



Project EIE-06-189 Clear Support
Clearinghouse Facilitation

Paving Way for Better Energy Building Performance
in Europe

Observations and recommendations on getting the framework right for energy efficient investments in multi-apartment buildings

Background paper for the Conference and Workshop:

COHESION POLICY INVESTING IN ENERGY EFFICIENCY IN BUILDINGS

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Based on the achievements and lessons learned of the ClearSupport project

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ENERGY CONSULTING NETWORK



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Executive Summary

The paper points out appropriate ways to facilitating energy efficient investments in multi-apartment buildings as input to the design of future Cohesion funds.

First part describes the achievements of the IEE Clear Support action and its prospects for fulfilling EU goals for energy savings in the building sector.

- Clear Support, running 2007-09 with support from IEE, entailed Project Service Facilities/PSFs operating in Latvia, Lithuania, Poland/Region of Pomerania, Czech Republic and Crete in order to help implement energy saving investments focused on the residential and public building sector
- The basic concept of the PSF is to provide multi-disciplinary services towards building owners, thereby helping to identify and process appropriate investment
- It gave impressive results in that the five PSFs managed to foster 230 projects, of which 36 were implemented and for another 136 projects financial application were submitted in the project period
- Without the PSF support most of the projects would either never have happened or would have happened at a later stage. Consequently, the PSF support has ensured an acceleration of CO2 reductions as well as additional CO2 reductions obtained through additional projects and improvement of the project quality through technical assistance

Second part draws up observations and recommendations of relevance to creating a sound environment for enabling such type of investments to happen, including observed good practice.

❑ **Creating awareness and competences of managing authorities**

A key observation is that managing authorities do not take into proper account the long term impact in the form of reduced energy bills and better environment that channelling support to EE in multi-apartment buildings would bring about.

Recommendation: to introduce in the procedures for the programming of ERDF a stronger set-up for addressing the potential merits of supporting investments EE in multi-apartment buildings (including a long term horizon for the impact assessment) as well as guidance on how to handle the management of the support to the building owners in an adequate manner. Ideally, this would be accompanied by capacity building in order that managing authorities can better handle the specific challenge of enabling sound investments in the area.

❑ **Regulatory framework**

Despite active policies the general observation is that there are yet big gaps in order to provide a strong framework for exploitation of the big energy saving potentials.

Recommendation: The essential point is that Member States are encouraged to put in place consistent policies to go hand in hand with the investment process, including creating good linkage between the policies at EU, national, regional and local level. Part of this is to obtain best possible interaction with the NEEAPs and NREAPs and the process around the Covenant of Mayors.

❑ **Financing instruments**

There is found to be many good initiatives around Europe to provide better financing options for the multi-apartment building sector, including developing the revolving fund concept in conjunction with ERDF.

Recommendation: to continue and accelerate this development, but doing this in understanding of the holistic approach needed to make the financing instruments work properly; not least taking into account that the building owners in general need good support in order to become aware of the energy saving potentials and to turn the awareness into action in form of appropriate design of EE measures and ensuring the implementation.

❑ **Ownership structures and decision-making**

Finding adequate ways for renovation of the large multi-apartment building stock is on the big challenges that EU's New Member States are facing. To high degree it is associated with a democratic process, in which the flat owners are to find good ways for the building management, investment decisions etc.

Unfortunately, as the case study from Lithuania shows, various barriers in this process hinders/slow down a positive development. The progress that was made via government and other initiatives has been drawn back by the financial crisis that hit the Lithuanian economy badly.

Recommendation: Finding the right approaches as to overcome barriers in ownership structures and decision-making depends to high degree on the specific local situation. Therefore the key issue is that the relevant authorities find these approaches in coherence with the policy formulation and programming and administration of the financing instruments, including EU funds.

❑ **How to enable the investments to happen**

The main observation is that good financing instrument(s) is not sufficient in itself

Recommendation:

To design the future Cohesion funds and associated financing instruments in relation to the multi-apartment sector in view of the following:

- Targeted and coordinated assistance to EE building projects can significantly accelerate the identification and the processing of those
- Local support combined with exchange of know-how and experience in an European Network can contribute to improve the quality of project documentation and implementation
- Experience from the PSF process can contribute to develop framework conditions in EE building projects at the local level as well at the EU level (pro-active efforts from the PSFs)

0 Introduction

The aim of this paper is to point out appropriate ways to facilitating energy efficient investments in multi-apartment buildings as input to the design of future Cohesion funds.

This will be done on the basis of the findings of the IEE project ClearSupport that served a mechanism for identification and processing of EE investments in the building sector in five European regions.

First part of the paper will present the achievements of ClearSupport and its prospects for fulfilling EU goals for energy savings in the building sector. This will be supplemented with a case study of the ClearSupport experience in Lithuania as regards the promotion of energy saving measures in multi-apartment buildings.

Second part will draw up observations and recommendations of relevance to creating a sound environment for enabling such type of investments to happen, including observed good practice. This includes the implication of ownership structures and decision-making process of relevance to the investments.

1 What did ClearSupport do and what can be learned

1.1 Objectives

The basic aim of ClearSupport was to create an ‚investment enabling mechanism‘ for exploiting energy saving potentials in the public and residential building sector of European regions. The project was running in a three year period from January 2007 till the end of 2009, involving 13 partners with EC Network as project coordinator.

See the project website

www.clearsupport.eu

ClearSupport applied a systematic approach on overcoming the barriers and bringing appropriate investments into life, as illustrated in the table below:

Project owner	Context/driver	Type of measures	Source of Financing	ClearSupport Intervention & Services
Municipal buildings Residential buildings	<p><u>EU Goals/Directives:</u> <i>EU 20-20-20 goal</i> <i>Green Paper, CHP, RES-e & Building Directive etc.</i> National regulatory framework Local (sustainable energy) development plans</p>	<ul style="list-style-type: none"> • EE Windows • Insulation measures • RES measures • Heating & Cooling heat pumps • Etc. 	<p><u>Grant element:</u> Structural funds National subsidies</p> <p><u>Commercial loans:</u> Local banks IFIs</p> <p><u>Financial concepts:</u> Revolving fund, ESCO, etc.</p>	<p><u>Direct assistance</u></p> <ul style="list-style-type: none"> • Project Service Facility for advice giving (technical and financial) • Training of relevant stakeholders <p><u>Investment framework</u></p> <ul style="list-style-type: none"> • Setting up of financial schemes • Making adequate project design • EE in building framework

The anchor point of the mechanism concerns an entity, a **Project Service Facility or short PSF**, dedicated to serving the practical operator of facilitating the activities and investments in the five target countries/regions: Latvia, Lithuania, Poland/region of Pomerania, Czech Republic and Crete.

The intervention of the PSF pursued the following main objectives:

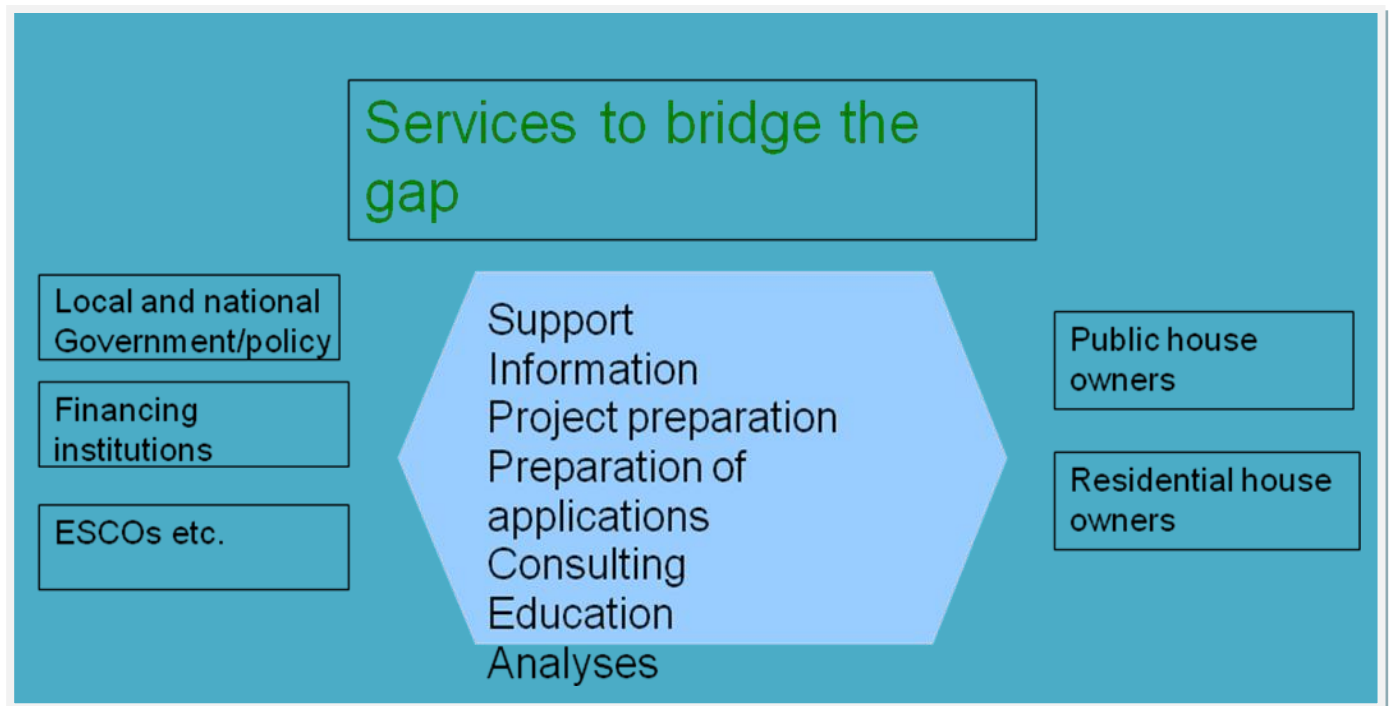
- The first objective was to provide direct assistance to project owners – focused on the municipal and residential building sector – on developing energy efficient building measures and seeking implementation of these investments
- The second objective was to provide a better framework for the investments in the target regions by helping to promote adequate policy and legislation as well as enabling appropriate financing schemes in order to realise the energy saving potentials

These efforts were supplemented by general awareness raising and targeted information to the key stakeholders.

1.2 The PSF concept

The Project Service Facility/PSF serves the link between the building owner and the potential source of financing. The PSF provides a ‚full package‘ of services, ranging from core technical issues to regulatory and financial aspects – where such multi-disciplinary approach represents a key element in the concept.

The figure below illustrates how this has been displayed.



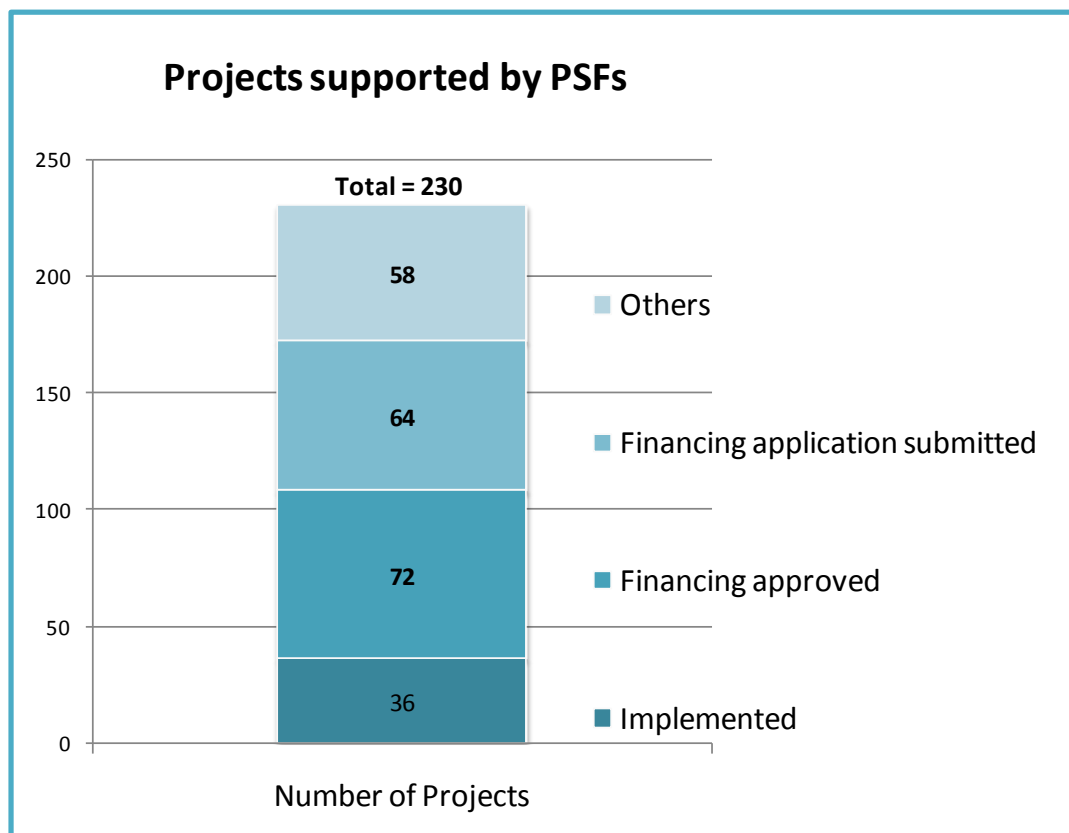
Thanks to the IEE support the project team was able to gather the needed skills in order to build up appropriate competences and at the same time ensuring that these could be transformed into high quality services for the target groups.

The exact way of organising the PSF services and how to interact with stakeholders reflected the local needs and has thus varied from region to region. In the inception phase of ClearSupport the project partners made an in-depth assessment of the situation in the target regions and on that basis formed an appropriate set-up of how to organise the PSF services.

1.3 Overall achievements

Via the given concept and approach the five PSFs managed to foster a total of 230 energy efficient building project investments in the public and residential building sector.

During the Clear Support period 36 of these project investments were implemented, and for another 136 projects financial applications were submitted, of which 72 was approved up to the end of the project period. In addition 58 other projects were supported, most of them to be further prepared for financing. Only a few projects of these were terminated.



Number of projects supported by the five PSFs and their state of development

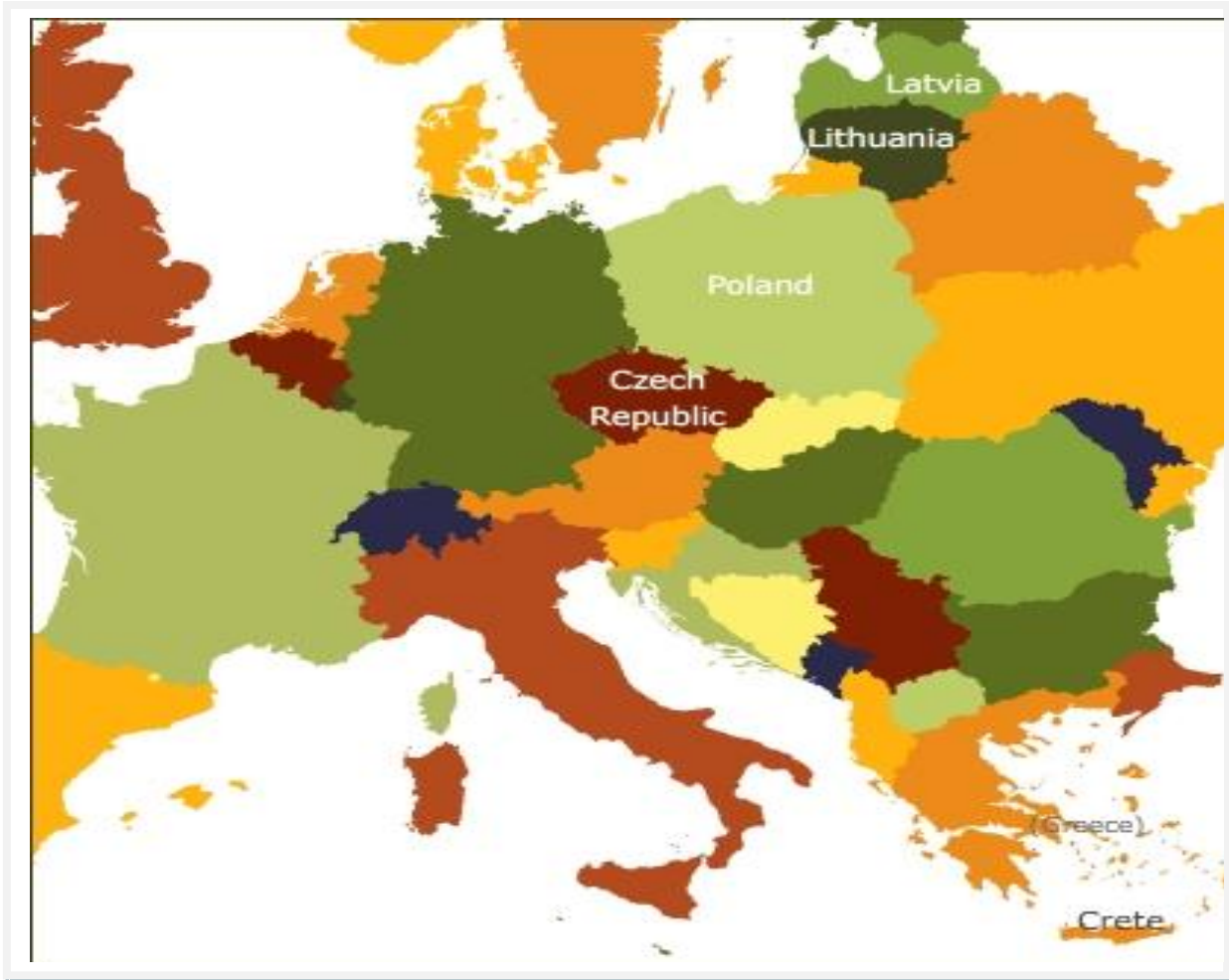
The table below includes a break-down of the project investments, as how they are divided among the five PSF regions and the calculated investment level, energy savings and CO2 reductions

Performance Indicators	Crete	Czech Republic	Latvia	Lithuania	Poland	Total
Number of projects	28	60	24	46	72	230
Implemented projects	1	9	6	10	10	36
Other Projects:	27	51	18	36	62	194
Financing approved	9	23	18	14	8	72
Financing under consideration	18	17	0	13	16	64
Others	0	11	0	9	38	58
Investments (MEUR)	0.38	24.97	4.24	21.24	14.04	64.86
Implemented projects	0.01	2.89	0.68	5.40	3.04	12.02
Approved	0.11	12.48	3.56	8.67	3.70	28.52
Under consideration	0.25	7.62	0.00	3.38	2.46	13.71
Other projects	0.00	0.77	0.00	3.79	4.84	10.61
Energy Savings (MWh)	423.5	23,934.0	7,030.7	24,783.2	16,981.0	73,152.4
Implemented projects	10.5	1,786.0	937.0	4,215.6	2,03.0	9,352.1
Approved	144.3	10,435.0	6,093.7	15,840.4	5,596.0	38,109.4
Under consideration	268.6	8,795.0	0.0	2,400.2	3,600.0	15,063.8
Other projects	0.0	2,918.0	0.0	2,327.0	5,382.0	10,627.0
CO2 reductions (Tonnes)	161.1	8.291.2	2.057.0	2,890.4	6,424.3	19,824.0
Implemented projects	4.3	1,787.0	358.0	551.9	2,372.1	5,073.3
Approved	77.8	2,540.0	1,699.0	1,270.5	1,467.0	7,054.3
Under consideration	79.0	2,173.0	0.0	595.6	1,030.2	3,877.8
Other projects	0.0	1,790.0	0.0	472.3	1,555.0	3,817.3

Break-down of the supported projects in terms of investment level, energy savings and CO2 reductions

1.4 Achievements and experience of each PSF country/region

The PSF entities of Clear Support were operating in five locations: Latvia, Lithuania, Poland (the Pomeranian region), the Czech Republic and the Crete region of Greece.

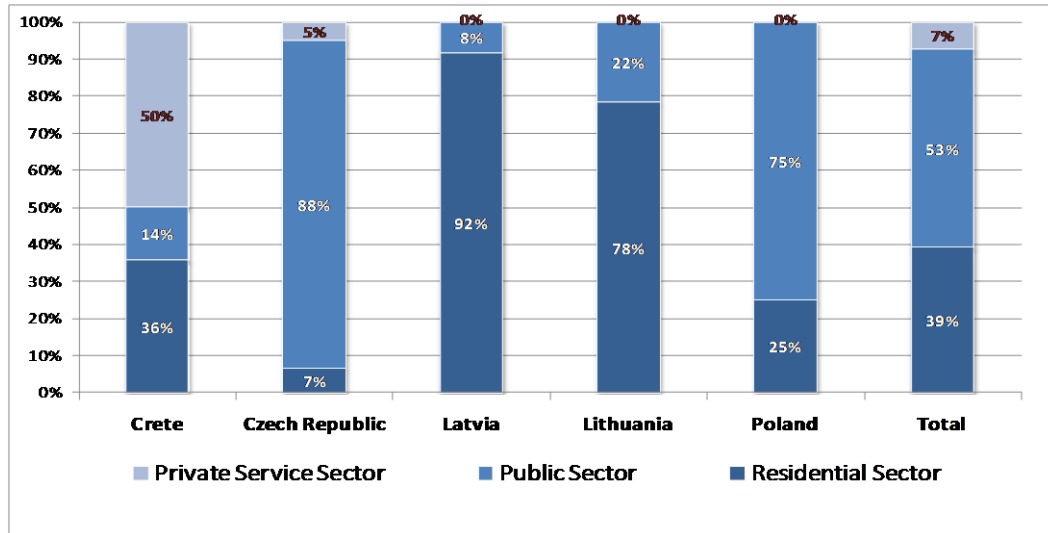


PSF intervention

The role of each PSF was to intervene in the respective building sectors with a view to obtaining most possible impact as to promote specific investments and to improve the surrounding framework.

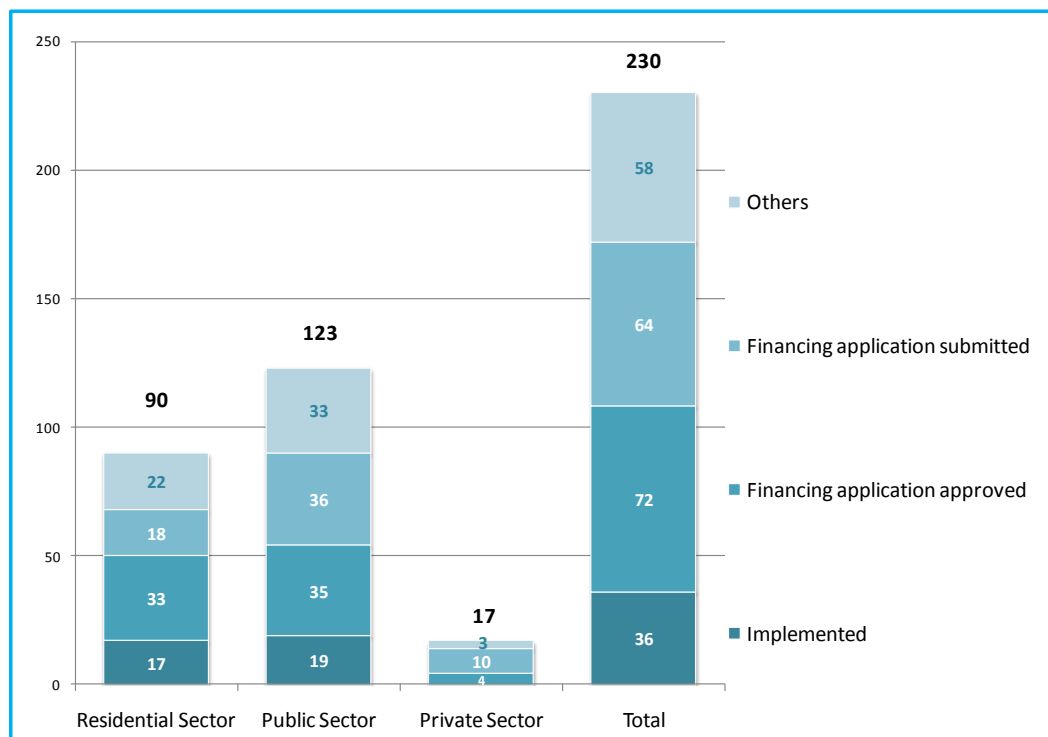
Based on a careful assessment of the situation in each country/region a plan was made for how to design and market the services towards the public, residential and to less extent private sector. Part of this was to obtain best possible interaction with the target groups and ensuring the necessary skills of the PSF. A Steering Committee of the key local stakeholders was formed to steer the PSF operations.

The diagram below shows the distribution of supported projects divided on the three sectors and per PSF:



Share of projects supported on sectors (in percentage)

Divided on sector the projects were distributed as follows:



The 230 supported projects divided on sector and stage of development at the end of the project

The highlights of each PSF were as follows:

PSF Latvia

The PSF was hosted by the Institute of Physical Energetics (IPE) and the PSF operated in interaction with the municipalities Riga, Broceni, Cesis and Jelgava and the Association of management and Administration of Latvian Housing. A Steering Committee helped to govern the given services.

A total of 24 projects were initiated in Latvia, of which 22 projects for multi-apartment houses and 2 projects in the public sector.



Pictures from renovated buildings in Latvia

Most projects have comprised typical energy saving measures related to refurbishment of doors, windows, roofs and walls. Improvement of ventilation and cooling systems and insulation of heating pipes were also included within most of the projects.

PSF Lithuania

The PSF was hosted by UAB AF-TERMA. A key counterpart of the PSF was the Housing and Urban Development Agency, which is administrating the State Financing Program "Modernization of Apartment buildings" Programme.

In total 46 projects, including 11 public buildings and 35 multi-apartment building retrofitting projects, were supported by the PSF as a result of ClearSupport.

Lithuania: 46 projects in total (37 applications submitted)			
Implemented Projects	Residential sector	7	Apartment Building Modernization Programme
	Public Sector	3	Structural Funds (100% state grant)
Other projects	Residential Sector	21	Apartment Building Modernization Programme
	Public Sector	6	Structural Funds (100% state grant)

Please refer to subsequent case study with more detailed observations regarding the multi-apartment sector in Lithuania (Section 1.5).

PSF Pomeranian Region of Poland

The Pomeranian PSF was hosted by BAPE. It was governed by key stakeholders, including representatives of energy agencies, funding institutions and the regional authority. The latter ensured a good connection to the programming of ERDF in the region.

All together, the Pomeranian PSF supported the initiation of 54 public buildings and 18 multi-apartment buildings; e.g. 72 energy efficient building projects in total. The bulk shares of the public building projects were oriented towards the Regional Operational Programme, with the remark that the PSF service was the essential factor that these investments became reality.

The Regional Operational Programme in Pomerania did not address the multi-apartment sector and thus the PSF efforts in this sector were oriented towards processing investments to the national Thermo-Renovation Programme¹

PSF Czech Republic

The Czech PSF has been hosted by SEVEN. The Steering of the PSF consisted of Local Ministries (Ministry of Industry and Trade, Ministry of Environment and Ministry for Regional Development), the Economic Chamber of the Czech Republic, the Energy Auditor Association, Healthy Cities of the Czech Republic, Czech and Moravian Housing Associations Union and the Czech Technical University.

Most of the supported projects were within the public sector such as school buildings, hospitals, administration buildings and other types of buildings; a great share of those projects initiated in an innovative approach of combining the Operational Programme of Environment with ESCO contracts.

PSF Crete

The PSF was hosted by The Technological Educational Institute/TEI of Crete. It operated in interaction with stakeholders like the Technical Chamber of Greece, the Union of municipalities of Western Crete and a regional Energy office of Crete

Out of 28 supported projects 11 projects concern the residential sector, but not multi-apartment buildings

Please refer to the Publishable Report for more information on the PSF achievements
<http://www.clearsupport.eu/Documents/ClearSupport%20Publishable%20Report.pdf>

¹ See Good Practice description of the Thermo-Renovation programme under Section 2.2

1.5 Case study: Situation of the multi-apartment sector in Lithuania

Technical aspects

There are about 45,000 multi-apartment blocks in Lithuania. 11% of them were built before 1961, 80% in the period 1961 – 1990 and the remaining 9% after 1990. 66% of the Lithuanian population live in apartment blocks that were built in 1961-1990.

The thermal characteristics of the apartment blocks built before 1993 are poor. Typical thermal resistance of outside walls is 0.9 [m² K / W], which is 4 times less than Lithuanian current standard requirement and corresponding values in Scandinavian countries. This results in high heat losses and correspondingly high heat consumption. In approximately 80% of apartment blocks, the central heating is designed as one-string system. Installation of thermostatic valves in such cases is more complicated and expensive compared to the two-string systems.

Organisation, ownership and decision-making

Lithuanian apartment blocks suffer from the lack of a proper house management system. In 1992-93, the previously state owned apartment blocks were rapidly privatised by selling flats to their tenants in exchange to privatisation vouchers. However, no requirement to create a condominium or a housing association was made obligatory at that time. This resulted in absence of any organisational authority, entity or structure over a multi-apartment block, of which flats were sold (or rather sold for free) to flat tenants. This entails that no legal person was established and consequently the building had no representative to act on behalf of all flat owners to buy house maintenance services, conclude contracts, initiate court deals, etc.

Among the barriers in decision-making for energy saving measures can be mentioned:

- More than 80% of apartment blocks have not created a legal entity to represent the interests of flat owners. The lack of housing association has led to a partial standstill in house reconstruction, modernisation and building management improvement activities.
- Improper organisation of finance; the majority of houses do not accumulate funds, therefore any more significant repair of broken or faulty house systems or their modernisation face shortage of funds
- Lack of motivation among the flat owners. Many of them receive state subsidies to pay for heat with the consequence that these families have no motivation to save energy. Another group with little incentive are pensioners who do not have a long planning horizon and sufficient finances to take part in renovation activities.
- To this can be added that information about merits of renovation is often not available for the apartment owners
- Moreover, the Lithuanian bank sector is reluctant to enter the market due to risk concerns. Thus there is a need for regulation to mitigate risk in order for the banks to increase their engagement as to lend money for renovation measures.

Government policies

Over the years the Lithuanian Government has taken a number of initiatives to provide better conditions for energy savings in the housing sector.

As a key instrument - based on the provisions of the National Energy Strategy and the Lithuanian Housing Strategy - the Government introduced in 2005 the Programme for the Modernisation of Multi-family Buildings. Its principal aim is to help the owners of flats in multi-family buildings to modernise their housing stock and to increase efficiency of the building use, to reduce heating expenses and ensure favourable conditions for low income residents to modernise their apartments in prefabricated buildings. Since then the government has introduced a number of changes with only modest success. In the last 2 years, considerable government attempts to overcome bottlenecks and intensive propaganda towards usually passive flat owners provided some fresh impetus for development in this area.

The following notes can be made on the policy measures:

- Since 1996, due to the intensive government actions, nearly 700 apartment blocks were renovated and modernised. Anyway, this makes up only 1.5-2% of the whole building stock. Further this number includes not only full renovation with thermal insulation of outer walls, but also (less costly) partial renovation.
- The financial crisis has forced the Government to reduce the incentives for the building owners; e.g. the grant levels have been lowered and the renovation is moving towards a standstill.

The remaining bottlenecks that have not been overcome yet can be listed as follows:

- Lack of proper ownership and management structure of multi-family houses. House owners association model proved to be suitable for 20% of the multifamily house stock only;
- Lack of ownership was replaced by administrators nominated by municipalities. In many cases these administrating companies are monopolies and abuse their monopoly power against passive inhabitants;
- Prices and tariffs of house management services in these cases are still regulated and free market is non-existent. This has led to poor quality of services;
- Government is to more attention to progressive innovations to increase energy efficiency in buildings. Government support programme deals mostly with thermal insulation of the building envelope, which is an important, but expensive and not the sole measure for energy efficiency.

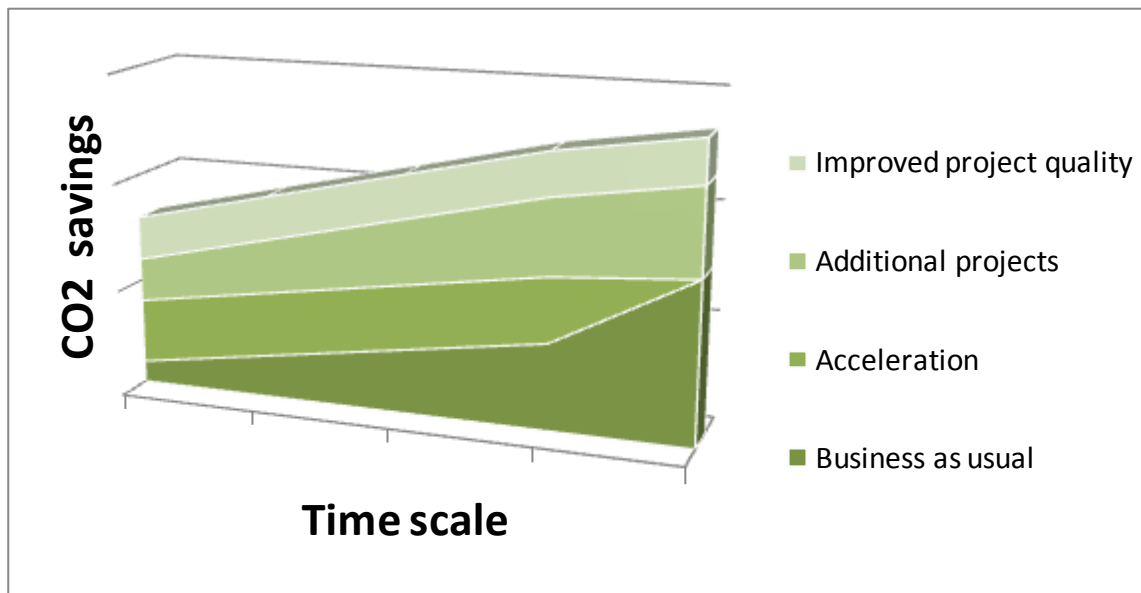
1.6 Lessons Learned

The major lessons learned from the PSF operations are assessed to be:

- Targeted and coordinated assistance to energy efficiency projects can significantly accelerate the identification and the implementation of investments
- Local support combined with exchange of know-how and experience in an European Network can contribute to improve the quality of project documentation and implementation
- Experience from the PSF process can contribute to develop framework conditions in EE projects at the local level as well at the EU level

The five PSFs succeeded in supporting 230 projects, 36 were implemented and for another 136 projects financial application were submitted of which 72 was approved up to the end of December 2009. In addition 58 other projects were supported, most of them to be further prepared for financing.

Without the support of the PSFs most of the projects would either never have happened or would have happened at a later stage. Consequently, the PSF support has ensured an acceleration of CO2 reductions as well as additional CO2 reductions obtained through additional projects and improvement of the project quality through technical assistance, as illustrated in the figure below.



A beforehand local knowledge and experience combined with the experience from the PSF process, and the focus on all aspects related to project implementation and development, has brought the PSFs in a unique situation to respond to current framework conditions in interaction with the various stakeholders.

At the end of the Paper is given further recommendation as how the experience from Clear Support could be integrated in the design of Cohesion funds.

2 Enabling of a sound investment framework – observations and recommendations based on the ClearSupport experience

Based on the experience gained under ClearSupport Part 2 will provide some observations and recommendations as regards what are found to be key factors in making investments in the multi-apartment building sector succeed.

2.1 How to create awareness and competences of managing authorities

The programming and channelling of ERDF is a complex process involving many sectors and stakeholders. Obviously, it is of essential importance that the relevant authorities are aware of the potential benefits of supporting EE in the multi-apartment building sector as well as the certain circumstances connected to this type of investments.

Observations

There can be noted the following based on the ClearSupport experience in the five targeted regions:

- It is seen an obstacle that the programming of ERDF in most cases does not take into proper account the long term impact in the form of reduced energy bills and better environment that channelling support to EE in multi-apartment buildings would bring about (and which is unique for this type of investment compared to many others). To this is to be added benefits like job creation and ideally better decision-making processes around the management of the buildings
- Naturally, the managing authorities that are most familiar with the circumstances around the EE in multi-apartment building sector are better suited to provide adequate support. E.g. a good connection between the PSF under ClearSupport and the managing authority in the Pomeranian region helped to foster appropriate investments (in this case in the public building sector due to the priorities of the authority)
- A better support framework can be provided in the way that either the managing authorities improve their capabilities or alternatively there is put in place external parties to supplement the existing ERDF support structures; e.g. regional energy agencies could be candidates to take this role or it could be done in form of a combined approach.

Recommendations

- Introduce in the procedures for the programming of ERDF a stronger set-up for addressing the potential merits of supporting investments EE in multi-apartment buildings (including a long term horizon for the impact assessment) as well as guidance on how to handle the management of the support to the building owners in an adequate manner
- Ideally, this would be accompanied by capacity building in order that managing authorities can better handle the specific challenge of enabling sound investments in this area. Such capacity building could either address the managing authority alone or how the combined system of the general ERDF support structure and supplementary expertise could be geared. At the end of Part 2 is given further observations and recommendations on how to go about with this

2.2 Regulatory framework

It is well known that a strong regulatory framework is often a key factor in making sustainable energy investments succeed.

Observations

The observations in this regard are as follows:

- In all the targeted countries/regions targeted by ClearSupport exists regulation and programmes addressing the EE in multi-apartment building sector, though they may vary in their ambition levels. Among the differences are how good the regulatory framework is designed to overcome the barriers for EE measures and how good the policies are to reach from the central level to the individual housing association. A general observation is that there are yet big gaps in order to provide a strong framework for exploiting the big energy saving potentials; one of them being lack of coherence between the national policy and the local policies and support structures.
- It is found that an adequate regulatory framework is to take into account all key aspects as to pave way for an appropriate implementation process. This is why ClearSupport's efforts on 'improving the framework' addressed the entire spectrum of regulatory and legislative aspects as well as the technical and financial aspects of fostering investments.
- The Energy Service and Renewable Energy Directives require Member States to submit respectively National Energy Efficiency Action Plans/NEEAPs and Renewable Energy Action Plans/ NREAPs. Further the process around the Covenant of Mayors/CoM and its potential drive by committing cities to sustainable energy actions is an important factor to take into account.

Good Practice

- The Thermo-Renovation Programme in Poland, introduced in 1998, is found to be an example of good practice. It implies basically that housing owners in Poland – of which the majority of multi-apartment buildings benefit from the programme – can obtain a subsidy for undertaking EE measures². Thus it is in fact first of all a financial instrument, but due to its holistic design and interaction with other policies can be considered a regulative measure. E.g. the projects to gain support must meet minimum technical and financial criteria, as verified by energy audit and financial analysis. Further notes are:
 - The Thermo-Renovation Programme has had an important effect as to promote EE measures in the multi-apartment sector country wide, including raising the awareness of the housing associations and serving a springboard for the ERDF support in this sector
 - It is one of few observed examples from NMS where the state provides direct subsidies to this sector. It is managed by the state owned BGK and involves a number of commercial banks which has helped to increase the bank sector's trust in this type of investment.
 - Among the positive side effects can be mentioned that in the period 1999-2006 the construction sector was estimated to increase its employment level by about 60,000 as a result of the programme.

² From the outset the programme provided a grant subsidy of 25% calculated based on 10-years heat cost savings, covering repayment of the loan not exceeding 80% of total investment cost.

Recommendations

- The essential point is that Member States are encouraged to put in place consistent policies to go hand in hand with the investment process, including creating good linkage between the policies at EU, national, regional and local level. Part of this is to obtain best possible interaction with the NEEAPs and NREAPs and the process around the CoM
- In Poland the Thermo-Renovation Programme provide a good practice example of how a Member State can introduce an integrated way of promoting EE measures for the building sector with multiple benefits to the Polish society

2.3 Financing instruments

Part of ClearSupport was dedicated to exploring what financing instruments would be appropriate to support investments in the building sectors of the target countries/regions. These investigations were led by Investitionsbank Scheswig-Holstein in coordination with Berlin Energy Agency, EC Network and the PSF partners in Latvia, Lithuania, Poland/region of Pomerania, Czech Republic and Crete.

Observations

The following notes can be made:

- The ClearSupport team investigated various forms of financing instruments, including traditional instruments like credit/loan, grants and interest subsidies as well as innovative instruments like public-private partnerships (incl. Energy Performance Contracting/ESCO and revolving funds) and carbon funding like green investment schemes. See the associated reports via the link below http://www.clearsupport.eu/PSI_financing.htm
- The study points out revolving funds to be a particularly relevant instrument for the building sector. A main reason for this finding is that the revolving fund concepts enables to feed back the obtained energy savings so in principle one investment can pave way for the next one. The main challenge of the instrument is to find sufficient start capital and to ensure an appropriate project cycle. The KredEx revolving instrument in Estonia is a known example and ClearSupport was involved in the process of putting in place the revolving fund/JESSICA instrument in Lithuania. Further below will be addressed the implications of the ownership structure and decision-making in making such concept work properly.

Recommendations

- There is found to be many good initiatives around Europe to provide better financing options for the building sector, including developing the revolving fund concept in conjunction with ERDF. The recommendation is to continue and accelerate this development under the future Cohesion funds and associated financing instruments, but doing this in understanding of the holistic approach needed to make it work properly; not least taking into account that the building owners in general need good support in order to become aware of the energy saving potentials and to turn the awareness into action in form of appropriate design of EE measures and ensuring the implementation.

2.4 Ownership structures and decision-making

ClearSupport undertook a study of the ownership structures and decision-making processes connected to investments in the multi-apartment sector³.

Observations

Finding adequate ways for renovation of the large multi-apartment building stock is one of the big challenges that EU's New Member States are facing. To a high degree it is associated with a democratic process, in which the flat owners are to find good ways for the building management, investment decisions etc.

Unfortunately, as the case study from Lithuania shows, various barriers in this process hinder/slow down a positive development. The progress that was made via government and other initiatives has been drawn back by the financial crisis that hit the Lithuanian economy badly.

Recommendations

Finding the right approaches as to overcome barriers in ownership structures and decision-making depends to a high degree on the specific local situation. Therefore the key issue is that the relevant authorities find these approaches in coherence with the policy formulation and programming and administration of the financing instruments, including EU funds.

2.5 How to enable the investments to happen

Observations

The key observation is that financing instrument(s) in itself is not sufficient. Even with good financing instrument(s) there will typically be barriers that call for a dedicated effort to succeed with investments.

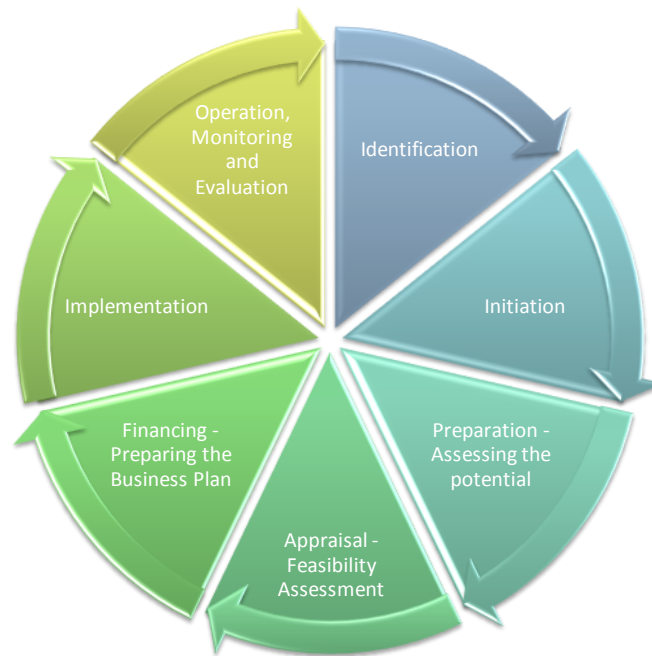
Thus the challenge is to put in place a support system involving stakeholders along the value chain including: Local governments, regulators, project owners, financing institutions, end-users, different kind of project service providers (engineers, architects, ESCOs, constructors, installers etc.)

Recommendations

The PSF could e.g. be envisaged to have a role in relation to:

- Project identification
 - Project initiation
 - Support to the further steps along the project cycle, including lining projects with financing schemes
- Analysis of project feedback

³ The entire report is available via this link www.ecnetwork.info/ClearSupport/Deliverables/D-5.1-5.2%20Assessment%20of%20regulatory%20framework_FINAL.pdf



Assistance can be provided to new or already on-going projects.

Further the PSF will work closely with financing institutions and local authorities to improve framework conditions for EE projects, a.o. in relation to experience gathered from the projects.

The PSF would first of all have a role as a facilitator supporting project owners to identify and initiate projects and put them in contact with potential financing institutions. The initial contact may be derived from information workshops, awareness campaigns, training and short consultations.

The further contact may include initial project analysis and assistance towards establishing a financial set-up in relation to available financing sources.

However, the PSF should not necessarily possess capacity to support projects in all phases, which would require very big resources and further distort the market for project services. Particularly in the implementation phase the role of the PSF should be expected to be minimal.

Many service providers already exist in the market and are in a position to deliver many of the required project services (ESCOs, energy auditors, engineering companies, architects, institutes etc.). Possibly more capacity is needed in the market. Nevertheless, the needed capacity and capability of the PSF will depend on local needs and the current local market capacity.

The PSF could have an essential role towards ensuring that market players are mobilised towards the huge amount of EE projects and that projects are developed and documented in accordance with the requirements of the financing institutions. Some projects may be defined and initiated by project service providers, but could still be coordinated with and supported by the PSF structure.

As to the feedback from projects the PSF could have a role in relation to summarize lessons learned from the projects, including impacts of measures. This should be done to facilitate exchange of know-how and experience between projects as well as supporting identification of shortcomings and needs in the current framework conditions.

