

# Introducing the Sustainable greenHome Program



F e n n t a r t h a t ó  
O t t h o n Z r t .

## Company information

Company name: Sustainable Home Plc. (HUN: Fenntartható Otthon Zrt.)

Company seat: Budapest, Üllői út 45. II./220, H-1091, Hungary

Company registry number: 01-10-047142

VAT identification number: 23472781-2-43

Statistical code: 23472781-4110-114-01

Bank account number: 10702019-66701097-51100005

Chairman and CEO: Mr. Pál Bacsárszki

Company owners:

Hungarian Building Industrial Nonprofit LLC

Regio-Bau LLC

Greenmentor LLC

Shirahime LLC

Company and product logo:



## Introducing the Sustainable greenHome Program

### Background

#### Hungarian energy environment

Hungary, like many EU member states in the region, is highly dependent on foreign energy imports. The vast majority of the gas used in most Hungarian households for heating arrives from the Russian Federation through a single pipeline. This situation results in critical vulnerability of the country's energy supply and constitutes an impetus toward reducing gas consume. Even though governmental programs are under way designed to improve on the energy efficiency of residential buildings, no overarching solution has yet been proposed.

#### Environmental challenges

Residential buildings are the source of nearly 60% of air pollution in Hungary. It is envisaged that EU regulations inducing curtailment on CO<sub>2</sub> emission will affect this sector as well from 2021. Emission trading establishes a framework within which yet hidden benefits can be realized for the whole domestic economy. Apart from other positive effects discussed below this fact also highlights why our program is worthy of serious consideration on governmental level.

#### Domestic subsidy policy

The Hungarian state spends much more money on energy subsidies than on promoting renewable energy usage. These subsidies could be reduced or phased out if profligate consumption arising out of insufficient insulation proved to be preventable. Steps in this direction seem nevertheless inevitable because the central budget gets gradually under strain.

#### Renewable energy sources

The potential present in harnessing renewable energy sources (RES) is underestimated in Hungary. The energy supplied by them today amounts to 4,5 % of the gross final consumption with biomass only accounting for 90% of this share. Other RES are mainly untapped even though Hungary is blessed with geothermal energy and solar panels are attainable at relatively low cost. Interest in environment-friendly electricity generation is growing though. Some years ago the Hungarian Ministry of National Development launched a program aimed to support solar collector system installations. The total amount requested in the applications phase reached €10m.

#### Economic problems

The Hungarian economy was significantly shaken by the world economic and financial crisis. The building industry which was previously one of the leading sectors suffered the most having to opt for massive lay-offs within a short time. High unemployment level remains one of the major problems in Hungary that disproportionately affects undereducated and unqualified workers.

## Hungarian residential building stock

According to a comprehensive survey run recently nearly 60% of the Hungarian residential buildings date back to before 1980 and suffer from severe energy inefficiency. To shed light on the problem it is enough to note that households use on average 75% of their energy consumption for heating. Paying attention to the 2.8 million residences estimated to require serious renovation in the next 15 years a full scale program would change the lives of at least 6 million people.

## The company

### Company history

Sustainable Home Plc. (SH Plc.) was founded on August 17 2011 by Hungarian Building Industrial Non-profit LLC and Greenmentor LLC.

Both companies have a comprehensive knowledge of and a wide-ranging experience in the building industry. Hungarian Building Industrial Non-profit LLC, which holds the majority of shares, has fostered clusters comprising small and medium enterprises whilst Greenmentor LLC has excelled in market and sales management.

SH Plc. aims to create a new perspective on energy saving for households with its patented Sustainable greenHome Program.

### Company structure

The Chairman-CEO of the company is Mr. Pál Bacárszki.

The central branch of the company with 19 employees is responsible for sales management, project coordination and project supervision. The sales network consists of 88 Greenmentor (salesperson) assigned to 17 remote integrator offices which are present in 63 statistical sub-regions. The fully evolved network will have 83 offices with all of the 174 sub-regions covered.

## The Sustainable greenHome Program

### Business structure

We arrived long ago at the conclusion that the business environment favoring back market practices is a major obstacle to an efficient, transparent and dependable project implementation as well as to the satisfaction of our clients. In order to face this specific challenge we established a wide network of cooperation for companies that intend to join us and are ready to abide by rigorous standards.

As a part of the quality management we apply our industrial partners as well as the external experts participating in project planning, management and verification are all subject to qualification. Every stakeholder is expected to work strictly independently from any other and is responsible only to SH Plc.

## The Program

Within the framework of the Sustainable greenHome Program (in the following: The Program) complete building energy upgrade is offered ranging from the first steps to the handover of the renovated building. Partial or targeted energy and technological surveys are also provided by SH Plc. as well as planning and building of new, sustainable homes.

Throughout a project the client keeps in touch solely with the company's salesperson (project manager) entrusted with overseeing the whole process. After a technological survey our experts issue the energy certification of the building and prepare two separate offers (a simple and a complex) outlining the renovation possibilities. Upon the client having chosen one of them financial, technological and construction plans are drawn up. The realization phase proper begins with signing the implementation contract and the documents providing for financial cover. Construction works are carried out by SH Plc.'s regional partners under the guidance of the already mentioned project manager. In case the inspector in charge does not find any shortcoming during the construction supervision in the final stage the project is deemed successfully closed and every participant receive the agreed sum for its contribution from a previously created bank account.

This unique financial management scheme ensures that each stakeholder is duly and timely paid. On the other hand clients also do not have to incur unplanned expenses. The quality level achievable via the Program allows SH Plc. to offer three years warranty on every project as from their delivery.

## Estimated Potential

The first comprehensive assessment made two years ago on the residential building stock found that the energy used for heating in households could be reduced by 30 % only by improving on insulation and replacing doors and windows. To convey an impression of the magnitude the possible projects in the aggregate represent:

- > Estimated number of residences waiting for renovation (2011): 2.8 million
- > Estimated combined surface to be insulated: 760 million m<sup>2</sup>
- > Estimated number of doors and windows affected: 22 million

The heating systems of the households in question shall also be generally considered inefficient or worn out. Their upgrade however is in most cases just a secondary issue owing to the more striking improvements achievable through the abovementioned replacements. By evaluating the situation on a merely technical level the results are notwithstanding remarkable:

- > Estimated number of residences requiring heating system upgrade: 3,2 million

## Financial viability

Even though many Hungarian households do not have savings to cover the expenses involved ancillary sources are available for them. Being aware of the dimensions of the Program our financial partners are ready to provide loans under favorable conditions making them affordable even for borrowers with low income. Due to these opportunities and the fact that through a complete renovation our clients achieve notable savings even self-supporting projects are possible with one part of the earlier energy expenditures being transformed into loan repayment tranches. In any case the time of monetary return is estimated to be 8-10 years whilst the materials applied have a service life of approximately 30 years.

Apart from financing projects on purely market basis our experts are looking for less expensive forms of funding. Since energy efficiency is regarded a key area in the European Union and member states are encouraged to provide support to programs promoting it, we strive to make use of the opportunities arising thereof. The Hungarian government would accrue a significant benefit from supporting our undertakings owing to the increased revenue stream from value added, profit based as well as personal income taxes. According to our estimations covering up to 37% of the total costs would result in more than equivalent return for the budget.

## Strategic Partners

The list of our strategic partners reflects the social and economic significance of our endeavour.

- > Ministry of Human Resources – Türr István Training and Research Institute
- > Research Institute of National Strategy
- > Hungarian Roma Government
- > Hungarian Association of Craftmen's Corporations
- > Takarékbank Plc
- > OTP Plc
- > RTS NegaWatt Virtual Energy LLC.

## Economic and social aspects

### Economic vitalization

If we assume that the Program will last 15-20 years, it will be capable of providing an ongoing employment for 70 thousand people. The shorter the period though the more employees can be involved. Moreover, taking into consideration its expected corollary effects the number of the jobs created can easily exceed this prediction by thousands. Within our network trainings are also offered for partners that are willing to commit themselves to cooperating with us in the long run.

### Promotion of social mobility

During the Hungarian presidency the government raised the attention of the member states by naming sinti and roma social integration a key issue. Our Program responds to this initiative since the majority of the works



involved does not require any practical experience or high education and all the necessary skills can be relatively easily acquired. The Program offers therefore a rare chance for those having been excluded from the job market long ago. In cooperation with one of our strategic partners, the Türr István Training and Research Institute, we currently train 1800 people from disadvantaged background.

### **Connection to European goals and regulations**

The Program is closely connected to the European Union's energy efficiency goals set out in the 2010/31/EU directive on building energy efficiency as well as in the EU2020 initiative.

### **Future plans**

As a first step in extending the Program on other European countries, we are searching for partners in the Central Eastern European region (Romania, Bulgaria, and Serbia) where energy poverty indicators and unemployment rates are especially high. We hope that our success will greatly contribute to reducing the difference between East and West by establishing a new ground for regional development and cross-border cooperation.



*Fenntartható zöldOtthon Program*