ENERGY PERFORMANCE CONTRACTING FOR MULTIFAMILY BUILDINGS IN LATVIA

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Latvian Baltic Energy Efficiency Fund (LABEEF)

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PROBLEM WITH “DEPTH”

PROBLEM
50% of Latvian panel housing stock will wear out in 20Y time

CAUSE
Lack of maintenance and investment

ANSWER
Use proceeds from energy savings to finance large scale renovation

BENEFITS

SCALE EXCEEDS EUR 3 BILLION IN LATVIA ALONE!
COMFORT. HEALTH. VALUE.

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%
WHAT SOLUTION PEOPLE NEED?

✓ GUARANTEED RESULTS
✓ FINANCIALLY VIABLE
✓ SIMPLE

ESCOS USE EPC TO IMPLEMENT 20 YEAR ENERGY SAVING PROJECTS
PROBLEM FOR LOCAL ESCOs

LONG TERM FUNDING AND “FROZEN” EQUITY
LABEEF would provide long term financing to ESCOs by forfaiting EPC contracts

- “Frozen equity” is released to undertake new energy efficiency projects
- Enables bank funding

**SOLUTION – LABEEF**

- Short-term funding
- Long term funding
RESIDENTS – ESCOs - LABEETF

- Energy audit and technical inspection
- Construction
- Financing
- Equipment
- Technical design

- Maintenance Co
- RESIDENTS
- ESCO
- Heat, hot water (hw)

- IT PLATFORM
- Organization and Solutions

- Payment for heat, hw (before renovation)
- Payment for heat, hw (after renovation)
- Maintenance
- Payments
- EPC
- Renovation
LABEEF UNDERTAKES LOW RISK FINANCING

EXECUTION

PAYMENT

Acquisition 3-6 months

2Y

18Y

ESCOs

FORFAITING

LABEEF

RISK

OWNER GAINS

ESCO PROFIT

REWARDS
HOW TO ENABLE LABEEF FINANCING?

EPC, EPC+, EPC++
- Scope of the agreement and obligations
- Renovation works and budget
- Safety, quality and comfort guarantee
- Baseline and guarantee savings
- Operations and Maintenance
- Fee calculation

FINANCIAL AND TECHNICAL RULES AND GUIDELINES
- Technical guidelines
- Investment rules
- Eligibility criteria

Enables scale
Risk management
Business
IT PLATFORM SHAREX.LV

- Standardized documents
- Calculator
- Benchmark
- Process flow
- Data warehouse
- Monitoring
- Finance
- Best practice
- News & Research
- Support

- DECREASED TRANSACTION COSTS
  - REPETITION
  - INDUSTRIALISATION
  - BUNDLING
  - GROUPED PURCHASING
  - COST REDUCTION
CHALLENGES OF PUTTING LABEEF TO WORK

- UNDERSTANDING PROBLEM
- ESCO ROLE
- EXPECTED RESULTS
- EPCs
- LEGISLATION
- FINANCING
LABEEF PROJECT: 5 YEARS IN PERSPECTIVE

2012
- First discussion with Ministry of Environment
- Review of deeply renovated ESCO buildings
- EBRD agrees on the need of long term strategy
- ESEB created
- Fund proposal to EBRD
- Conference

2013
- Ministry of Economy visit to Berlin energy agency
- Banking workgroup created
- ESEB deep renovation study supports Latvia’s case
- Ministry of Economy, LGA, EBRD meeting on energy efficiency projects

2014
- EBRD sets out its schedule: T/S by end May
- EBRD provides term sheet to LGA
- KPMG London initiates technical DD. Result: Owners get 30% better value. Building life extended by 30Y.

2015
- Government sets aside €10M matching EBRD’s proposed term sheet.
- Support visit from Mr. Peterschmitt, CEO Banking EBRD. Support from Ministry of Finance, Ministry of Economics.
- Forfeiting fund docs reviewed by key stakeholders and international experts
- ESEB study
- EBRD proposes to go forward. Invite Altum to participate.

2016
- Baltic energy efficiency fund is created: LABEEF.
- Seminar wit key stakeholders, ESCOs, banks.
- LABEEF initiates 2nd term sheet with EBRD
- Altum EUR 160M program approved
- Work on ESCO inclusion in Altum program
- EBRD business forum in Riga
GOALS FOR THE NEXT YEARS...

AGREE ON FINANCING

ACQUIRE FIRST 15 BUILDING PORTFOLIO

JOIN ALTUM’S PROGRAM

PUBLIC EPC

SHAREX.LV FOR BENCHMARK KING

EUR 500M RATED SUBSIDY FREE

LONG TERM
THANK YOU!

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