



Ekonomikas ministrija



NATIONAL ROUNDTABLE ON FINANCING ENERGY EFFICIENCY IN LATVIA 26 APRIL 2018, RIGA AGENDA AND BACKGROUND PAPER

Organised by the European Commission in partnership with the Ministry of Economics and the UN Environment Finance Initiative

Objectives:

As part of the "Smart Finance for Smart Buildings" initiative, the European Commission is organising a series of "Sustainable Energy Investment Forums" to enhance the capacity of and co-operation between public and private stakeholders to develop large-scale investment programmes and financing schemes. The SEI Forums will consist of more than 30 events in up to 15 Member States in 2016-2019; information on past and upcoming events can be found on the SEI Forums [webpage](#).

An initial regional conference on Financing Energy Renovation of buildings in Lithuania, Latvia and Estonia took place in Riga on 11 November 2016. This event gathered around 80 participants working on energy efficiency finance from the financial sector, national Governments, project developers, the renovation supply chain and local and regional agencies. The presentations and proceedings from that event can be found [here](#), and make useful background reading in preparation for the National Roundtable.

The objective of the national roundtable is to initiate a dialogue between key Latvian stakeholders on how to improve access to finance for energy efficiency investments, and to identify common objectives and potential improvements to be made in the current policy framework and business practices. The roundtable will devote a significant amount of time to exchanges and interaction between participants in the form of small working groups.

In order to allow open discussion, the event will be held under "Chatham House rules" which means that discussion points will not be attributed to any individual or organisation. We are not aiming for one universal consensus view, but to generate as many ideas as possible on the way forward on sustainable energy investment in Latvia. The meeting will be mostly held in Latvian. Translation from and into English will be available.

Participants are asked to read the background paper below for a better understanding of the topics that will be discussed, and to submit their comments and potential written contributions by [Google form here](#) by April 23. These comments will be circulated to all participants ahead of the meeting.

This event is organised by the Executive Agency for Small and Medium-sized Enterprises (EASME) in the frame of the [Sustainable Energy Investment Forums](#) contract, funded under the EU Horizon 2020 programme.

Agenda

9:00 **Registration**

9:30 **Introductory plenary**

Moderated by Reinis Āboltniņš, energy expert

Welcome by the host and current state of play of financing energy efficiency in Latvia

Andrejs Apaņuks, Director, Department of Sustainable Energy Policy, Ministry of Economics

Introductory Remarks

Rinalds Muciņš, State Secretary for the Ministry of Environmental Protection and Regional Development

Reinis Bērziņš, Chairman of the Executive Board, ALTUM on behalf of the Ministry of Finance

Lelde Kiela-Vilumsone, Policy Officer, Directorate-General Energy, European Commission

Engaging private banks in energy efficiency financing

Santa Purgaile, Co-Chair of the Lending Committee, Association of Commercial Banks of Latvia

Remarks for fruitful discussions

Ēriks Eglītis, State Secretary for the Ministry of Economics

Introduction to the roundtables by moderator

11.00 **Coffee break**

11:30 **Parallel sessions on energy efficiency financing in**

Topic 1) Public sector

Topic 2) Housing sector

Topic 3) SME sector

Topic 4) Engaging financial sector in energy efficiency financing

13:00 **Lunch**

14:00 **Parallel sessions on energy efficiency financing continue with 4 topics**

15:45 **Closing session**

Moderated by Reinis Āboltniņš, energy expert

16:45 **End of the event**

Background paper

During the national roundtable, participants will be split into 4 working groups on the topics described below. These sessions will draw on the conclusions from the public conference and work to identify concrete solutions on each topic. This paper aims to summarise the key questions that are relevant for each working group, in order for participants to come prepared and to have an effective working session.

Topic group sessions will include introductory presentation(s) to set the context on the current situation in Latvia and may include invited speakers from other European Member States. Discussions will take place in Latvian with interpretation to English for foreign participants. We will ask a rapporteur in each topic group to report on key issues arising from the discussion and to provide the 5 (or more) recommendations of the topic group, which can be addressed to public or private stakeholders.

1. Public sector

Opening presentations:

Setting up a regional initiative for Energy Performance Contracting in Public Buildings

Christoph Thomsen, Karlsruhe Energy Agency, ELENA InEECO project

Performance based public sector energy efficiency projects

Toivo Miller, Principal Product and Business Development, EBRD

Public building renovations with guaranteed energy performance level from the H2020 Accelerate SUNSHINE project

Agris Kamenders, Project Coordinator, Ekodoma

Moderator: Armands Gutmanis, Chairman, Ltd. "Meta Advisory"

Intervention:

Laurent Bender, Senior Loan Officer, Operations Directorate, European Investment Bank

State of play: There is a lack of capacity in the public sector to develop and implement local energy efficiency plans and programmes. In particular, solutions exist to improve the energy efficiency of public assets such as office buildings, schools and street-lighting; however, there is yet too little activity. Energy Service Companies (ESCOs) could play a role to facilitate project development and financing, but the market is still at early stage.

Scope of intervention: To identify the most important needs of the public sector including central government owned buildings to implement energy efficiency programmes and to explore possible actors, tools and financial instruments that could facilitate the uptake.

Potential solutions to increase energy efficiency activities of public sector:

- Aggregation of small energy efficiency projects to reduce transaction costs and attract investments and large companies for project implementation
- Market facilitation including the use of contracting / procurement frameworks
- Project Development Assistance (like ELENA) to increase capacity in the public sector
- Mechanisms to support the growth of the ESCO market whilst ensuring high standards in the quality of delivery

Key Questions

- 1.1. What are the key challenges for Latvian municipalities and the State in developing, implementing and financing energy efficiency measures in public assets?
- 1.2. What support is needed to build the capacity of the public sector in improving the energy efficiency of public assets?
- 1.3. What market facilitation mechanisms (e.g. one-stop-shop, framework contracts, project development assistance) could help to accelerate the energy efficiency of public assets?
- 1.4. What role can ESCOs play in the refurbishment of public buildings?
- 1.5. How can we ensure high quality delivery of energy efficiency measures in public assets?
- 1.6. How can we ensure the continuity of the market in long-term?

2. Housing sector

Opening presentations:

Housing refurbishment programme in the French Picardie Region
Alice Morcrette, Director Picardie PASS Renovation, SPEE, France

The German Home renovation scheme
Bettina Dorendorf, vice-president, kfW, Germany

Practical experiences in Latvia:

Opportunities and challenges of the renovation of single-family buildings

Aldis Greķis, assoc. professor, Dr.sc.ing., Faculty of Civil Engineering, Riga Technical University /

Practical experience of the multi-family building renovations

Ingus Salmiņš, Head of Department of Energy Efficiency programmes, ALTUM

Moderator: *Reinis Āboltiņš, energy expert*

State-of-play: There is a very complex set of non-financial barriers, which include: citizens' low awareness of the benefits of energy retrofits; uncertainty of renovation measures to be implemented within renovation project; competing household priorities; and a lack of skills to carry out high quality refurbishment; no long-term guarantees in place. Indeed, most homeowners are 'non-professionals' when it comes to energy refurbishment. In the case of multi-family buildings, joint decision-making and the interdependence of the financial capabilities of homeowners further complicate the whole process. The energy renovation process should be as easy and attractive as possible for home owners. Market facilitators are important to engage home owners and develop tailored solutions for the different needs in single homes and multi-family buildings. Whilst there has been some activity on retrofitting multi-family buildings there is little activity on single family homes.

Scope of intervention: To identify barriers and discuss solutions for financing home renovation and building the market for facilitators to accelerate renovation rates with high quality delivery.

Key Questions

- 2.1. What should be the key components of a one-stop-shop service that is best suited to meet the needs of the home renovation market in Latvia?
- 2.2. Which organisations might be best placed to implement such facilities? What would be the role of each organisation in such a facility? How would the service be funded?
- 2.3. What policy and legislative changes are needed to make it easier for Managing Authorities and Regional Agencies to combine possible grant and loan funding from different sources?
- 2.4. How would financial instruments such as a guarantee scheme for home renovations, lead to a structural change in the market by helping financial institutions expand their activities into energy efficiency investments, and by giving home owners access to affordable loans?
- 2.5. How such a scheme could be developed and financed, and what level of technical assistance would be required to ensure a sufficient project pipeline?

3. Energy efficiency finance in SME sector

Opening presentations:

Support and Training for Excellent Energy Efficiency Performance / Challenges for entrepreneurs

Liga Abola, Head of Division of EU projects, Latvian Chamber of Commerce and Industry

Kaspars Osis, Chairman of the Energy Committee of the Latvian Chamber of Commerce and Industry

Energy efficiency - the key to the productivity and competitiveness of the SEMs

Dagnija Blumberga, professor, Dr.habil.sc.ing., Institute of Energy Systems and Environment, Riga Technical University

Moderator: Ansis Bogustovs, Journalist at Radio Latvia & TV24

State-of-play: There have been programmes to support the energy efficiency in the industry. However the activity is low. One of the issues is that enterprises do not recognize the benefit of energy efficiency to increase their productivity becoming more competitive in the market. According to the Ex-ante report of the industry sector on average only 4% of costs of production are related to the energy. This gives no incentive to implement energy efficiency measures with long payback period like building envelope insulation. To increase the productivity another option is to implement saving measures to production processes (production flows). When EU funding is involved the procedures to attract it are very complex and bureaucratic.

The Energy efficiency Law sets up the requirements for large consumers (>500 MWh/year) to implement energy efficiency measures. There is a need to address the issues to the SMEs and other small consumers to increase energy efficiency increasing the productivity.

Scope of intervention: To discuss how energy efficiency measures can be promoted to SMEs.

Key Questions

3.1 What are success stories and barriers to financing energy efficiency in SMEs?

3.2. What are the current drivers for SMEs to implement and finance energy efficiency measures?

3.3. What financial products are needed to foster uptake of energy efficiency measures SMEs?

4. Engaging financial sector in energy efficiency financing

Opening presentations:

De-risking energy efficiency investments for private investors
Steve Fawkes, Investor Confidence Project Senior Advisor and Principal Author of the EFIG Underwriting Toolkit, EnergyPro. Ltd., United Kingdom

Financing energy efficiency in Latvia – Experiences from the banking sector
Ilze Kukute, Head of Unit, Swedbank

Moderator: Ivars Golsts, independent financial expert

State-of-play: Under current market conditions, investors are not attracted by energy efficiency. Banks often make loan agreements based on the credit status of their clients or the property value whereas the benefits arising from the energy efficiency improvements may not be taken into account. The EFIG 2015 report (the Energy Efficiency Financial Institutions Group) highlighted among others the following problems:

- (1) Lack of evidence on the performance of energy efficiency investments makes the benefits and the financial risk harder to assess.
- (2) Lack of commonly agreed procedures and standards for energy efficiency investment underwriting increase transaction costs.

Important work carried out to standardise energy efficiency projects are done under the [Investor Confidence Project \(ICP-Europe\)](#) and the [Energy Efficiency Risk Valuation and Underwriting Toolkit](#) for financial institutions published recently by [EFIG](#). ICP seeks to standardise the project development process and includes monitoring of the project development process to improve reliability. It is hoped that the ICP Investor Ready Energy Efficiency ([IREE](#)) standard will become the standard in future for energy efficiency projects. This certification reduces risk and due diligence costs. The EFIG Toolkit is helping financial institutions to evaluate and understand risks, bringing a shared language in evaluating investments and is helping to create projects that are better aligned to need of financial institutions.

Alongside standardisation, a major challenge is the perceived risk profile of energy efficiency which leads to higher capital costs. A solution to this could be the development of risk sharing instruments.

Scope of intervention: To discuss the requirements and framework conditions needed for private investors to fully engage in financing energy efficiency.

Key Questions

- 4.1. What is the current situation on financial products for energy efficiency in Latvia?
- 4.2 What is needed by private finance institutions to fully engage in energy efficiency financing?
- 4.3 How can standardisation tools such as IREE and the Energy Efficiency Financial Institutions Group risk and underwriting toolkit better deployed in Latvia to facilitate energy efficiency financing?
- 4.3. What role can financial instruments play in enhancing energy efficiency financing?

List of stakeholders invited

Ministry of Environment	Latvian Baltic Energy Efficiency Facility (LABEEF)
Ministry of Finance	Riga Technical University
Ministry of Environmental Protection and Regional Development	Building and Energy Conservation Bureau
Ministry of Interior	Green Liberty
Ministry of Health	Ekodoma
Latvian Environmental Investment Fund (LEIF)	AJ Power Holding
ALTUM	Eco.NRG
Latvian Chamber of Commerce and Industry	RCG Lighthouse
Latvian Association of Local and Regional Governments	Energy Data
Association of House maintenance companies	RenESCO
Association of Heating Companies	Salaspils siltums
Latvian Association of Civil Engineers	Fortum Jelgava
Association of Latvian Commercial Banks	Latvenergo
Association of Latvian Civil engineers	State Treasury
Riga House Maintenance Company	Nasdaq Riga
Bureau of Riga Architects	SWEDbank
Vidzeme planning region	Luminour
Latvian Energy Efficiency Association Riga Energy Agency	SEB
European Bank for Reconstruction and Development (EBRD)	Citadele
European Investment Bank (EIB)	Ekodoma
State Real Estate	Tukums municipality
European Commission	Jurmala municipality
Mattig Management/Cime Capital	Jeglava municipality
EC Network	Daugavpils municipality
Meta Advisory	Rezekne municipality
Karlsruhe Energy Agency	Liepāja municipality
	Gulbene municipality
	Riga municipality