POSITIVE RETURNS FOR PUBLIC FINANCES OF ENERGY EFFICIENT RENOVATION PROGRAMMES

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THREE KEY QUESTIONS

1. Why is such an important building renovations in each country?

2. What are the main features of effective financing scheme?

3. What are the reasons for the success?
Lithuania key statistics:

- Population – approx. 3 mln.
- 66% of population lives in multi family buildings built before 1993
  (> 38,000 multi family buildings and > 800,000 apartments)
- 97% privately owned, only 3% municipal rental stock
- 65% of buildings supplied by district heating system

Problems:

- poor Soviet construction standards and little maintenance
  - inefficient heating systems and engineering equipment
  - bad quality windows, roofs, seals between panels
  - huge energy losses
  → most buildings in poor condition, lack of proper management

> most of Lithuanian households are not satisfied with their homes
THE LITHUANIAN HOUSING STRATEGY

Main goals are:

Expand housing possibilities for all social groups

Ensure effective use of existing housing, maintenance, upgrading and modernization, including the rational use of energy resources

Strengthen the capacity of the housing sector in the housing market

Approved at January 21, 2004 by the Lithuanian Government
English version available on the internet site www.am.lt

- Program for modernization of multifamily buildings (approved in 2004)
- Program for social housing development (approved in 2004)

The Programme aimed to:

- increase energy efficiency in multi-apartment buildings;
- ensure that cumulative annual heating costs and return on investment cost after the renovation do not exceed the heating costs which was before renovation.
There are two models for housing modernisation in Lithuania

1. Home owners on their own initiative prepare investment projects, take a loan and implement modernisation

The main problems of this model:
- lack of homeowners initiative
- fear to take a loan
- mistrust on the results after the upgrading
2. Investment projects are implemented based on the Energy efficiency programmes approved by the municipalities:
- investment projects are prepared on the municipality initiative;
- projects are implemented by the Programme administrator appointed by the Municipality;
- loan is taken by the Programme administrator;
- programme administrator organizing procurement, taking all the responsibilities on the implementation and financial management.

New model was introduced at the beginning of 2013
NEW PROGRAMME PARTICIPANTS

- **National:**
  - Ministry of Environment / Ministry of Finance / JESSICA Holding Fund, managed by EIB
  - Housing Energy Saving Agency (HESA)
  - Financial institutions administering JESSICA funds (selected by JESSICA Holding Fund managed by EIB)
  - Central Procurement Office (CPO)

- **Local:**
  - **Municipalities** (Programme preparation, approval, appointment of Programme Administrator, supervision of implementation)
  - **Programme administrators** (Housing Maintenance company or other responsible company)
  - **Engineering – consultant companies** (Investment Project preparation, supervision of works)
  - **Contractors, Home-owners**
since 2013 approved more than 3,650 multi-apartment buildings
- currently more than 1,625 multi-apartment buildings are being upgraded
- since 2013 completed 420 projects
WHAT THE FIGURES SHOW?
Experience from energy efficiency upgrading projects in multifamily buildings shows that a combination of measures:

- replacement of windows and external doors,
- insulation of external surfaces: roofs and walls,
- modernization of heating substations and balancing of heat systems

reduce energy consumption by around 50-70%.
2. GOOD FOR THE COUNTRY'S ECONOMIC GROWTH

- The energy efficiency Programme investment value more than 400 million EUR (JESSICA Holding Fund with private investment of commercial banks, State budget);
- Currently renovation projects are implemented by 260 small or medium construction companies (creates new jobs);
- Investments in the renovation process is about 10% of the total investment in the construction sector in the country.
3. GOOD FOR PLANET: LOWER CARBON EMISSIONS, RESOURCE CONSERVATION

- After modernization possibility to reduce energy consumption up to 50-70%.
- By implementing the Programme also are solved environmental protection issues (reduction CO² emission, urban environment, cities regeneration plans, etc.).

The analysis of implemented projects shows that after the building renovation savings are more than 100 MWh/year and reduction CO₂ - 23,4 t.
FUNDING CONDITIONS FOR RENOVATION OF MULTI-APARTMENT BUILDINGS

- Majority of home-owners vote for modernisation 50%+1
- Constructed before 1993
- at least Energy Efficiency Class D
- 100% of costs for technical documentation
- 15% of modernisation costs if at least 20% of energy savings achieved
- additional 25% if energy savings 40% achieved (Climate Change Programme support – till Dec. 2014)
- 100% of all costs for low income households
Distribution of costs to consumers under the new Programme

Fig. 1

Before Upgrading
100%

After Upgrading
about 50%
50 - 40%
0 - 10%

SAVING
Upgrading Repayment
Heating

No additional payments to owners of apartments after the upgrading
JESSICA (Joint European Support for Sustainable Investment in City Areas) is an initiative of the European Commission in cooperation with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) in order to promote sustainable investment and growth of jobs in Europe’s urban areas.

Lithuania - one of the first countries in the European Union which uses the initiative of JESSICA for the improvement of energy efficiency in multifamily buildings.
FUNDING CONDITIONS FOR RENOVATION OF MULTI-APARTMENT BUILDINGS

- **Maturity** – 20 years
- **Interest rate** – fixed for the entire loan period at 3% p.a.
- **Self-financing** – bank may require a down payment (not more than 5%)
- **Maximum monthly instalment** – determined for each multi-apartment building
- **Insurance** – no loan insurance requirements
- **Guarantees** – no third party guarantee requirement
Since this modernization programme had a success in its implementation for multi-apartment buildings (in 2013-2015), Lithuanian Government decided to apply this model also for the modernization of municipal public buildings.

Programme for energy efficiency improvement in public buildings was approved in Nov. 2014. Technical procedures on the building selection and preparation of investment documents are under the preparation.

Municipalities and their administrators already have a competence and experience to take a next step in managing public buildings’ modernization process.

All Municipalities already prepared Energy Efficiency programmes and started with implementation.
GOAL- QUATER RENOVATION PILOT PROJECT WITH GERMANY

In order to the Energy efficiency improvement programs to include not only the renovation of separate apartment houses or public buildings, but also upgrade the entire neighborhoods and their environment, as well as infrastructure, in the near future it is expected to:

- using experience of other countries, to implement a pilot cities quarter energy efficiency improvement project in Lithuania
- by combining different programmes and financial instruments start with implementation of pilot projects in 2016 in 3 selected municipalities.
Discussion
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FROM 2013 LITHUANIA RENOVATION - MISSION POSSIBLE

1. The main reason - involvement of all Lithuanian municipalities;

2. The financial model of the program to update the apartment buildings;

3. Marketing/direct communication with residents
COOPERATION IS THE MAIN CONDITION FOR SUCCESS!

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