

VIPA

NATIONAL  
PROMOTIONAL  
INSTITUTION

# **EPC in public buildings The Lithuanian experience**

# About VIPA

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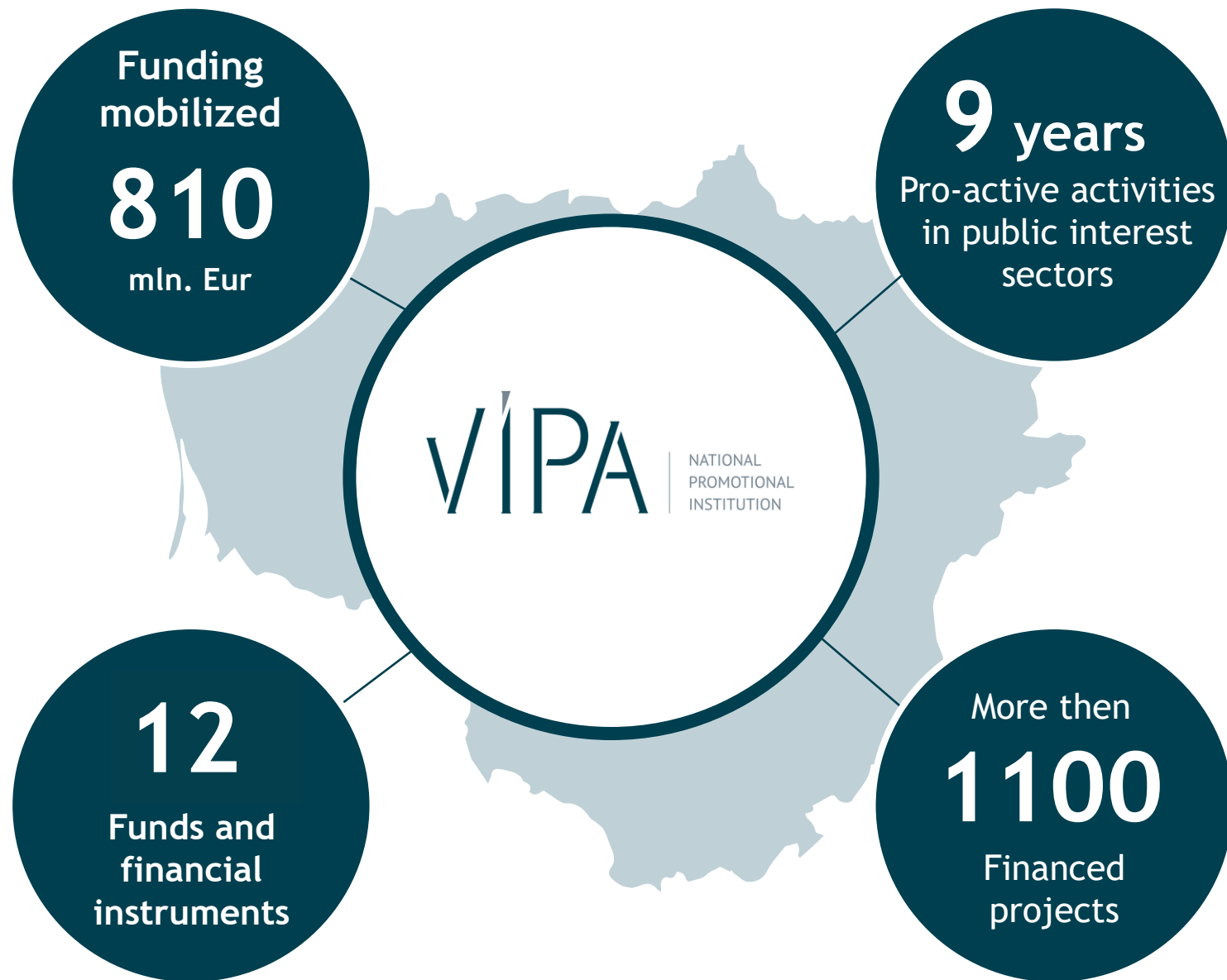
Started activities in 2013

Owned by Ministry of Finance

Acting as National Promotional Institution (NPI)

Team of 75 professional employees

Addressing market failures



# Proven track record in funding with strong focus on green investments

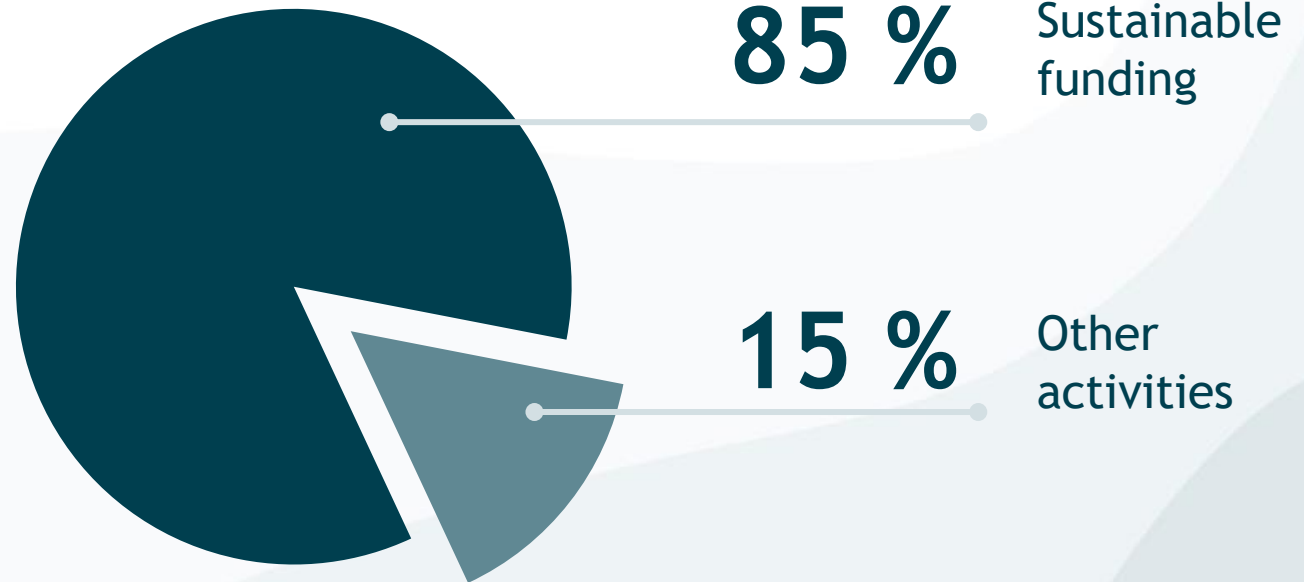
Funds mobilized:

> **810**  
mEUR

Public funds **373** mEUR

Funds attracted: **437** mEUR

Including green bonds proceeds: **68** mEUR



# Challenges and corrective measures

# Challenges in public buildings

- Reluctance by public institutions to borrow (dependency of grant schemes)
- Challenges to achieve real savings (economic viability) vs high cost of deep renovation
- Need for additional subsidies in modernization projects, especially in cultural heritage buildings
- Fiscal debt (EUROSTAT treatment of debt related to cost saving investments)
- Energy data availability about public buildings
- ESCO/EPC model new and scary beast to use
- Building users don't have obligations for EE
- Need to have not only EE investments
- Poor maintenance

## Common renovation challenges

- Banks initial reluctance and distrust
- Banks - being risk averse
- success in lowering heat prices
- limitations within construction sector, as mostly small companies bid for contracts

# Corrective measures in public buildings

## Facilitating and promoting FI's

- Centralized public real estate manager appointed
- Technical assistance measures introduced
- Improving building ownerships related obligation system
- Quality assurance system introduced
- ESCO model discussed and promoted at the state level

## NPI involved

- VIPA appointed as FI manager
- VIPA stated to act as one-stop-shop blending FI and grant

## Scandalization and simplification of a process

- Standard set of documentation for ESCO introduced using ELENA support
- Discussions and communication with EUROSTAT on off-balance financing possibilities

# EPC situation status in LT

## Recommendations after 6 pilot projects

- Increase documentation quality to avoid implementation delays and decrease costs
- EE to become primary objective (exclude non-EE measures)
- Demonstrate added value over regular procurement
- Increase expertise in municipalities (to be able to prepare complex projects)
- Lower grant element increases chance of EPC interest

## Other challenges

- Need for further improvement of EPC procedures and documentation
- Need to involve ESCOs' at earlier stages
- Lithuanian market too small for international ESCOs' (e. g. Siemens, Engie)
- Off-balance financing needs models needs to be further discussed with Eurostat
- Decouple PPP procedures from EPC procedures
- Develop local financial market or financial instruments available for EPC



# Lessons learned

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01

## In dept Market assessment (ex ante)

- Important to see big picture
- Early consultation with stakeholders
- Priority for in-house assessment (although high expertise needed)

02

## Consistent political support

- Consistent policies and stable procedures (assurance of on-going political support)
- Complementing (blending FI's and grants) rather than competing grants
- Support for reforms facilitating FI's in particular sector

03

## Facilitating and promoting FI's

- Delegation of process owner
- TA facilities for project development
- Promotion (awareness raising) of FI's
- Play "Carrot-and-Stick" game (motivative measures to be introduced with punishing ones)



# Lessons learned

04

## Simplification and standardization of FI's

- Make FI's as flexible as possible
- Develop standard and simple set of documentation
- Use "One stop shop" concept
- Ensure quality of implemented projects

05

## Other observations

- Slow start of FIs - raising public awareness, changing mentality, subsidies vs loans, challenge to shift thinking from "grants" to "revolving investments"
- Good planning - milestones and steps to achieve them and apply corrections in a timely manner
- Use NPBI's in case of reluctance of financial intermediaries to perform administrative functions related to ESIF



# Future perspectives

# Future perspectives



## Long term renovation strategy recommendations

- Integrated planning and monitoring (ownership appointment, alignment with energy, territorial planning etc.)
- Package of complex facilitating measures (both incentivizing and “punishing”)
- Availability of financing
- Effective and timely communication on importance, availability and benefits
- Proven implementation system by early involvement of beneficiaries, assessment of their needs reflecting in the measures introduced. Application of one-stop-shop approach



## New funding mechanisms

New funding mechanisms considered:

- Green bonds
- Securitization
- Specialized funds
- Forfeiting funds



## City block (quartals renovation)

Extension of multi-apartment building and public building modernization program to integrated city block renovation, incl. buildings (residential, private and public), roads, street lighting, central heating infrastructure, recreational areas, etc.

# Creating a high-quality project pipeline is the first step in attracting private funding



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