


Financial instruments in Lithuania: Energy efficiency




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Content

- **SHORT INTRO:** VIPA's mission, VIPA's working fields: current FIs and FIs under development
 - **JESSICA HF:** the beginning of modernization of multi-apartments
 - **14-20 DNMF:** continuation of modernization of multi-apartments
 - **14-20 ENEF:** public buildings, street lighting, ESCO
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Public Investment Development Agency (VIPA)

- VIPA was established as a financial institution by the resolution of Government of the Republic of Lithuania on 28 November 2012
 - VIPA is 100% owned by the Ministry of Finance (shareholder, supervisory board and management board)
 - Functions of VIPA are to provide financial services and to implement financial instruments for public sector investments in public infrastructure and modernization of public services
 - Financial instruments under implementation – **loans and guarantees**
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Mission

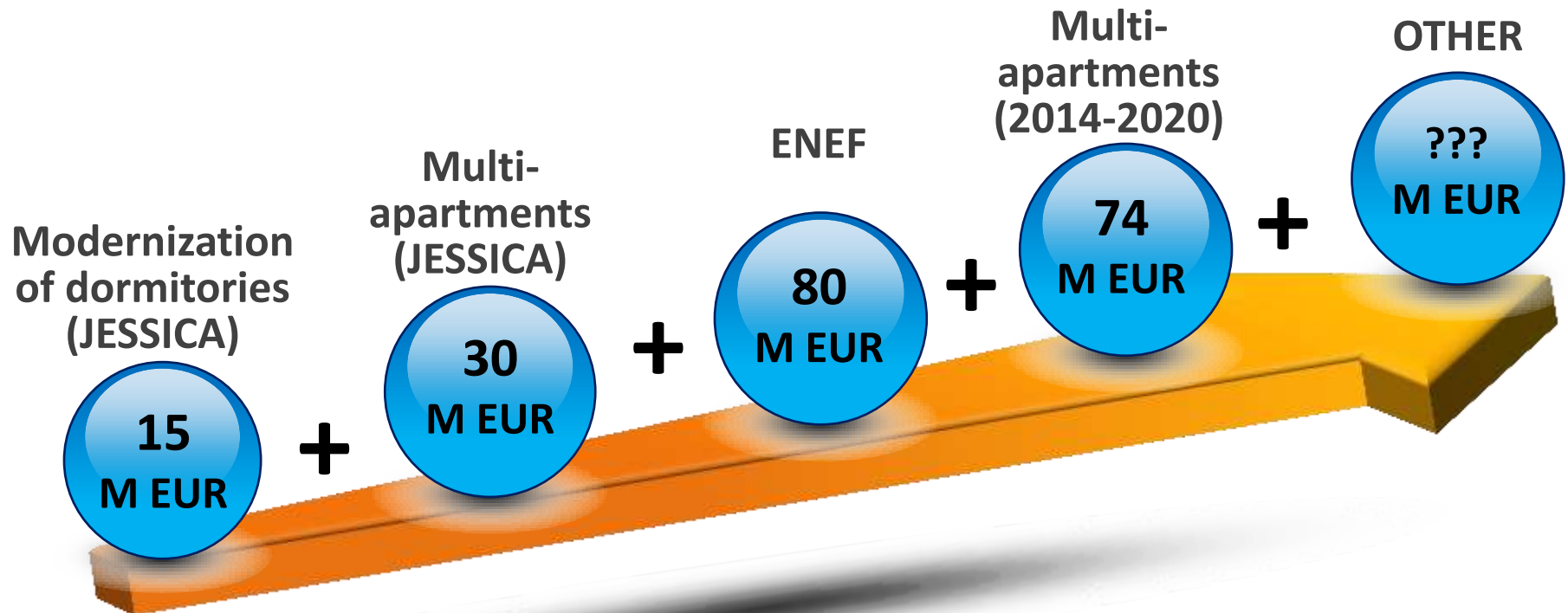
- **Our mission** is to increase and to improve the **growth and optimization of public infrastructure** in Lithuania by ensuring **rational access to financial instruments**



Scope of FIs in different periods

2007 - 2013	2014 – 2020
<p>JESSICA</p> <ul style="list-style-type: none">- Loans for multi-apartment buildings renovation- Loans for renovation of dormitories of higher educations institutions and vocational education and training institutions	<p>ENEF</p> <ul style="list-style-type: none">- Loans for modernization of central government public buildings- Guaranties for modernization of cities street lighting <p>DNMF</p> <ul style="list-style-type: none">- Loans for multi-apartment buildings renovation <p>OTHER</p> <ul style="list-style-type: none">- Public infrastructure- Modernization of municipalities public buildings <p>Repayable assistance for central government buildings renovation</p>

FIs managed by VIPA



Additionally in LT: JESSICA HF (EIB) – 227 M EUR
JESSICA II (EIB) – 150 M EUR

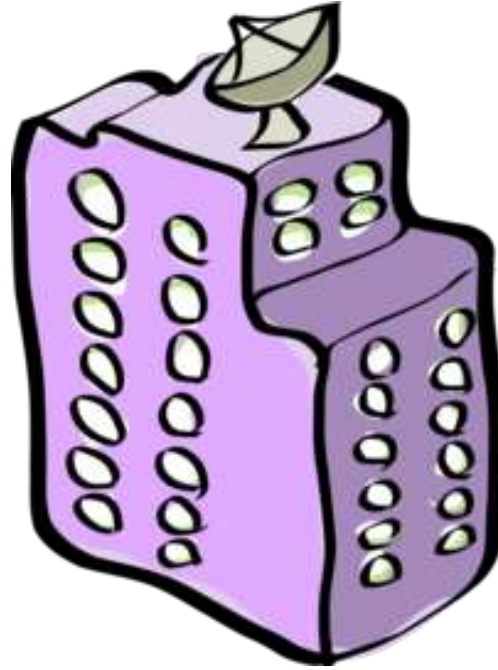
Identified funding gap for energy efficiency

	<u>Investment demand, mln. EUR</u>	<u>Investments supply*, mln. EUR</u>	<u>Funding gap, mln. EUR</u>
Central government building renovation	169,7	102,8	<u>66,9</u>
Municipality building renovation	234,6	87,8	<u>146,8</u>
Multi-apartment building renovation	1347,3	382,6	<u>964,7</u>
Street lighting modernization	95,1	44,6	<u>50,5</u>

* 2014-2020 ESI funds included

Identified financial instruments and expected results

	Multi-apartment buildings	Government owned buildings	Municipality owned buildings	Street lighting modernization
Proposed financial instrument	Loans	Loans	Loans	Guaranties
Total amount contributed from ESIF	280 mln. EUR	65 mln. EUR	50 mln. EUR	14,5 mln. EUR
Total amount assimilated by final beneficiaries	832,0 mln. EUR	124,5 mln. EUR	TBU	40,9 mln. EUR
Private funding attracted	655,4 mln. EUR	74,7 mln. EUR	TBU	40,9 mln. EUR



Multi-apartment buildings modernization



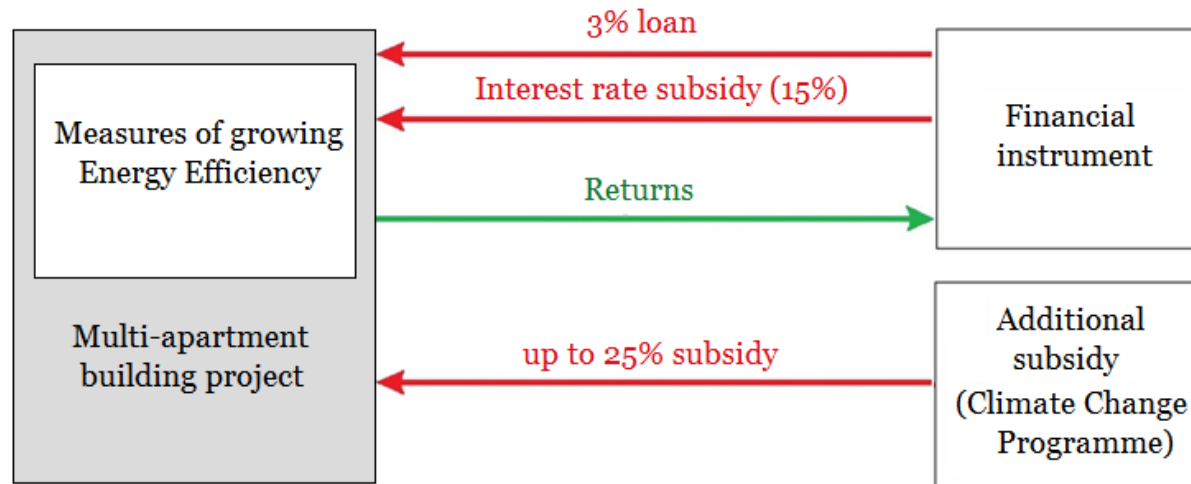
Objectives of the renovation programme

- To improve living standard of population
- To reduce energy bill
- To revive construction sector (the programme started in 2009)
- To reduce dependency on single energy supplier



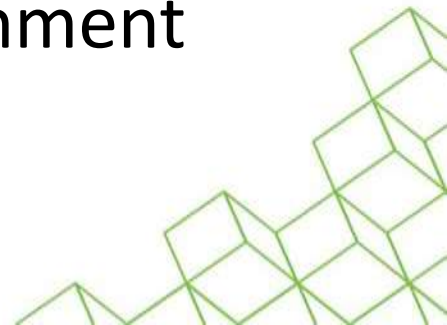
Financial conditions

- Borrower: House-owner association
- Fixed interest rate @3%
- Maturity up to 20 years
- 2 years grace period (during construction)
- No collateral
- 15% written-off if 20 % savings attained and energy efficiency class D achieved (upon completion)
- Extra 25% written-off if savings reach 40% (limited duration) – national resources
- 0-100% compensation for technical costs
- 100% of reimbursement of installments to low income families

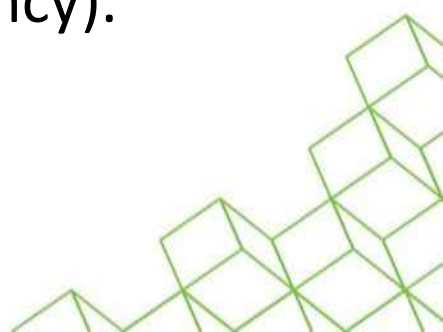


Problems

- Aversion of home owners (did not want to borrow)
- Failed public relations program
- Apartment owners poorly organized
- Large share of owners on fixed (low) income
- Many low income people were eligible for heating bill compensations, and had no incentive to join the program
- Chronic distrust of population in Government

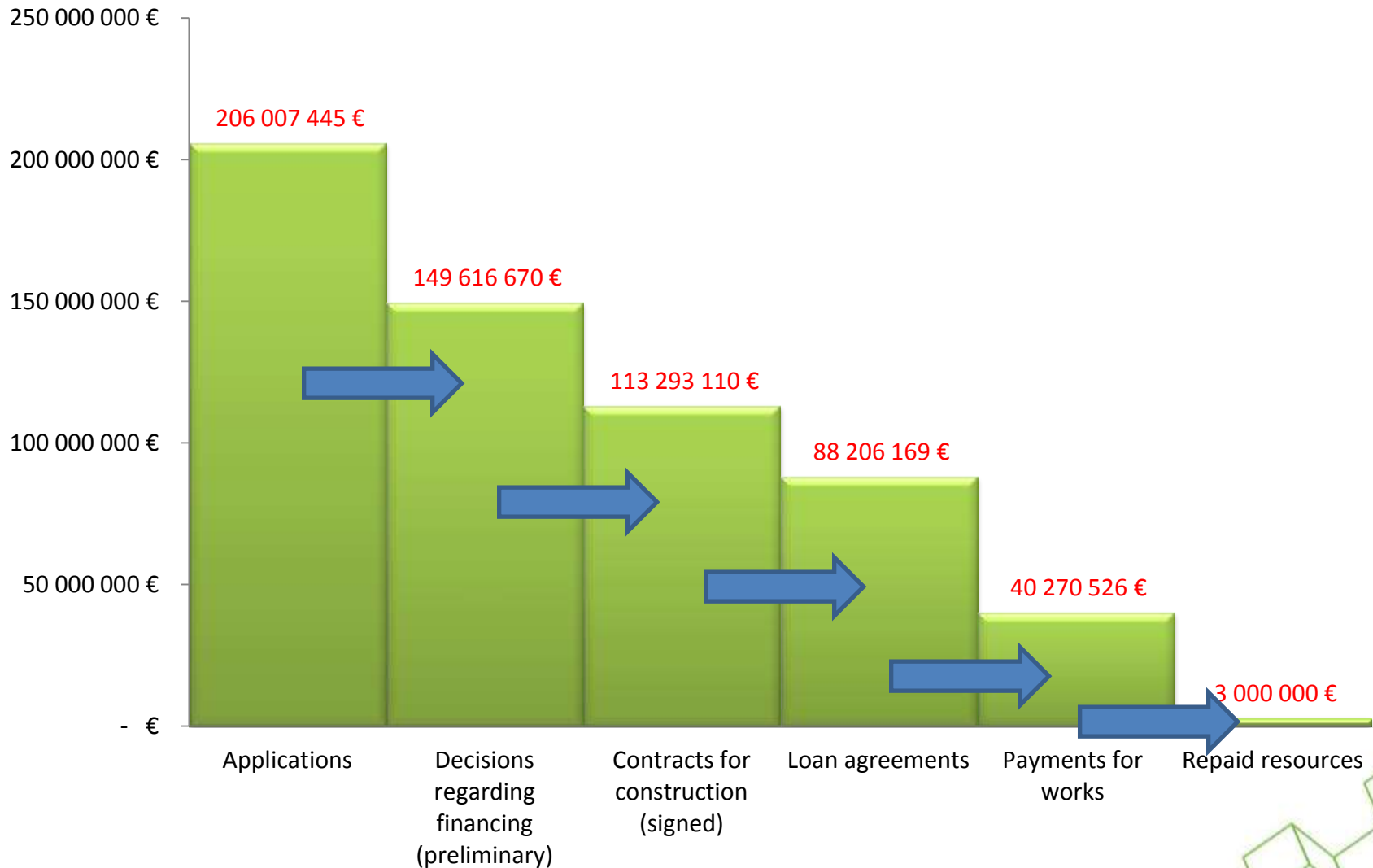


Corrective measures

- Municipalities instructed to draw lists of the worst-performing buildings;
 - Municipalities appoint 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 support for final recipients is provided by BETA (Public Company Housing Energy Efficiency Agency).
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The result

Project pipeline, M EUR



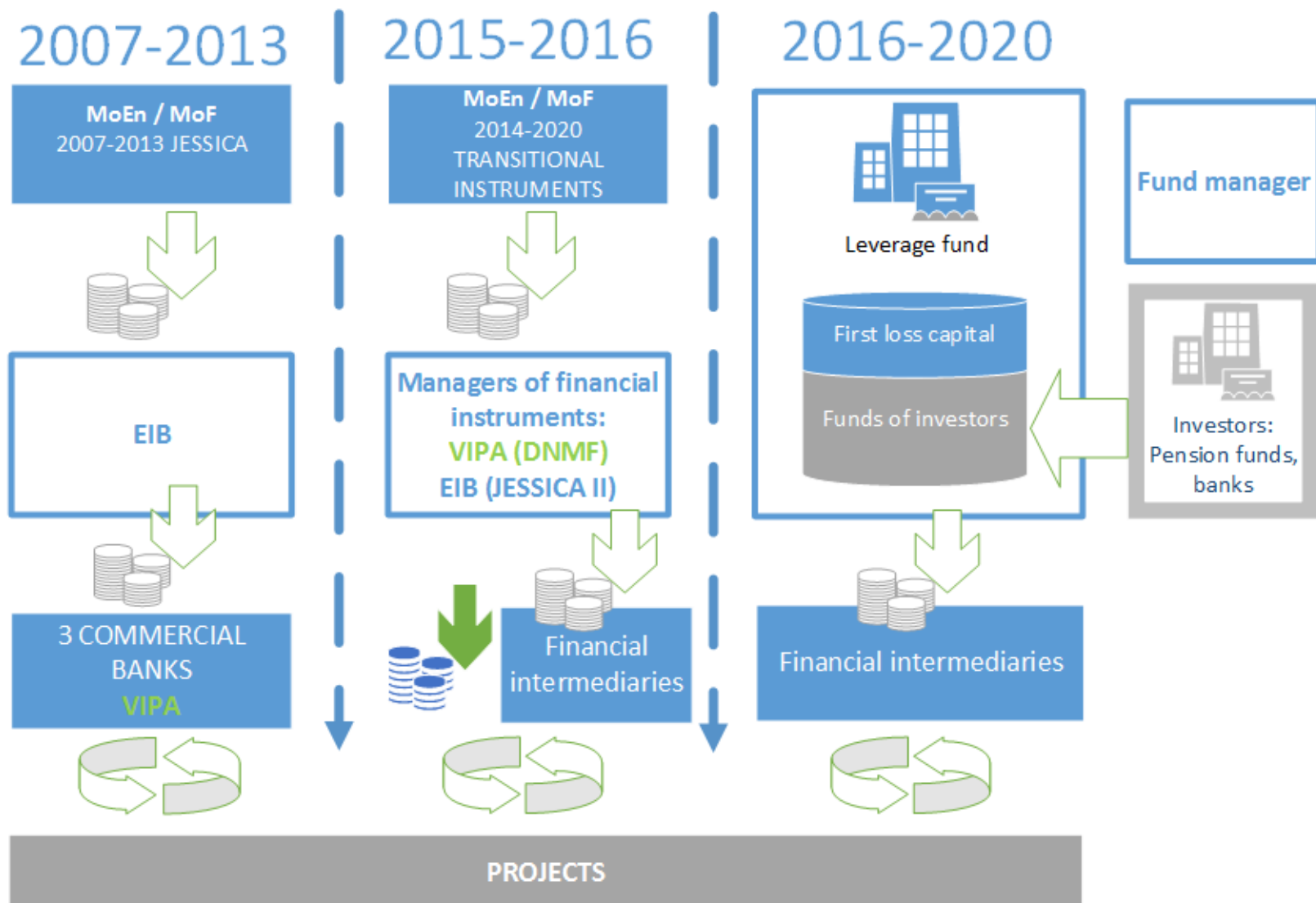
Transition:

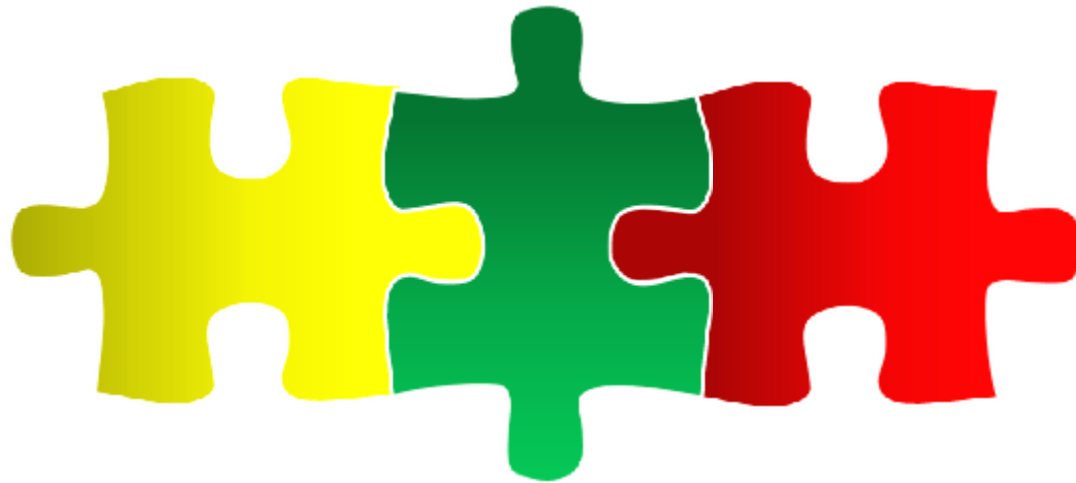
from 2007-2013 to 2014-2020

- Huge demand
- Smooth transition necessary
- Ability to keep financing conditions unchanged (legal challenges, especially regarding combination of subsidy and FI)
- Lack of financing – new financial structures under development:
 - Securitization
 - Leverage fund



Changes in financing structures






Energy efficiency fund (ENEF)



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 million EUR**
 - Two financial products:
 - Loans for **central government owned public buildings** modernization (ESCO) [*slides prepared separately*]
 - Guarantees for **street lighting modernization**
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Guarantees for street lighting

- Final beneficiaries – municipalities
- Municipalities are encouraged to prepare the documentation: energy audits/inventory, investment project.
- Guarantee recipients – ESCOs and financial institutions

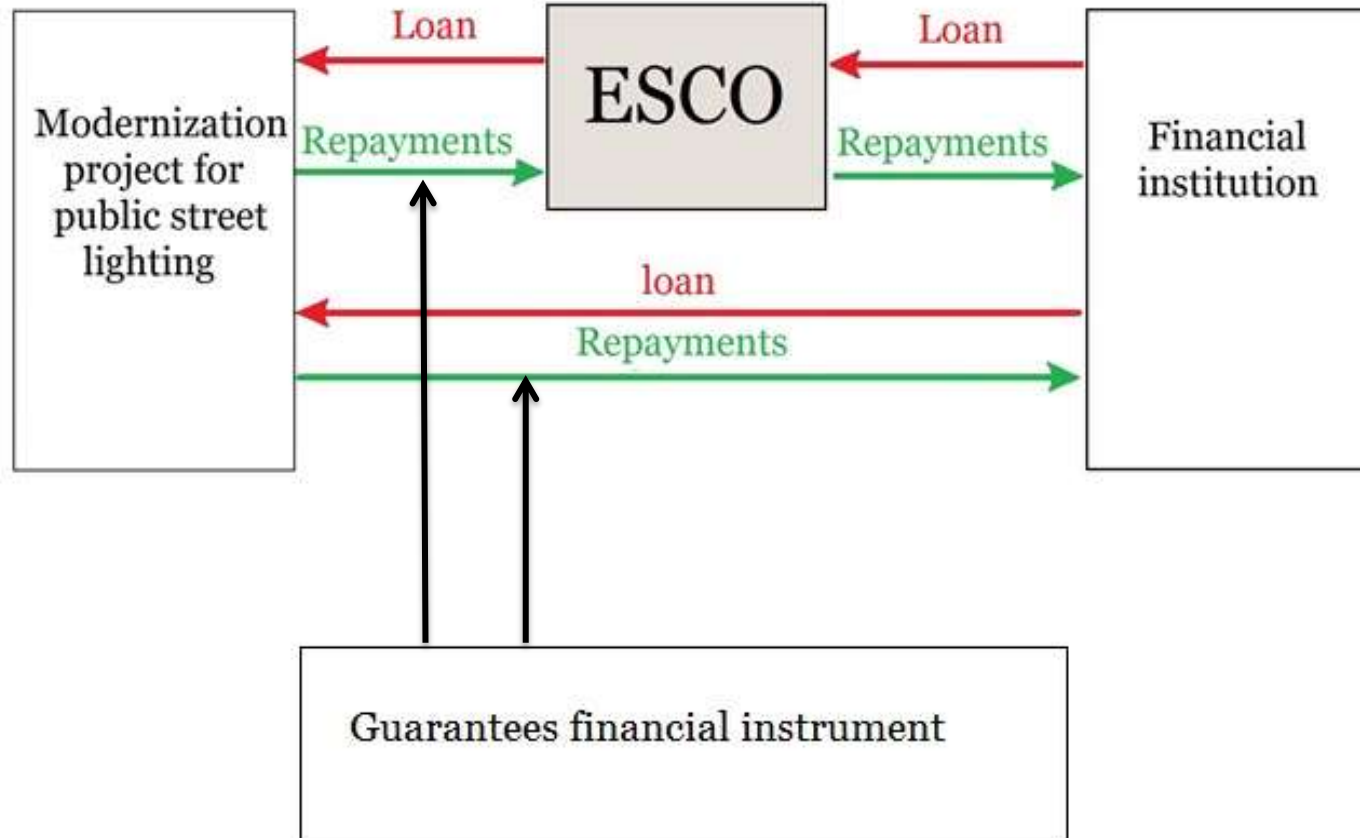


Financial product - guarantees

- Up to 80 % guarantee (depending on project financing structure)
- Up to 20 years
- Possible alternatives for project implementation:
 - Municipalities or municipal companies
 - ESCO model supported, but has to be compliant with PPP standards/rules
- Guarantee fee depending on municipal risk
- First loss guarantee, immediate payment



Guarantee scheme



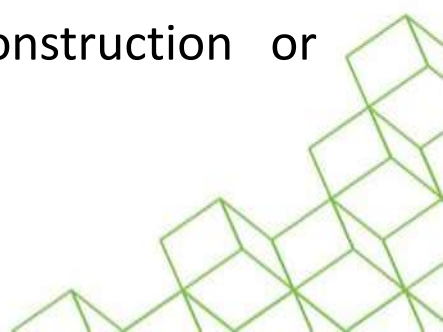
Requirements for projects

- Project has to be implemented in a city in Lithuania
- Energy savings at **least 40 %**
- Economic payback period no more than 20 y
- Eligibility period 2014 01 01 – 2023 12 31
- **Guarantee covers eligible expenditure**

- **Eligible expenditure:**

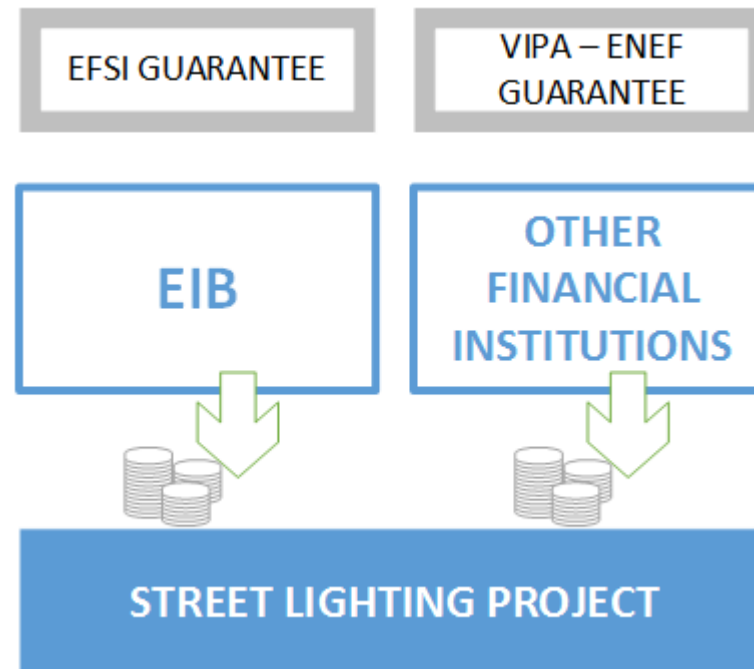
All costs pertaining to the modernisation of a **city street lighting system**, incurred in order to **increase the effectiveness of energy consumption of the city street lighting system**

e.g. replacement of lights, upgrading and/or installation of an intellectual (smart, advanced) management and control system, reconstruction or installation of distribution and power cabinets



ESIF and EFSI combination

- 5 major cities – scope too big to cover with guarantees (14,5 M EUR)
- Solution – discussions with EIB regarding potential use of EFSI



Thank you and good luck!
Děkuji a hodně štěstí!

