



Preparatory Report Capacity Building Program

Focus Country Lithuania

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Preface

Buildings are responsible for 40% of energy consumption in Europe and, at the same time, they represent the greatest potential to save energy. Furthermore, energy efficiency can contribute to reduce energy poverty, to boost local economy or to combat climate change. Municipalities and regions can play a key role to stimulate energy efficiency, for instance, by investing in public buildings renovation and therefore improving their energy performance.

However, they do not always have the necessary means to foster such large-scale investments: they do not always easily obtain loans from commercial banks or they are not familiar with alternative financial instruments. In February 2015, the Council of European Municipalities and Regions (CEMR) and other partners launched the CITYinvest project to support municipalities and regions in mobilising financial resources to invest in energy efficiency in buildings.

CITYinvest supports local and regional stakeholders in identifying suitable financing solutions for energy efficiency renovation in public buildings, for instance, by offering information on how to prepare bankable projects. Within 3 years, the project will train over 650 local governments and provide them with practical step-by-step guidance on innovative financing models like Energy Performance Contracting (EPC), Thirds Party Financing (TPF), revolving funds or cooperative models.

The aim of this preparatory report is to enable the organisation of a national capacity-building workshop in Lithuania. It serves as a guiding document for any involved stakeholder and as a steppingstone towards the Lithuanian long-term strategy.

The aim of the national workshop is to bring together the entire value chain of decision makers and stakeholders to seize the energy efficiency market in Lithuania: from interested individuals, to SMEs such as local ESCOs, to financiers and project developers. In order to implement innovative financing models for energy efficiency, local authorities play a decisive role.

This document aims to investigate which innovative financing models could help realizing Lithuanian energy efficiency objectives and to provoke further debates amongst stakeholders after the CITYinvest national workshop. It provides an opportunity to remain active and in contact with peers and experts. For further information how to get involved please visit www.CITYinvest.Eu or contact info@cityinvest.EU.

Summary of strategy in Lithuania

National context

Residential buildings

Lithuanian Housing Strategy points out that 66 percent of the population lives in multi-apartment buildings built before 1993. Some 26 percent of multi-apartment buildings were built before 1960, 65 percent in 1960–1990, and 9 percent after 1990. Apartments are 97 percent private, and only 3 percent belong to municipal rental stock. The total savings potential by 2020 (with 2009 as the reference year) is 17 percent of the final energy consumption, yielding 740 ktoe savings per year.¹⁵ To achieve these targets will require investing approximately Lt 2.8 billion to renovate the least efficient buildings, which consume about 200 kWh/m² per year.

Minimum energy performance standards for residential buildings have been set, however according to the “Assessment of Energy Efficiency Action Plans and Policies in EU Member States 2013”, this sector is considered as the field with the greatest need to act.

Public buildings

Based on the data from 2014, in Lithuania 7592 buildings belong to municipalities. Their general area is 8,9 million square metres. Out of it, 753 units (438 thousands square metres) are administrative buildings, 4288 buildings (6,78 mln. square metres) are related to culture and sport activities, 670 units (1,2 mln. square metres) are health care buildings, 1642 units are special buildings, i.e. belonging to the police forces (223 thousands square metres) and 239 units (282 thousands square metres) are related to housing (i.e. foster homes, nursing homes). 2574 buildings still need to be renovated: 1242 in education sector, 383 in culture, 313 in health care and 636 others.

The Public Company Housing Energy Efficiency Agency is preparing the implementation of energy-efficiency improvement projects for public buildings owned by municipalities. The majority of municipalities implementing **the Multi-Apartment Building Renovation (Modernization)**

Programme¹ have already prepared their own energy-efficiency improvement programmes, it is planned to expand the latter programmes by including public buildings.

In 2014, the Government of Lithuania has established and adopted the program for improvement of energy efficiency in public buildings owed by the state. The program aims to renovate public buildings (total area of 700 000 m²) and to achieve 60 GWh savings of final energy.

Legislative framework

Energy efficiency is the main element to reduce the amount of energy required to provide products and services. Efficient energy use is also the best way to guarantee the **energy security** and independence of every country and acts as a key driver for a **greener economy** and **saving public and private expenditure**. Therefore, energy efficiency is one of the main strategic objectives in Lithuania.

Lithuanian National Energy Independence strategy determines the target of annual energy savings of 1.5 % of the total final energy consumption until 2020. The strategy document recognizes that the largest saving potential exists in the buildings and transport sectors. In those sectors, energy efficiency measures constitute 65 % of total energy savings. The potential savings for households amounts to 290 kilotons of oil equivalent (ktoe) and for the transport sector – 300 ktoe. Energy efficiency in buildings is currently a priority for the Lithuanian authorities.

In Lithuania, Ministries are responsible for the energy efficiency policy. The Ministry of Environment is responsible for the renovations of multi-apartment buildings public buildings owned by municipalities. Energy efficiency in public building owned by state is coordinated by the Ministry of Energy.

The policy package for the buildings sector in Lithuania comprises minimum energy performance standards, education and training offers as well as several funding programmes for renovation activities. Energy performance certificates are mandatory when buildings are constructed, sold or rented.

Multi-apartment Building Renovation (Modernization) Programme is implemented by the Public Company Housing Energy Efficiency Agency. In the near future the Agency is planning to coordinate the **Programme for Energy Efficiency Improvements in Public Buildings**.

The main national strategical documents regulating energy efficiency in building sector are:

- The National Energy Independence strategy (2012),

¹ The 'Modernization of multi-apartment buildings' programme covers one type of buildings: multi-apartment buildings (block of flats). This type of buildings amounts to a major share of the energy consumption and have high energy saving potential. The main target of the Modernization of multi-apartment building programme is to increase efficiency of heat consumption. The Government of the Republic of Lithuania supports the programme by financing part of the renovation expenditures. More info can be found [here](#).

- The Lithuanian Housing strategy (2004),
- National Energy Efficiency programme for 2006-2010 and the Action Plan 2014
- Multi-apartment Building Renovation (Modernisation) Programme (2004).

EU legal acts:

- Energy Efficiency Directive 2012/27/EU,
- Directive 2010/31/EU on the energy performance of buildings,
- Implications of the new Energy Labelling Directive (2010/30/EU)
- the Ecodesign of energy-related products (Ecodesign) Directive (2009/125/EC) on market surveillance activities,
- the European Commission Communication: „Energy Efficiency and its contribution to energy security and the 2030 Framework for climate and energy policy“ (2014),
- the European Commission Communication: "Resource efficiency opportunities in the building sector" (2014).

Financial framework

The main financial sources for the energy efficiency renovations in Lithuania are **the EU funds and financial instruments**.

- In 2009, the **JESSICA Holding Fund**, with EUR 227 million for modernization of multi-apartment buildings, was established. JESSICA is a policy initiative of the European Commission (EC) developed jointly with the European Investment Bank (EIB) and in collaboration with the Council of Europe Development Bank. JESSICA supports integrated and sustainable urban-renewal projects, where a range of sophisticated financial tools are used including equity investments, loans and guarantees, offering new opportunities for the use of EU Structural Funds.

In 2009, Lithuanian government signed a Funding Agreement with EIB and appointed EIB as the JESSICA Holding Fund manager. EIB is responsible for the development of the financial product for financing the renovation of the multi-apartment buildings (loans), selection of the financial institutions to extend the loans, defining the processes and mechanisms of the implementation of the JESSICA fund functions.

While JESSICA is a ‘fund of funds’, **Multi-Apartment Building Modernization Fund (MBMF)** is a financial instrument. It is managed by the National Public Investment Development Agency. This instrument was established to attract large private investments in order to increase the leverage of EU funds and to meet the huge demand for investment. The Fund was established by the agreement between the Ministry of Finance, the Ministry of Environment and Public Investment Development Agency and is a part of 2014-2020 European Regional Development Fund.

- **Energy Efficiency Fund** (ENEF) (EUR 79 million) has a slightly different focus – it is designed to give loans to modernize public buildings and issue guarantees for street lighting projects. It was established on 18th February 2015 under the European Structural and Investment Fund (ESIF). The fund not only invests in projects, but also develops further the ESCO model which has not been broadly implemented in Lithuania. It aims to attract private investments and experience of private companies in order to use EU funds more effectively and reduce risks. Currently, the Public Investment Development Agency is searching for potential investors who seek to invest in Lithuanian energy efficiency projects.

In the 2014-2020 period, Lithuanian government wants to seize opportunities to increase the return on investments of EU funds and use revolving funds as much as possible. Therefore, broader use of financial instruments is planned. In order to evaluate the opportunities and the potential for financial instruments in other public infrastructure areas, such as energy, water treatment, transport, road infrastructure, IT and others, an analysis of market needs is under development.

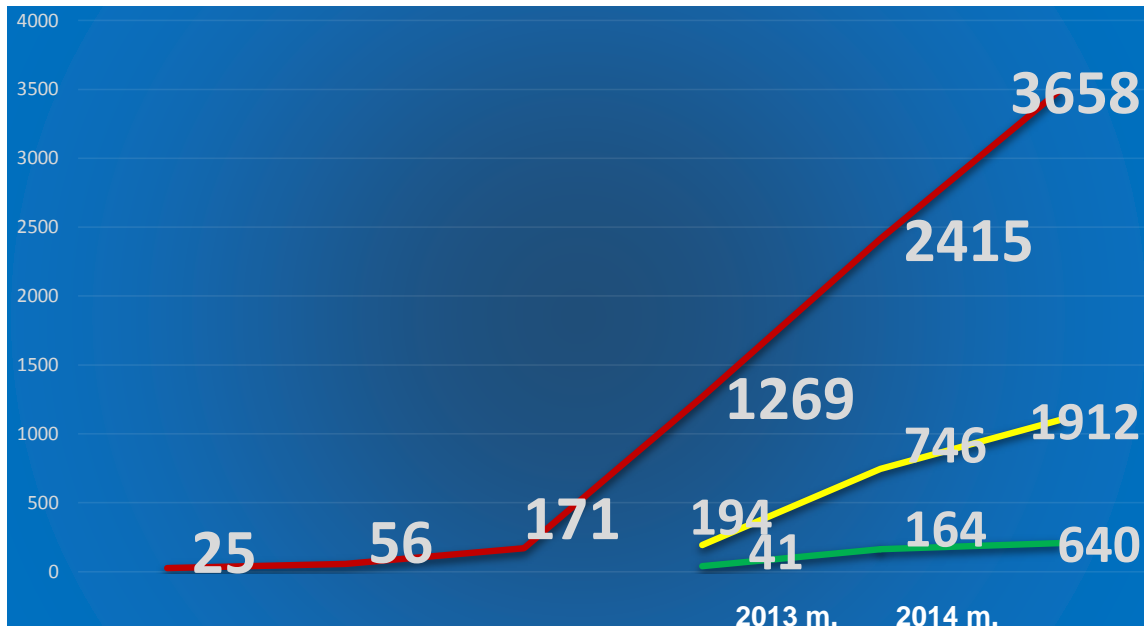
Energy Efficiency market

With the establishment of the JESSICA fund, the renovation process in residential buildings has started but was going on rather slowly. After a thorough analysis of the situation, the **following obstacles** have been identified:

- Lack of agreement among the owners of flats in the multi-apartment buildings and their aversion to undertake financial obligations.
- Faulty state support system for compensation of heating costs for certain group of residents.
- Insufficient marketing and communication policy.

Based on this analysis, amendments to the JESSICA scheme were introduced. Since 2012, municipalities can drive the renovations and they can appoint administrators of the process. Due to this change, renovations in residential buildings accelerated. Currently, the renovations process is at its peak, with over 3600 investment plans prepared (red curve), 1900 signed contracts for renovation works (yellow curve) and 640 fully completed buildings (green curve). (fig 1).

The renovation has benefited considerably the construction sector of the country and contributed to its recover after the crisis in 2009. The value of the 1300 projects in the process of implementation amounts to EUR 240 million. In the near future, an additional amount of 1000 buildings will start the renovation process, which has already been approved by the residents. The indicative value of these projects is about EUR 250 million. The planned investments in the renovation projects during 2015-2016 shall amount to EUR 0,5 billion.



1 fig. Progress of multi-apartment building renovation

The increased number of the projects in implementation inevitably brings more challenges along and uncovers different shortages of the process, such as insufficient quality of investment plans or renovation works, difficulties with the banks, providing financing, lack of construction companies or delayed procurement processes.

However, the commitment of the government of Lithuania to facilitate the process, together with a dedicated team, providing flexible and creative solutions continue to improve the process and solve the issues. On May 7, 2015 EIB was appointed as a Holding Fund manager for the next period of 2014-2020. The government expects that a leveraged fund can be created on the basis of the existing loan portfolio, to attract additional funds, including private funding from commercial banks, to meet the increasing demand for financing of renovation projects. The success of the energy efficiency model (financing and implementation scheme) in the residential sector is going to be replicated and applied to other energy efficiency projects, such as renovation of public buildings, lighting systems in the municipalities, heating sub-systems.

However, Energy Performance Contracting (EPC) has not received any practical implementation yet due to a range of major barriers, making many potential clients and providers reluctant to enter into such arrangements. At the same time various forms of public private partnerships have been developed in Lithuania's energy sector such as e.g. middle-term contracts of management of buildings. Public buildings have been renovated. For the renovation of public buildings structural funds are used. Energy audits are normally conducted prior to renovations.

Long-term recommendations

Long term recommendations in the field of innovative financing for energy retrofits in Lithuania will be gathered during the event and in the follow up-phase.

The answers to key questions addressed during the workshop will be written down in an '**Outcome summary document**' of the workshop that will be send to all participants. The document will include following chapters

- Which are the barriers for innovative financing in Lithuania? Any (national) recommendations apply?
- How to support local authorities in Lithuania? What are the national/regional support programs for this?
- Contact information of speakers and of us as organisers
- Links to further information
- Indication on how CITYnvest can further support or how the national 'partners/stakeholders' can further facilitate follow-up

Additionally, we will gather feedback from the events participants via a written questionnaire on the end of the workshop which participants are asked to fill in. Secondly, on the workshop web page there will be an open text question where participants can write more elaborated feedback until a month after the event.

National Workshop

Format

The orientation of the workshop is to show evidence of innovative financing models that successfully have been applied in different Member States with a focus on possibilities to replicate them. The objective of the workshop is to raise awareness of existing innovative financing instruments, to demonstrate inspiring case studies that could be replicated in the Lithuanian context and to brainstorm with the stakeholders on the future of the innovative financing instruments in Lithuania and the obstacles that could hinder their development. The workshop will work as steppingstone to accelerate necessary collaboration between stakeholders, to be inspired from successful examples and to discuss on a step-by-step approach.

Proposed format:

National workshop will be organize in cooperation with Ministry of Environment and The Association

of Local Authorities partner in promoting Covenant of Mayors activity Kaunas Regional Energy agency.

The formula of events themselves will support building links through ensuring space for networking and the workshop follow up, which will provide participants with the workshop presentations, list of participants and reminding them of possibilities for exchange information through CITYinvest website.

Schedule

Date: May 2016

Location: Vilnius

Time	Topic	Speaker
30 minutes	Introduction	1. Representative of Kaunas Regional Energy Agency? 2. Representative from EIB?
30 minutes	Presentation of various existing innovative financing instruments +Q&A	Energinvest expert
20 minutes	Presentation of a relevant case study 1 - Lithuania + Q&A	
30 minutes	NETWORKING COFFEE BREAK	
20 minutes	Presentation of a relevant case study 2 - EU country + Q&A	
20 minutes		Local expert
20 minutes	Development of a local action plan - what needs to be done?	Representative/s of municipality/ies
40 minutes	LUNCH BREAK	
2 hours	Interactive session on the strategy development	
15 minutes	COFFEE BREAK	
30 minutes	Conclusions of the interactive session	
30 minutes	Closing remarks and conclusions	1. Representative of Ministry of Environment 2. ?

Expert mobilisation

Prospective Speakers:

Representative of Ministry of Environment (coordinating institution) or Public Company Housing Energy Efficiency Agency (implementing institution)

Representative of Kaunas Regional Energy Agency or independent energy expert

Representative of Lithuanian Municipality (good practise example in financing instruments for buildings renovation from a Lithuanian municipalities)

Representative from EIB

Representative of a municipality, which implemented innovative financing from outside of Lithuania

Prospective Invitees:

- members of Association of Local Authorities in Lithuania
- Ministry of Environment,
- IEE Transparens - The goal of the Transparens project is to increase the transparency and trustworthiness of Energy Performance Contracting (EPC) markets throughout Europe., (<http://www.transparens.eu/lt/pradzia/sveiki-atvyk-transparens-projekt>)
- European Investment Bank
- VIPA is planning to develop EPC for public building renovation with structural funds
- Cohesion Fund scheme - Lietuvos Respublikos Ūkio MinisterijaLietuva
- Public Company Housing Energy Efficiency Agency
- Energy companies
- Companies responsible for buildings supervision

National communications multiplier

Name: Association of Local Authorities in Lithuania

Short description: ALAL is a non-profit, non-Governmental organization, representing the common interests of its members - local authorities in all national institutions, as well as in international organizations of local authorities. Currently, the association gathers 60 member municipalities.

Website: <http://www.lsa.lt/en/>

Other communication channels (newsletters, social media etc.): Website of ALAL and publication "Municipal News"

Contact person: Ieva Andriulaityte

Sources of information:

1. www.am.lt
2. www.enmin.lt
3. The national independence Strategy (www.lrs.lt)
4. Lithuanian Housing strategy (www.lrs.lt)
5. www.beta.lt
6. Assessment of Energy Efficiency Action Plans and Policies in EU Member States 2013, http://www.energy-efficiency-watch.org/fileadmin/eew_documents/Documents/EEW2/Lithuania.pdf