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// Zero Rate Eco Loan Scheme (ZPEL) France

Short Description

The Zero Rate Eco Loan scheme (éco-Prêt à Taux Zero or éco-PTZ) was launched in 2009 and ran until the end of 2023. The scheme provided interest-free loans that range from EUR 7,000 to EUR 50,000 to homeowners and homeowners' associations (HOA) to finance energy efficiency improvement work on primary residences. It was administered by the Ministry of the Economy, Finance and the Recovery, in partnership with 15 banks that provided the eco loans.

Year // Duration

Launched in 2009, ended December 2023

Objective

The challenges posed by climate change, the scarcity of natural resources and geopolitical issues are forcing France and all European countries to rethink and redesign domestic energy strategies. Reducing energy consumption is a key part of climate and environmental action and the residential sector is an important part of the equation, as it accounts for 25 per cent of total EU energy consumption. To increase the number of eco-friendly residential buildings, successive French governments have provided a full range of support mechanisms, including grants, counselling and affordable loans like the Zero Rate Eco Loan.

The main objectives of the scheme are to

- give residents access to affordable eco-friendly housing finance;
- improve the energy efficiency and indoor climate of primary residences;
- reduce the total energy consumption of the residential sector.

Initial situation

45 per cent of residential buildings in France were constructed before 1970 and have usually not been upgraded since then. Only 6.6 per cent of approximately 29 million primary residences are energy efficient. An average French primary residence consumes between 151 and 330 kWh/m² of energy per year. 17 per cent of residences are excessive energy consumers, with annual consumption exceeding 331 kWh/m².

Implementation & measures

Loan financing through the scheme was available to three types of renovation projects:

Energy-efficient renovation projects could involve a range of improvement actions to thermally insulate roofs, walls, windows and floors, and to install heating and hot water production equipment and systems, especially using renewable energy sources.

Since 2019, to encourage more property owners to access the measure, the French government extended interest-free loans to

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projects that only targeted one type of renovation action.

Energy performance upgrade projects for buildings covered larger-scale interventions to reduce overall energy consumption and to conserve energy for heating, cooling and hot water production.

Reforms introduced in 2021 have increased the maximum eco-loan amount for these projects from EUR 30,000 to 50,000.

Non-collective sanitation system upgrade projects targeted the installation of equipment that does not consume energy. *These projects were eligible for a maximum loan of EUR 10,000.*

Eligibility criteria to tap the loan scheme:

- The property must be used as a primary residence, by the owners or their tenant.
- According to French law, a primary residence is defined as housing that is occupied at least eight months per year. Professional obligations, health reasons or incidents of force majeure can justify exceptions to the rule;
- The property must have been constructed at least two years prior to the start of the renovation work. *This requirement was introduced in 2019 as part of a reform package. Until then, only properties built before January 1990 were eligible for a loan;*
- Zero Rate Eco Loans to HOA could only be used to finance the renovation of parts of HOAs that are of collective interest (e.g.: balconies, windows, parking lots, etc.).

Regardless of the type of renovation, the Zero Rate Eco Loan could be complemented by other public measures targeting better residential energy performance. Eco-loan applicants could apply for more than one loan, as long as the total amount did not exceed the maximum limits per project category.

Results

- 411,077 loans granted, with a total estimated value of more than EUR 7.46 billion;
- A network of 15 banks, responsible for channelling eco-friendly investment to homeowners;

- Average loans of EUR 12,561 awarded in 2020, down from EUR 17,858 in 2018 (smaller, single action projects were permitted in 2018/19);
- Low usage rate (0.6 per cent) of eco loans for more ambitious and holistic energy efficiency renovation projects;
- Reforms introduced at the end of 2021 were positive.

Overall, the success of the scheme was relatively modest. The loans were awarded to just over 1 per cent of the 29 million primary residences in France.

Implementing bodies

French Ministry of the Economy, Finance and the Recovery, 15 banks.

Beneficiary parties

Homeowners and Homeowners' associations

Financing // Funding

The scheme was administered and implemented by the Ministry of the Economy, Finance and the Recovery and 15 banks that provided loans of a total value of EUR 7.46 billion (EUR 7,000–50,000 per residence).

Perspectives & Lessons Learned

After demand had decreased strongly throughout compared to the early years of the scheme, reforms of it were boosting interest and loan awards in recent years. Longer-term, improvement and better results would have been very likely.

Possible multiplication effects

The Zero Rate Eco Loan concept is certainly transferable. The key is to design a scheme that is well aligned with national/local needs and interests, communicate and promote it effectively, ensure sufficient funds are in place to finance it, and provide potential applicants with appropriate incentives, financing conditions and support (e.g. advice and assistance).

Problems encountered

When viewed on a year-by-year basis, the number of eco-loans awarded had decreased

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significantly since 2009/2010, which triggered reforms of the scheme in later years. Results data also indicates an imbalance in the share of loan awards by household income category. The largest share was awarded to higher income households than those on lower incomes. Targeted action would have been required to counter this development. In addition, most loans financed renovation projects of fairly limited scope, which therefore limited their contribution to the scheme's main goal: to significantly improve residential building energy efficiency performance. Consequently, a focus on more comprehensive and deep renovation measures and strategies should be prioritised in future funding and financing schemes.

Source: European Construction Sector Observatory - Policy fact sheet - France - Zero Rate Eco Loan Scheme



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