

# **GRANTING OF LOANS TO MODERNIZATION OF PUBLIC BUILDINGS OF THE CENTRAL GOVERNMENT IN LITHUANIA**

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2016-11-11, Riga

# The Energy Efficiency Directive sets an obligation:



to renovate annually at least 3% of total floor area of buildings owned and occupied by central government



to achieve 1.5% energy savings per year

**Energy efficiency  
*ex ante*  
assessment**

Identified  
market gap  
66,7 MEUR

**Modernization of  
central government  
owned buildings**

**Modernization of  
cities' street  
lighting**

Identified  
market gap  
50,5 MEUR

**Proposed financial product**

**ESCO model**

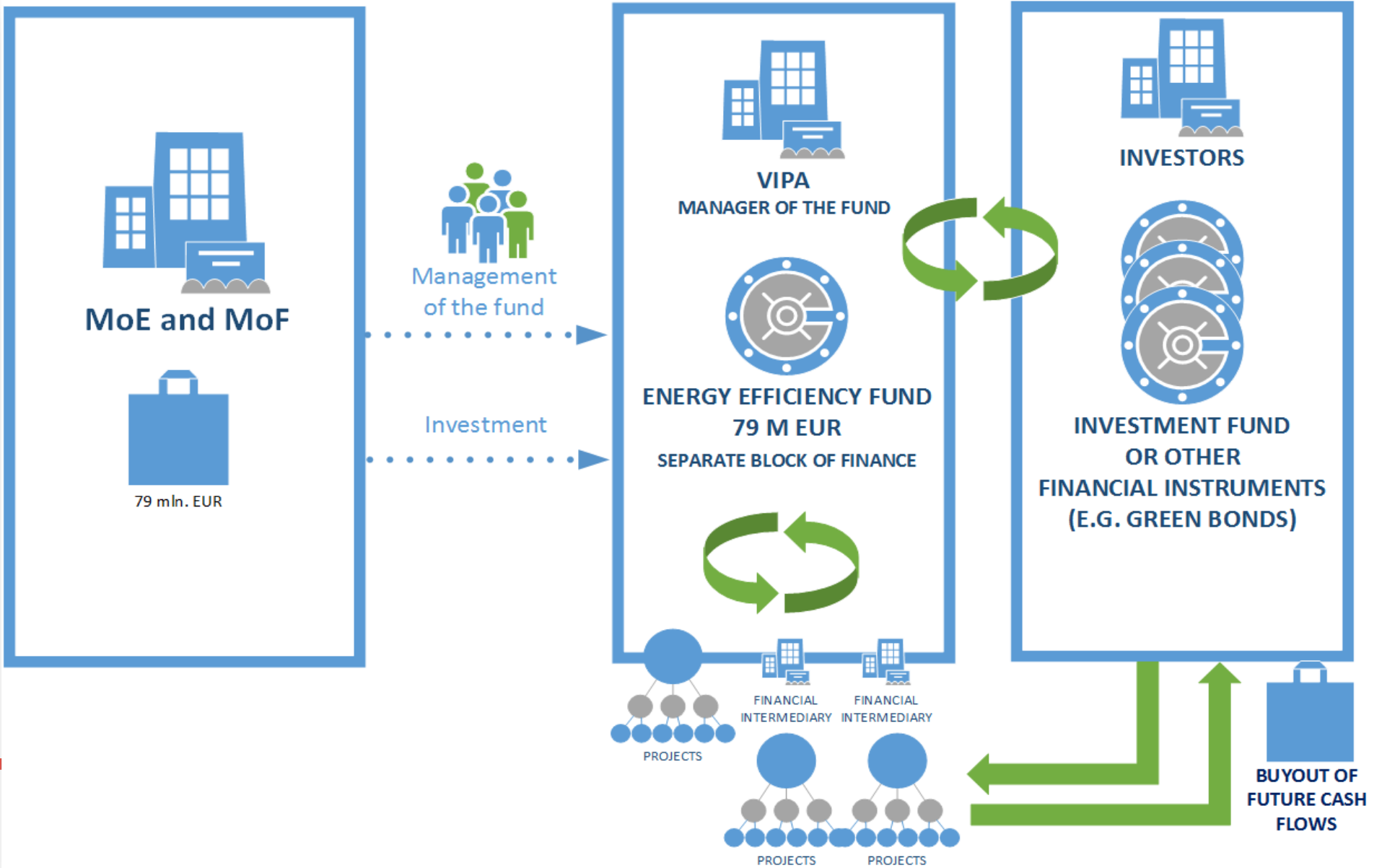
Preferential loan + up to 20 %  
interest rate and technical  
support subsidy

**Proposed financial product**

**ESCO model**

Guarantee scheme

# SCHEME FOR PUBLIC BUILDINGS RENOVATION AND STREET LIGHTING MODERNIZATION



# ENERGY EFFICIENCY FUND

- Fund of Funds ENEF established on the 18 February 2015 by the Ministry of Finance, Ministry of Energy and Public Investment Development Agency (VIPA)
- Manager of the ENEF - VIPA
- 2 Financial Instruments
- Contribution to ENEF 79,5 MEUR

Sector analysed	ESIF and national contribution, MEUR	Expected results
Public buildings owned by central government	65	EUR 74 MEUR of private resources attracted 546 buildings of 615000 m <sup>2</sup> renovated At least 40 % of energy savings achieved (164,062 MWh)
Street lighting	14,5	40,9 MEUR of private resources attracted 57000 street lightning elements modernized Energy savings of 29,250 MWh

# MAIN LOAN CONDITIONS

## Financing form:

**LOANS  
65,16 MEUR**

## Borrower:

1. ESCO
2. Central government building manager

## Beneficiaries:

**Central government public buildings**

	ESCO	Central government building manager
<b>Interest rate</b>	Fixed 0 % annual interest (+ 6 month EURIBOR)	Fixed 2 % annual interest (+ 6 month EURIBOR)
<b>Loan period</b>	up to 20 years	
<b>Types of repayment</b>	annuity and linear	
<b>Intensity</b>	up to 80 % eligible expenditure	up to 100 % eligible expenditure

# PRINCIPAL REQUIREMENTS FOR PROJECTS

- ✓ ESCO is **operating in EU territory**
- ✓ Energy class of a building **must be D or lower**
- ✓ Centrally owned public **building must be managed by budgetary or public institutions** (state enterprises are not eligible applicants)
- ✓ **51 %** of a building **must belong** and be **used by the state**
- ✓ No specific requirements for certain payback period or financial viability of the project, yet minimum requirement for economic performance indicators
- ✓ After renovation : 30% minimum savings, at least energy class C reached, building usage by purpose **not shorter than 10 years**

# ELIGIBLE EXPENDITURE

- Modernization of heating and hot water systems
- Modernization of ventilation and recuperation
- Modernization of lighting system
- Building insulation (roof, walls, windows, doors etc)
- Modernization of boiler systems
- Preparation of technical documentation

Renewables are not eligible expenditure, yet an ESCO on their own expenses can set it up



# MAIN DOCUMENTATION FOR LAUNCHING FINANCIAL INSTRUMENT

- **Energy Efficiency *ex ante* assessment** - *approved by the Monitoring committee*
- **Fund Agreement between MoF, MoE and VIPA**
- **Program for Increasing Energy Efficiency of Public Buildings**– *approved by the Government*
- **Standard ESCO procurement documentation** - *approved by the Ministry of Energy*
- **Conditions for Providing Loans for Modernization of Centrally Owned Public Buildings** – *approved by VIPA*

# SELECTING AN ESCO (I)

No.	Pre-qualification Selection Criteria	Relative importance Coefficient
1.	A Candidate's average annual income over the past 3 financial years	20
2.	A Candidate's liquidity ratio over the past year	10
3.	A Candidate's experience in implementing consulting services agreements of which has been the specific solutions allowing reduction of electricity and/or heat costs over the past 3 years	15
4.	A Candidate's experience in providing services of maintenance/operation of the utility systems	15
5.	A number of contracts on renovation of buildings with a value of at least EUR _____ million, successfully implemented by a Candidate during the past 3 years	40

# SELECTING AN ESCO (II)

No	Evaluation Criterion	Maximum Score	Weighted Score
1.	Price (P)	$P(\max) - 100$	$X=50$
2.	Energy Savings (Thermal and Electrical) (T)	$T(\max) - 100$	$Y=20$
3.	A Candidate's ratio of own funds to the funds to be borrowed from the ENEF (Q)	$Q(\max) - 100$	$A=20$
4.	Tender quality (K)	$K(\max) - 100$	$Z=10$

The economic advantageousness (S) is calculated according to formula:

$$S=P+T+Q+K$$

# ASSISTANCE UNDER ELENA FACILITY

Participation in consultancy services project **“Supporting the Development of the ESCO Market in Lithuania: Preparation of standardized typical documents and tenders for ESCO energy efficiency projects in Lithuania”** under EBRD-ELENA facility

- Main objectives of the project:
  - Preparation of standard ESCO documentation
  - Technical assistance for projects (minimum 6 million EUR investments)
- Total value of project – 292 060 EUR, required multiplier effect – 1:20 (investments 5,26 million EUR)

Projects implemented and financed until 31 December, 2017 – VIPA’s responsibility

# Energy Efficiency with Performance Guarantees in the Private and Public Sector

## Guarantee

### Project Summary

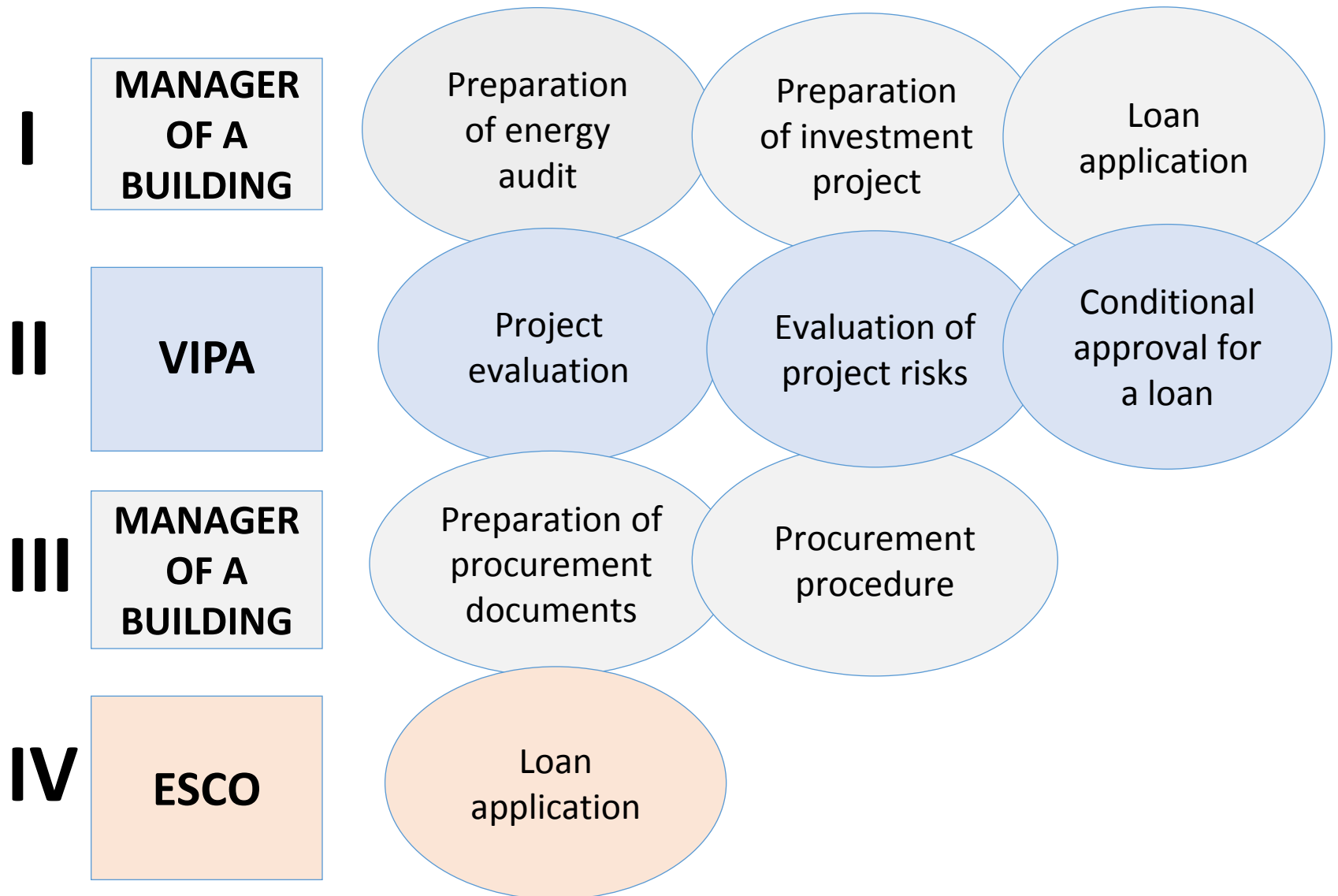
Public Investment Development Agency within guarantEE 14 experienced partners will foster the use of Energy Performance Contracting (EPC) in the public and private sector across Europe by especially:

- developing innovative EPC solutions for rented facilities
- making EPC more flexible to better serve private sector clients
- supporting EPC pilot projects with experienced facilitators

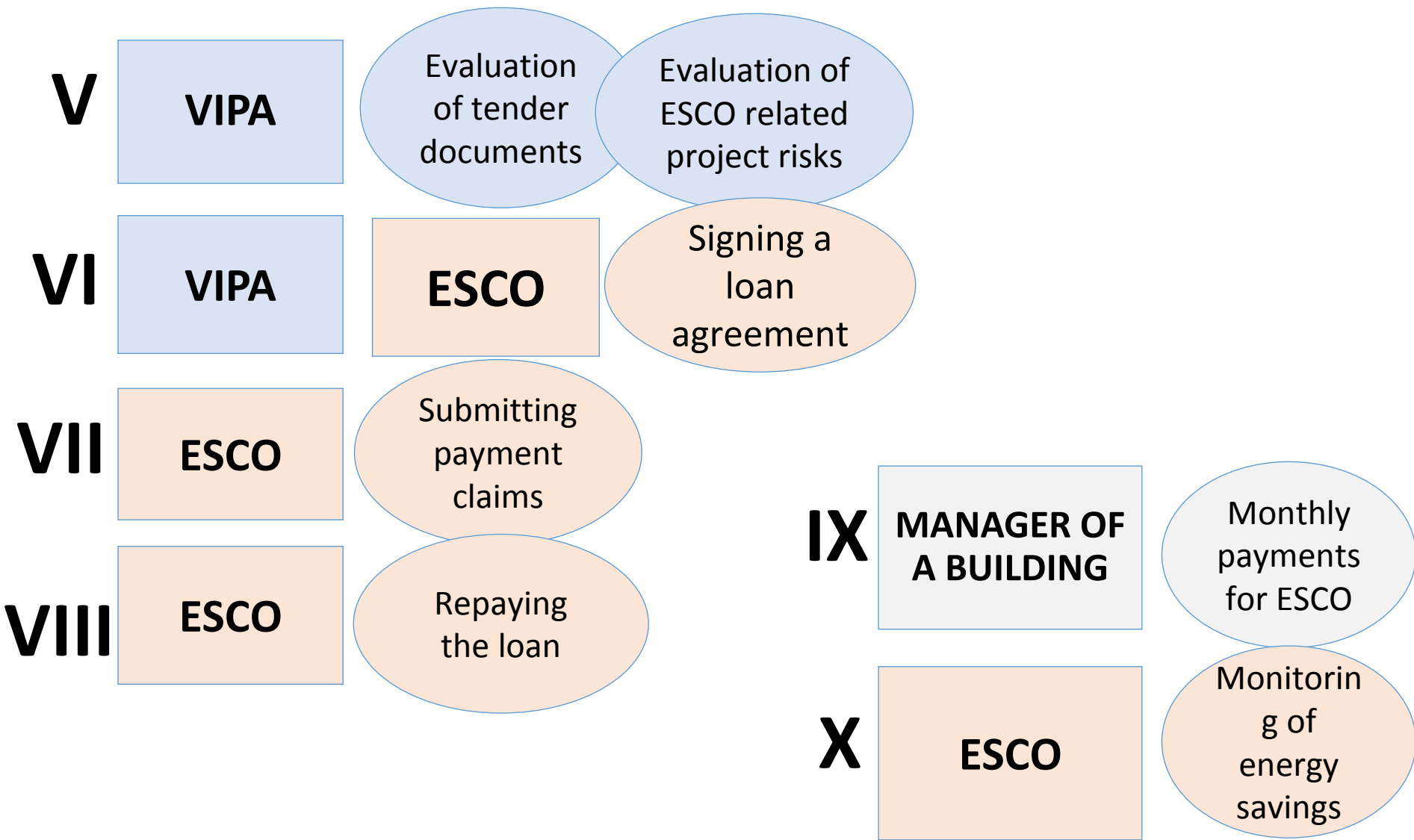
The guarantEE project is being funded by the European Union's Horizon 2020 research and innovation programme.



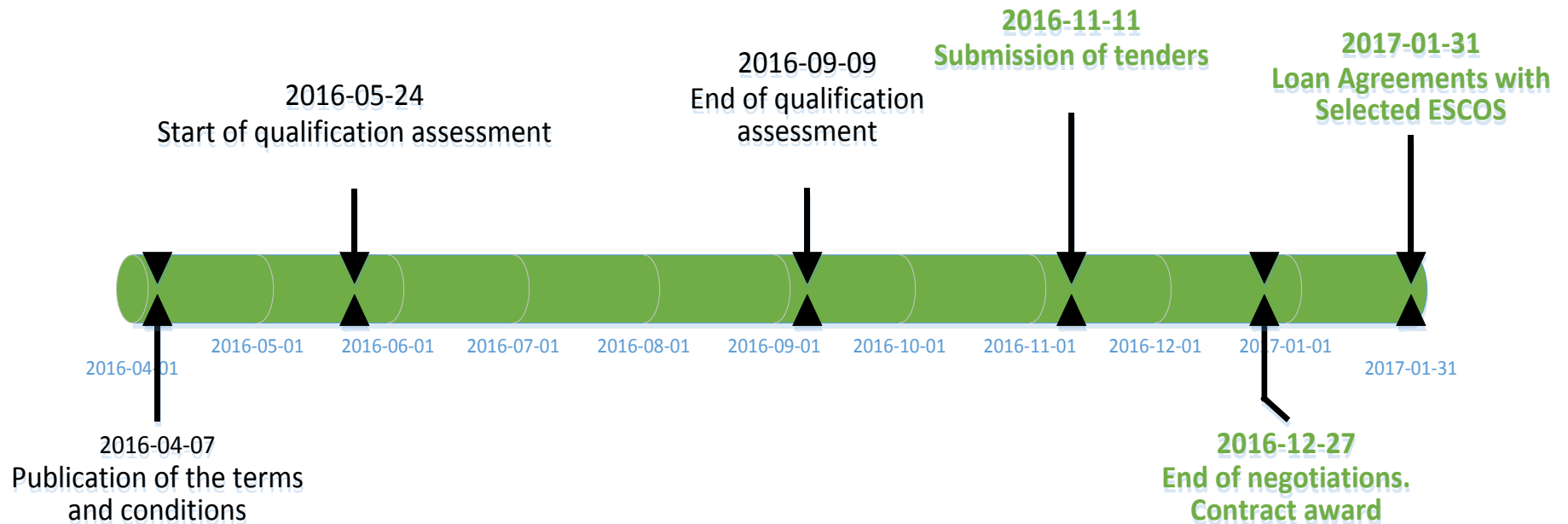
# MAIN STEPS FOR IMPLEMENTATION OF AN ESCO PROJECT (I)



# MAIN STEPS FOR IMPLEMENTATION OF AN ESCO PROJECT (II)



# PILOT PROJECTS: ONGOING PROCUREMENT PROCEDURE





# IMPLEMENTATION CHALLENGES

Slow start of FI:

- Lack of ESCO regulation
- Complicated public procurement procedures and no experience with ESCO
- Long payback period
- State aid

# CHALLENGES: MANAGING THE RISKS OF STATE AID

- State Aid identified in Energy Efficiency *ex ante* assessment:

- Establishers of the fund: YES  NO

- Manager of the fund: YES  NO

- Private investors: YES  NO

- Beneficiaries (managers of centrally owned public buildings):

- ESCO's: YES  NO

- Construction companies: YES  NO

YES   
NO

Yes  
 No

# THANK YOU!

