

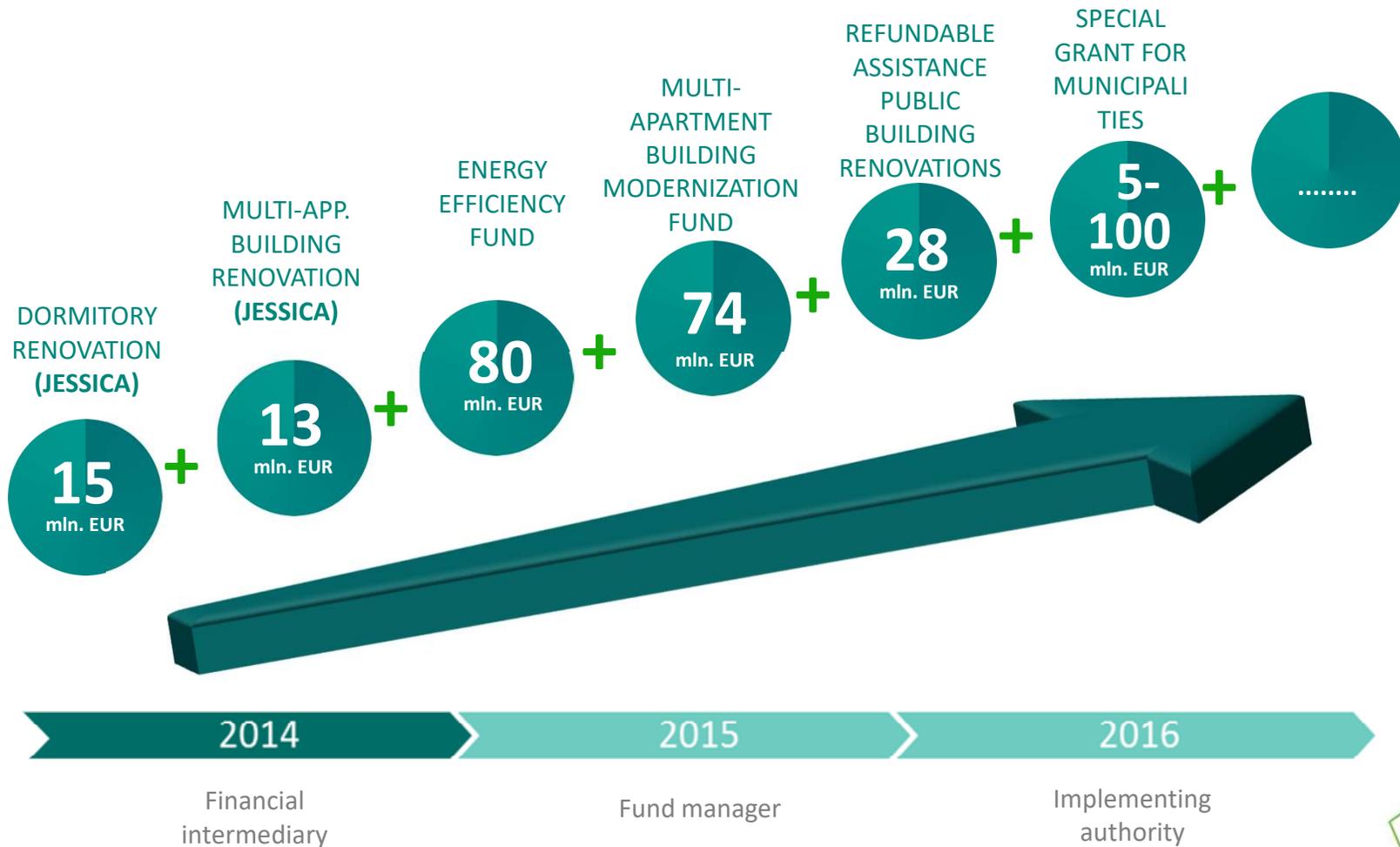
# Lithuanian experience on financing instruments for energy efficiency

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# VIPA managed financial instruments





## VIPA FUNDS



**Energy Efficiency Fund (ENEF)** – the first 2014-2020 EU fund allocated for modernization of Public buildings and modernization of Street lighting projects



**Multi-apartment Modernization Fund (DNMF)** – allocated for modernization of multi-apartment buildings



Financial instruments from DNMF and ENEF funds: **loans and guarantees**



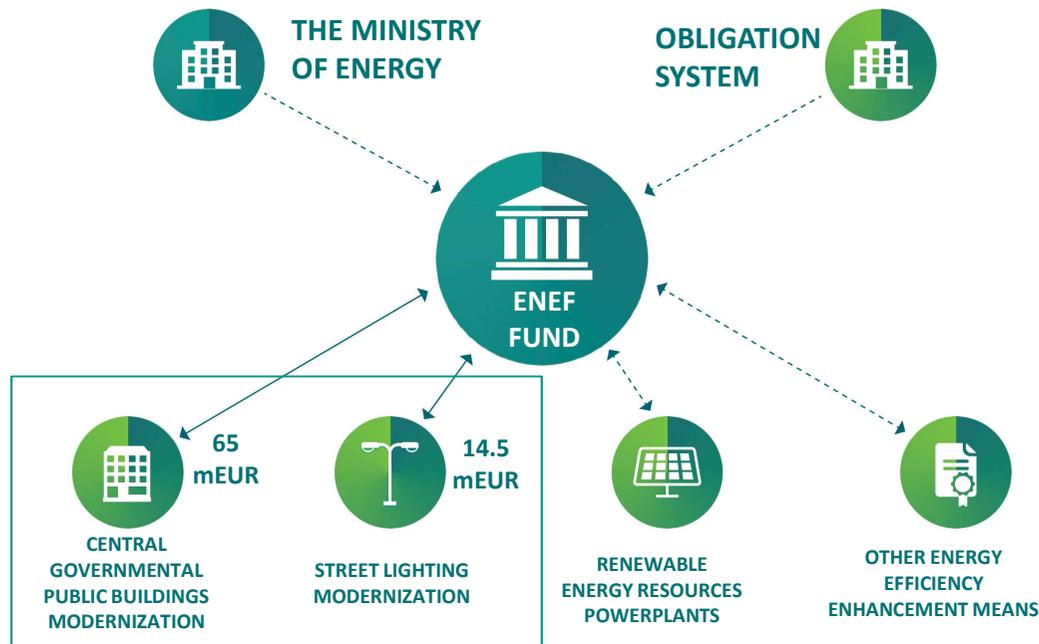
# ENERGY EFFICIENCY FUND (ENEF)



Funding agreement signed by VIPA, Ministry of Energy and Ministry of Finance on 18th February, 2015



Allocated funds to ENEF – 79.5 million EUR



## Rationale and motivation

- funding GAP in central governmental public buildings modernization area – 66.9 mEUR
- funding GAP in street lighting modernization area – 50.5 mEUR
- obligations for energy efficiency are set out by energy savings directive
- focus on energy independence
- inefficient public sector infrastructure
- bankable projects
- challenging ESIF possibilities in new programming period





# Provision of a guarantee for street lighting modernization projects



- effective guarantee 50% of investments
- increasing guaranteed loan amount over the time
- up to 20 years
- first loss guarantee, immediate payment
- guarantee object – payments of the municipality



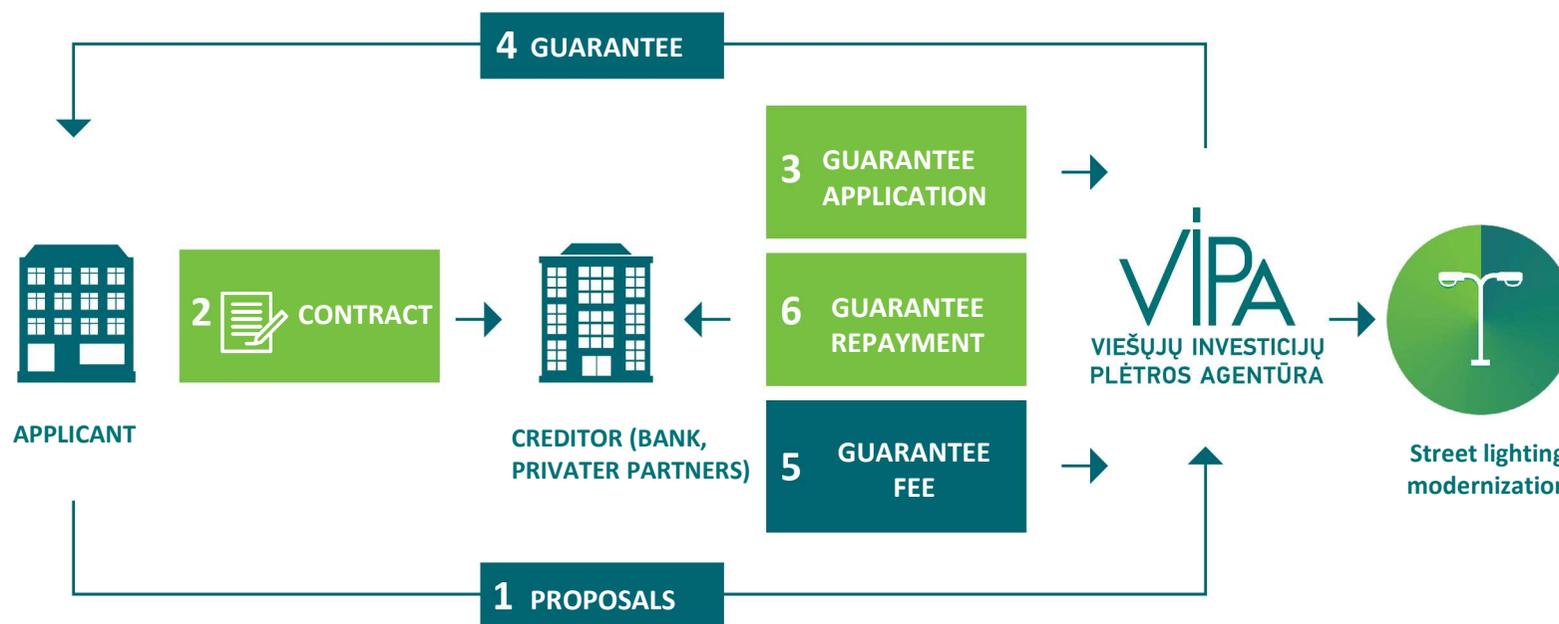
Applications approved – 2



Applications under evaluation – 2



Project initiation stage - 6





# Loan for central government owned building modernization purpose

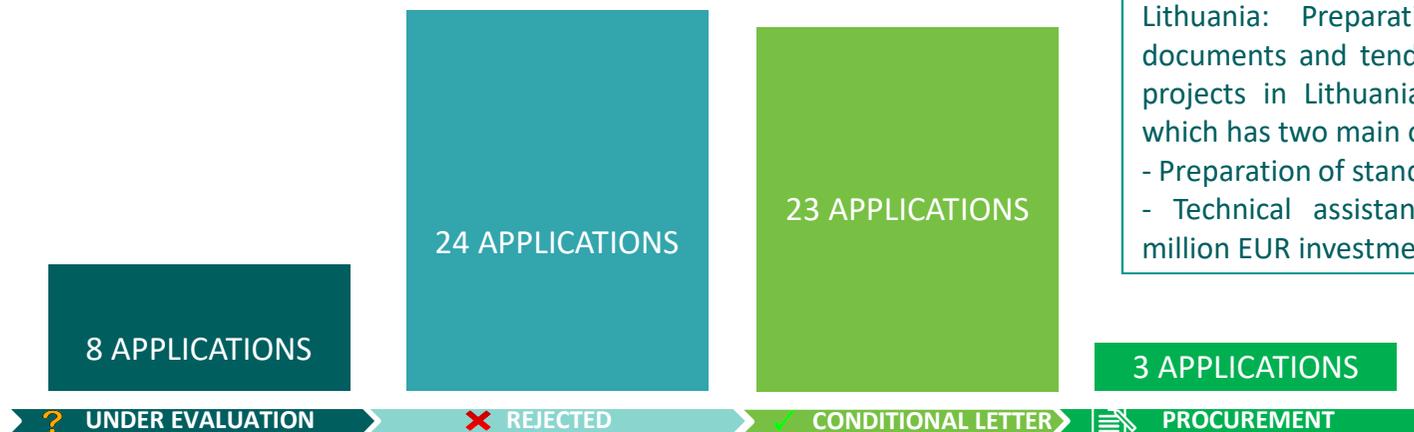


## Main loans conditions:

- up to 2 % margin + EURIBOR
- up to 20 years
- loan amount - up to 80 % eligible expenditure, when the borrower is ESCO
- loan amount up to 100 % eligible expenditure, when the borrower is public entity
- ESCO must contribute their own funds no less than 20 % from project value
- standard ESCO documentation - approved by MoE

Due to borrowing restriction for budgetary institutions loans can be issued to:

- ESCO's, when applicant is a budgetary institution (cannot borrow on their own) or a public institution, a loan is provided to an ESCO;
- public institutions that can borrow themselves (applicant is a public institution)



VIPA implements **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, which has two main objectives:

- Preparation of standard ESCO documentation
- Technical assistance for projects (minimum 6 million EUR investments)



# MULTI-APARTMENT BUILDING RENOVATION

## Multi-Apartment Modernization Fund (DNMF)

- more than 38 000 multi-apartment buildings;
- more than 800 000 apartments;
- around 97% of apartments are privately owned;
- around 68% of population lives in multi-apartment buildings build before year 1993;
- around 65% of multi-apartment buildings are heated using central heating system



### GOAL OF THE PROGRAMME:

- increase energy efficiency in multi-apartment buildings
- ensure that cumulative annual heating costs and return on investment cost after the renovation do not exceed the heating costs which was before renovation)

### Typical multi-apartment building project:

- average loan – 311.800 EUR
- average energy class before renovation – E
- average energy class after renovation – C
- average savings – 63%

### RATIONALE

- **Problems in construction sector during crisis**
- **Very inefficient residential housing infrastructure**
- **Very conservative commercial banks approach**
- **Lack of initiative from apartment owners**
- **Funding gap - 1 billion EUR until 2023 (demand more than 1.3 billion EUR), over 10 billion EUR total**





## Decisions taken and FI

- Extra 25% written-off if savings reach 40%
- Municipalities instructed to draw lists of the worst-performing buildings
- Municipalities appointed renovation administrators
- Administrators borrow on behalf and in favor of apartment owners
- Loan remains off the balance of Administrator
- 50% +1 of apartment owners have to agree to join the program
- Gradual phase-out of heating bill compensations
- Technical assistance institution and measures



### Main loans conditions:

- 3 % fixed interest rate
- up to 20 years loan maturity
- loan amount - up to 100 % EE investment
- 2 years grace period (during construction)
- no collateral required

- up 40% EE investments reimbursement subject to energy savings (gradual phasing-out)
- up to 100% of project development costs reimbursed
- 100% of reimbursement of installments to low income families





## Lessons learned and recommendations

- Consistent policies and stable procedures
- Good knowledge of market conditions and final beneficiaries (invest in quality of ex-ante assessment)
- Consult with stakeholders, but be consistent and tough, if necessary
- Good planning – milestones and steps to achieve them
- Apply corrections in a timely manner
- Excessive grant funding is detrimental both to donor and beneficiaries
- FI's do not “fly” if you have similar subsidy instruments or they are considered
- Standardize and simplify process as much as possible (e.g. “one stop shop”)
- Develop technical assistance facilities and promote your initiatives
- Ensure quality of implemented projects
- Play “Carrot-and-Stick” game (if motivative measures do not work, introduce punishing ones)

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Further information sources:

- <http://vipa.lt/en/>
- [info@vipa.lt](mailto:info@vipa.lt) or [vaida.lauruseviciene@vipa.lt](mailto:vaida.lauruseviciene@vipa.lt)

**QUESTIONS?**

**Thank you!**

