



**SUNSHINE**  
SAVE YOUR BUILDING  
BY SAVING ENERGY



# ENERGY PERFORMANCE CONTRACTING FOR MULTIFAMILY BUILDINGS IN LATVIA

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Latvian Baltic Energy Efficiency Fund (LABEEF)

11/11/2016

This project is funded by  
the Horizon 2020 Framework  
Programme of the European Union



# PROBLEM WITH “DEPTH”

PROBLEM

50% of Latvian panel housing stock will wear out in 20Y time

CAUSE

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 3 BILLION IN LATVIA ALONE!

# COMFORT. HEALTH. VALUE.



*Before and after photographs of Latvian EPC projects*

## DUE DILIGENCE RESULTS

- No defaults in 15 buildings/359 apartments since implementation in 2009.
- Buildings will last >30 years.
- No increased affordability risk.
- Savings exceed 50%

# WHAT SOLUTION PEOPLE NEED?

- ✓ **GUARANTEED RESULTS**
- ✓ **FINANCIALLY VIABLE**
  - ✓ **SIMPLE**



**EPC**

**ESCOS USE EPC TO IMPLEMENT 20 YEAR ENERGY SAVING  
PROJECTS**

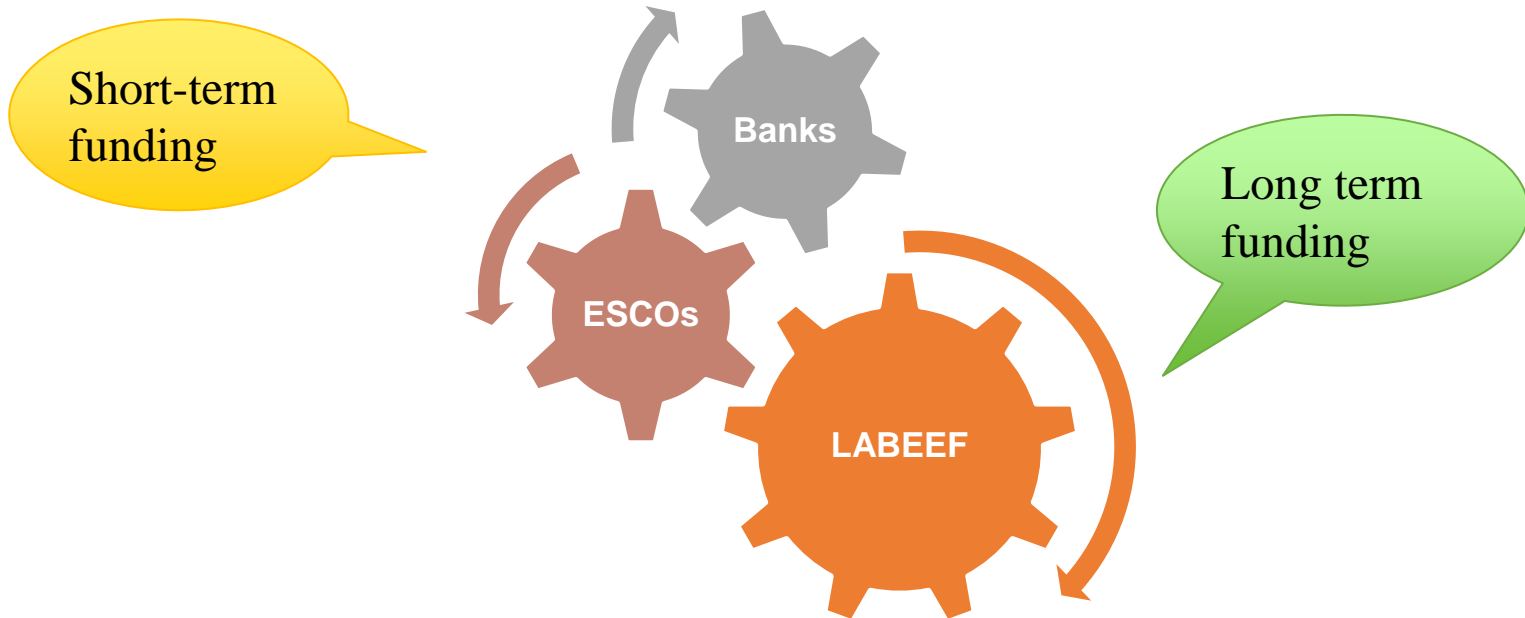
# PROBLEM FOR LOCAL ESCOs



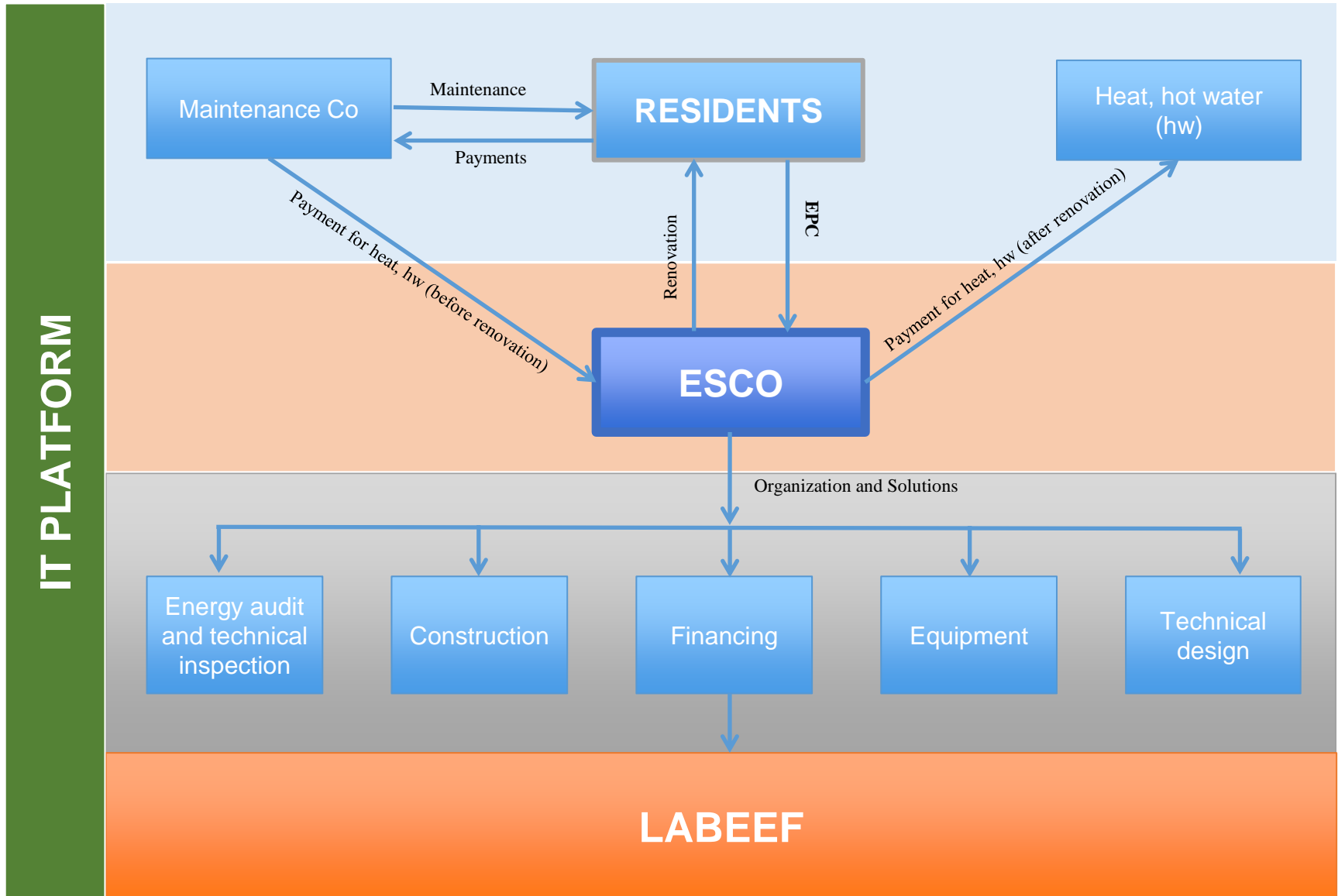
**LONG TERM FUNDING AND  
“FROZEN” EQUITY**

# SOLUTION – LABEEF

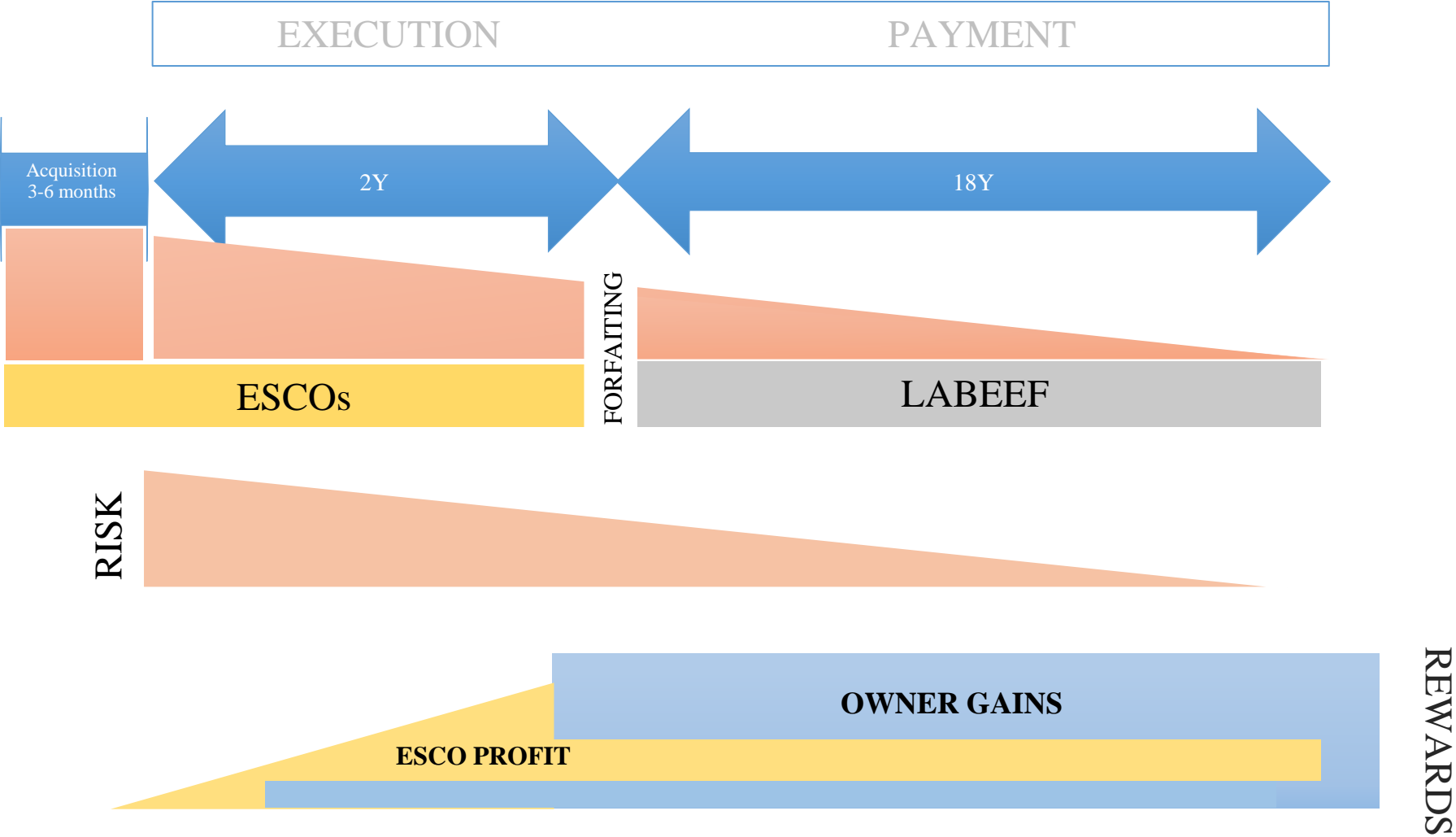
- ✦ LABEEF would provide long term financing to ESCOs by forfeiting EPC contracts
  - ✦ “Frozen equity” is released to undertake new energy efficiency projects
  - ✦ Enables bank funding



# RESIDENTS – ESCOs - LABEEF



# LABEEF UNDERTAKES LOW RISK FINANCING





# 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

## FINANCIAL AND TECHNICAL RULES AND GUIDELINES

- Technical guidelines
- Investment rules
- Eligibility criteria

IT PLATFORM

Enables scale

Risk  
management

Business

# IT PLATFORM SHAREX.LV

PLANNING

EXECUTION

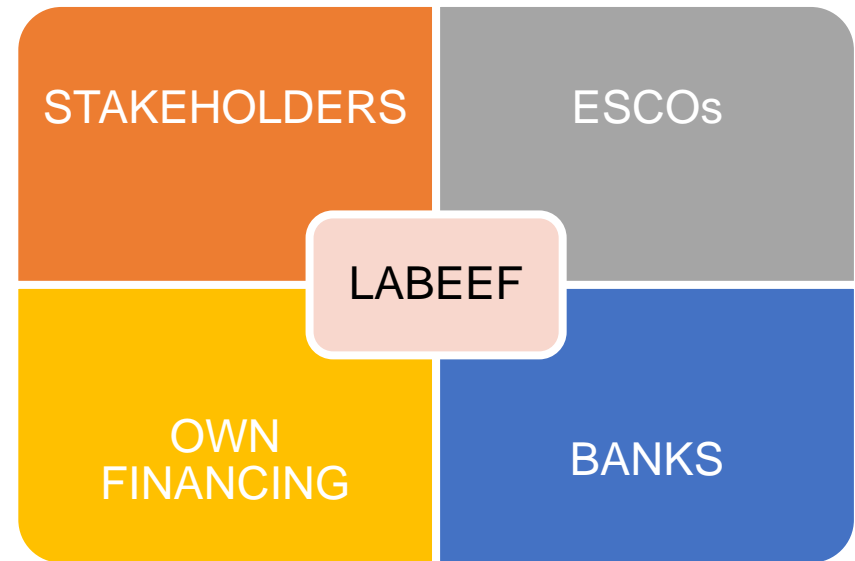
MAINTENANCE

- ✦ 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

# CHALLENGES OF PUTTING LABEEF TO WORK

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



# 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
- ESEB created
- **Fund proposal to EBRD**
- Conference

## 2013

- Ministry of Economy visit to Berlin energy agency
- Banking workgroup created
- ESEB deep renovation study supports Latvia's case
- **Ministry of Economy, 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 DD. Result: Owners get 30% better value. Building life extended by 30Y.**

## 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 study
- **EBRD proposes to go forward. Invite Altum to participate.**

## 2016

- **Baltic energy efficiency fund is created: LABEEF.**
- Seminar with key stakeholders, ESCOs, banks.
- **LABEEF initiates 2nd term sheet with EBRD**
- Altum EUR 160M program approved
- Work on ESCO inclusion in Altum program
- EBRD business forum in Riga

# GOALS FOR THE NEXT YEARS...



## LONG TERM

AGREE ON  
FINANCING

ACQUIRE  
FIRST 15  
BUILDING  
PORTFOLIO

JOIN  
ALTUM'S  
PROGRAM

PUBLIC  
EPC

SHAREX.LV  
FOR  
BENCHMAR  
KING

...

EUR 500M  
RATED  
SUBSIDY FREE



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EKU SAGLABAŠANAS UN  
ENERGOTAUPTĪBAS BIROJS

THANK YOU!

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