LATVIAN BALTIC ENERGY EFFICIENCY FACILITY (LABEEF)

Nicholas Stancioff

Prepared by Harijs Švarcs
LABEEF, council member
EE PROBLEM

>60 mil Homes
Multifamily buildings

LATVIA ENERGY STRATEGY 2030

PAST ISSUES

RISKS

2016
152.04 kWh/m²

2030
100 kWh/m²

Required financing
€ 120 billion

90%
Do not correspond to current housing or heat consumption requirements

Motivation
Quality
Scale
Financing
Grants

ENERGY PRICE
TEMPERATURE
INTEREST RATE
EXECUTION
ENERGY SAVINGS
PAYMENT
MAINTENANCE
INFLATION
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%

DUE DILIGENCE RESULTS

- 3 buildings, same series in Valmiera
- One did nothing, one renovated on its own, one used ESCO
- ESCO costs were 32% less, measures were less while energy efficiency was 28% higher
- House maintenance costs lower under ESCO
**IS IT A SUSTAINABLE MODEL?**

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<th>Issue</th>
<th>Stakeholder</th>
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<td>High development costs – one off -</td>
<td>OWNERS</td>
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<td>High transaction costs -</td>
<td>BANKS</td>
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<td>Assets locked up for 20 years while the work is completed in less than 18 months</td>
<td>ESCO</td>
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<td>Little equity</td>
<td>ESCO</td>
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<td>No “real” long term financing available</td>
<td>Financiers</td>
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<td>Dependent on Partial and Expensive Subsidies –</td>
<td>GOVERNMENT</td>
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Group formed in September 2015, with professionals coming from various horizons, willing to make “improvement proposals” using finance as a lever to remove all other barriers to the energy-efficient renovation market in France.

Decided to focus on private housing segment because it is where establishing sustainable business model is the most difficult.

And ESEB adds:

« with The best payment record »
DE-RISKING.

ESCO motivated to select suitable buildings:
• Higher energy saving potential
• Low default risk of building owners

LABEEF investment guidelines require:
• Low historic defaults of utility bills
• Efficiency potential
• Use of contract template

Implementation eliminates/reduces: all verified by LABEEF due diligence and independent consultants:
• Technical design risk
• Implementation risk
• Technical performance risk (verified by award of EU grant)
• Credit risk by having a track record of ≥1 year

Steps for de-risking over time

LABEEF and independent verification consultants:
• Due diligence
• Review prior to disbursement approval

ESCOs paid for on-going performance and maintenance services.

Multi layer de-risking approach

EXECUTION

PAYMENT

Disburse

Building owners have all risks and benefits.

EPC Forfaiting project cycle:

Identification → Implementation + Verification of Performance >1.5 years → ESCOs and LABEEF share risks and benefits.

≥18 years enforceable receivables

ESCOs paid for on-going performance and maintenance services.
INTEREST ALIGNMENT AND TRANSPARENCY

Open source IT PLATFORM AND TRANSPARENCY

RESIDENTS
ESCOs
BANKS
BUILDERS

STANDARTIZATION
REPETITION
BUNDLING
BENCHMARKING
INDUSTRIALIZATION

LOWER COSTS

IT PLATFORM SUPPORTS STANDARTIATION AND SCALE

PLANNING
EXECUTING
MAINTENANCE
AGGREGATE TO ACCELERATE

FINANCING

- SHAREHOLDER EQUITY
- PRIVATE EQUITY
- ALTUM INSTRUMENTS
- BANK FINANCING
- EBRD
- OTHER INSTITUTIONS
- DEBT FINANCING

ESCO A > ESCO B > ESCO C > ESCO D > ESCO E

STANDARTIZED EPC GUIDELINES, PROCESS AND CONTRACT

LABEEF

INSTITUTIONAL INVESTORS

SUNShINE
LONG TERM SUSTAINABLE SOLUTION WITH SCALE

Focus on quality (20Y guarantees)

Separating execution and payment risk

Separating short term and long term funding and financing base

Enable scale and control through standartization and IT platform

Introducing aggregation mechanism

De-risking

Introducing self sufficient and sustainable financing instrument

Providing a cascade of benefits to citizens, society, and government while building an industry
ACCELERATE FINANCING
BY GIVING CITIZENS WHAT THEY WANT: HOMES
INTEREST ALIGNMENT AND TRANSPARENCY

LABEEFS 80/80 MODEL

Base EPC

LABEEF buys at discount future EPC receivables

ESCOs retain cushion for LABEEF and get upside

EPC upside

LABEEF BUYS STANDARTIZED 20Y EPCs FROM ESCOs

* LABEEF buys 100% of receivables and passes back 20% of base income and 80% of upside

Open source IT PLATFORM AND TRANSPARENCY

RESIDENTS
ESCOs
BANKS
BUILDERS

STANDARTIZATION REPETITION BUNDLING BENCHMARKING INDUSTRIALIZATION

LOWER COSTS

PLANNING EXECUTING MAINTENANCE

IT PLATFORM SUPPORTS STANDARTIZATION AND SCALE
ABOUT LABEEF

• LABEEF signed agreement with EBRD December 2016. EUR 7.5M project.

• First EBRD disbursement 2017 (6 buildings)

• ESCOs and LABEEF ecosystem supported by 2 Horizon 2020 projects – Sunshine and Accelerate Sunshine (EUR 3M in total).

• Sunshine and Accelerate Sunshine aim to generate around EUR 50M in projects

• Number of large local players interested to start ESCO business when LABEEF starts operations. Potential in public EPCs.

• Next Steps for LABEEF – scaling up operations by attracting additional equity/debt financing.
ALIGNING THE INTERESTS OF ALL ON THOSE OF OWNERS
What is LABEEF?
Why is it a part of the Decarbonization solution

link in a virtuous circle

What is the goal and the challenge?