

POSITIVE RETURNS FOR PUBLIC FINANCES OF ENERGY EFFICIENT RENOVATION PROGRAMMES



Daiva Matonienė
Acting Vice-Minister
Ministry of Environment, Republic of Lithuania

Brussels, October, 2015

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 the reasons for the success?

RESIDENTIAL ENERGY EFFICIENCY



3

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:

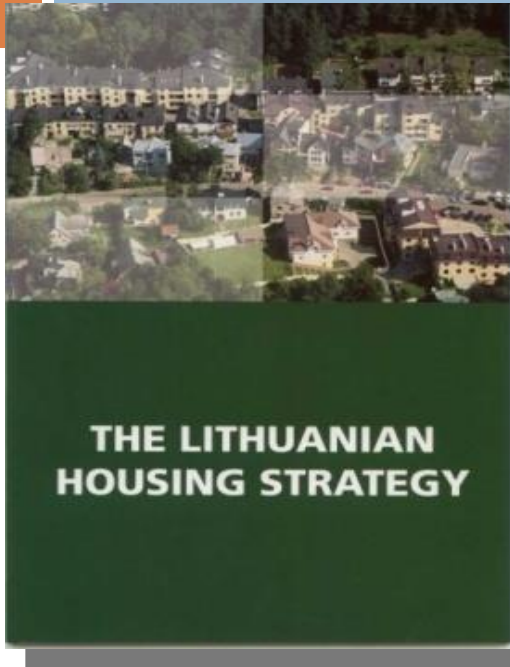
- poor Soviet construction standards and little maintenance
 - inefficient heating systems and engineering equipment
 - bad quality windows, roofs, seals between panels
 - huge energy losses
- most buildings in poor condition, lack of proper management

> most of Lithuanian households are not satisfied with their homes



THE LITHUANIAN HOUSING STRATEGY

4



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)

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

MULTI-APARTMENT BUILDINGS RENOVATION (MODERNISATION) PROGRAMME

Multi-apartment buildings renovation (modernisation) Programme approved by the Government of the Republic of Lithuania 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.



PROGRAMME MODELS (1)

6

There are two models for housing modernisation in Lithuania

1. Home owners on their own initiative prepare investment projects, take a loans 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



PROGRAMME MODELS (2)

7

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.



JESSICA

New model was introduced at the beginning of 2013

NEW PROGRAMME PARTICIPANTS

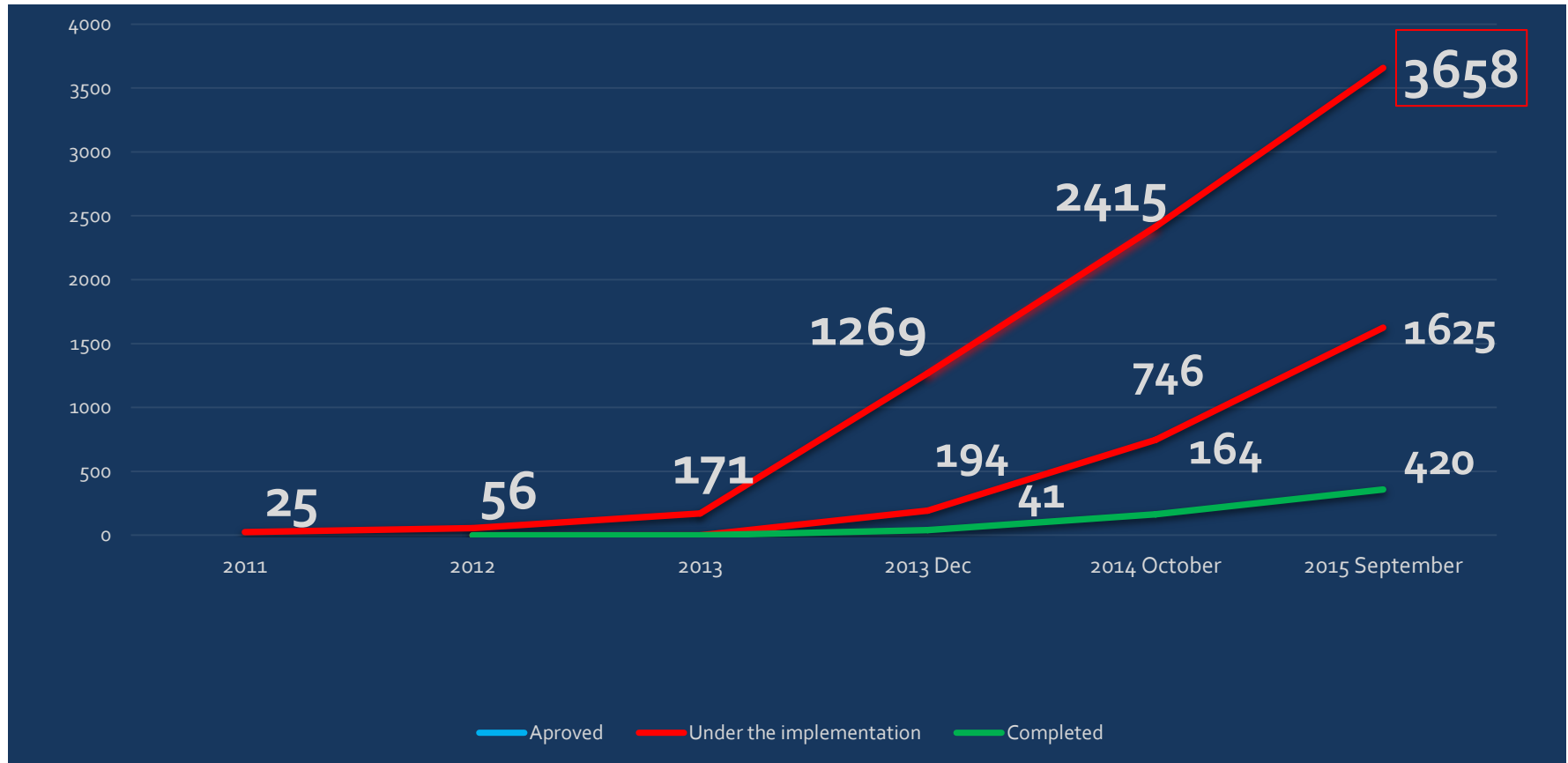
□ **National:**

- 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:**

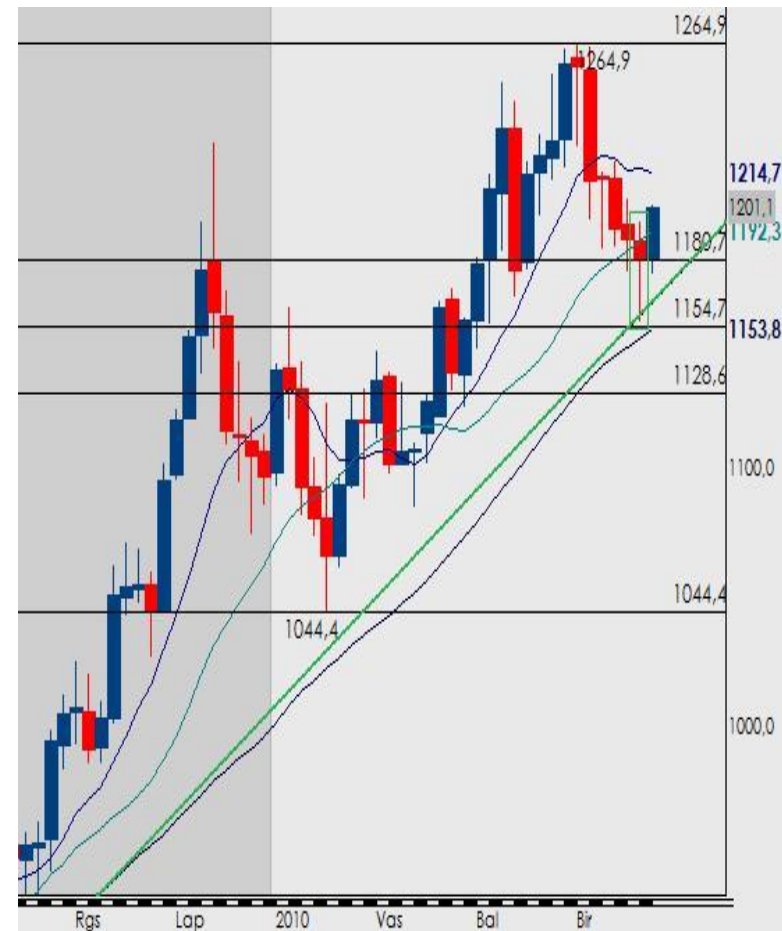
- *Municipalities* (Programme preparation, approval, appointment of Programme Administrator, supervision of implementation)
- *Programme administrators* (Housing Maintenance company or other responsible company)
- *Engineering – consultant companies* (Investment Project preparation, supervision of works)
- *Contractors , Home-owners*

MULTI-APARTMENT BUILDINGS RENOVATION (MODERNISATION) PROGRAMME PROGRESS



- ❑ 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?



1. GOOD FOR HOME-OWNERS: GREATER COMFORT, LOWER BILLS, ADDED VALUE

11

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

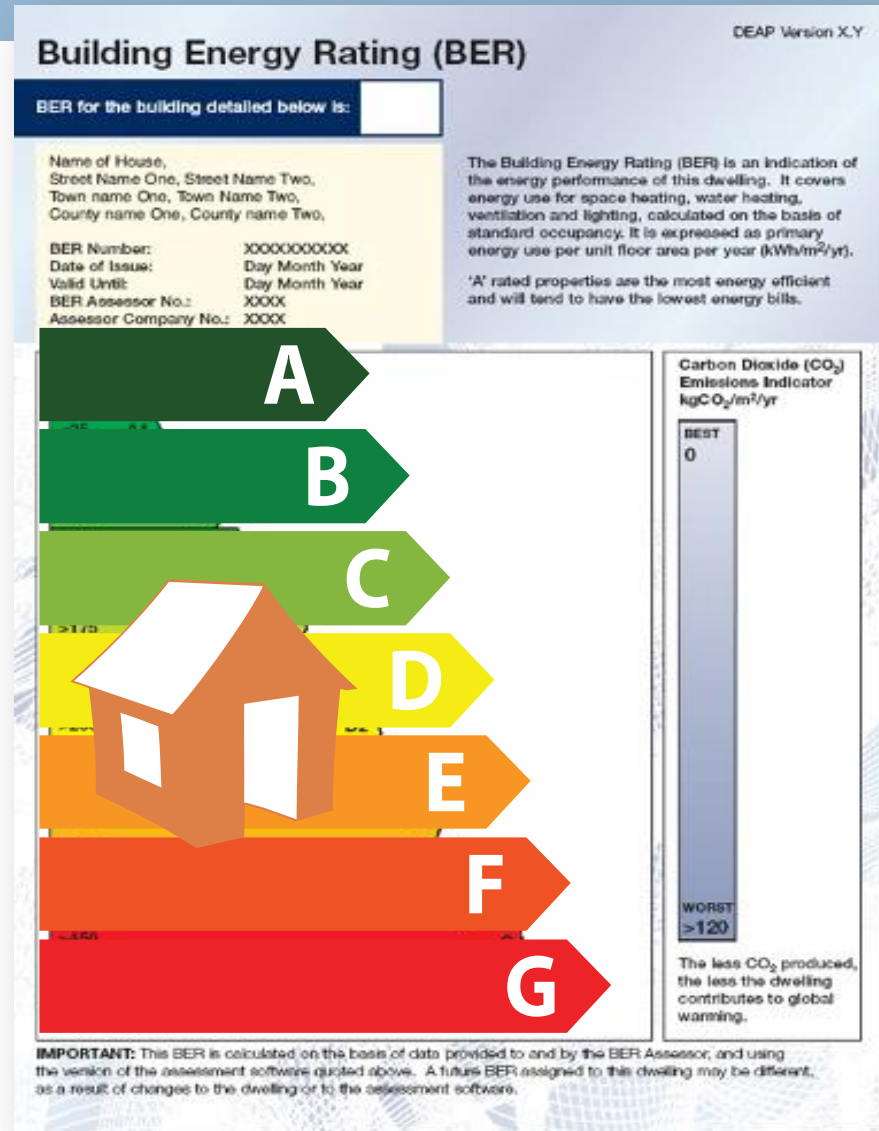


FUNDING CONDITIONS FOR RENOVATION OF MULTI-APARTMENT BUILDINGS

Energy performance certificates

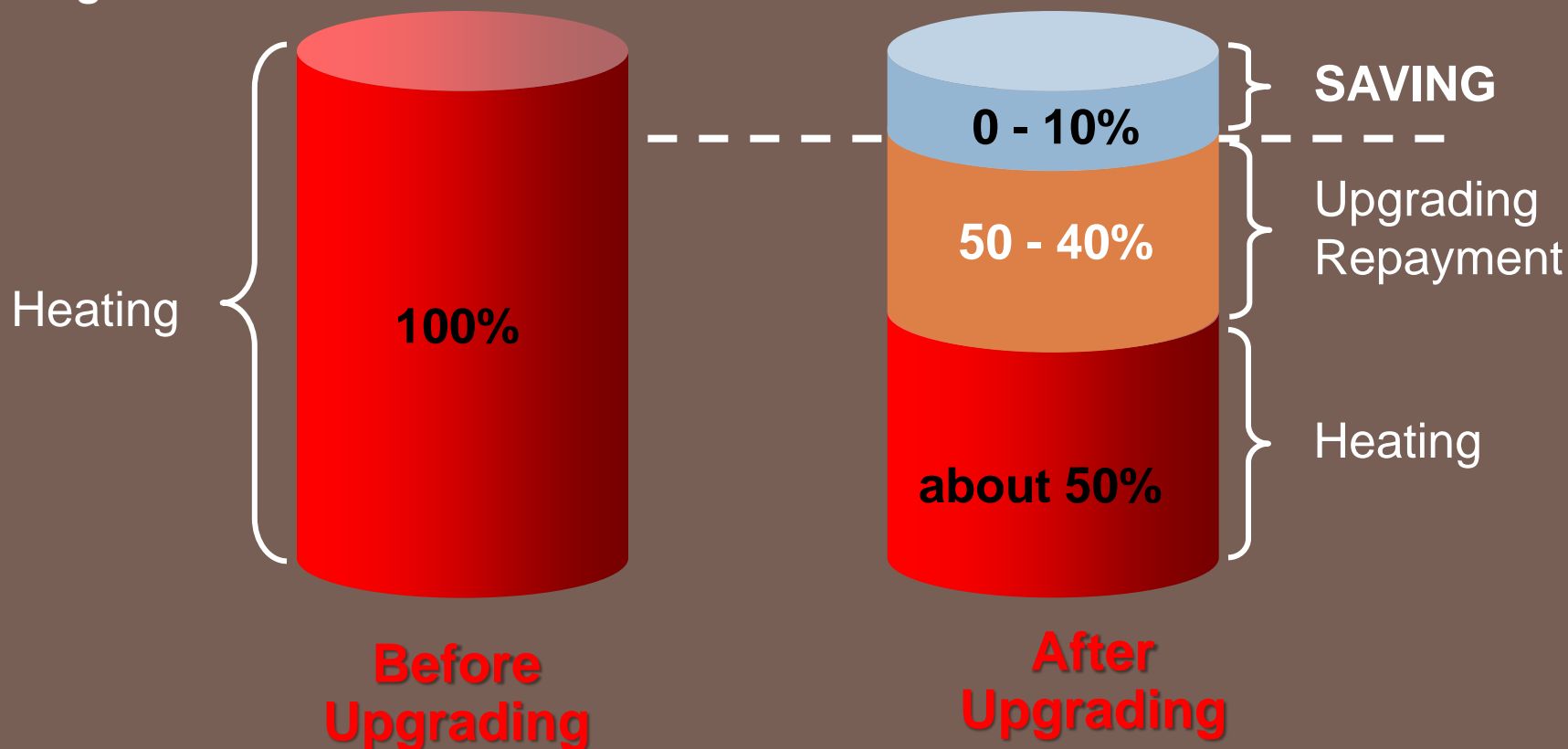
14

- ♦ 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



No additional payments to owners of apartments after the upgrading

JESSICA HOLDING FUND

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

17

- ◆ **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

NEW MODERNIZATION PROGRAMME MODEL FOR PUBLIC BUILDINGS

18

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.



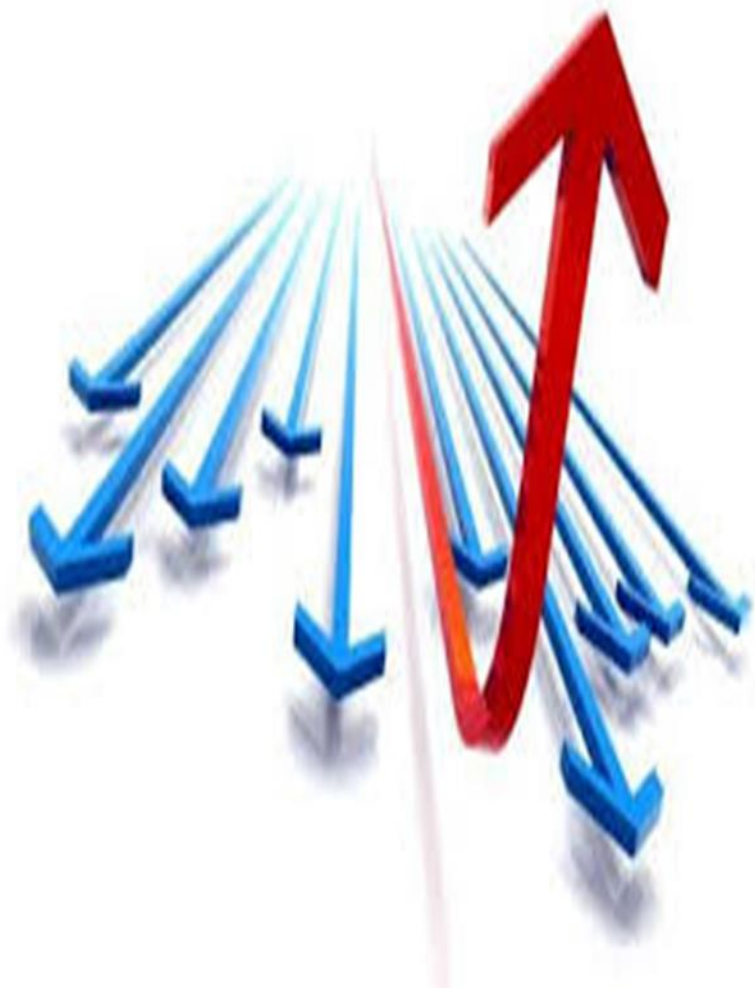
Discussion

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 the reasons for the success?

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 !



*Vice-Minister of Environment
Daiva Matonienė*

d.matoniene@am.lt