



SUNSHINE
SAVE YOUR BUILDING
BY SAVING ENERGY



ENERGY PERFORMANCE CONTRACTING FOR MULTIFAMILY RESIDENTIAL BUILDINGS IN LATVIA

Latvian Baltic Energy Efficiency Facility
LABEEF

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Claudio Rochas – Funding for Future, product development

19/01/2017

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Save your bUildiNg by SavINg Energy

Towards 2020m² of deeply renovated multifamily residential buildings

Concept and approach

Long term Energy Performance Contracting

Technical assistance

Deep renovation of at least 200.000m² of MFB and market development in n Latvia

Energy savings

26GWh/year of primary energy savings

Expected investment

Approximately €30m

Process standardization

Ecosystem development, investment guideline, templates, trainings, platform



LABEEF OPERATIONS SUMMARY



➤ LABEEF:

- Finances investments in building deep renovation through the generated energy savings (receivables of Energy Performance Contracts) - Forfeiting Facility
- Sets rigorous Financial and Technical Guidelines for each sub-project

➤ LABEEF:

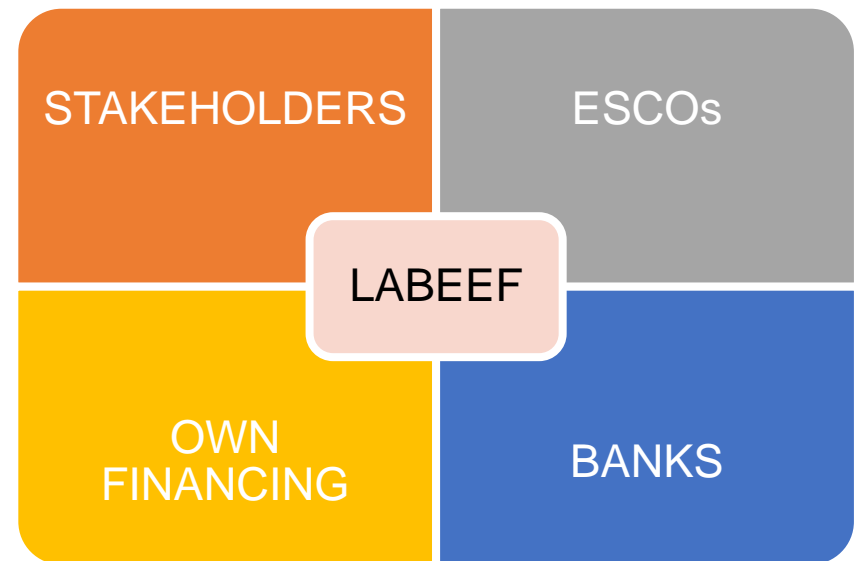
- Highly replicable across Eastern Europe through its Dutch based shareholding
- Operations deployed through its online platform - sharex.lv allowing scalability
- Concerns over half a billion square meters of Soviet Era buildings in Central Eastern Europe and over 100 million people

➤ LABEEF:

- received financing from European Bank for Reconstruction and Development
- received support from the EU Horizon 2020 programme

CHALLENGES OF PUTTING LABEEF TO WORK

- **UNDERSTANDING PROBLEM**
- **ESCO ROLE**
- **EXPECTED RESULTS**
- **EPCs**
- **LEGISLATION**
- **FINANCING**



PROBLEM

38 000

Multifamily residential buildings



1500

Renovated buildings
4% of the stock



85%

Does not comply with current building code

Latvian Energy Strategy 2030

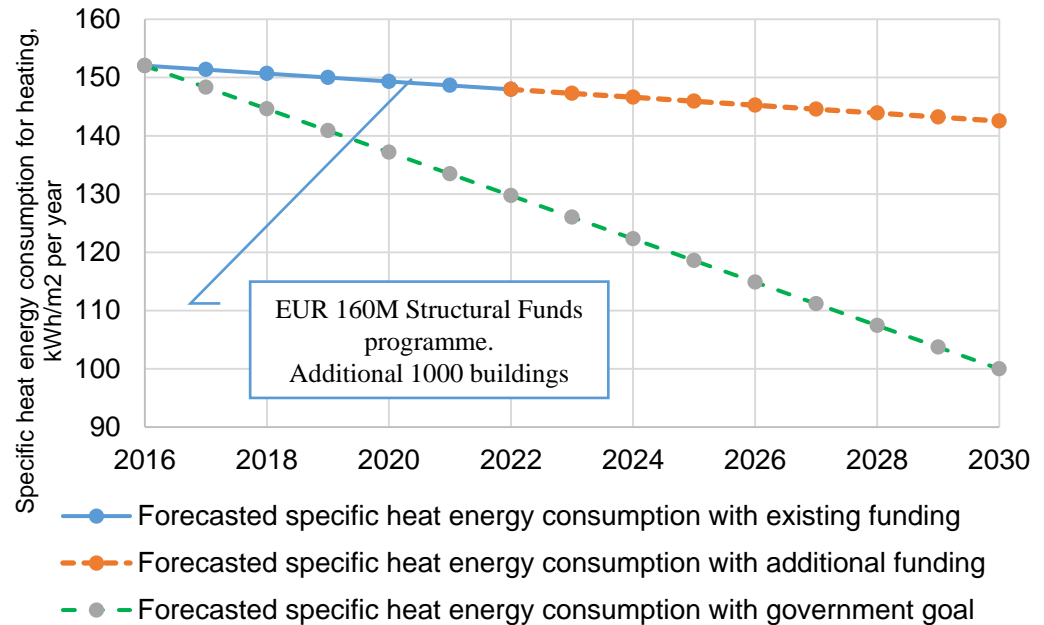
2016

152.04
kWh/m²

2030

100
kWh/m²

**Funding needs
> €4.3 billions!**



Source. Gatis Žogla, RTU.

MORE ABOUT THE PROBLEM



PROBLEM

50% of Latvian housing stock will wear out in the next 20 years time

CAUSE

Consistent lack of maintenance and investment

ANSWER

Use proceeds from energy savings to finance large scale renovation

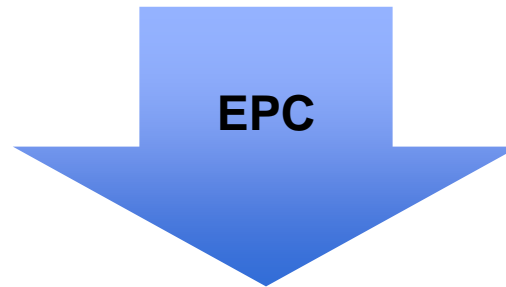
BENEFITS

Financial savings. Comfort. Health. Value. Building lifetime. Environment. Economy. Social. Energy dependence.

SCALE EXCEEDS EUR 4 BILLION IN LATVIA ALONE!

WHAT SOLUTION DO PEOPLE NEED?

**GUARANTEED RESULTS
FINANCIALLY VIABLE
SIMPLE**



**ESCOs USE EPC TO IMPLEMENT BUILDING RENOVATION
WITH 20 YEAR ENERGY SAVING PROJECTS**

COMFORT. HEALTH. VALUE.



EPC



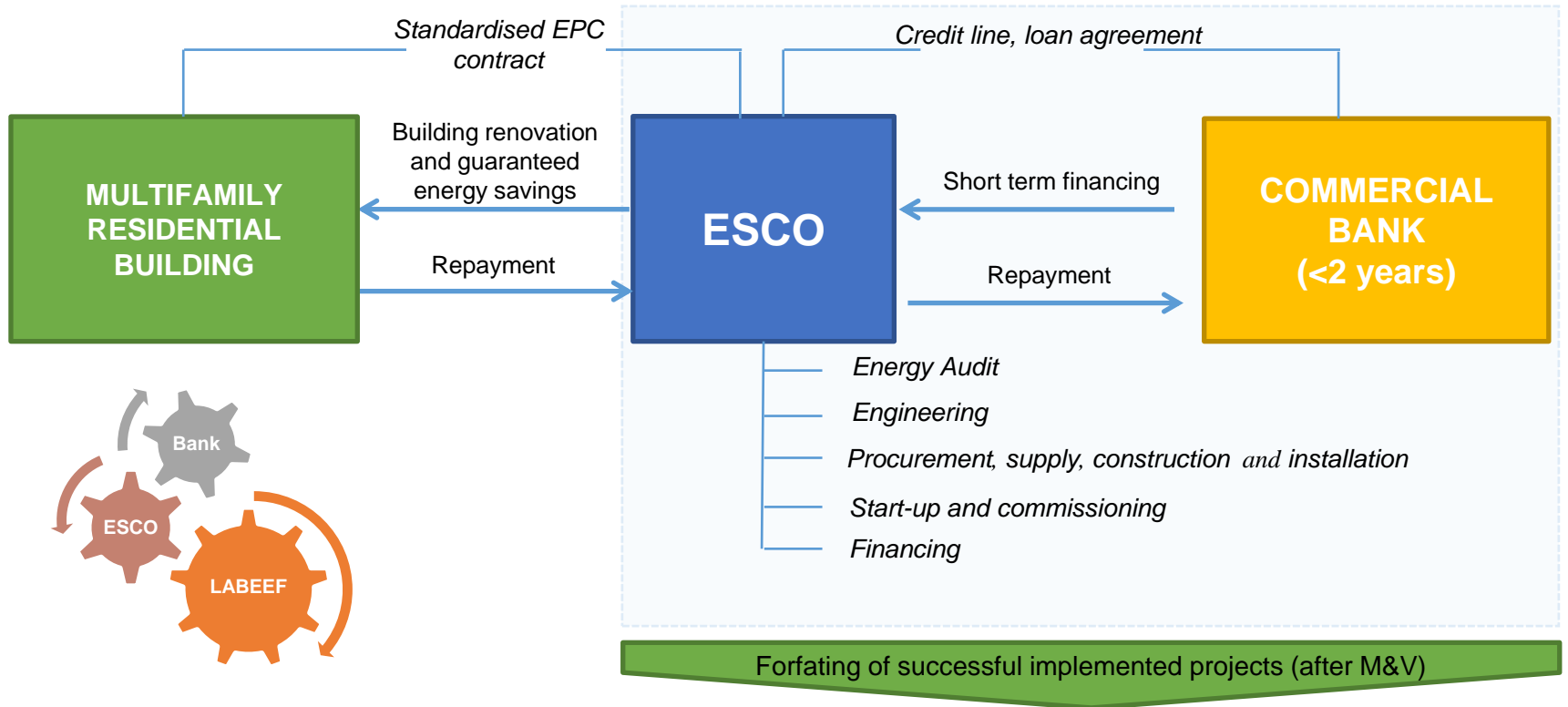
DUE DILIGENCE RESULTS

- No defaults in 15 buildings/359 apartments since implementation in 2009
- Buildings will last >30 years
- Deep renovation including new ventilation systems
- No increased affordability risk
- Energy savings exceed 50%

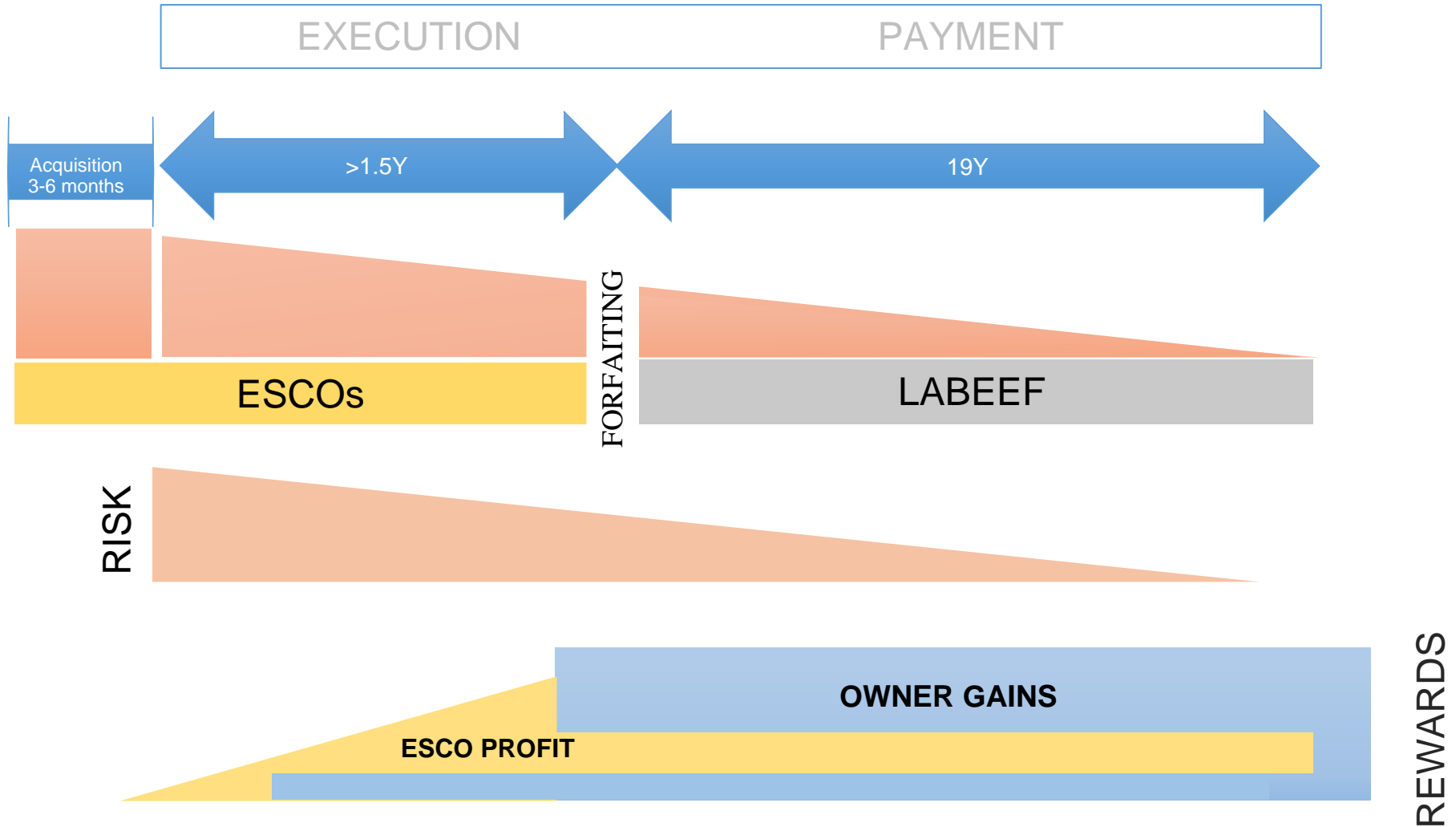
PROBLEM FOR LOCAL ESCOs

LONG TERM FUNDING AND
“**FROZEN**” EQUITY

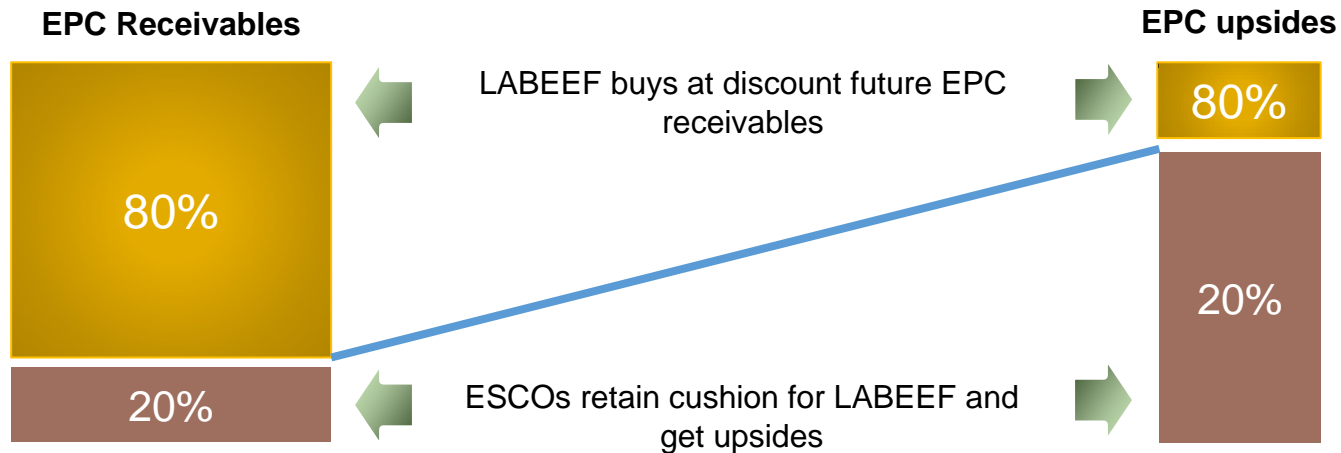
LABEEF SOLUTION – GENERAL ECOSYSTEM



LABEEF UNDERTAKES LOW RISK FINANCING



DE-RISKING: LABEEF'S 80/80 MODEL



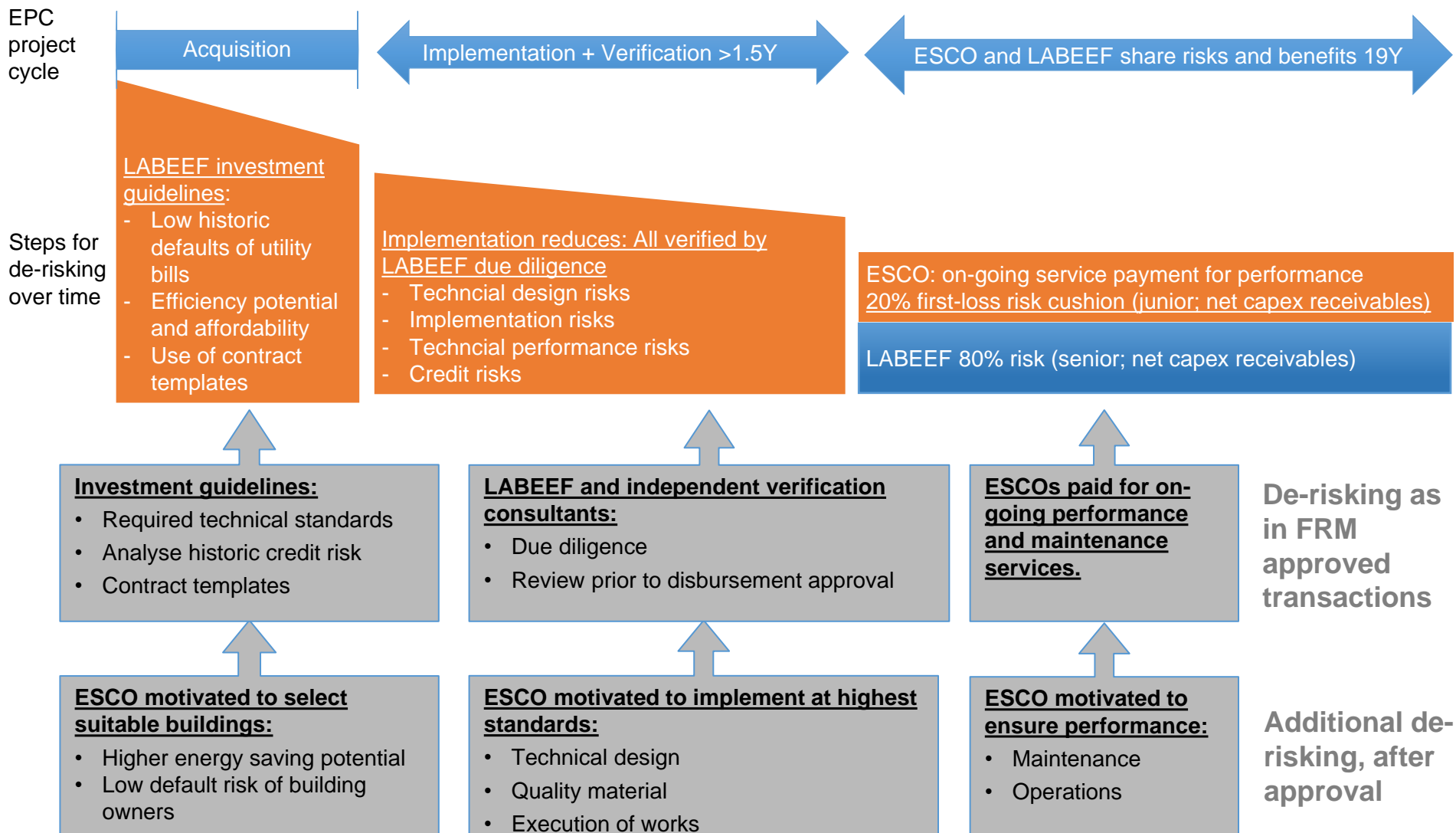
➤ **20% first-loss risk cushion:**

- LABEEF purchases only 80% of net receivables for capex
- LABEEF collects 100% of receivables, keeps 80% (**senior**) and, subject to performance, passed on 20% (**junior**) to ESCOs

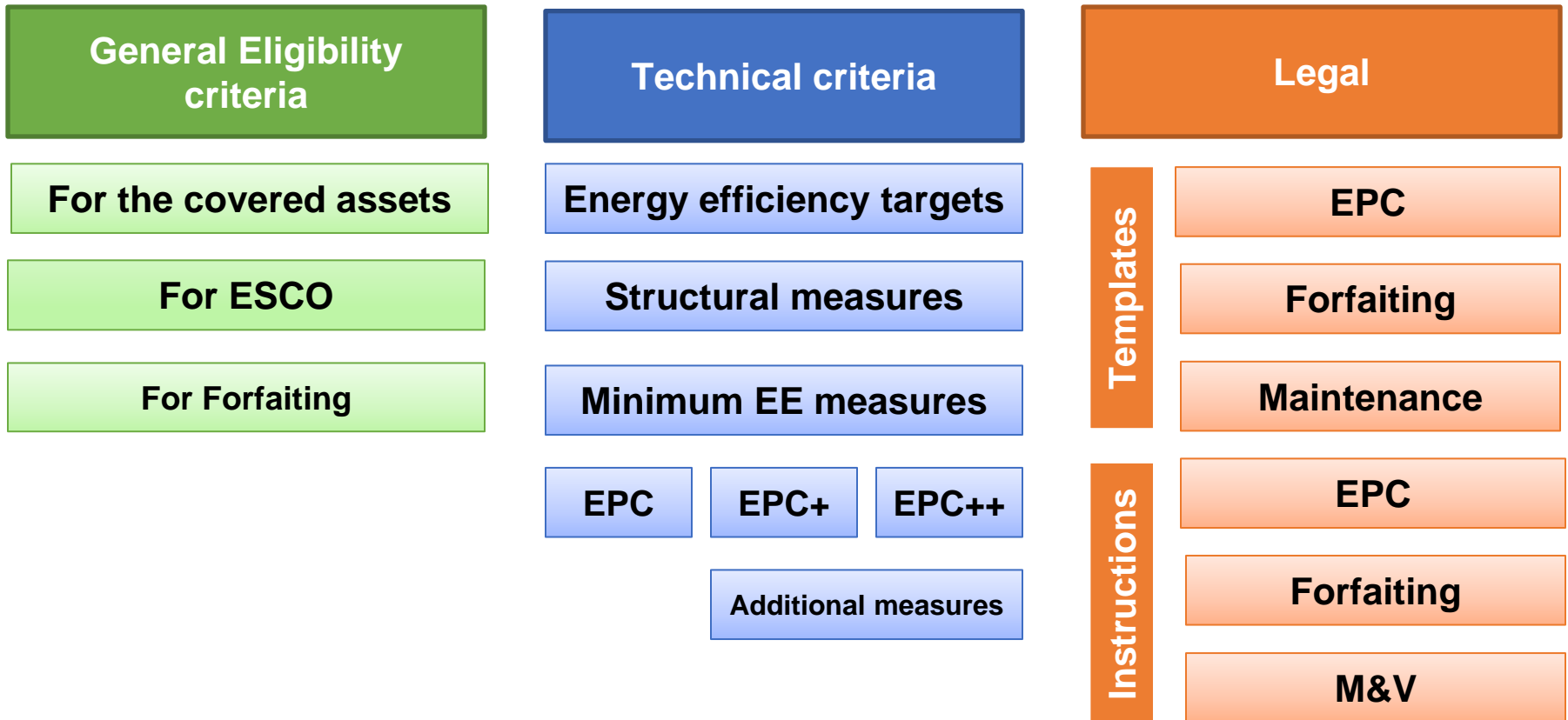
➤ **ESCO sponsored first-loss risk cushion (20%) and shared upside (80/20 ESCOs/LABEEF) motivates ESCOs to:**

- select best buildings (high technical potential and low residents' default risk)
- implement EPC sub-projects with highest technical standards (regarding technical design, quality of material and implementation)

INCREASED INCENTIVES FOR ESCOs TO ENSURE PERFORMANCE



INVESTMENT GUIDELINES PROCESS STANDARDISATION



IT PLATFORM SHAREX.LV

PLANNING

EXECUTION

MAINTENANCE

- Standartized documents
- Calculator
- Benchmark
- Process flow
- Data warehouse
- Monitoring
- Finance
- Best practice
- News & Research
- Support

- ✓ DECREASED TRANSACTION COSTS
 - ✓ REPETITION
- ✓ INDUSTRIALISATION
- ✓ BUNDLING
- ✓ GROUPED PURCHASING
- ✓ COST REDUCTION

HOW TO ENABLE LABEEF FINANCING?

EPC, EPC+, EPC++

- Scope of the agreement and obligations
- Renovation works and budget
- Safety, quality and comfort guarantee
- Baseline and guarantee savings
- Operations and Maintenance
- Fee calculation

INVESTMENT GUIDELINES

- Eligibility criteria
- Technical criteria
- Legal framework

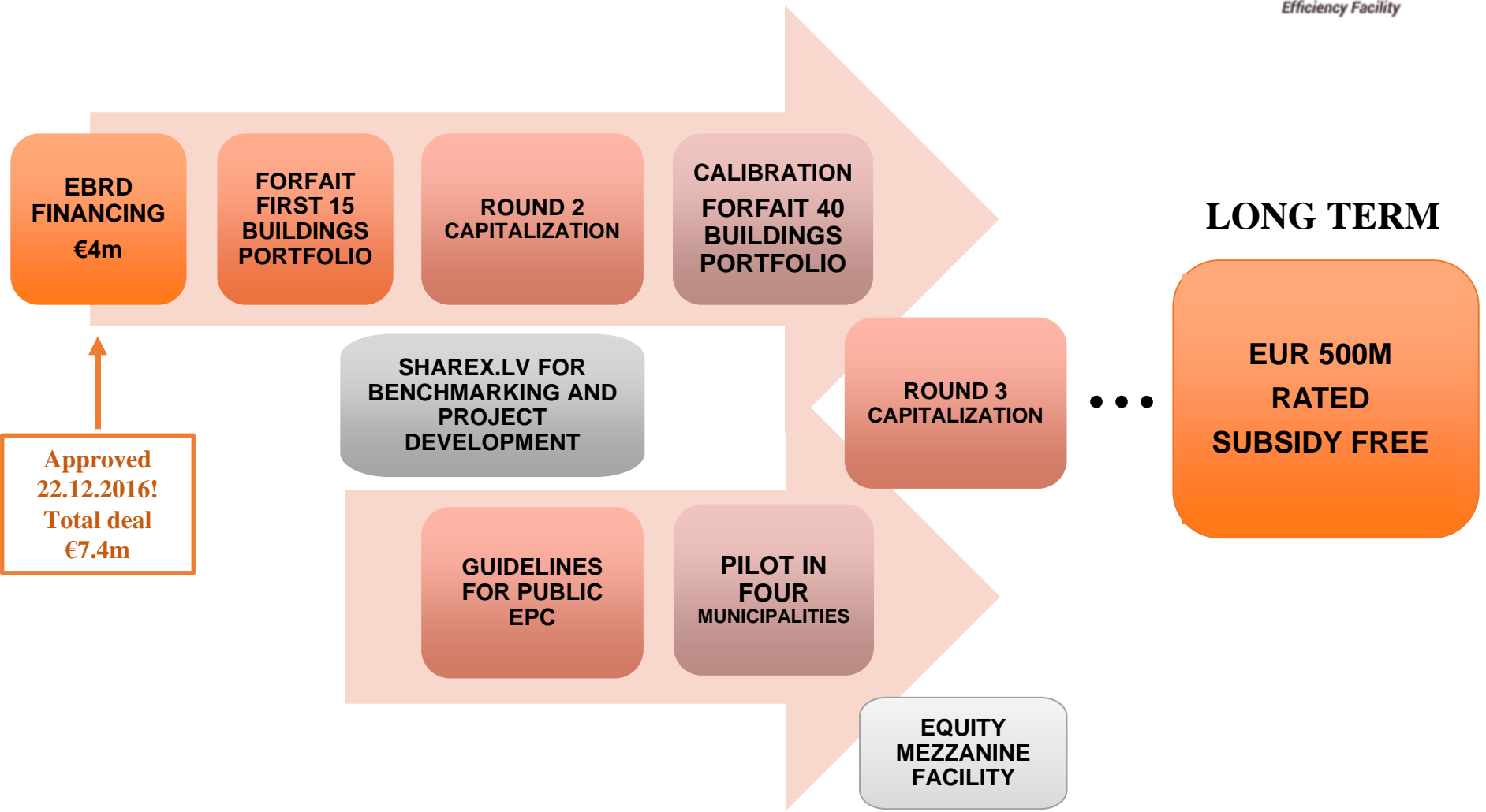
IT PLATFORM

Enables scale

Risk
management

Business
development

GOALS FOR THE NEXT YEARS...



LABEEF PROJECT: 5 YEARS IN PERSPECTIVE

2012

- First discussion with Ministry of Environment
- Review of deeply renovated ESCO buildings
- EBRD agrees on the need of long term strategy
- Building and Energy Conservation bureau (ESEB) established
- **Fund proposal to EBRD**
- Conference

2013

- Ministry of Economy visit to Berlin energy agency
- Banking workgroup established
- ESEB deep renovation study supports Latvia's case
- **Ministry of Economy, Latvian Guarantee Agency (LGA), EBRD meeting on energy efficiency projects**

2014

- **EBRD sets out its schedule: T/S by end May**
- **EBRD provides term sheet to LGA**
- **KPMG London initiates technical Due Diligence** (15 buildings renovated in Latvia using EPC). **Result: Owners get 30% better value. Building life extended by 30Y, energy saving exceeds 50%.**

2015

- Government sets aside €10M matching EBRD's proposed term sheet.
- Support visit from Mr. Peterschmitt, CEO Banking EBRD. Support from Ministry of Finance, Ministry of Economics.
- Forfeiting fund docs reviewed by key stakeholders and international experts
- ESEB extended sector socio-economic study
- **EBRD proposes to go forward. Invite ALTUM (of which is now part) to participate.**

2016

- **Latvian Baltic energy efficiency facility (LABEEF) is established.**
- Seminar with key stakeholders, ESCOs, banks.
- **LABEEF initiates 2nd term sheet with EBRD**
- ALTUM €160M program approved
- ALTUM programme amended to include ESCO
- EBRD business forum in Riga
- **Loan agreement between LABEEF and EBRD signed**



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LABEEF
*Latvian Baltic Energy
Efficiency Facility*

THANK YOU!

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