitored by a TPF company are very low, close to those on home loans.
- ▶ If a regulated interest-free eco-loan (eco-PTZ) is put in place, the TPF company can help the bank with drawing up the loan offer as these loans require technical information about the project. TPF companies are key partners when it comes to providing technical support and can answer any questions bank advisers may have about the renovation project and the interest-free eco-loan.

Feedback: indirect third-party financing in the Grand-Est Region (SEM Oktave)

After 5 years of discussions with Caisse d'Épargne, a mutual savings bank and one of its shareholders, SEM Oktave signed a partnership agreement with Caisse d'Épargne Grand-Est in December 2023. The agreement stipulates that:

- ▶ Oktave shall refer all customers wishing to apply for an eco-PTZ to Caisse d'Épargne, especially those who have a bank account with another financial institution.
- ▶ Households who do not meet the bank's solvency criteria will benefit from a guarantee fund set up by the Grand-Est Region (fund under construction in 2024).
- ▶ Oktave's third-party financing advisers prepare the applications for financial aid, check that the project can be financed, and assist homeowners with their eco-PTZ loan application.

A wider partnership with banks is being considered. French TPF companies are working with financing partners (including banks) on the "FIDEO - the renovation bank" project to create a financing company specialising in energy-efficient renovation. The aim of this company is to:

- ▶ Offer loans to customers banks are unwilling to lend to. The application for ACPR authorisation will be based on the granting method applied by TPF companies and inspired by micro-credit (risk analysis based on the household's "discretionary income").
- ▶ Handle the complexities associated with the financing of renovation projects and the integration of technical criteria into the loan-granting process (a major difficulty for banks), drawing on the expertise built up and deployed by TPF companies over the last ten years.



Financing glossary

- ▶ **Refinancing:** procedure by which a credit institution or finance company (or in this case a TPF company) can obtain financial resources from the European Central Bank or on the money market.
- ▶ **Usury rate:** in France, the usury rate is the maximum legal rate that credit institutions are allowed to charge when granting a loan. It is intended to protect borrowers from possible abuse. This rate is set each quarter by Banque de France.
- ▶ **S rate:** the tax credit compensating lenders for not charging interest rates is based on an average rate calculated each quarter on the basis of the various rates for different loan maturities observed on the interbank market.
- ▶ The methods for calculating this compensation financed by the State are specified in Articles 49f ZZB and ZZB bis of Annex III to the French General Tax Code, introduced by Decree no. 2019-839 of 19 August 2019 relating to repayable interest-free advances used to finance renovation work to improve the energy performance of dwellings.
- ▶ The rate used to determine the compensation amount is set each quarter on the basis of the “zero-coupon interest rates” for different loan maturities observed on the inter-bank market over a one-month period in the previous quarter. This “S rate” is applied to the amount of loans for which a loan offer has been made during that same quarter. To this rate are added premiums of :
 - ▷ 1% p.a. for individual eco-PTZ loans
 - ▷ 2.2% p.a. for group eco-PTZ loans.
- ▶ **Scoring:** for a financial institution, scoring means assigning a score to a borrower in order to determine their creditworthiness. The aim is to assess the risk of non-repayment of a loan granted to this customer.
- ▶ **LTV (Loan to Value) ratio:** ratio between the outstanding capital on home loans (acquisition and renovation) and the value of the property.

4.2.3 Definition of the TPF company's functional organisation

Organising and coordinating the service journey on the geographical scale at which the TPF company operates requires support from local actors, who are also instrumental in building a close relationship with users. To support homeowners and condominiums throughout their renovation process, the TPF company will rely on technical advisers who will either be employees of the third-party financing company, or service providers selected through a public procurement process¹⁷.

In the latter case, specifications will have to be drawn up for the tendering procedure. These specifications can also be used to specify the quality and energy efficiency standards to be achieved under agreements with public inter-municipal cooperation establishments (EPCIs) and by the TPF company's own teams. In both cases, the service journey should be defined from the point of view of the users/ customers and resources should be assigned so as to provide uniform support conditions across the area and ensure that the required criteria in terms of quality and performance are met.

The diagram below shows how the various phases of the service journey can be divided between the various players.



¹⁷ If the TPF company is a public corporation (Régie or SPL), these advisers may be employees of the local authority, depending on the agreements signed with the company.

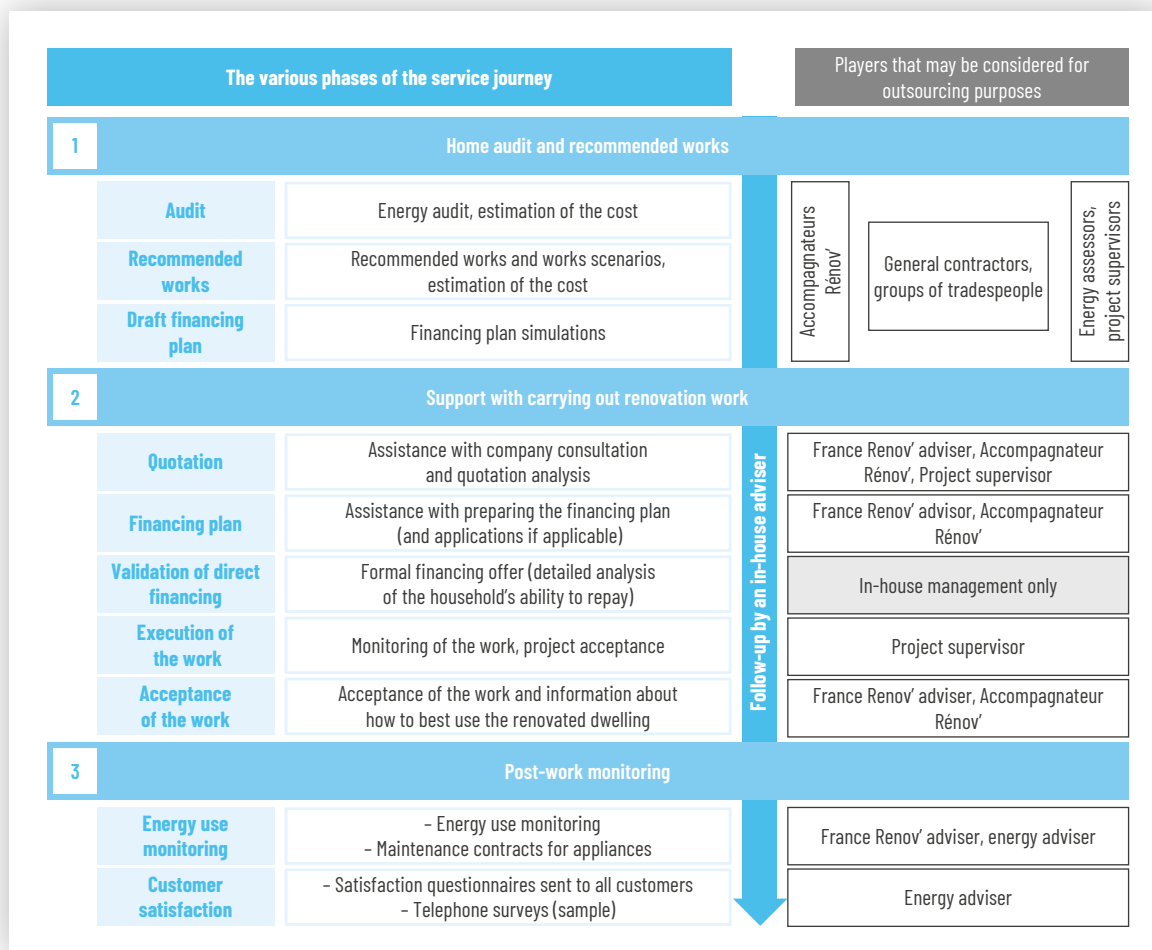


Figure 10: Stages in the service path

When starting up the TPF company, the first task of the newly appointed General Manager will be to set up the management team. This team will initially carry out all the tasks described in appendix 4.2 "Description of the TPF company team", and will then recruit new staff as and when the business growth targets set out in the business plan are reached.

The skills required include general business management skills (corporate management, business management and financing, communication and marketing, quality monitoring, partnerships, etc.) and skills specific to the third-party financing business.

These specific skills differ depending on the position considered:

- Technical advisers:** they have a technical background in building energy performance and project management skills. They oversee the project from start to finish. Generally, these positions focus on a specific target group (single-family homes or condominiums).
- Financing offer advisers:** they have expertise in financing. They are responsible for issuing the loan offer in the case of direct third-party financing and work closely with the technical adviser. They analyse the household's ability to repay the loan, issue the loan offer and draw up the contract.

- Head of internal control** (usually the person in charge of managing the company), a position required in the case of lending activities.

Technical adviser positions may be outsourced in whole or in part, while financing offer adviser positions are always in-house positions. It should be noted that job titles may vary from one TPF company to another.

TPF companies are also organised into several departments:

- A technical department:** coordinated by the technical manager, this department is composed of staff in charge of technical support (technical advisers, heat technicians) and quality control.
- A finance department:** coordinated by the Administration and Finance Manager, this department is composed of staff in charge of processing loan offers (financial officers, financing offer advisers). The finance department is responsible for permanent first-level control, as required in the case of financing activities.
- A marketing/sales department.**

4.2.3.1 Specific organisational features in the case of direct third-party financing

The standard organisational structure of a third-party financing company offering loans must meet the regulatory requirements regarding loan transactions..

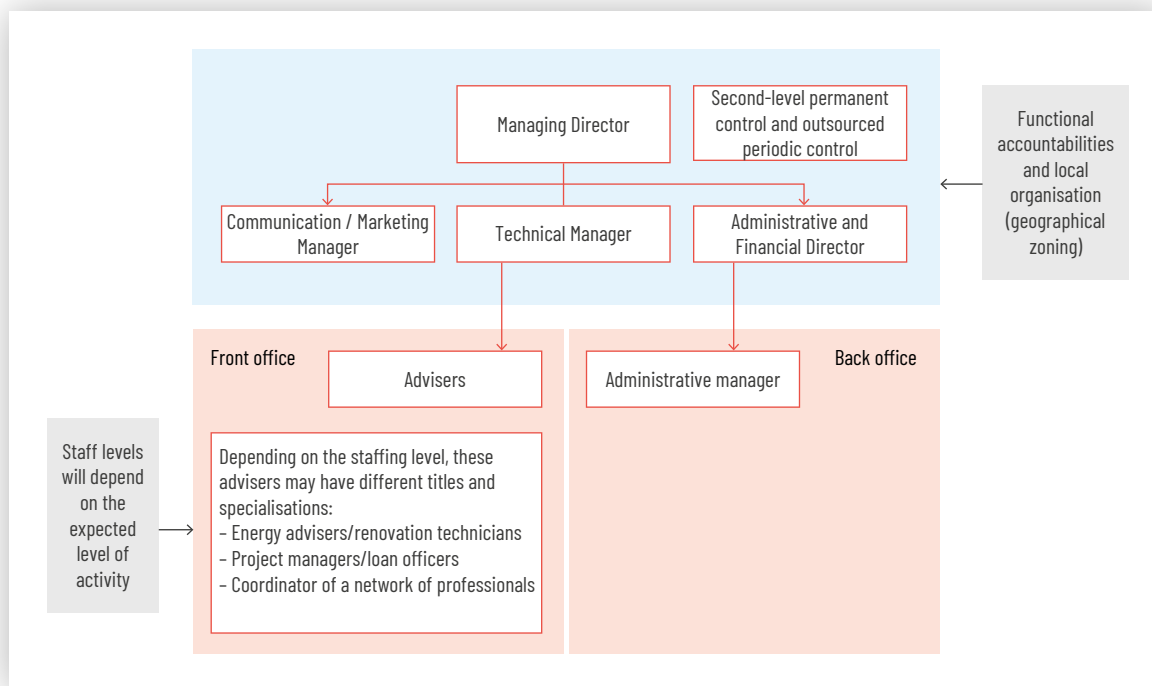


Figure 11: Specific organisational features in the case of direct third-party financing

The company’s organisational structure must contribute to monitoring and controlling the risks inherent to its financing activity, while ensuring that sufficient resources are available to engage in this activity.

Internal control involves three types of control:

1. Permanent control and risk management:

- a. first-level controls: these are operational controls integrated into the company’s business processes and performed by the heads of the technical and finance departments under the supervision of the General Manager.
- b. second-level controls, which include permanent risk controls, are performed by:
 - ▶ in-house expert services,
 - ▶ an independent firm once all processes have been implemented (these controls concern all credit activities and aim at controlling the company’s operational and credit risk, as well as compliance risks).

2. Periodic control (third-level control):

It is performed by an independent audit team, whose role is to verify the effectiveness of permanent control and compliance auditing and to provide reasonable assurance that the objectives are being achieved and that risks are under control.

3. Compliance auditing:

The purpose of this regulatory surveillance of the credit activity is to ensure that the TPF company complies with regulatory obligations regarding its internal processes. The aim is to protect customers by ensuring that the company’s employees comply with best professional practice.



These internal control systems are integrated into the company's functional organisation as follows:

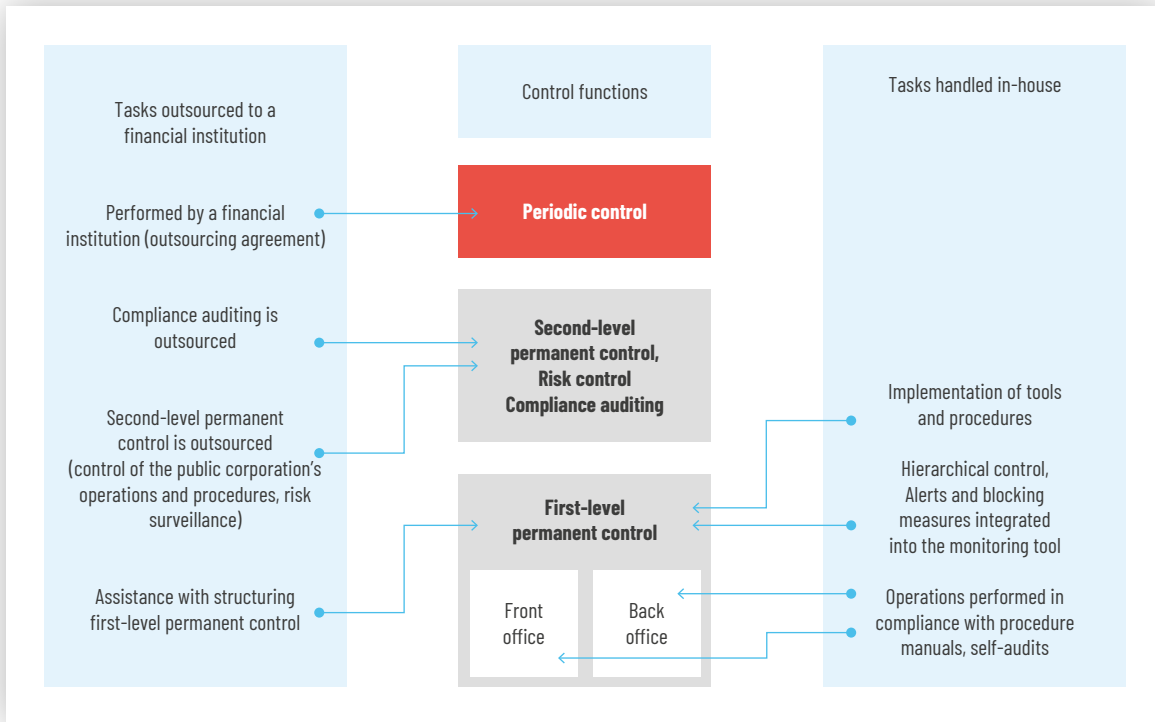


Figure 12: Internal control mechanisms in the case of direct financing

4.2.3.2 Specific organisational features in the case of indirect third-party financing

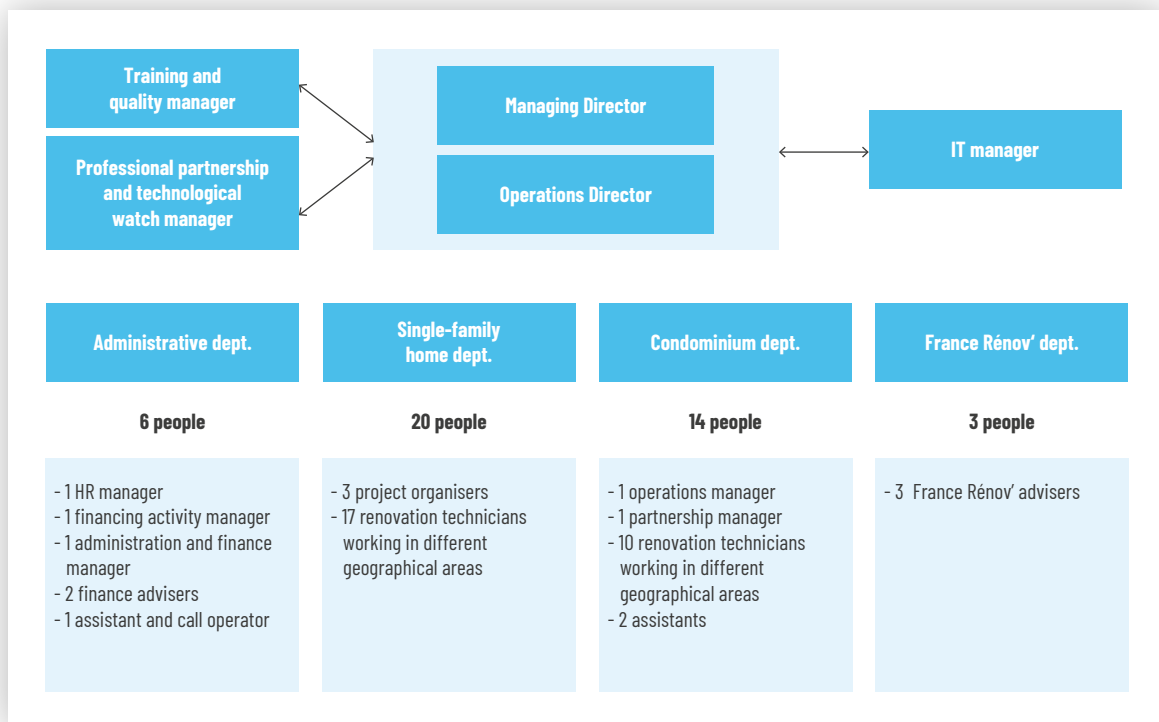


Figure 13 - Organisation chart of a TPF company offering indirect third-party financing (Oktave)

4.2.4 Preparation of the business plan

4.2.4.1 A business plan? What for?

Drawing up a business plan for the future TPF company involves assessing the resources needed to set up the company and then expand its activity during its first years of operation. It also helps ensure that these resources are in line with the company's objectives and can be used to test the sensitivity of key assumptions.

The business plan is therefore an essential tool when it comes to trading off financial and human resources between the in-house team and external providers, depending on how the company intends to position itself in the market.

A step-by-step description of the main components of a TPF company's business plan is provided below.



4.2.4.2 Main assumptions

The purpose of the business plan is to quantify the various elements of the business model, in particular the services provided (technical support and financing offer).

Key business plan milestones

Before tackling this quantification phase, we recommend that you start by setting the project schedule: defining the various project stages and milestones will help you get it right the first time!

TIMEFRAME	Semester 1	Semester 2	Semester 3	Semester 4
Main phases	Prefiguring the TPF company	Validation of legal aspects Decision to set up the company	Operational implementation	Communication campaign
Intermediate steps	1. Prefiguration phases for the various activities (6 months)	1. Validation of the corporate form (2 months) 2. Round of shareholder financing (SEMs) 3. Intermediate phase for organising the activity (SPLs) (3 months) 4. Preparation of the instruments of incorporation (2 months)	1. Recruitment / appointment of the TPF company's general management team (duration ?) 2. Application for ELENA funding, the EU technical assistance facility (2 months) 3. Implementation of the procedures for collecting and marketing CEEs, and selection of tools (2 months) 4. Environmental assessment and reporting: identification of monitoring indicators in line with ERDF requirements and technical assistance contract (1 month)	1. Preparation of the regional operator's communication campaign (2 months) 2. Development of the various sales support materials (5 months)

Figure 14: Prospective timeline for the establishment of a TPF company.

Drawing up a business plan on a spread sheet requires careful thought to be given to the various milestones and stages. Unlike numerical assumptions, which can be easily modified in a cell, any changes to the schedule itself will mean changing the structural design of the file, thus increasing the risk of errors.

Special attention should also be given to defining the most appropriate time interval: we recommend a quarterly or monthly interval for the first three financial years, and annual consolidations for the following years.

Characterising the different types of renovation

The first step for a TPF company is to determine the types of housing that should be renovated as a priority to meet the expectations of local authorities (single-family homes / condominiums / peri-urban housing, etc.).

A standard renovation programme is then developed for each of the defined target groups. This will be used to assess the impact of the activity in terms of investments and financing requirements, and also in terms of energy savings and reduction in greenhouse gas emissions.

Financing plan					
Coûts			Ressources		
Total renovation costs including VAT	€ incl. VAT / project	€75,000	Amount of subsidies paid directly to the TPF company (right of subrogation)	€ / project	€20,600
Of which: amount (incl. VAT) related to energy efficiency improvements	€ incl. VAT / project	€65,000	Loan amounts:		
Of which: other investments	€ incl. VAT / project	€10,000			
			Individual Eco-PTZ for "deep renovation"	€ / project	€45,000
Support services billed (integrated in the financing offer)	€ incl. VAT / project	€5,990	Long-term loan issued by the TPF company	€ / project	
			Self-financing	€ / project	€15,390
Total costs:		€80,990	Total resources:		€80,990

Table 8: Example of assumptions to be considered when setting up a financing plan for the renovation of single-family homes

Features	Unit	Hypothetical value
Average floor area	m ²	109
Energy use/year before renovation (nominal)	KWh/year of primary energy	290
Energy use/year before renovation (based on invoices)	KWh/m ² /year of final energy	208
CO ² emissions before renovation / year	Kg/m ² (Kg/m ²)	64
Average cost of work aimed at reaching BBC (low-energy building) standard	€/m ²	700
Average cost of work aimed at delivering 40% energy savings	€/m ²	450
Proportion of renovation work aimed at reaching BBC standard	% of renovation work	30%

Table 9: Example of assumptions to be considered when assessing the characteristics of single-family homes

Financing plan					
Costs			Resources		
Total renovation costs including VAT	€ incl. VAT / unit	€30,000	Amount of subsidies paid directly to the TPF company (right of subrogation)	€ / unit	€12,000
Of which: amount (incl. VAT) related to energy efficiency improvements	€ incl. VAT / unit	€24,000	Sale of energy savings certificates (CEE)	€ / unit	€800
Of which: other investments	€ incl. VAT / unit	€6,000	Loan amounts		
Support services billed (integrated in the financing offer)	€ excl. tax / unit	€600	Share of group ecoPTZ loans	€ / unit	€16,000
			Self-financing	€ / unit	€1,800
Total costs:		€30,600	Total resources:		€30,600

Table 10: Example of assumptions to be considered when setting up a financing plan for the renovation of condominiums

Features	Unit	Hypothetical value
Number of units	Nb	50
Average floor area	m ²	60
Energy use/year before renovation (nominal)	KWh of primary energy	260
Energy use/year before renovation (based on invoices)	KWh of final energy	187
CO ² emissions before renovation / year	Kg/m ² (Kg/m ²)	58
Average cost of work aimed at reaching BBC standard	€/m ²	480
Average cost of work aimed at delivering 40% energy savings	€/m ²	400
Proportion of renovation work aimed at reaching BBC standard	% of renovation work	50%

Table 11: Example of assumptions to be considered when assessing the characteristics of condominiums

Note: the financing plan for the renovation of a standard single-family home or condominium unit integrates the support services invoiced by the operator, which may also be included in the financing offer. In the vast majority of cases, what remains to be paid by the household can be financed via an interest-free eco-PTZ loan, which is a very attractive product. Some households, however, refuse to get into debt. That is why we recommend including a self-financing section in the financing plan and anticipating the fact that a number of applications will have no loans attached.

Assumptions about project progress

The specific service journey that will be developed for each target at implementation phase must be anticipated in order to evaluate the time spent per type of skills at each stage, and thus estimate the cost of support activities (see below).

In France, the SARE (Service d'accompagnement à la rénovation énergétique) home energy renovation support programme – and more recently, the regulations defining the “Mon Accompagnateur

Rénov (MAR)” support path for the renovation of single-family homes – have contributed to standardising the various stages of the service journey. We recommend following the same succession of stages as this will ensure that the costs associated with each stage coincide with the procedure for the payment of subsidies.

Also remember to report not only the time spent, but also the average duration of the projects in order to obtain a realistic vision of the number of renovation projects you will be able to achieve.

Phase	Duration	
Audit	2	quarters
Renovation work	1	quarter
Post-work monitoring	12	quarters, i.e. once a year over 3 years

Table 12: Example of assumptions used to evaluate the duration of each stage, the time spent by type of skills, and the conversion rate between the different phases, for single-family home renovation projects

Conversion rate and time gap between support stages - single-family homes

From initial contact to the audit phase when a TPF company is involved

Conversion rate	20%	Time gap	-	quarter(s)
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From the audit phase to work execution

Conversion rate	50%	Time gap	3	quarter(s)
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Stages of the service journey for condominiums		
Phase	Duration in quarters	
Prospecting	1	quarter
Studies/Audit	2	quarters
Renovation work	4	quarters
Post-work monitoring	12	quarters, i.e. once a year over 3 years

Table 13: Example of assumptions used to evaluate the duration of each stage, the time spent by type of skills, and the conversion rate between the different phases, for condominium renovation projects

Conversion rate and time gap between support stages - condominiums

From the prospecting phase to the study phase

Conversion rate	10%	Time gap	-	Quarter(s)
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From the study phase to work execution

Conversion rate	50%	Time gap	3	Quarter(s)
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The conversion rate assumptions between the initial phases and work execution have a significant impact on the potential number of renovation projects you will be able to support.

Business growth assumptions

Assumptions as to the number of projects you will be able to support once the activity has reached cruising speed and the time it will take you to get there depend on the willingness of political decision-makers and their level of awareness of the urgent need to roll out an ambitious policy promoting energy-efficient renovations.

The detailed assessment of the duration, resources needed and conversion rate at each stage of the journey (your resources), combined with the target number of projects you expect to reach (your ambition), will give you a realistic idea of what you can expect in terms of business growth.

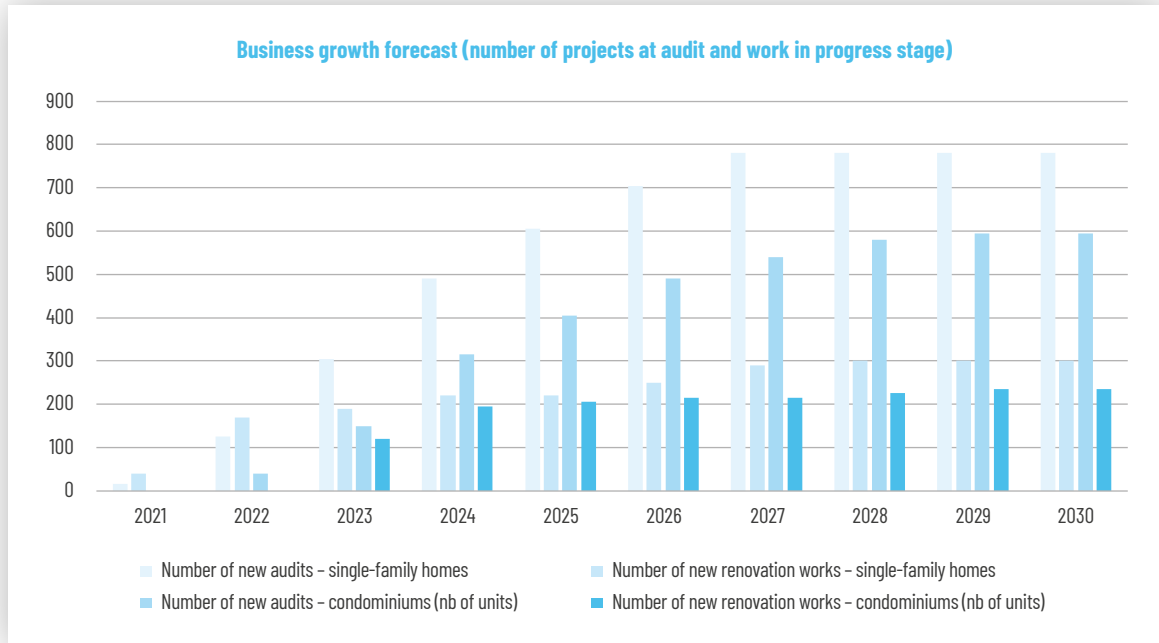


Figure 15: Example of assumptions made by a TPF company when setting up its business plan

4.2.4.3 Estimation of operating expenses

Fixed and variable costs

Within the different categories of costs, it is important to distinguish between those that vary according to the level of activity (variable costs) and those that are linked to the organisational structure of the company and do not depend on its activity.

In order to generate a profit, the activity must reach the level at which fixed costs are covered by the difference between sales and variable costs: this level of activity is referred to as the break-even point.

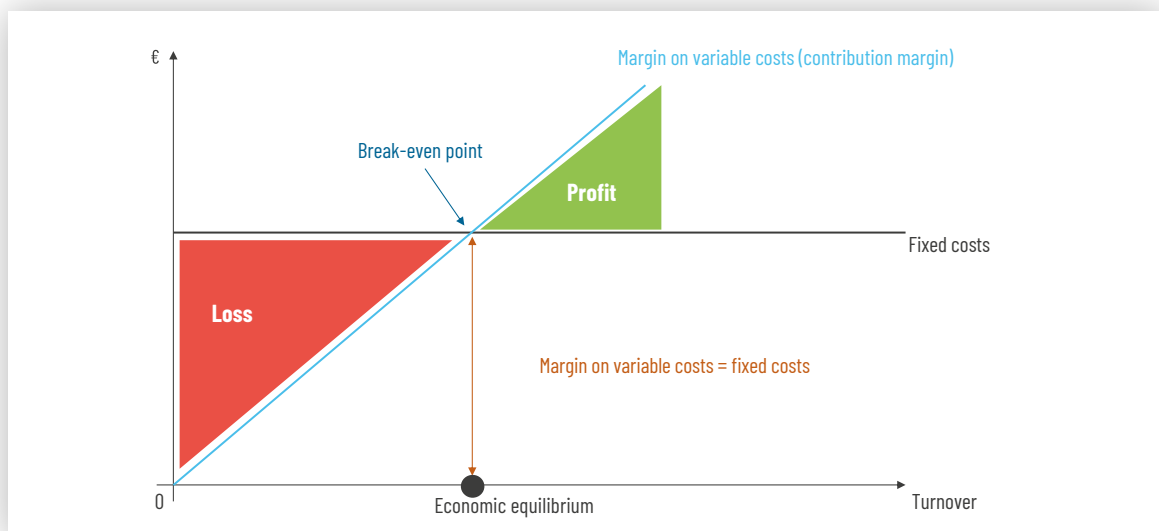


Figure 16: Diagram illustrating how break-even point is determined

Wage costs

Wage costs are the company's main operating expenses, at least in the first few years.

Wage costs that can be considered as fixed costs are for:

- ▶ **The management team:** 3 senior managers are generally needed to assume general management responsibilities as well as technical, administrative and financial control functions; this team will gradually be supplemented with middle management positions:
 - ▷ Heads of department
 - ▷ An executive assistant
 - ▷ A management controller
 - ▷ Project managers, who may be :
 - Staff advising individual homeowners or condominiums on technical matters (responsible for planning the work and the associated financing plan)
 - Staff advising homeowners or condominiums on financing offers (in charge of issuing and processing loans)
- The number of full-time equivalents (FTEs) assigned to each of these positions and their annual gross salary should be determined when drawing up the TPF company's business plan.

This means that proper consideration should be given to the company's provisional organisation chart as soon as the business plan is drawn up.

The **variable costs** associated with human resources concern support activities. They will depend on to what extent **support and technical advice services** are outsourced: will the TPF company use the services of external operators? If so, for what projects? At what stages of the support journey? In what geographical areas?

Whether you are estimating the number of FTEs necessary to provide advice on renovation projects or the cost of outsourcing this service, you need to start from the **estimated workload per project**, which will depend on the type of dwelling (single-family home or condominium), its size and complexity, and the role played by the TPF company (owner assistance, project supervision, etc.). In the financing plan, assumptions will have to be made about the time spent by each FTE on each project.

The following tables show how this can be done for single-family homes and condominiums.

	Prospecting	Audit	Renovation work	Post-work monitoring* *
Single-family homes *		1,1	2,3	0,3
Condominiums (around 90 units)*	1,3	35	75	2

** Number of days per year over 3 years, whereas in the previous phases, time spent is per operation.

Table 14: Estimation of time spent on support services (number of days per project) for single-family homes and condominiums

For single-family homes, the variable costs of providing support to homeowners, on a per-home basis, represent significant amounts: from €1,600 to €2,000 excluding VAT for direct support costs (not including the fact that more time is needed when dealing with vulnerable people).

For condominiums, the time spent depends on the size of the condominium, as part of the support cost is fixed, whatever the size of the building. And it is particularly difficult to obtain funding for

technical studies at both the preliminary and detailed design stages for very small projects. The average engineering cost (excluding VAT) for one unit may therefore range from €500 in very large condominiums to €1,000 in condominiums of 150 units and even €1,700 if the condominium has only thirty or so units. Actual cost also depends on the architectural features of the building.

This is why an alternative method is recommended for condominiums.

Alternative method for assessing the cost of support services in condominiums:

Considering that each condominium is a special case and that the factor limiting the volume of activity is the availability of staff with owner assistance and project supervision skills, some TPF companies use staff and related cost forecasts (number of FTEs and associated payroll) to assess their operating costs and then bill their services based on an estimation of the number of work days required.

Here, the number of work days is the result of a specific calculation and not just an assumption used to evaluate the components of the business plan.

Other operating expenses

Other fixed operating costs generally relate to **external services supporting** the TPF company's activity: communication and marketing, periodic control¹⁸, legal assistance and data system development costs represent a significant share of the company's annual costs. And even greater expenses are generally required to put processes in place when starting up the company.

			Additional budget at start-up phase
Communication - Marketing	€ excl. VAT per year	€30,000	€200,000
Periodic control	€ excl. VAT per year	€55,000	
Legal assistance	€ excl. VAT per year	€15,000	€30,000
Development of the data system	€ excl. VAT per year	€40,000	€70,000
Total amount	€ excl. VAT per year	€140,000	€300,000

Table 15: Example of an annual budget when using specialist external service providers

The SERAFIN network set up as part of the ORFEE and "FIDEO-the renovation bank" projects has made it possible to pool resources by centralising the design and maintenance of some tools, thereby reducing fixed costs for all members.

Costs related to the company's workforce and its development, in particular the annual cost associated with business premises and the workplace environment, are also operating costs. Depending on the

rental agreement, these costs may be regarded as fixed or variable (if assessed on the basis of the number of FTEs).

Changes in the TPF company's operating expenses and workforce

Breaking down the service journey into stages and calculating the time spent at each stage gives an objective idea of the resources needed per project. Otherwise, it would be extremely difficult for the TPF company to assess them, as the support process involves a lot of waiting time.

However, business growth forecasts will depend on the TPF company's ambitions and commercial strategy, which in turn are conditioned by the renovation potential in the local area and the level of activity required to benefit from aid from the ELENA technical assistance facility¹⁹ for example.

Other limiting factors also need to be considered, such as the lack of locally available staff with the required skills, and the length and complexity of the whole process, from the selection and processing of applications to actual renovation work.

Staff numbers, and therefore labour costs, are gradually increasing in all TPF companies. It is difficult to give an average rate of increase, as the decision to hire staff and/or use external service providers heavily depends on the strategic decisions that are taken to adapt the company's activity to a new environment, for example the successive reforms of renovation subsidies in France and the new Mon Accompagnateur Rénov' scheme.

However, the following data give an order of magnitude:

- ▶ Île de France Energie was created in 2013 with a staff of 4. The in-house team grew to 11 FTEs five years later, in 2018, and to 17 in 2023 (1.3 FTEs per year).
- ▶ Oktave has seen the strongest growth: this mixed-ownership company had 4 employees when it was set up in 2018, vs. 38 FTEs in 2023 (6.8 FTEs/year).
- ▶ Hauts-de-France Pass Rénovation had 5 FTEs when it was set up in 2014, 13.4 FTEs five years later in 2019, and 21.4 FTEs in 2023 (an average increase of 1.5 FTEs/year). The following table shows how additional staff was distributed within the company:



¹⁸In the banking sector, periodic control refers to the auditing of all procedures and is distinct from permanent control, which is performed by in-house teams and integrated into the company's routine processes.

¹⁹The ELENA technical assistance is a European grant TPF companies can apply for in their start-up phase.

	2014 (start)	2019	2023
In-house team	4.75	13.4	21.4
Of which :			
▀ Management (executives)	- 1	- 3.6	- 5.4
▀ Other (non-executives)	- 1.7	- 2	- 2
▀ Renovation advisers: technical support	- 1.8	- 4.8	- 6
▀ Back office: loan offer processing	- 0.2	- 3	- 8
Number of external advisers providing owner assistance services	0	28	50
▀ Of which: number of single-family home advisers	- 0	- 28	- 50
▀ number of condominium advisers	- 0	- 0	- 0
Total number of advisers (in-house and external)	1,8	32.8	56
▀ Advisers dedicated to single-family homes	- 1.8	- 30.8	- 53
▀ Advisers dedicated to condominiums	- 0	- 2	- 3

Table 16: Changes in the Haut-de-France Pass Rénovation workforce

4.2.4.4 Identifying operating income

To cover their fixed and variable costs, third-party financing companies can rely on the following revenue streams:

- ▀ Billing households for the services provided (advice and support), including thermal and architectural audits;
- ▀ Selling the energy savings certificates generated by the energy renovation project.

Operating income from the sale of services

The sale of advice and support services accounts for most of the TPF company's variable income. This revenue stream is influenced by the following factors:

- ▀ A distinction is made between the **different types of support provided** and the amount charged for each of them:
 - ▷ **Technical support only:** the TPF company helps the households build their renovation project, but does not assist them with financial aspects.
 - ▷ **Technical and financial support:** the TPF company helps plan all aspects of the renovation project in terms of works, contractors, work scheduling and monitoring, including financial aspects (with the possibility of third-party financing).

In addition, all third-party financing companies have applied for a grant from the ELENA European technical assistance facility to finance their first years of activity.

Estimates are made that will be used to set a price for the services provided, which may be fixed or variable depending on the type of support. For single-family homes, prices are generally fixed. For condominiums, they usually vary and depend on the number of units or the amount of time required.

Under the "Mon Accompagnateur Rénov" scheme, homeowners receive a subsidy, whose amount may vary, to cover the cost of support. Most TPF companies charge variable prices depending on the subsidy amount received.

Collecting and trading energy savings certificates (certificats d'économies d'énergie - CEE)

Due to their leading role in the technical preparation and financing of energy-saving measures, TPF companies are "eligible" for the CEE trading scheme. TPF companies register the certificates in their name for the operations they have set up and then collectively negotiate the consolidated volume of CEEs.

- ▶ the number of CEEs collected by TPF companies, i.e. generated by the energy-efficiency measures they support and registered in their name.
- ▶ the practices of CEE brokers who may offer bonuses or purchase vouchers.

The trading of CEEs generated by renovation works carried out under the control of TPF companies was at first considered a key source of revenues contributing to their profitability. But to comply with market practices, part of this resource was gradually returned to households in the form of bonuses and is therefore no longer used to finance the cost of the service. It is estimated that only 25% of the value of the CEEs collected remain with the TPF company.

The stricter controls carried out by the national organisation in charge of controlling CEEs have also resulted in a significant increase in CEE managing costs.

And with the announcement that CEEs generated by energy-efficiency measures implemented through the "Mon Accompagnateur Rénov" scheme will be traded directly by the National Housing Agency Anah, even fewer CEEs are expected to be collected by TPF companies and other market players.

Additionally, the variables applicable to these remaining 25% are extremely volatile. The estimated value of CEEs indeed depends on:

- ▶ their market price, which fluctuates (we assumed a €8/MWh cumac²⁰ price). Annual changes in CEE prices are shown in appendix 4.3 "Changes in the average annual price of CEEs and CEEs "fuel-poverty".

All these developments tend to suggest that CEEs will become an increasingly marginal resource in the business plans of TPF companies.

Other resources

Other possible resources include:

- ▶ Available subsidies
- ▶ The interest margin on direct third-party financing (i.e. the difference between the interest charged to households and the interest paid by the TPF company on its refinancing lines).

i. The various subsidies available to TPF companies

The business plan may include several types of subsidy:

- ▶ **The ELENA technical assistance facility** from the European Investment Bank (EIB); any project promoting energy efficiency investments is eligible for grant support and all TPF companies benefited from it in their start-up phase. For example, Centre-Val-de-Loire Energies received €1.7m after applying for assistance to the EIB services (they also applied for a long-term refinancing line, see below). This amount represented 90% of the TPF company's development expenditure and was used to help finance €28.4m of renovation work (leverage effect of x 17.8).
- ▶ Until the end of 2024, and with a view to consolidating the Mon Accompagnateur Rénov' scheme, some TPF companies will be entitled to payments from the SARE programme. However, as many local authorities have decided to use this resource to finance the various operators of the Espaces Conseil France Rénov' network, the residual resources actually available to TPF companies are highly uncertain.
- ▶ **The European Structural Funds, in particular the ERDF**, have been used mainly by Régie du SPEE des Hauts de France.



²⁰Price assumed in December 2023.

The business plan exercise highlights the fact that public funding is needed to complement income from the sale of services.

This is all the more true as CEEs are highly volatile resources that are costly to capture.

The challenge is to clarify and build a contractual framework formalising the fact that the TPF company provides a public service and that the public funding required complies with State aid rules.

The most appropriate framework would appear to be that of a local public service of an industrial and commercial nature carrying out missions of general interest. Such a framework would indeed:

- ▶ meet the needs of the most underserved market segments,
- ▶ contribute to applying the “energy efficiency first” principle promoted by the European Directive on the energy performance of buildings.

The fact that TPF companies are integrated into the “Mon Accompagnateur Rénov” scheme, which is assimilated to a public service for the energy performance of housing²¹ in the French Construction and Housing Code, lends even more weight to this argument. A parallel can be drawn with other public services, like transport or healthcare, which require permanent public support to be accessible to all citizens.

TPF companies would then be entitled to receive a contribution enabling them to fulfil their public service obligations, the amount of which should enable them to cover the costs of said obligations.

ii. Income from direct financing activities

TPF companies offering direct loans to the households they support are paid interests. These interests are intended to cover the cost of the refinancing line they have to take out to finance their lending activities. The interest margin thus generated contributes to the TPF company's economic equilibrium.

A modelling of the TPF companies' direct financing activity at the business plan stage is presented in section 5.2.

4.2.4.5 The capitalisation of TPF companies

TPF companies must have enough equity to:

1. Finance their operating cycle and working capital requirements, despite the significant time interval between initial advice to homeowners and the moment the bill is paid or the subsidies received.
2. As mentioned previously, TPF companies wishing to offer direct loans are required by law to have at least €2 million in equity. In practice, a much higher amount is requested to comply with the liquidity ratios.

The decision to develop a direct lending activity therefore has a direct impact on the level of equity needed at start-up stage.

²¹ Chapter II: Public service for the energy performance of housing (Articles L232-1 to L232-3)

Organising the TPF company's capital ownership

Once this strategic choice has been made, potential shareholders have to be identified and their respective holdings in the company determined, starting with the public player at the origin of the project, followed by groups of public inter-municipal cooperation establishments (EPCIs), local authorities and, depending on the company's articles of association, any private players²².

Preparing a business plan involves making some growth assumptions for the various activities, including in terms of new capital increases. These are likely to take place in the first 2 to 3 years and should therefore be planned for as soon as the first round of financing is organised.

All prospective shareholders at incorporation stage should anticipate these capital increases in their multi-year financing plans, depending on the percentage of the share capital they want to have. It is also advisable to remain in close contact with all the players who have expressed an interest in participating in subsequent capital increases, if the possibility of integrating new shareholders is retained.

Direct loan offering (optional)

If the TPF company chooses this option, the business plan will have to estimate the equity and bank financing lines required to finance its lending activity, taking into account the expected number of new renovation projects and their financing plans.

While determining the maturity of fixed-rate loans may seem straightforward at first glance, a number of factors introduce uncertainties that may require some modelling:

1. Time interval between the homeowner's commitment to take out a loan and the date when the financing plan is effectively put in place;
2. Need to finance down payments to contractors before establishing the long-term repayment schedules and uncertainty over when subsidies will be paid;

3. The impact of early repayments, which is favourable in the event of an increase in interest rates and neutral in the event of a fall;
4. The impact of credit risk (level of claims), which also has an impact on profitability.

These models are only useful after the business plan has been drawn up, at the direct lending activity management stage. In particular, they can be used to determine the amount and date of a drawdown on the refinancing line, or to decide on the size of the next capital increase.

i. On the assets side: loans granted by the TPF company

Outstanding loans granted by the TPF company to its customers/users are listed on the assets side of the balance sheet. These loans have a fixed interest rate, predictable, stable monthly instalments and the longest possible term.

Eco-PTZs - one of the cornerstones of the national incentive scheme for energy-efficient home renovation in the private residential sector - are set to become the main financing solution offered by TPF companies for both single-family home and condominium renovation projects. Thanks to the SERAFIN network, which has contributed to reinforcing the links between French TPF companies and central government services, all TPF companies have been able to distribute interest-free eco-PTZ loans since 2024.

Eco-PTZs include a compensation mechanism that lenders receive in the form of a tax credit, in accordance with the terms and conditions set out in article 244c U of the General Tax Code (Code Général de

impôts - CGI). The amount of the tax credit is equal to the difference between the sum of the monthly instalments due under the eco-PTZ and the sum the company would have received if it had granted a loan - of the same amount and term - at an interest rate reflecting market conditions on the date the loan was issued.

The methods for calculating the compensation, paid by the State to lenders for not charging interest rates, are specified in Articles 49f ZZB and ZZBa of Annex III to the CGI, introduced by Decree no. 2019-839 of 19 August 2019 on interest-free repayable advances intended to finance renovation work to improve the energy performance of dwellings. The rate used to determine the amount of compensation is set each quarter based on the "zero-coupon interest rate on the interbank market" corresponding to the loan maturities observed over a one-month period in the previous quarter. This "S rate" applies to the amount of loans offered during that quarter.

²² The example of Bordeaux Métropole Energies shows that third-party financing can be developed within or as an extension to an existing organisation, in which case external shareholders are not necessarily required. In the case of the Hauts-de-France Regional Council, for example, the development of the third-party financing activity as a public in-house corporation (régie) required no shareholders, whether private players or local authorities.



To this reference rate are added bonuses of:

- ▶ 1% per year for individual eco-PTZs
- ▶ 2.2% per year for group ecoPTZs.

These margin levels will be taken into account in the assumptions made when setting up the business plan, together with the refinancing rate applied to the credit lines on the liabilities side of the company's balance sheet.

Type of loan	Eco-PTZ over 20 years	Eco-PTZ over 15 years	
Loan term (in years)	20	15	
Interest rate (reference)	6.00%	7.20%	Including a margin of 1% and 2.20%, respectively
Cost of risk	0.06%	0%	Rate applicable to repayment flows
Early repayment rate after 2 years	1.20%	0.80%	Rate applicable to the outstanding loan amount

Table 17: Example of assumptions used to model the generation of new eco-PTZs

The technical eligibility criteria for this interest-free loan for energy renovation have changed several times, as have the borrowing ceilings and the maximum repayment term. This is why the financing plan tables presented in section 4.2.2 include the possibility of providing a loan to complement the eco-PTZ.

TPF companies also need to advance down payments for renovation work. These advances are repaid to the TPF company when subsidies are available for payment and recovered by way of subrogation, or once long-term loans have been arranged.

Some assumptions about the characteristics of these complementary loans and advances have therefore to be made: applicable interest rate, dates on which funds to finance down payments to contractors will be released, etc.

General assumptions about disbursements and loan characteristics, as originally planned, must also be supplemented with other assumptions that will cause the lending activity to deviate from its contractual and quasi-linear course. These are:

- ▶ assumptions concerning early repayments (these may be differentiated by type of loan, if, for example, you think that borrowers will favour ecoPTZs because of their interest rate advantage over conventional loans);
- ▶ assumptions concerning the cost of the risk of non-repayment. At the preliminary stage of the business plan, this cost can be approached in a simplified manner by calculating an attrition rate for outstanding loans (i.e. the amount of repayments that are considered to be definitively compromised). If the TPF company intends to have the counterparty risk on borrowers covered by a surety company (this is necessarily the case for group loans, as stipulated in the Law of 10 July 1965 on condominiums, but can also be envisaged for individual loans), then the cost of risk rate should only apply to repayment flows not covered by the guarantee. The financial statements of existing TPF companies and ACPR statistics on personal financing can be used to calculate this rate.



ii. On the liabilities side: banking resources mobilised by TPF companies

TPF companies cannot only rely on their own funds to provide third-party financing and need external financial resources.

The European Investment Bank (EIB) is the natural partner of TPF companies, in line with its positioning as a climate bank. In 2016, the EIB set up a €400 million credit line dedicated to third-party financing, which has been little used. All French TPF companies, however, have applied for a credit line from the EIB.

Some TPF companies also turned to mutual banks and their very attractive financing conditions, well suited to the refinancing of the loan profiles offered by TPF companies to individual homeowners and condominiums.

These financing lines are to be included in the business plan with the following information:

- ▶ Maximum principal amount (it may reach several tens of millions of euros),
- ▶ The availability period (period during which the borrower may draw on the credit line to cover the amount of new loans to individual homeowners and condominiums), drawdown characteristics (minimum amount, maximum number per period),

- ▶ The margin applied to each drawdown, plus a fixed rate determined on the basis of the interbank reference rates on the drawdown date,
- ▶ Repayment terms (frequency, equal capital repayment amounts or equal instalment amounts (instalments include capital repayment and interest payment), number of instalments).

As a borrower, the TPF company must comply with the requirements set by the bank, which also have an impact on the business plan, in particular the following ratios:

- ▶ The long-term debt to equity ratio;
- ▶ Cost of risk²⁴ / customer loans outstanding (loans to individual homeowners and condominiums)
- ▶ Current year's net cash position²⁵ / credit repayments due in the following year.

One rule of thumb is that the **shareholders' equity of third-party financing companies** is generally set so as to cover the amount of outstanding loans, plus 10%.

Assumption	Units	Value
Reserve	€	10%
Length of the drawdown periods	Number of years	4
Start date	Year	2026
Flat origination fee	% of the maximum amount of the line	0.20%
Grace period before commitment fee applies	Nb. of years	2
Commitment fee	% per annum	0.20%
Legal expenses (first period)	€	€20,000
Ratio: free cash flow in year N / repayments in year N+1 >		10%

Table 18: Example of assumptions used to model a refinancing line for direct lending

²³ Shareholders' equity = share capital + statutory reserves + retained earnings + net profit/loss for the year

²⁴ Cost of risk = provision for bad debts + collection costs.

²⁵ Net cash position: Cash surplus - current financial debt



iii. Balancing resources and commitments on the balance sheet

To guarantee the sustainability of their financing activities, TPF companies must ensure that their liabilities are covered by adequate resources, not only at a given point in time, when they grant new loans or publish their balance sheet and financial statements, but also dynamically, at all maturity dates of their customers' outstanding loans and, on the liabilities side, at all successive maturity dates of their own credit facilities.

Such a balance depends on two criteria:

- ▶ Over any given period of time, the amounts falling due on the liabilities side must be covered by loan repayments from customers on the assets side;
- ▶ Interests paid (liabilities side) and interests received (assets side) must match. This means that the interest rates applicable to loans offered to project owners are consistent with the interest rates paid on the company's refinancing lines. TPF companies look for fixed-rate refinancing lines: they must then ensure that the intermediation margin (the difference between interests paid

and interests received) is sufficient to cover lending operations as well as any counterparty risks on borrowers. If part of the refinancing resources are borrowed at a variable rate, balance sheet management must ensure that the reference rate indexes are the same on the assets side, or that fluctuations in these indexes are limited to avoid any imbalance between the cost of the resources and the amount of interests charged to borrowers.

Structural balance sheet risk arises if refinancing is not adapted to the third-party financing portfolio. This risk is monitored by means of solvency and liquidity ratios, which are also monitored by the banks financing TPF companies.

However, this dynamic monitoring of the balance sheet structure cannot be modelled at the business plan stage as short, medium and long term interest rates offered by banks are likely to fluctuate, upward or downward, more or less rapidly. At the preliminary business plan stage, only the interest rate differentials, i.e. the interest margin and the cost of risk, can be measured.

The "FIDE0-the renovation bank" project, supported by the SERAFIN network, seeks to provide new solutions for TPF companies developing direct lending activities:

The FIDE0 project aims to create a financing company called FIDE0-BRE and specialising in energy-efficient renovation.

- ▶ Building on the expertise developed by French TPF companies over the last ten years, FIDE0-BRE offers market players to take charge of the complexities associated with integrating technical criteria in the financing of renovation projects, a major deterrent for banks.
- ▶ FIDE0-BRE also aims to offer loans to customers that banks do not wish to finance. Authorisation will be sought from the ACPR, based on the same criteria - inspired by micro-credit - as those used by TPF companies (risk analysis based on the household's "discretionary income").
- ▶ A dedicated fund will be set up to cover (a) the counterparty risk, by adopting a mutualistic approach, as well as a public guarantee scheme, using public funds allocated to guarantee regulated interest-free (Eco-PTZ) and mortgage (Prêt Avance Renovation) loans and/or European funds. This guarantee fund would be managed by SGFGAS (which already manages the guarantee fund for energy renovation (Fonds de Garantie de la Renovation Energétique - FGRE); (b) the performance of renovation works, via an insurance policy provided by Marsh, a member of the consortium and one of the world's leading construction insurance brokers.
- ▶ These distinctive features should bolster the confidence of banks in the FIDE0-BRE project, as well as the fact that 5 banks have already announced their intention to participate in the preliminary phase: SG and NEF (two consortium members), BNPP Personal Finance, Crédit Coopératif and Crédit Logement.

FIDE0-BRE - which should be operational by 2025-2026 - will help TPF companies with:

- ▶ Selling their receivables portfolios, and/or
- ▶ Managing loans, and/or
- ▶ Issuing loans on their behalf.

4.2.4.6 Evaluating the main risks that could hamper the development of the TPF company and providing for mitigation measures

Summary table of main risks

Assessing the risks associated with launching the TPF company is one of the final tasks in designing a business model. The risks presented below have been inspired by the business plans of existing TPF companies and are classified by project phase, type of risk and/or legal entity bearing the risk.



Phases of the TPF company project	Type of risk	Risk carrier - risk coverage
Commercial phase	Commercial failure	Does the market survey give a clear picture of the TPF company offer, in line with the expectations of local players (price and content)?
	Prospecting time spent on each project	Is this time included in the fee charged by the TPF company?
	Households or condominiums giving up on their renovation project	Is the cost of working on the abandoned project covered by the fee?
Preparatory phase (setting up the project)	Failure to obtain funding for a project	How can the TPF company minimise this risk, which is borne by the owner and entails operational risks for the company?
	Uncertainty on the cost of support	Does the business plan include preparation time for each project, with a contingency reserve to cover unforeseen events during execution?
	Energy savings certificates (Certificats d'Economie d'Energie -CEE)	How is the risk of fluctuations in the price of CEEs taken into account in the business plan? Is the estimate of CEEs in the business plan a conservative one?
Renovation work	Contractor bankruptcy	The risk of a company going bankrupt during a renovation project cannot be ruled out, so preference should be given to companies in good financial health.
	Defects	Are the contractors working with the TPF company adequately trained? Do they have insurance cover and the RGE certification? Does the business plan detail the measures taken by the TPF company to minimise this risk?
	Failure to achieve the expected energy performance	Does the TPF company guarantee the energy performance of the renovations it undertakes? In what way? Does the business plan detail the resources committed by the TPF company to achieve this performance level?

Table 19 : Summary of main risks

4.2.4.7 Accounting requirements

Lastly, each TPF company is required to produce an annual income statement presenting its income and expenses as well as a simplified balance sheet showing its assets and liabilities.

4.2.4.8 Summary table for creating a business model

In addition to the traditional presentation of the income statement, balance sheet and liquidity plan, the following table template can be used to report on the major milestones in setting up a TPF company and designing its business model:

Shareholders' equity	<ol style="list-style-type: none"> 1. What is the company shareholders' equity? 2. What capital increases are planned? 3. How is the capital allocated?
Income from providing advice	<ol style="list-style-type: none"> 4. What activities are concerned? What services are billed, and to what extent? 5. Does the company receive any income from the sale of CEEs? 6. What is its operating income? 7. ...
Income from financing activities	<ol style="list-style-type: none"> 8. What are the direct loans outstanding projections? 9. ...
Additional revenues during the launch phase	<ol style="list-style-type: none"> 10. Will the company benefit from the European ELENA technical assistance facility? 11. Same question for ERDF funds? 12. How much public aid does the company need to generate a net income? 13.
Operating expenses	<ol style="list-style-type: none"> 14. What are the company's annual operating expenses and what do they cover? 15.

Table 20: Business model of the created TPF

4.3 Selection of the legal form

The choice of the corporate vehicle best suited to each local area involves considering their respective **advantages** (speed of implementation, possibility of bringing in partners, control over the business) and **drawbacks** (administrative burden, time to set up the company, need to provide capital).

By way of introduction, it should be noted that the concept of third-party financing was defined by Article 124 of Law No. 2014-366 of 24 March 2014 on access to housing and urban renewal, known as the "ALUR Law" and codified in Article L. 381-1 of the French Construction and Housing Code (Code de la construction et de l'habitation - CCH):

"Third-party financing, in the context of building renovation operations, is characterised by the inclusion of a technical offer, relating to renovation work, whose main purpose is energy saving, within a service comprising partial or total financing of the said offer, repaid in regular instalments over a fixed term. Third-party financing, as set out in this article, does not include the sale or resale of energy. A decree shall specify the scope of the services that may be included in the third-party financing service."



Article L381-2 of the same code states that “a third-party financing company is any organisation that can offer the project owner a third-party financing service as defined in article L. 381-1”.

A “third-party financing company” is therefore not necessarily a commercial company: it is “any organisation” and may take on a variety of legal forms, unless its services include loan offers.

Articles D. 381-9 to D. 381-12 of the CCH state that the third-party financing service shall include:

- ▶ **Mandatory missions:**
 - ▷ under the “technical mission” part: design of the works programme based on an energy audit, estimation of the energy savings associated with said programme and assistance with carrying out the work or execution of the work if the TPF company is the owner’s delegate.
 - ▷ as part of the “financial service” mission: financing plan for the renovation project, including the identification and management of available subsidies on behalf of the project owner.
- ▶ **optional missions:** provision of a loan offer.

Regarding this last point, Article L381-3 of the French Construction and Housing Code states that:

“When it includes credit activities, third-party financing as defined in Article L. 381-1 may be implemented by third-party financing companies: 1° either directly for the companies mentioned in point 8 of Article L. 511-6.8 of the Monetary and Financial Code; 2° or indirectly via agreements with credit institutions or finance companies, in which case the third-party financing company must be approved as an intermediary in banking transactions and payment services as defined in paragraph 1 of article L. 519-1 of the same code”.

Article D. 381-12 of the same Code also states that:

“The service provided may also include a loan offer, with the aim of facilitating the financing of all or part of the work mentioned in article D. 381-10. This offer may be made directly by the third-party financing company, either via a credit offer when it is approved as a credit institution, finance company or third-party financing company benefiting from the authorisation referred to in article R. 518-70 of the Monetary and Financial Code, or in the form of interest-free advances.

When this offer is issued by a credit institution, finance company or third-party financing company benefiting from the authorisation referred to in article R. 518-70 of the Monetary and Financial Code, the third-party financing company is approved as an intermediary in bank transactions and payment services, as defined in paragraph 1 of article L. 519-1 of the Monetary and Financial Code, or operates exclusively free of charge”.

The “third-party financing service” may therefore include a credit activity, offered:

- ▶ either directly by the third-party financing company in the form of a credit offer or an interest-free advance;
- ▶ or indirectly, via banking institutions, the third-party financing company being approved and acting as an intermediary in banking transactions and payment services.

When the “third-party financing company” offers credit directly, it must be approved “as a credit institution, finance company or third-party financing company benefiting from the authorisation referred to in article R. 518-70 of the Monetary and Financial Code”.

In that case, the “third-party financing company” must meet the obligations imposed on such organisations by the Monetary and Financial Code regarding credit activities.

Article L.511-6 8° of the Monetary and Financial Code states that approval may be granted:

“8. to Third-party financing companies as defined in article L. 381-2 of the Construction and Housing Code with a majority public shareholding composed of local or regional authorities or supervised by a local or regional authority”.

It is to be noted that when a third-party financing company provides direct loan offers to users that do not take the form of interest-free advances, it can no longer be “any organisation”. French legislation indeed stipulates that in this case, the TPF company must be either:

- ▶ a commercial company with a majority public capital holding (e.g. SEM, SPL), or
- ▶ a public corporation under the direct supervision of a local authority (régie personnalisée).

These legal forms have their own characteristics, and the choice of the corporate vehicle will depend on the company’s business plan and on the constraints the local authority deems acceptable.

4.3.1 Existing corporate forms

4.3.1.1 Régie personnalisée

Characteristics	Advantages	Drawbacks
Initiating entity	A single local authority decides to set up the régie (decision of the local authority's deliberative assembly): strong political support	No association with private players and no involvement of economic operators (know-how, networking)
Capital and shareholding	Time saved at the set-up stage, as no need for a round of shareholder financing (endowment from the supervisory authority). High decision-making capacity.	Coût financier pour la collectivité, qui porte 100 % des coûts et des risques.
Implementation	Fast because it depends on a single entity	Establishment of a local public corporation (formalities and registration deadlines)
Corporate and business model	The contractual relationship between the régie and the local authority is an "in-house" relationship (contracts are awarded in the form of a public service delegation - without prior advertising or competitive tendering); easier integration into the network of public players, funding opportunities via subsidies.	All financial flows go through the public accountant
Integration into the local authority's public policies	Very strong; the France Rénov' advice centres naturally redirect private customers to this public service. Easy relations with local renovation operators, who regard this public service as a complement rather than competition.	
Autonomy from the initiating authority (particularly for adaptation and development)	Some autonomy but relative: the Managing Director has extensive powers and the Board of Directors deliberates on all matters concerning the operation of the Régie.	Certain matters fall within the sole remit of the local authority's deliberative body (e.g. Articles of Association)

Table 21: Characteristics of the régie

The régie personnalisée means the supervisory authority is strongly involved in and has direct control over the management and operation of the third-party financing service. This type of legal vehicle does not require implementing a public procurement procedure. On the other

hand, the commercial risk and the investments are borne entirely by the authority, which will have to deploy significant technical and human resources without being able to benefit from the know-how of private operators.

4.3.1.2 Société d'économie mixte - SEM

Characteristics	Advantages	Drawbacks
Initiating entity	The company is established by local authorities and/or their groupings (deliberation) wishing to involve private players.	The presence of private shareholders may result in less political support than in the case of a 100% publicly-owned company.
Capital and shareholding / governance	The capital is shared between public (51% to 85%) and private (15% to 49%) players: shared costs and risks.	The share capital must be at least €37,000 (article L224-2 of the French Commercial Code). Shared governance making decision-making more complex. Private shareholders expect economic profitability. Capital sharing rules require consistency (if public players want to increase capital, private shareholders may refuse, thereby blocking the increase).
Implementation		Identifying shareholders, particularly private ones, can take a long time (6 months), requires agreement on the amounts invested and formalities for setting up and registering the SEM. Incorporation formalities (deliberation and registration)
Corporate and business model		SEMs are subject to competitive tendering obligations for the awarding of public procurement contracts. The presence of private players requires a solid business plan with a high level of profitability (sophisticated investors).
Integration into the local authority's public policies		Weak; public players (France Rénov' advice centres) and local renovation operators regard the SEM as just another (competing) private player: obtaining contacts is more complicated than for a régie or an SPL.
Autonomy from the initiating authority (particularly for adaptation and development)	Strong in view of the governance and management arrangements and the need to take account of private shareholders	Certain issues require the prior agreement of the local authority's deliberative assembly (changes to the corporate purpose, capital structure, management bodies).

Table 22: Characteristics of the société d'économie mixte

The SEM vehicle gives access to the know-how and network of an economic operator. However, there are a number of disadvantages to using this type of legal vehicle, including the minimum share capital and its internal allocation, the economic interest of private operators

(balanced business plan), the public procurement obligations (with no guarantee that the contract will be awarded to the SEM) and the liability of public shareholders as business partners.

4.3.1.3 Société publique locale (SPL)

Characteristics	Advantages	Drawbacks
Initiating entity	At least two local authorities and/or their groupings decide to set up the company: strong political support	No association with private players; the needs of private players may be given less attention
Capital and shareholding / governance	The capital is shared between several local authorities (at least two).	The share capital must be at least €37,000 (article L224-2 of the French Commercial Code). Shared governance; decision-making can take a long time (need to set up a special meeting to enable all shareholders to be effectively involved)
Implementation		Identifying public shareholders can take a long time (6 months) and requires prior agreement on the amounts invested. The SPL must contribute to fulfilling the local authorities' responsibilities (cf. art. L.1531-1: the establishment of an SPL by local authorities and/or their groupings must be in line with the responsibilities assigned to them by law; when the corporate purpose mentions more than one activity, these activities must be complementary and must contribute to fulfilling at least one of the responsibilities of each of the shareholders). Incorporation formalities (deliberation and registration)
Corporate and business model	The SPL/shareholder contractual relationship is an "in-house" relationship (the contract may be awarded in the form of a public service delegation, without prior advertising or competitive tendering); easier integration into the network of public players, funding possibilities via subsidies.	
Integration into the community's public policies	Very strong; the France Rénov' advice centres naturally redirect private customers to this public service. Easy relations with local renovation operators, who regard this public service as a complement rather than competition.	
Autonomy from the initiating authority (particularly for adaptation and development)	Strong in view of the governance arrangements	Certain issues require the prior agreement of the local authority's deliberative assembly (changes to the corporate purpose, capital structure, management bodies).

Tableau 23: Characteristics of the société publique locale

The SPL means the shareholding authorities are strongly involved in and have direct control over the management and operation of the third-party financing service. This type of legal vehicle does not require implementing a public procurement procedure. However, the SPL must have a minimum share capital and at least two shareholders with at least one common responsibility (if more than one activity

is mentioned in the corporate purpose). The commercial risk and investments are borne entirely by the local authorities and/or their groupings, which will have to deploy significant technical and human resources, without being able to benefit from the know-how of private operators.

4.4 Identification of the necessary tools

4.4.1 Definition of the processes

When establishing a third-party financing operator providing services to private individuals, either by supporting them throughout their home renovation project or also offering direct loans, it is important that management rules and processes be formalised so as to ensure that uniform service levels and quality are delivered.

Particular attention should be given to defining these processes as they will be integrated into the TPF company's information system, thus allowing to:

- ▶ characterise the status of a project at any given point in time (design stage, work in progress, work completed)
- ▶ ensure deadlines are met
- ▶ coordinate the sequence of tasks
- ▶ anticipate costs, and
- ▶ handle reporting.

Of course, before implementing a process management tool, it is essential that the processes be shared by all those involved, including subcontractors when tasks are outsourced. This may require developing and sharing a process map.

4.4.2 Design of a digital management tool

4.4.2.1 The objectives of a digital project management tool

TPF companies follow up a large number of projects simultaneously, each involving implementing various tasks and verification or validation processes.

An ERP (Enterprise Resource Planning) system may be a solution to make day-to-day work easier.

Definition of ERP (Enterprise resource planning)

ERP refers to a type of software used to manage all of a company's business processes, including human resources management, accounting and financial management, procurement, risk management and so on.

ERP systems help TPF companies with 3 main types of activity

- ▶ **Administrative and accounting activities** (contracts, issuing purchase and service orders, invoicing, etc.) relating to subcontractors, energy information centres, local authorities and the public accounting department.
- ▶ **Centralisation, validation and technical monitoring** of data on households (or condominiums), dwelling units, scenarios, renovation work, financial aid, energy use, payments made, etc.
- ▶ **Simulation of third-party financing, insurance and guarantees and loan monitoring**

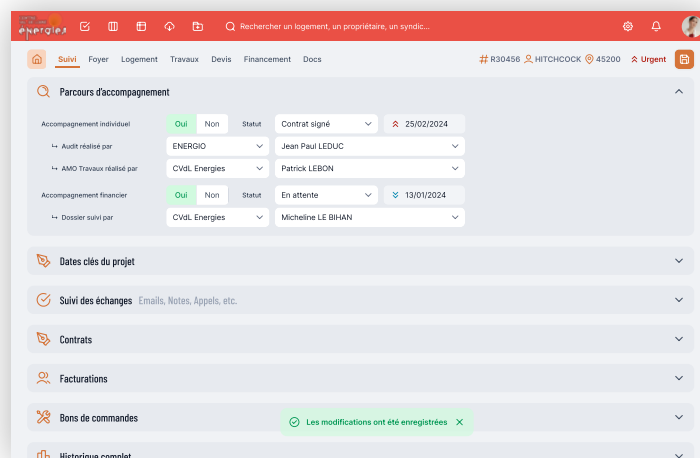
4.4.2.2 Advantages and limitations of an integrated software package

For a TPF company, an ERP system:

- ▶ Saves time by automating tasks,
- ▶ Makes processes more reliable and avoids processing errors,
- ▶ Centralises information and reduces data loss.

However, designing an ERP system involves being aware of its limitations:

- ▶ There is no such thing as a "universal" ERP system.
- ▶ Developing an ERP and adapting it to a company's processes takes time. All existing ERPs look old because updating them is complex (insurance, banking, etc.).
- ▶ Not all the tools used by a company need to be integrated into the ERP system, especially when the technology involved is evolving fast, but links should exist to avoid capturing the same data multiple times.



4.4.2.3 Key features of an ERP system

The ERP system should have some key features to guarantee its effectiveness and quality:

- ▶ **A database built and thought through in a robust way**, capable of adapting to future projects.
- ▶ **A modular configuration** enabling each company (and each operator) to adapt its processes, documents and validations.
- ▶ **A configurable and adjustable project monitoring system.**
- ▶ The **right balance between built-in tools** and the ability to connect the ERP to third party services that may vary or are too complex (auditing, aid, credit, accounting, customer portal, payment, signatures, etc.).

Why a user portal?

A user portal is relevant as renovation projects are carried out for the benefit of private homeowners or condominiums. This portal should :

- ▶ Enable users to track project progress,
- ▶ Facilitate user-related actions (signature, payment, etc.),
- ▶ Enable users to enter information, thus reducing the operators' workload, and download personal documents:
 - ▷ Documents about the contract, dwelling, scenarios, quotes, etc.
 - ▷ Consumption information, in particular off-grid consumption.

4.5 Preparation of a communication strategy and implementation of a communication plan

There are five key steps to developing and implementing a communication strategy:

1. Creating the brand and graphic charter
2. Defining the targets and geographical scope
3. Creating communication tools
4. Developing relations with the media
5. Training advisers in sales and communication techniques



4.5.1 Creating the brand and graphic charter

To create their brand, TPF companies (or the Regional councils behind them) generally call on the services of a communications agency specialising in the creation of brands and graphic charters (logo, graphic elements, colours, etc.). The expected result is a brand that is understandable at first glance, attractive, memorable and makes people want to know more about it. Here are a few examples:



The Oktave brand, for example, was created by a communications agency at the request of the Grand Est Region. Oktave, spelt with a “k”, is well understood in the region, which is close to Germany. Customers appreciate the play on words and images:

- ▶ Oktave = “up-scaling” your home,
- ▶ Oktave = “orchestrating” your home energy renovation.

Tip: do not forget to register the trademark and domain name on the Internet!

4.5.2 Defining the targets and geographical scope

TPF companies must define their main targets (single-family homes, condominiums, owner-occupiers aged 25-50, people in fuel poverty, etc.), as well as the geographical limits of their action (local or regional). The actions and communication materials must be adapted to each target.

At the beginning, Oktave's main targets were:

- ▶ Single-family homes
- ▶ Households buying or renovating their home and aged between 30 and 60 (above this age, it is more difficult to obtain external financing for renovation projects)
- ▶ Geographical scope: the Grand Est Region

4.5.3 Creating communication tools

Once their targets have been defined, TPF companies can start creating communication tools:

- ▶ Website
- ▶ Social media
- ▶ Physical point of sale (window stickers, roll-ups, banners)
- ▶ Brochures
- ▶ Posters
- ▶ Site banners and signs
- ▶ Videos
- ▶ Computer graphics...

"Communication is important because it generates leads and contacts. The most important communication media at Oktave are our website and social networks."

Maxime Lenglet, Managing Director of Oktave

Oktave has created communication tools that are perfectly suited to young homeowners and the way they obtain information (mainly via the internet, but not exclusively):

- ▶ [Website](#) with appropriate referencing.
- ▶ **Social networks:** [Facebook](#), [LinkedIn](#).
- ▶ Physical **points of sale** in 8 towns in the Grand Est Region: Strasbourg (head office), Colmar, Mulhouse, Charleville-Mézières, Reims, Metz, Nancy and Saint-Dié.
- ▶ **Brochures:** a generic brochure presenting the services on offer, a brochure for each target group (single-family homes/condominiums (managing agents, co-owners)), a commercial brochure with the services on offer and prices. Distribution in the letterboxes of Oktave beneficiaries' neighbours.
- ▶ [Web series](#) featuring young owners (very useful, especially at the beginning to establish the brand).
- ▶ [Testimonials](#) from satisfied young customers.
- ▶ [Facebook LIVE sessions](#) (with impressive impact!) on renovation, financing and other topics.
- ▶ [Videos](#) of site visits (although these can be a little time-consuming and costly to produce). See all Oktave videos here.
- ▶ **Stand at** regional and local home exhibition **shows**, congress of mayors / city managers
- ▶ **Case examples**, much appreciated by customers and visitors at home exhibition shows
- ▶ **Worksite tarpaulins and renovation work notifications** displaying the Oktave logo/visual
- ▶ **Inviting neighbours to informal events**, where beneficiaries of the Oktave service share their experience with their neighbours (a popular event, but a little time-consuming and costly to set up).
- ▶ **Emailing campaigns** aimed at all Oktave contacts (5000 contacts/year, 500-600 partner companies, institutional partners, etc.) with a high impact on the target audience.
- ▶ **Contact form.**

Activities that did not work so well:

- ▶ **Referral programmes:** customers who have renovated their home recommend the company to their friends.
- ▶ **Public meetings:** it may be difficult for people to attend such meetings in the evening, after their day's work.

Pass Rénovation uses four social networks: Facebook to target private homeowners and small businesses, LinkedIn to expand its network and make itself known to the ecosystem (institutions, partners, elected representatives, etc.), Twitter to target professionals (federations of professional associations, major construction companies), and finally YouTube to promote its videos.

Focus on the website

The home page is your business card, the first point of contact with your customers. It deserves special attention and should present the company in a concise and simple manner, including:

- ▶ **The company's activities and services offered:** its greatest assets (e.g. regional funding) should be highlighted. This part may include a short video, key messages, scrolling banners, etc.
- ▶ **The customer journey:** this is often presented visually using computer graphics.
- ▶ **Testimonials** from satisfied customers: videos, quotes, interviews.
- ▶ **The latest projects:** showcasing homes before and after renovation (articles, site videos, fact sheets).
- ▶ **News:** the latest news, upcoming events, etc.

The other web pages provide more or less detailed information on how a renovation is carried out:

- ▶ Technical aspects (insulation, changing windows, etc.).
- ▶ Financial information (with a summary of available grants and subsidies, loans offered by banking partners, etc.). Oktave, for example, offers an online [subsidy simulator](#).
- ▶ Administrative aspects (where to start, the various project stages).

Tip: it is important to work with a specialist in website referencing (SEO expert) and to dedicate a budget to advertising and buying relevant keywords to ensure that your site is referenced on search engines (especially Google).



Example: Presentation of the services offered by Haut-de-France
Pass Rénovation

Fully personalised support for your overall renovation!

The regional office of the Public Service for Energy Efficiency supports all homeowners and co-owners, whether occupiers or landlords, **in their overall renovation project**, regardless of income, age or type of property. The **Hauts-de-France Renovation Passport for single-family houses and condominiums** helps people to undertake, implement and finance energy-saving work **through comprehensive technical support and personalised financing solutions.**



100% public regional service



For all, regardless of income and age



Technical support throughout the entire project



Pre-financing of renovation works and subsidies



A range of personalised financing solutions



Can be combined with the existing subsidies



Energy consumption monitoring during 3 years after the end of the works

A complete package to simplify your global energy renovation project, without upsetting your financial situation!

You'll benefit from a whole host of advantages:



Reduced energy bills



Comfort and healthy indoor air



Enhanced property assets



Positive ecological impact



Sustainable investment (creating local jobs for artisans)

Figure 17: Presentation of the services offered by Haut-de-France Pass Rénovation

Target group: Owners of single-family homes / co-owners

Key messages:

“Hauts-de-France Pass Rénovation: the solution for your home renovation project”

“Technical support at every step of your project”

“Optimised, personalised financing solutions”



Example: customer journey at Oktave

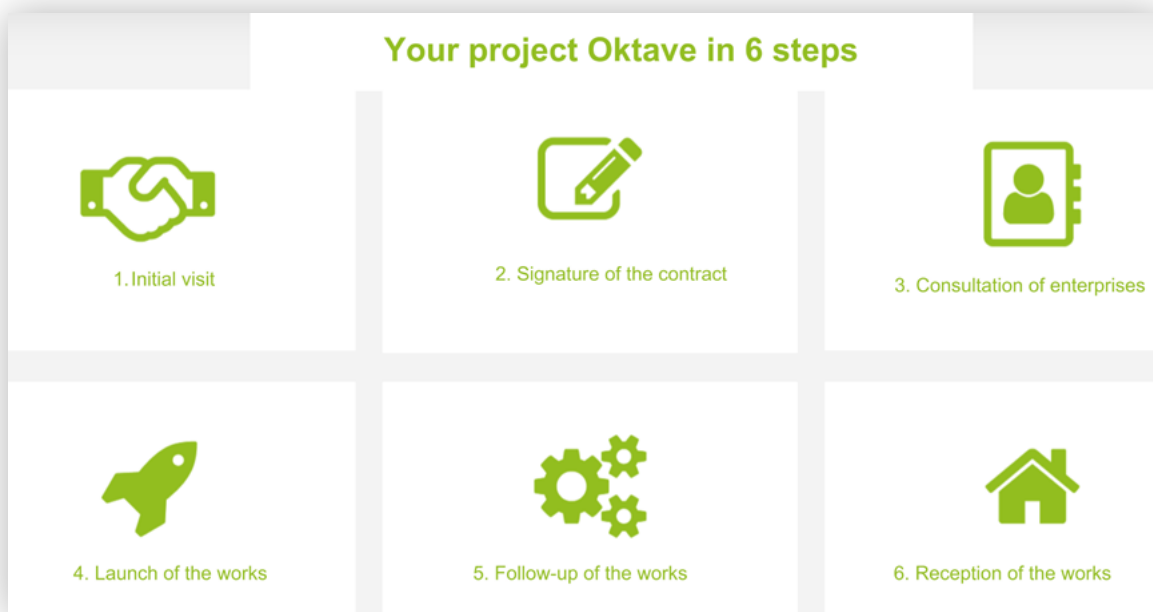


Figure 18: The customer journey at Oktave

Target group: Owners of single-family homes /condominiums

Key messages:

“Oktave - your partner for your home energy renovation project in the Grand Est region”

“The right choice for an energy-efficient renovation”

“Exceptional aid from the Grand Est Region”

“Technical and financial support for your renovation project”

“Certified tradespeople selected for their expertise”

“A regional service for energy-efficient home renovation”

FOCUS on the communication with partner organisations

Local contractors, tradespeople and other local partners (estate agents, associations, banks, etc.) should also be targeted.

Different messages may be prepared, emphasising the benefits they can derive from working with the TPF company.

Oktave regularly organises webinars on renovation, financing and other relevant subjects to create links and keep its partners informed.

Pass Rénovation participates in information meetings organised by federations of professional associations (Capeb, FFB) to present their scheme and explain the grants available to tradespeople.

Example: messages communicated by Haut-de-France Pass Rénovation and Oktave to building professionals and small enterprises.

Haut-de-France Pass Rénovation:

“Interested in a sound offer? By financing the total cost of the work and paying contractors directly, Hauts-de-France Pass Rénovation help building professionals develop and secure their activity”

“Easy access to renovation projects: for each project carried out on behalf of private individuals, Hauts-de-France Pass Rénovation consults companies via a simplified process, well suited to small enterprises: single administrative file created when responding for the first time, dividing into lots, 30% down payment at work commencement”

The partner journey at Oktav

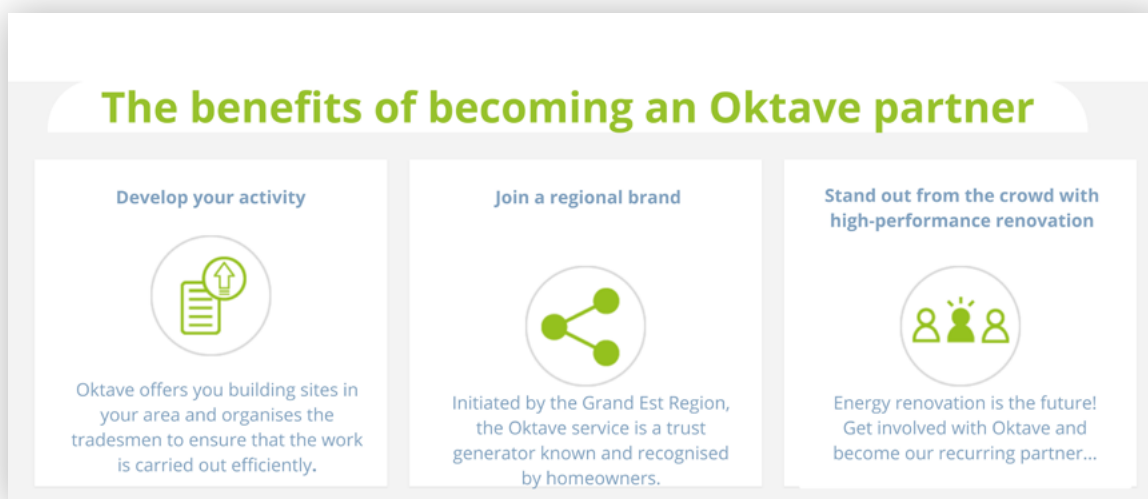


Figure 19 : The partner journey at Oktave

4.5.4 Developing relations with the media

Having defined its targets and geographical scope, the TPF company can start building relations with the media (local and/or regional), starting with a **press kit** which will be sent as soon as it has news to communicate.

Oktave has succeeded in developing trusting relationships with the local press and radio, as well as with the regional daily press. In its early days, it relied on paid advertising, which was very successful. Then the media began to take an interest in Oktave. The STF now systematically sends them press releases announcing its latest developments, events or successes (opening of a new branch, launch of a new service, new subsidy). The media communicate about Oktave, take part in site visits and conduct interviews with the owners of renovated homes.

Municipal newsletters, which are widely read in small towns, are also an excellent means of communication for Oktave.

1. Training advisers in sales and communication techniques

Interpersonal communication skills are crucial to the success of any renovation project. Advisers need to establish a relationship of trust with customers, who need to be reassured about the results of the project, which represents a major investment for the household. This is the commercial part of the communication strategy.

A sales manager supports the Oktave team of advisers by giving them a methodology for approaching customers. The advisers are trained in sales techniques to help them better understand and interact with each customer. They learn how to talk to customers, reassure them, explain the project and respond to their questions and concerns.

“At the beginning, Oktave advisers were mainly technicians, and they were not very good at communicating. Now, after the training, they are much more at ease dealing with customers.” Maxime Lenglet, Managing Director of Oktave



FOCUS on internal organisation

The TPF company needs a **Communication Manager**. His or her role is to define the communication strategy and coordinate the various external service providers involved in implementing it.

Oktave has chosen to outsource most of its communication tasks, including the position of Communication Manager, who serves as an intermediary between Oktave and the other service providers. Her role is to:

- ▶ define the communication strategy,
- ▶ manage the web agency responsible for the website and its referencing (SEO expert),
- ▶ manage the community manager in charge of social media accounts,
- ▶ manage the agencies, printers and graphic designers producing communication materials (brochures, posters, videos),
- ▶ establish and maintain relationships with the media.

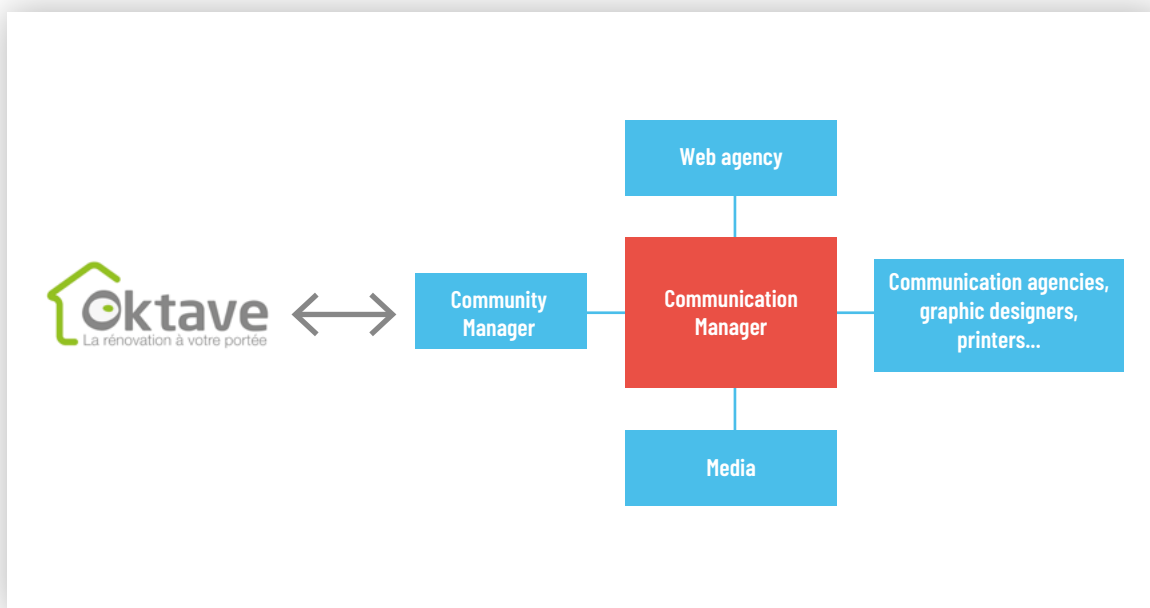


Figure 20: Organisation of Oktave's communications

Oktave's Managing Director spends an average of half a day per month with the Communication Manager to define short-term communication objectives, discuss the news items that will be published on social media and allocate the budget needed to carry out these actions.

At Oktave, the total budget dedicated to communication varies between €100,000 and €120,000 per year. It covers external service providers, time spent by employees, attendance at trade fairs, the press, website referencing, etc. This budget is different for each TPF company and depends on a number of factors: the offer provided, the local area, the target (one or several), etc.

At Pass Rénovation, the team is organised differently from Oktave. Communication is handled in-house by a Communication and Local Coordination Manager and a Communication Officer/Community Manager. Their only external service providers are the printer and the company responsible for maintaining the website.

4.6 Establishment of partnerships

TPF companies are in contact with a large number of professional players (tradespeople and federations of professional associations, energy assessors, project owner assistants, DIY superstores, materials platforms, etc.).

Their close relationships with these players often lead them to develop a specific communication strategy for these partners, and to sign partnership agreements with them.

Summary diagram

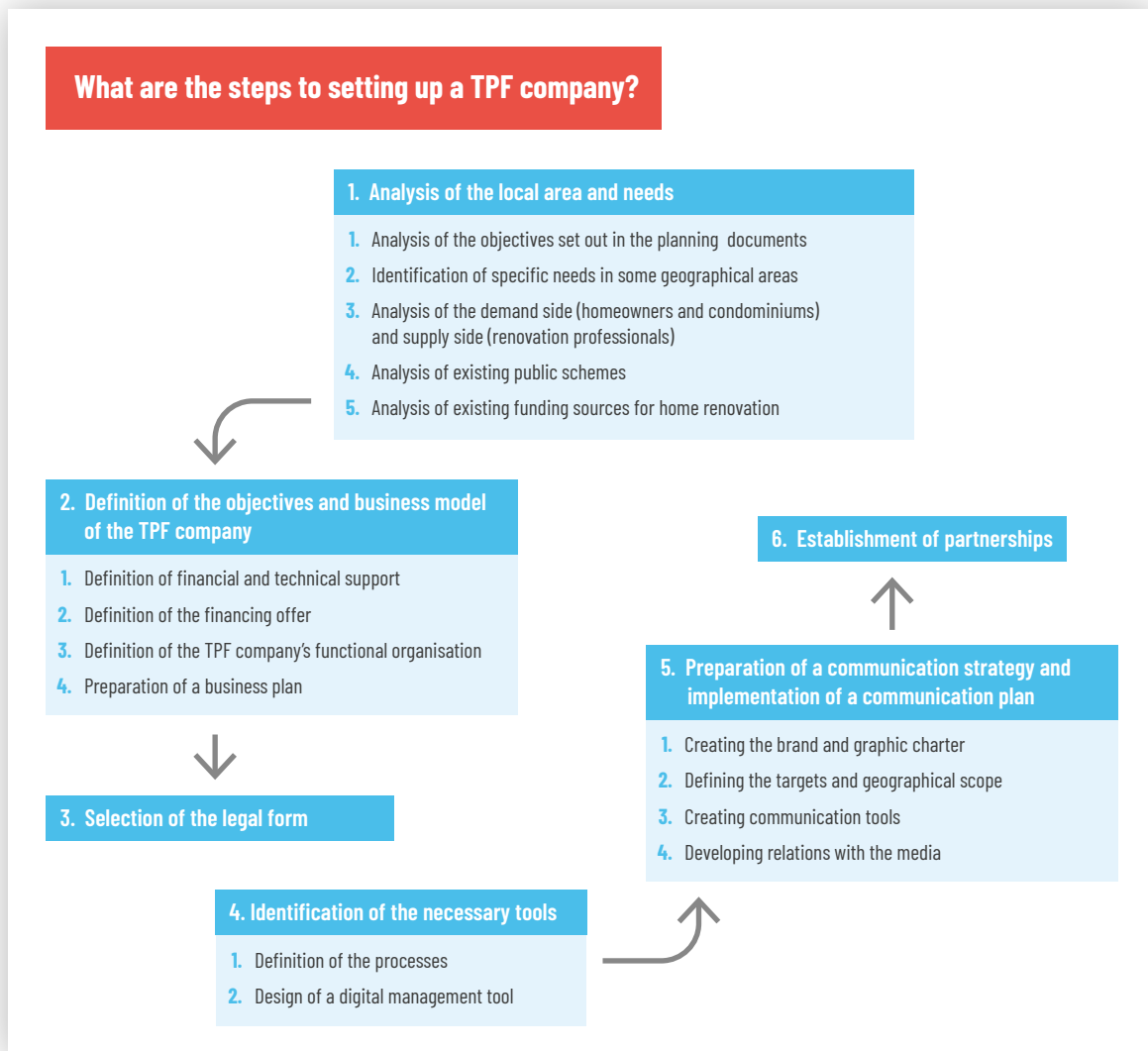


Figure 21: What are the steps to setting up a TPF company?

4.7 And now it's your turn to play!

Game of the Goose - what are the steps to setting up a TPF company?

You have come to the end of this guidebook, with a wealth of information on the various steps involved in setting up a TPF company. In order to evaluate where you are in your thinking, we invite you to play a game of the goose!



Start:



1 1.If you have forgotten to analyse your local area and needs, miss one turn.

-> Help: if you call in a consultancy to carry out a preliminary study, move forward to space 6.

2 You have drawn up a map of the players in the area, move forward two spaces.

3

4 You have defined a service offering that meets the needs identified. However, it does not comply with provisions of Article L381-1 of the French Construction Code. Go back one space.

8 You have drawn up a list of approved contractors. You can play again.

7

6 Congratulations, the management team has just been appointed. Move forward two spaces.

5 The legal and financial project is validated. Draw up your company's articles of association before playing again.

9 You decide to offer direct financing. However, you have forgotten to apply for authorisation from the ACPR. Go back one space.

10 Your TPF company now has a logo, a website and communication materials. Write a press release before you can play again.

11 Your first customers have contacted you, but the contracts have not been legally validated. Miss one turn.

12 You can now start providing advice, support and third-party financing to your customers.

END
or a
new start



ANNEXES

1. Introduction

Annex 1: Definitions of energy-efficient and deep renovation

In France, the notion of energy-efficient renovation (rénovation performante) was defined by ADEME, the French Agency for the Ecological Transition, in January 2021. “Energy-efficient renovation refers to a package of upgrades resulting in the building achieving at least BBC (low-energy building) renovation standard or equivalent.”

It differs from the legal definition of deep renovation (rénovation globale), which requires the works to be carried out in one stage:

“an energy-efficient renovation qualifies as deep renovation when works are carried out within a maximum timeframe that cannot be set at less than eighteen months for residential buildings or parts of buildings with only one dwelling unit, or twenty-four months for other residential buildings or parts of buildings, and when the six aforementioned building elements are covered¹. It is also distinct from the concept of **complete renovation (rénovation complète), which applies when the entire building is renovated.**

Annex 2: Definition of third-party investment and difference from third-party financing

As well as developing a range of advisory services, some local authorities have sought to facilitate access to financing by exploring the concept of **third-party investment** for the renovation of residential buildings. Initial investigation conducted between 2008 and 2012 defined third-party investment as the financing of renovation projects by a third party, where energy savings generated by the renovation are used to pay back the investor. In this model, the third-party investor who finances the renovation is contractually committed to improving the building's energy performance (energy performance contracting).

The first studies quickly revealed that attempts at adapting third-party investment to private residential buildings met with regulatory and tax obstacles specific to this sector and that **energy performance contracting** was better **suited to activities in the tertiary sector.** On the demand side, these studies showed a discrepancy between the expectations of households and the objective of energy performance contracting. On the supply side, energy performance contracting was generally limited to improving heating systems with a quick return on investment, which is never a possibility in residential buildings.

Additional studies confirmed the **difficulty of using third-party investment in the residential sector.** The inclusion of a financing facility in the form of monthly lease payments indeed involves paying full VAT (20%) on these payments, whereas direct financing of renovation work benefits from a reduced VAT rate (5.5% in France), giving the latter an advantage over energy performance contracting.

Third-party financing also differs from third-party investment in that it combines technical and financial engineering. Third-party financing involves offering loans to owners, who ultimately decides on the works programme, which is not possible with energy performance contracting. Households are also reluctant to have the “proper use” of their home monitored, as required by this type of contract, especially as this may not correspond to their expectations in terms of comfort or improved quality of life.

Annex 3: The three “one-stop shop” models defined at European level

In the paper entitled “Towards large-scale roll out of “integrated home renovation services” in Europe” published in July 2023, CINEA - the European Climate, Infrastructure and Environment Executive Agency - defined three “one-stop shop” models: advice, support and implementation. The inclusion of a financing offer is considered an additional option.



¹ Article 17°bis of Article L. 111-1 of the French Construction and Housing Code

Comparison of the three models

	Advice	Accompagnement	Réalisation des travaux	Offre de financement optionnelle
Description	Provision of information and advice to help households engage in an energy renovation project	Support and guidance in designing the energy renovation project	In addition to support, execution of all or part of the renovation work.	Assistance with financing the project: identification of possible sources of financing, loan offer, etc.
Tasks	<ul style="list-style-type: none"> ▶ Information and marketing ▶ Simplified energy assessment and recommendations ▶ Assistance with identifying companies (lists of RGE-certified tradespeople, etc.) ▶ Assistance with analysing quotes (identifying missing information, consistency with requirements for public aid, etc.) 	<ul style="list-style-type: none"> ▶ Full energy audit and recommendations ▶ Design of the works programme (works scenarios with different performance targets and budgets) ▶ Selection of contractors ▶ Supervision and acceptance of the work 	<ul style="list-style-type: none"> ▶ Design of the works programme (works scenarios with different performance targets and budgets) ▶ Execution of the work ▶ Work quality is guaranteed ▶ Post-work monitoring (quality, energy use monitoring) 	<ul style="list-style-type: none"> ▶ Identification of financial aid ▶ Preparation of a financing plan ▶ Advance payment of subsidies ▶ If necessary, loan offer to finance the remaining cost.
Challenges	Provision of clear, easy-to-understand information to encourage private individuals to carry out ambitious, energy-efficient and coherent renovations, and identification of possible sources of financing.	Reassuring users as to the relevance of the renovation project. Supporting homeowners before and throughout their renovation project	Ensuring that renovation works meet energy-efficient standards	Reducing or even removing the obstacle to financing for private individuals
Positioning	Outside the competitive market, this service is usually provided by public service operators.	Within the competitive market, this service involves taking responsibility for the advice and support provided.	Within the competitive market, with an economic interest in carrying out the work.	
Cost	Free of charge, thanks to public or similar subsidies (CEE – energy savings certificates)	Usually paid for by the user, at a below market price, thanks to public subsidies	Paid for by the user; usually at market price	Usually free of charge for advice and the advance on subsidies When a loan is offered, a below market interest rate applies.
Relationship with the user	None directly; possibly permission to pass on contact details as part of a partnership agreement (with a bank, a support service set up by a public operator, etc.).	Generally via a contract that may take different legal forms (service contract, payment of fees, etc.)	Via a contract that may take different legal forms (service contract, payment of fees, etc.)	In the case of an advance on subsidies and/or loan offer, via a contract that may take different legal forms (service contract, payment of fees, etc.).

Table 24: Comparison of the services offered by TPF companies

2. Prerequisite conditions to the establishment of Third-Party Financing companies

No annexes for this section

3. How do Third-Party Financing companies operate? Feedback from French TPF companies?

3.1 Comparative table of TPF services and costs

The rates offered vary according to the mode of operation (and therefore the level of responsibility of the TPF company) and the amount of subsidies paid by local authorities to reduce the cost

billed to households. For example, in the Hauts-de-France Region, the amount invoiced represents only 50% of actual cost, the rest being subsidised by the Regional Council.

3.1.1 Single-family homes

STF	Mode of operation	Pricing
Hauts-de-France Pass Rénovation	Delegation model	Free energy audit Support: <ul style="list-style-type: none"> ▶ Option 1: €1,860: technical or financial support ▶ Option 2: €1,200: technical
Oktave	Project supervision	<u>Standard offer:</u> <ul style="list-style-type: none"> ▶ Visit, audit and technical specifications (2 work packages): €2,690 <u>Premium offer:</u> <ul style="list-style-type: none"> ▶ <u>Also includes collecting quotes and supervising the work:</u> ▶ 3 packages: €3,990 ▶ 4 packages: €4,990 ▶ 5 packages: €5,990
Facirénov' (Bordeaux Métropole Energies)	Project supervision	Energy audit: €500 Flat rate for project supervision: €4,535
Centre-Val-de-Loire Energies	Assistance model	Energy audit: €480 Owner assistance: €1,800

Table 25: Prices of the services offered by TPF companies to homeowners of single-family homes

3.1.2 Condominiums

STF	Mode of operation	Pricing
Hauts-de-France Pass Rénovation	Delegation model	Technical surveys/project design: €300/ work package Financial engineering, consultation of contractors: €300/work package Start of work, monitoring and acceptance of the work: €300 / work package
Oktave	Assistance model	From €5,000 to €30,000: €100 to €200 per dwelling unit
AREC Occitania	Assistance model	Energy audit: €90 per dwelling unit Owner assistance: €480 (only for condominiums with fewer than 100 units)
Facirénov' (Bordeaux Métropole Energies)	Assistance model	Energy audit: on quotation Owner assistance (design): on quotation Owner assistance (work execution): on quotation
Centre-Val-de-Loire Energies	Assistance model	Energy audit: on quotation Owner assistance: from €130 to €600 incl. VAT per main work package, depending on the size of the condominium, the works programme and the options chosen, with a minimum of €3,600 incl. VAT.

Table 26: Prices of the services offered by TPF companies to condominiums

4. What are the steps to setting up a TPF company?

4.1 Adapting the services offered by TPF companies to different types of housing

Third-party financing companies have developed different modes of operation, depending on the specificities of the local area, the market context and the political choices made by the local authorities at the origin of the TPF company.

With the exception of Île-de-France Energies, all French TPF companies offer renovation services to single-family homes.

► Regarding condominiums

The Ile-de-France Regional Council and the other shareholders in Ile-de-France Energies decided to develop a specific solution for large condominiums built between 1950 and 1970 with a communal heating system, which represent a large number of residential buildings in the Ile-de-France region and a difficult target for energy-efficient renovations as this major investment must be approved by a majority of owners.

Other TPF companies have gradually developed a range of services specifically adapted to condominiums, in addition to the services provided to owners of single-family homes. For example, Régie des Hauts-de-France has developed a service offering under the “Hauts-de-France Pass Copropriété” brand, notably in the Lille metropolitan area.

The cost of preliminary studies became less of a problem in 2020, when the subsidy schemes managed by the French Housing Agency (Anah) were revised. In addition, the operations programmed by Metropolitan councils to encourage associations of co-owners to renovate their buildings helped build a “pool” of condominiums that are now informed and have benefited from an overall technical diagnosis. However, French TPF companies usually restrict their services to condominiums with more than 20 dwelling units. Small condominiums remain difficult to reach, due to the cost of engineering for each co-owner.



► **Single-family homes:**

Most of the renovations carried out by TPF companies concern owner-occupiers. To be able to offer their services to households eligible to Anah subsidies and prepare applications for housing aid, TPF companies have to build good relations with the operators approved by this public agency. This is a persistent obstacle in some areas.

► **Landlords:**

Third-party financing companies may also be of interest to landlords. But this target is much less developed. The introduction of restrictive measures for landlords under the 2021 Climate and Resilience Law should heighten their awareness of the value of renovating their property and therefore encourage TPF companies to develop communications and services specifically designed for this segment.

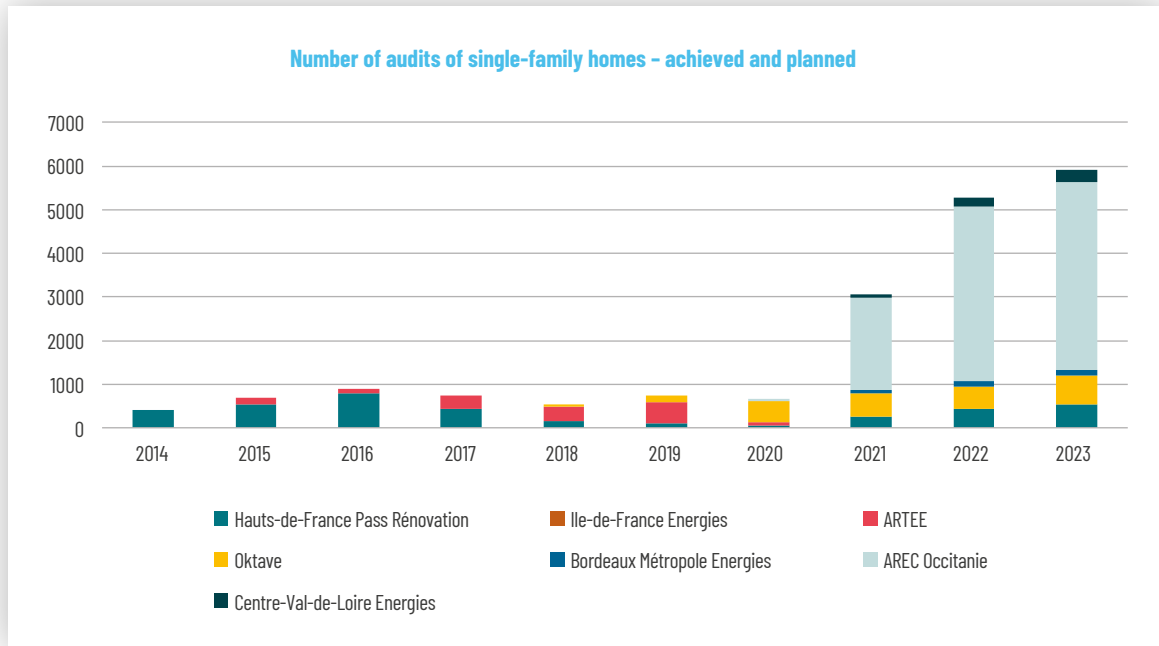


Figure 1: Number of audits carried out in single-family homes

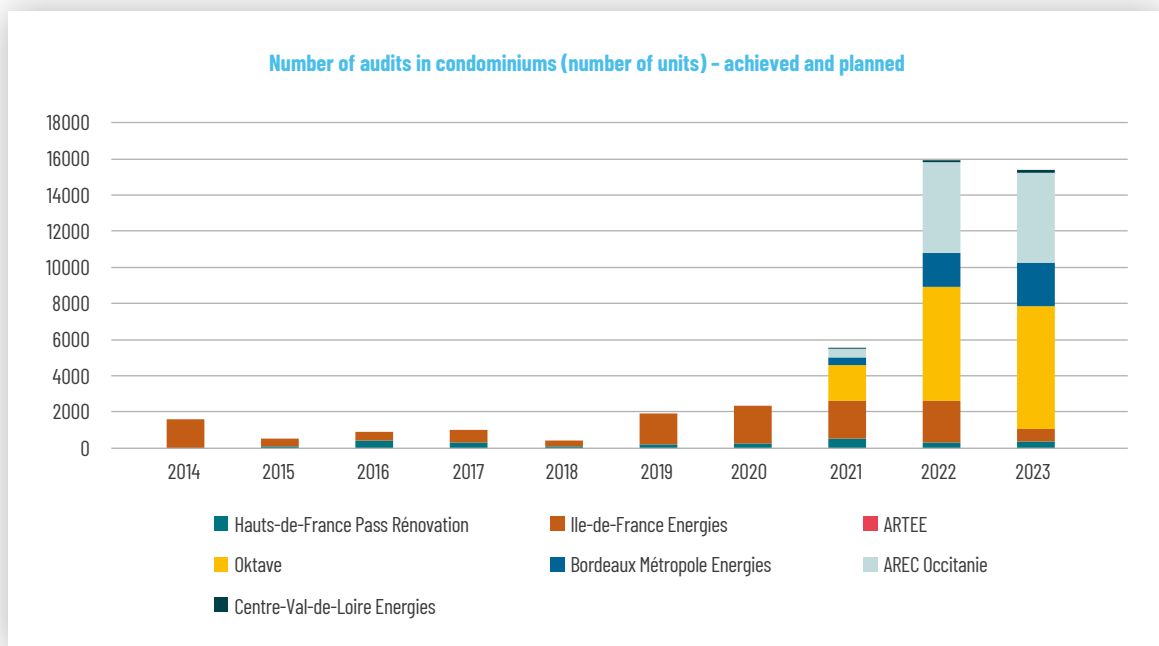


Figure 2: Number of audits carried out in condominiums

4.2 Description of the TPF company team

The various tasks and accountabilities shared between staff members are presented in the table below. This distribution of tasks will of course evolve with future needs.

Roles	General objectives	Operational objectives	Persons in charge
Coordination of local facilities (France Rénov' centres and other energy information and advice centres)	<p>Coordinate local facilities (France Rénov' centres) delivering a public service for the renovation of housing.</p> <p>Contribute to rationalising public financing resources for the renovation of housing.</p>	<ul style="list-style-type: none"> ▶ Develop an overall vision for these local facilities and promote balanced, efficient relations between all players, through consultation with other local authorities and players (energy information centres, energy associations, etc.), professional groupings and other stakeholders in the energy and building sectors. ▶ Formalise and define the role of the various players involved (local authorities, energy information centres, service providers, energy assessors, project supervisors and building companies, tradespeople, etc.). ▶ Set up a renovation observatory. ▶ Organise and coordinate training sessions with the other organisations involved. 	<p>Management team:</p> <ul style="list-style-type: none"> ▶ Contributes, together with the Regional Council and central government representatives, to shaping support to local players. ▶ Liaise with other partners (energy information centres, banks, Envirobat and other trade associations, consular chambers, etc.). <p>Project managers</p> <ul style="list-style-type: none"> ▶ Handle the consultation and day-to-day relations with local players in their line of work (communication, professionals, private individuals, financing).
In-house management of the TPF company	<ul style="list-style-type: none"> ▶ Define and implement the company's development plan 	<ul style="list-style-type: none"> ▶ Define the strategy ▶ Develop a staffing plan ▶ Achieve the targets set (see forward-looking business plan) 	<p>Management team:</p> <ul style="list-style-type: none"> ▶ Runs and coordinates the various activities. ▶ Responsible for managing the in-house team. ▶ Sets up the processes and defines requirements for the acquisition or development of the company's information system. <p>Administration and Finance Director:</p> <ul style="list-style-type: none"> ▷ Manages administrative aspects (logistics, HR). ▷ Oversees accounting, monitors expenses, revenues and cash flows. ▷ Contributes to the development of tools and procedures (reporting, resource management). ▷ In the case of direct third-party financing, organises the company's backoffice by separating the functions responsible for examining applications and those in charge of managing cash flows linked to subsidy advances and white certificates (CEEs).



Roles	General objectives	Operational objectives	Persons in charge
<p>Methodological support to local facilities and partners</p>	<ul style="list-style-type: none"> ▶ Provide local facilities (energy information centres, support service providers) and partners (tradespeople, banks, etc.) with tools and methods (air-tightness tests, etc.) to encourage gradual convergence towards quality criteria in line with the TPF company's standard. 	<ul style="list-style-type: none"> ▶ A communication strategy focussing on facilitation and highlighting the results in terms of improved comfort, the ability to anticipate changes in standards and the impact on property value (value preserved or increased). ▶ Organisation of training courses and events to help local players enhance their knowledge of energy-efficient home renovation. ▶ Co-designed and standardised tools for energy audits, tools for calculating/simulating financial assistance and financing plans. 	<ul style="list-style-type: none"> ▶ Quality Manager and/or Partnership Manager <ul style="list-style-type: none"> ▷ Creates or commissions the production of tools for local players: communication materials (posters, web graphics, radio spots, etc.), events, technical training, etc. ▶ Technical Manager <ul style="list-style-type: none"> ▷ Develops or selects tools for local players: financial aid simulation tool, energy audit tool, site visit report templates, contact directory, air tightness test, etc. ▶ Project managers <ul style="list-style-type: none"> ▷ Handle relations with service providers (associations, energy assessors, etc.) supporting private individuals (energy audits and works recommendations, help with analysing quotes, help with financing plans, etc.).
<p>Partnerships (local authorities, banks, property developers, building companies, etc.)</p>	<ul style="list-style-type: none"> ▶ Create partnerships with local authorities to ensure coordination and local coverage. ▶ Encourage partnerships with property business professionals to bring new projects. ▶ Boost partnerships with banks to help with: <ul style="list-style-type: none"> ▷ combining the financing of renovation work with that of property acquisition, ▷ preparing credit applications (presentation of the technical and budgetary aspects of the renovation project). 	<ul style="list-style-type: none"> ▶ A general partnership framework available to energy information centres. ▶ Turnkey renovation training courses for banks, property business professionals, notaries, etc. ▶ Standard documents on the relations with banks, including language guidelines. 	<ul style="list-style-type: none"> ▶ Management team or Partnership Manager: <ul style="list-style-type: none"> ▷ Organises relations with banks, managing agents, etc. ▶ Project Managers: <ul style="list-style-type: none"> ▷ Participate in bilateral meetings with bank branch managers. ▷ Relay information to regional energy renovation platforms (PTRE) about banking partnerships: presentation of partnerships, preparation of standard documents, etc.



Roles	General objectives	Operational objectives	Persons in charge
<p>Advance payment fund</p>	<ul style="list-style-type: none"> ▶ Organise advance payments (interest-free loans) on subsidies from Anah and local authorities, in order to : <ul style="list-style-type: none"> ▫ facilitate access to financing for homeowners eligible to Anah grants or other subsidies paid after work completion. ▫ enable direct payments to contractors by the TPF company, without going through homeowners (a security for contractors). 	<ul style="list-style-type: none"> ▶ Signing of a subrogation agreement with Anah and local authorities. ▶ Formalisation of the payment process once the advance has been validated. 	<ul style="list-style-type: none"> ▶ Finance Director: <ul style="list-style-type: none"> ▫ Handles relations with Anah, building companies and local authorities, regarding the management of subsidy flows to homeowners and direct payments to contractors ▶ Financial officers: <ul style="list-style-type: none"> ▫ Apply control procedures prior to the payment of advances, monitors the receipt of funds, archive supporting documents and implements internal auditing procedures.
<p>Provision of services (owner assistance, owner delegation, project supervision, comprehensive package) to single-family home owners and condominiums</p>	<ul style="list-style-type: none"> ▶ A comprehensive range of billable support services to private individuals, in addition to the services provided free of charge. <ul style="list-style-type: none"> ▫ These services can be provided by local subcontractors (public procurement contracts). ▫ They can also be provided by the energy information centres in addition to the services they provide free of charge (sometimes as part of public contracts signed with the TPF company: in that case, they serve as the TPF company's single point of contact). <p>These services aim to :</p> <ul style="list-style-type: none"> ▫ optimise the time spent with the household, as well as the provision of advice. ▫ offer comprehensive support, from initial considerations to work completion, focusing on two both technical and financial aspects. ▫ facilitate relations between households and contractors, or their management by the TPF company or the contractors. 	<ul style="list-style-type: none"> ▶ Definition of a framework regulating the relation between the TPF company and the household (user contract), or contractors if the company is the owner's delegate, in order to : <ul style="list-style-type: none"> ▫ monitor work progress and guarantee the quality of the work, as well as compliance with deadlines, the TPF company acting as an external verifier. ▫ monitor the post-work phase, draw recommendations for the operators, local authorities and households ▫ simplify the procedures for private individuals, by setting up a single point of contact responsible for centralising applications (single financing application). ▶ Directory of approved contractors. ▶ Simplified consultation procedure organised by lots (by trade). ▶ Adaptation to Anah audiences. ▶ Adaptation to condominiums 	<ul style="list-style-type: none"> ▶ Technical Manager: <ul style="list-style-type: none"> ▫ Ensures consistency of the support services provided by operators and helps them expand their skills to increase the range of services provided ▶ Team of advisers to private individuals (TPF company) <ul style="list-style-type: none"> ▫ Check the quality of the work carried out by contractors (technical manager role) ▶ Energy advisers/project managers (if all or part of the support services are provided in-house): <ul style="list-style-type: none"> ▫ Support private individuals throughout their renovation project. ▫ Assist them with handling relations with contractors, if necessary. ▫ Some advisers specialise in working with condominiums.



Roles	General objectives	Operational objectives	Persons in charge
<p>Management of energy savings certificate (CEE)</p>	<ul style="list-style-type: none"> ▶ Collect and market CEEs to part-finance support services. 	<ul style="list-style-type: none"> ▶ Procedure to facilitate the coordination of the processes for collecting supporting documents, registering CEEs and distributing their sale proceeds. 	<ul style="list-style-type: none"> ▶ Managing Director and Finance Director: ▶ Define, negotiate and implement the procedure for collecting supporting documents and for registering and selling CEEs. ▶ Energy advisers (if all or part of the support services are provided in-house): Handle the collection of work receipts directly

Table 27: Organisation of a TPF company team



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