



## ROUND TABLE DISCUSSION ON FINANCING ENERGY EFFICIENCY IN LATVIA

**6. un 7.maijs, 2021**  
plkst 10:00  
Rīga  
Zoom un Youtube platformās

**REGISTRĒJIES  
PASĀKUMAM**

RoundBaltic apaļā galda diskusija  
**PRIVĀTĀ  
FINANSĒJUMA PIESAISTE  
ILGTSPĒJĪGAS  
ENERGOEFĒKTIVĪTĀTES  
FINANSĒŠANAI**

**May 6- 7, 2021**

**On-line event**



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### Disclaimer

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*The responsibility for the content of the document rests entirely with the authors (Latvian Environmental Investment Fund), and it does not reflect the official opinion of the European Union.*

## INTRODUCTION AND PURPOSE



The purpose of the National Roundtable discussion is to pursue a dialogue between the main stakeholders in Latvia regarding how to attract private funding for energy efficiency projects and identify common challenges and potential improvements that could be achieved within the current policy context and business practice. This document contains the programme of the event and the topics discussed. Participation is free of charge. The event is held in Latvian.

The event is a follow-up of the roundtable discussions held as part of the Sustainable Energy Financing Forum on April 26, 2018, and April 10, 2019, which brought together stakeholders from the energy efficiency and finance sectors.

The National Roundtable is held within the framework of the “Smart Finance for Smart Buildings” initiative, which forms the context for the European Commission’s Horizon 2020 project “Promoting Smart Finance for Smart Buildings in the Baltic region – Poland, Latvia and Denmark – RoundBaltic”. The project includes a series of forums dedicated to energy investments with the aim of increasing the resources of public and private stakeholders and their collaboration for developing large-scale investment programmes, one-stop agencies, and financing plans for improving energy efficiency.

Objective: Providing policy makers, government authorities and municipalities with constructive recommendations on how to promote private funding for financing sustainable energy efficiency in Latvia.

In Latvia, the RoundBaltic project is implemented by the Latvian Environmental Investment Fund in cooperation with its associated partners.

The first National Roundtable was held on-line over two days: on May 6 and May 7, 2021. On the first day, there were parallel workshop sessions open to anyone interested, but they were not public and were not broadcast on any social media such as FaceBook, YouTube or elsewhere. The intention was to

make the participants feel more free and secure to speak out and discuss issues. The discussions took place in the following parallel workgroups:

**Workgroup 1:** May 6, 2021, 10:00 a.m.–01: 00 p.m. The public sector

**Workgroup 2:** May 6, 2021, 10:00 a.m.–01: 00 p.m. The housing sector

**Workgroup 3:** May 6, 2021, 10:00 a.m.–01: 00 p.m. The SME sector

To encourage openness, the event will follow the Chatham House rule, which means that none of the opinions expressed during the discussion will be attributed to a particular person or organization. Our purpose does not presume arriving at a single consensus opinion but generating as many ideas as possible on how to proceed with investments in sustainable energy in Latvia.

Given the COVID-19 pandemic, all the events had to be organized remotely in virtual space. The organizers, therefore, had to consider the structure and format of the event itself, so that it would be as effective as possible and held with an emphasis on the discussion itself rather than speeches or presentations, keeping in mind that the exact goal of RoundBaltic was to hold discussions between equals and come up with recommendations and ideas that could be discussed further. The event took place over two days, and it was decided to have parallel workgroup discussions on specific topics on the first day, so that the recommendations and proposals from the parallel sessions could be presented on the second day to an audience of policymakers, industry experts and officials responsible for the specific area on a national scale and their respective views and responses heard out.

There were **118** participants from **70** organisations registered for the event.

## AGENDA

### Attracting private funds for financing sustainable energy efficiency

Roundtable discussions: May 6, 2021	
<b>09:30 a.m.</b>	Registration of participants and their assignment to sessions.
<b>10:00 a.m.</b>	<p><b>Presentations and roundtable discussions on attracting private funding for financing energy efficiency in Latvia</b></p> <p><b>1. The public sector</b></p> <p>The purpose of the Roundtable: Recommendations on addressing specific factors that are still missing or cause disruption for promoting and applying the ESCO model in the public sector. <i>Moderator: Gundars Rēders, journalist</i></p> <p><b>Introductory presentations for the discussion:</b></p> <ul style="list-style-type: none"> <li>• <i>Opportunities and challenges of the PPP and ESCO model for energy efficiency.</i> Central Finance and Contracting Agency. Mārtiņš Brencis, Deputy Director for Development of the European Union Funds' System</li> <li>• <i>Experience with ESCO implementation in Latvia: the tasks to be accomplished</i> RCG LightHouse, Kaspars Osis, Chairman of the Board</li> </ul> <p><b>2. The housing sector</b></p> <p>The purpose of the Roundtable: Recommendations on introducing specific motivational factors for homeowners in energy efficiency policies <i>Moderator: Armands Gūtmanis, Meta Advisory</i></p> <p><b>Introductory presentations for the discussion:</b></p> <ul style="list-style-type: none"> <li>• <i>A breakthrough in the energy efficiency of apartment buildings in Riga.</i> Riga Energy Agency, Jānis Ikaunieks, Director</li> <li>• <i>An alternative model for the renovation of apartment buildings.</i> Liepāja City Municipality Administration, Mārtiņš Tīdens, Deputy Executive Director (for property issues)</li> </ul> <p><b>3. The SME sector</b></p> <p>The purpose of the Roundtable: Recommendations on how to attract private investors for energy efficiency projects in SMEs <i>Moderator: Eddie Bosch, journalist</i></p>

	<p><b>Introductory presentations for the discussion:</b></p> <ul style="list-style-type: none"> <li>• <i>Edijs Kupčs, Head of Industrial Companies' Customer Service Unit, Swedbank AS</i></li> </ul>
11:30 a.m.	<b>Short break</b>
12:00 a.m.	<b>Continuation of the discussion and summary of the conclusions from the parallel sessions</b>
13:00 a.m.	<b>Final remarks</b>
<b>Panel Discussions: May 7, 2021</b>	
10:00 a.m.	<p><b>Opening remarks: moderator Armands Gūtmanis, Director of Meta Advisory</b></p> <p><b>Welcome to the participants and overview of the current situation regarding financing of energy efficiency in Latvia</b></p> <p><i>Sanita Bajāre, President of the Finance Industry Association</i>  <i>Mārtiņš Zemītis, European Commission Representation in Latvia, economist</i>  <i>Alda Ozola, Deputy State Secretary of the Ministry of Environmental Protection and Regional Development</i>  <i>Edijs Šaicāns, Deputy State Secretary of the Ministry of Economics</i>  <i>Reinis Bērziņš, Chairman of the Board, Altum</i></p> <p><b>Q&amp;A session</b></p>
11:30 a.m.	<b>Short break</b>
12:00 a.m.	<p><b>Briefing of the participants regarding the discussions at each of the parallel sessions</b></p> <p><b>Panel Discussions:</b></p> <p><b>PUBLIC SECTOR DISCUSSION PANEL</b></p> <ul style="list-style-type: none"> <li>• <i>Raimonds Kašs, Ministry of Environmental Protection and Regional Development, LOCUS Director of the Climate Change Department</i></li> <li>• <i>Artis Lapiņš, Procurement Monitoring Bureau, Manager</i></li> <li>• <i>Kaspars Osis, RCG LightHouse, Chairman of the Board</i></li> <li>• <i>Jānis Ikaunieks, Riga Energy Agency, Director</i></li> <li>• <i>Gatis Kalniņš, AS Swedbank, Project Finance Manager</i></li> </ul> <p><b>HOUSING SECTOR DISCUSSION PANEL</b></p> <ul style="list-style-type: none"> <li>• <i>Gatis Silovs, Ministry of Economics, Head of the Energy Financial Instruments' Unit</i></li> <li>• <i>Selina Vancāne, Riga City Council, elected member</i></li> <li>• <i>Ilze Kukute, AS Swedbank, Head of the State and Municipal Customers' Service Unit</i></li> <li>• <i>Mārtiņš Tīdens, Liepāja City Municipality Administration, Deputy Executive Director</i></li> <li>• <i>Gints Miķelsons, Latvian Construction Contractors Partnership, manager</i></li> </ul> <p><b>SME SECTOR DISCUSSION PANEL</b></p> <ul style="list-style-type: none"> <li>• <i>Edijs Kupčs, Swedbank AS, Head of Industrial Companies' Customer Service Unit</i></li> <li>• <i>Katrīna Zariņa, Latvian Chamber for Commerce and Industry, Board Member</i></li> <li>• <i>Edgars Kudurs, Development Finance Institution Altum, Head of the Energy Efficiency Division</i></li> </ul>

	<i>for Enterprises</i>
<b>14:00 a.m.</b>	<b>Closing of the event</b>

## PARALLEL SESSIONS: DAY 1, MAY 6, 2021

### WORKGROUP 1: THE PUBLIC SECTOR

*(THIS SESSION WAS ORGANIZED ON THE ZOOM PLATFORM AND WAS ATTENDED BY 31 PARTICIPANTS. THE SESSION WAS MODERATED BY GUNDARS RĒDERS, LTV JOURNALIST)*

#### INTRODUCTION TO THE SESSION AND IT OBJECTIVES

The purpose of the Roundtable: Recommendations on addressing specific factors that are still missing or cause disruption for promoting and applying the ESCO model in the public sector.

The ESCO financing model for the implementation of energy efficiency improvement projects has been extensively discussed and, in theory, it has been polished to perfection, but its introduction has not been as smooth as we might like to see it. Is it not time to apply this financing model in practice?

This discussion aims at developing recommendations on how to address specific factors that are still missing or cause disruption for promoting and applying the ESCO model in the public sector. The session will focus on the following aspects to seek solutions for the introduction of ESCO:

- missing factors
- disrupting factors
- a public institution as an ESCO “flag bearer”

#### Presentations

Introductory presentations for the discussion:

#### **Opportunities and challenges of the PPP and ESCO model for energy efficiency Central Finance and Contracting Agency (CFLA). Mārtiņš Brencis, Deputy Director for Development of the European Union Funds' System**

As suggested by its title, the presentation examined the PPP and ESCO models and their use in the public sector. Regarding PPPs for private public partnership (PPP) projects, the municipalities that plan to work with such projects in the future have been surveyed. Although the response rate to the survey was low, with input from less than 30 % of the target group, the majority (i. e., 69 %) of the respondents stated that they planned to use the PPP model for the implementation of new projects. One of the many areas of its intended use was improvement of energy efficiency in buildings. Thus, we may conclude that the PPP model remains a relevant financing instrument. The important principal phases in working with PPPs, from idea to implementation, were clarified. CFLA

has developed a PPP Centre of Excellence website with a range of useful information for launching and implementing such projects.

The other financing model is ESCO, and it was also discussed during the presentation.

**The benefits mentioned include:**

- energy efficiency measures *via* ESCO mean that there are **no additional costs for the public sector**: ESCO works on attracting finance,
- the owner of the building **pays the same amount** as before, whereas the **building has undergone renovation**.

**The limitations that were mentioned include:**

- **the need for off-balance-sheet accounting**: state authorities and municipalities cannot undertake long-term commitments that have a negative impact on fiscal space,
- the **lack of standardised** ESCO contracts and procurement **procedures**,
- **lengthy return on investment**: the buildings are in a very poor technical condition, so the investment required is relatively high (often over 7–15 years),
- **lack of competence**: in project development, management, implementation, and monitoring,
- the need for **high quality energy audits** for subsequent decisions on the introduction of energy efficiency measures and outsourcing to ESCOs.

**A model Energy Efficiency Service Agreement** has been mentioned as a mechanism for the implementation and promotion of ESCO, such a model agreement has already been drawn up by the Ministry of Economics, but how often do we apply it? In addition, standard agreements in different sectors would be required since a single agreement would be too generalized. There is also an urgent need for support in developing ESCO projects, particularly as regards the procurement procedure, as well as support in monitoring the implementation of the projects and achieving the goals defined.

Another aspect discussed was whether ESCOs might represent PPPs and whether ESCO companies might be interested in such projects.

**Experience with ESCO implementation in Latvia: the tasks to be accomplished LightHouse, Kaspars Osis, Chairman of the Board**

RCG LightHouse is an outsourcing (ESCO) company, which is independent from LED manufacturers and offers public lighting as an outsourced service. The public should clearly understand that ESCOs are not just about financing – they are associated with many other benefits.

Not only does RCG LightHouse list the benefits; it also shares the practical operational experience required for developing the so-called “To Do List” for the implementation and promotion of ESCO projects at a rate less sluggish than before which is why there are no more than a couple of them in the public sector. The tasks to be done and the potentially responsible institutions would be as follows:

**1. Prioritising and supporting the ESCO principle (MoE, MoEPRD)**

Energy efficiency targets may not be achieved without engaging the private sector,

2. **Setting uniform and high-quality standards (MoE, ESCO)**

The lowest price criterion results in inefficient and “cheap” solutions,

3. **Extending the duration of the ESCO service agreement (MoF)**

Currently, there is a 5-year cap set by the Public Procurement Law that prevents implementing the potential for energy efficiency,

4. **Highlighting and replicating best practices (MoE, MoEPRD)**

Sharing experience and advice with neighbours often proves to be the most motivating stimulus for advancement,

5. **Applying ESCO procurement guidelines (MoE, MoF, PMB)**

There is no need to invent the wheel every time something needs to be done.

**Key questions and comments** after the presentations

- Longer warranty periods work well in practice. PPPs are expensive.
- Why doesn't the Latvian Environmental Investment Fund (*LVIF*) develop a nationwide pilot project for emissions' reduction regarding lighting project implementation? All the municipalities might be “packed” into a single procurement to make it interesting for ESCOs.
- According to the Public Procurement Law, a Cabinet authorization for everything that takes longer than 5 years is required for direct administration authorities. In the case of municipalities, the decision is taken by the Municipal Council.
- In my opinion, apart from the guidelines, it is important to have a pilot project of sufficient scope. Such a project would serve several purposes: for developing and improving the guidelines, showing a positive example and as encouragement for other actors (both on the customers and the provider side), and simply for refinement.
- Unless it is made mandatory to include an energy performance guarantee/apply it to ESCO building renovation and other energy efficiency projects, the municipalities are not going to do it on their own initiative.
- The PMB does not apply any controls on how the agreements are implemented. Economic advantage certainly should be assessed – the Law provides for it.
- The PMB has never objected to ESCOs as service providers. But certainly, a municipality should be able to explain the economic feasibility of the solution selected (including in the long term).

**SUMMARY**

- There is a need for “seed” capital to make the first move in implementing ESCO projects in municipalities (during the preparatory phase), as well as technical and advisory support during the whole project period: development, implementation, monitoring.
- Standardized agreements and guidelines: do we need them?
- A national scope pilot project, would it solve anything?

- ESCO's flag bearer or ambassador? An organization that takes on this function, as well as explains, educates, disseminates information about the nature of ESCO projects, their procedures, benefits, and disadvantages!
- As regards the Public Procurement Law and its 5 years' cap on contracting that does not allow to make full use of the energy efficiency potential: how should the municipalities act to conclude a contract for a longer period?
- The energy efficiency guarantee should be a mandatory requirement in all projects co-financed by the EU structural funds.

### Regulatory framework

Although there are no barriers from a regulatory perspective, in practice there is some doubt and concern on the public sector's side. For example, as regards contracting periods. For public bodies the maximum is 5 years. Another concern relates to off-balance sheet liabilities and their impact on ESCO projects?

At the same time, the Procurement Monitoring Bureau (PMB) made a clear statement in today's discussion that the contract term was no obstacle, as it could be extended in the case of municipalities given that the Municipal Council had adopted a decision to do so. Certainly, this would presume an ability to explain the economic rationale and the benefits of the contract necessitating an extension of its duration.

The suggestion that there is a need for guidelines, or a national pilot project has been voiced before. We can thus conclude that such a need is perceived, but the topic or initiative has not been addressed for several years. We can conclude that there is very high interest from the public sector concerning implementation of such projects, but the line ministries and other authorities should issue a short circular with clarifications regarding the main obstacles listed above for mitigating any remaining concerns.

## WORKGROUP 2: THE HOUSING SECTOR

### INTRODUCTION TO THE SESSION AND OBJECTIVES

*(THIS SESSION WAS ORGANIZED ON THE ZOOM PLATFORM AND WAS ATTENDED BY 23 PARTICIPANTS. THE SESSION WAS MODERATED BY META ADVISORY, ARMANDS GŪTMANIS, CHAIRMAN OF THE BOARD)*

The purpose of the Roundtable: Recommendations on introducing specific motivational factors (the stick and carrot) for homeowners in Latvian energy efficiency policies in the housing sector.

Although the housing sector has been receiving financial support in the form of grants for energy efficiency projects for many years, only a small proportion of homeowners commit themselves to project implementation. Often home-owners refuse to implement a project even after a lot of work,

time and resources have been invested in drafting the project documentation, selecting a contractor, and attracting finance. The most common reason for their refusal is concerns among the less well-off population about increased household expenditure after the implementation of the project.

During the session, the following aspects and specific recommendations were discussed:

- EU support instruments for the housing sector over the next period
- taxation policies
- regulatory framework

## Presentations

Introductory presentations for the discussion:

### **A breakthrough in the energy efficiency of apartment buildings in Riga. Riga Energy Agency, Jānis Ikaunieks, Director**

In Riga, most of the energy is used for heat production. At the same time, 6,000 buildings urgently need complex renovation (overhaul). Riga Energy Agency (REA) has conducted 516 energy audits of apartment buildings in the past decade, but the number of renovated buildings remains relatively small. REA is currently being fully reorganized to work together with the service companies *Rīgas Namu Pārvaldnieks* [Riga House Manager], *Rīgas Siltums* [Riga Heat] and the other Riga City Council bodies. The Energy Efficiency Information Centre is being renewed to provide support to citizens in the form of:

- Senior tenant training
- Support for the establishment and functioning of apartment owner associations
- REA participation at joint tenant meetings
- Support in developing technical documentation (energy audit, technical survey, technical project)
- Support for engaging in the procurement procedure
- Project management

The average financing required for the renovation of one building is around €0.5 million, which means that at least €3 billion will be needed to renovate 6,000 buildings. It is clear that the available European Structural Funds will not suffice, and that additional funding will be required. The problem has remained unresolved for many years, but the political goal of renovating these 6,000 energy-inefficient buildings that has been clearly defined by the new Mayor of Riga and the ruling coalition of the Riga City Council inspires hope.

Key Challenges:

- Involvement of citizens
- Availability of funding
- Cost-effectiveness of energy efficiency (payback times are very long)

- Builders' capacity
- Construction costs and quality.

### **An alternative model for the renovation of apartment buildings. Liepaja City Municipality Administration, Mārtiņš Tīdens, Deputy Executive Director (for property issues)**

Currently, in Latvia, the needs for the renovation of apartment building (improved energy efficiency included) exceed the available funding more than 25 times. Given that the current funding is intended for the renovation of apartment buildings over a period of 7 years, under the current scenario it will take 175 years to renovate all the buildings in Latvia that need overhaul! These buildings will not survive to see it, as they are already heavily worn out, so alternative financing scenarios must be considered at a much faster pace.

At a national scale, we need political will to trigger an economic spin off providing for jobs, creating demand for building materials, providing for improved well-being, and additionally achieving of the country's climate objectives.

**The alternative model proposed is that, instead of providing grants, the State would subsidise the interest rate on the loan and extend the loan maturity period to 20–25 years.**

This model would slightly increase the project implementation costs for citizens, but compared to the current (grant) model which presumes renovation of 400 houses at the cost of €100 million, the alternative model would provide

for the renovation of 1,266 buildings (at a 20 years' loan maturity period) or 1,010 buildings (at a 25 years' loan maturity period), which means significantly more renovations at the same cost.

The mechanism would provide for the following advantages:

- Highest efficiency in absorbing public resources
- After the buildings have been renovated, the loan package could be used for refinancing and acquiring of new resources
- Easier coordination with the European Commission
- Clear prerequisites for housing renovation relating to all the parties involved
- Facilitation of ESCO service development
- Absence of risky ineligible costs
- Clarity about how to act when the EU funded support period comes to an end
- We should say NO to any financial correction for citizens since that would demotivate them to engage in housing renovation projects

**Key questions and comments** after the presentations

**Question:** Is there clarity about how to make the required additional funding available for Riga?

**Answer:** Let us get started with the residents. In parallel, we should work on other financial instruments, on what they might be. We are currently trying to draft a procedure of how Riga could help with building renovation. At the moment we do not yet have a clear vision, we are hearing out everyone who wants to talk to us, and we hope to arrive at something presently. There is a feeling that the money is there, but we should find a way to define how we use it and how we handle it specifically.

**Question:** What financial instruments should be construed; because, as we know, there will not be enough money in the Structural Funds alone, they will only cover a small part of the investment needs. A huge amount of private money will have to be raised.

**Answer:** It is high time to think about how we are going to finance energy efficiency without European money. The Estonians have set up a national financing instrument, they have made themselves less dependent on financial corrections, more flexible in the choice of grant support amounts. Here, in Latvia, in the absence of a national mechanism, we must work under the constraints imposed on us by Europe. For the finance sector financing sustainable measures for improved energy efficiency is a priority.

### Discussion

- Fortunately, in Riga there is currently municipal support for building renovation procedures.
- State and municipal employees must be held personally accountable for certain procedures, that will make things happen.
- The current legal status of the community of apartment owners (in the absence of community liability) as set out in the Law, does not encourage real ownership of the collectively owned multi-apartment building.
- The apartment owners largely remain driven by the single motivation of economic advantage, seeing other benefits as merely secondary.
- The single decision to renovate a building is a community decision, but every apartment owner must be persuaded individually, which makes the procedure very complicated.
- Referring to the “stick and carrot” principle, the large energy producers currently have a very good “stick”. A similar principle should be introduced for the owners of buildings, i. e. in the form of a fee for overconsumption.
- Only full, complex renovation of the building should be supported.
- The “carrot” might take the form of a substantial discount off the heat tariff during the implementation of the project and for 3–5 years thereafter.
- We are speaking, in fact, about social projects rather than energy efficiency projects!
- The state and municipal authorities should try to step much deeper into the apartment owners’ “shoes”.
- Public authorities need to improve their communications with municipalities and citizens as regards:
  - Action: what is expected in the field of energy efficiency
  - Available housing administration and management models

- Public authorities need a good communication plan with the citizens.
- Energy efficiency passports for housing units should be introduced.
- Municipalities should pay for the development of technical documentation of energy efficiency improvement projects and provide technical and legal support.
- Construction capacity: the upper limit must be considered.
- The “stick” can only be put to work if all people are given the opportunity to do what is required from them.
- The municipal social services should be the ones to take care of the ability of low-income residents to pay for the maintenance/renovation of the building. It should not be to the detriment of the building or the rest of its residents.
- Depreciated buildings still comply with the operability standards set by the regulations, so from a legal point of view there is no need for action.
- In Latvia, numerous parties (designers, auditors, contractors, project managers) are currently involved, and there is a need to seek out how to consolidate these resources.
- We should set the conditions for the contractor to be interested in becoming an ESCO.
- Outsourcing to ESCO should presume support from the EU aid instrument which, if not more generous, should at least be equal to any support awarded to projects without ESCO services. Under the current aid instrument conditions makes the project outsourced to ESCO more expensive than the one implemented in the traditional way and, consequently, less attractive for the owners.
- Currently, there is no standardised framework for residents on how to select an ESCO service provider.
- There is a need for a standardised ESCO service agreement, which must be verified by the banking sector.
- In Latvia, ESCO companies do not have the resources to develop in the selection procedure a detailed proposal for each building to be renovated.
- There may be conflicting interests on the part of the ESCO and the building manager if they are unrelated companies.
- Any energy efficiency improvement project proposal should be presented to the residents as a clear and economically sound business plan, irrespectively of whether it is an ESCO service or not.
- For many years we have been talking about renovation/insulation projects for standard buildings, designing standard, nodular solutions, but we do not see them.
- In smaller municipalities there is a shortage of specialists who could organise energy management at a high-quality level. There is a need for a solution.
- The public needs much more powerful information from public authorities on the benefits of the ESCO services and how they contribute to building renovation and energy efficiency projects.

## SUMMARY

- To facilitate decision making on the part of the residents, the municipality should pay for the “preliminary work” required before construction work has started; that would include the complex task of performing the energy audit, developing the technical project, informing the residents, incl. about the ESCO solution, and conducting “senior tenant” training.
- MoE should develop energy efficient renovation projects of standard housing units.
- The private finance institutions’ sector should coordinate the rules regarding funding allocations with the Riga City Council now that the Riga City Council is developing its financial instrument in the form of the Revolving Fund.
- Policy makers, primarily MoE and MoF, should reach out to public institutions (Altum and others), municipalities, the finance institutions’ sector to coordinate the development of appropriate financial instruments (preconditions for raising private funding).
- Policy makers, primarily MoE, should resume market integration of the ESCO model: find pilot projects, develop a standard agreement for the use of ESCO (stipulating the requirements, rules, etc.), as well as ensure a level playing ground for ESCO solutions and solutions offered by residential building owner associations (for example, through paying the grant component to the ESCO company in monthly instalments instead of waiting until the end of the entire project. In multi apartment projects Altum’s financing to ESCO also covers such costs that are not eligible).

### Collaboration with the finance sector

- At present, there is no synchronised understanding and there are no synchronised financial instruments for funding energy efficiency projects across the country and in the municipalities. The municipalities, the government and the commercial banking sector need to do a lot of planning and organisational work to set up the financial instruments and the financing scheme in a way that they would interact well with each other.

### Regulatory framework

- The legal status of the community of apartment owners needs to be changed for the owners to become motivated to take care of their collectively owned property; the community should be made legally liable.
- There is a need to modernize the decision-making process for the community of apartment owners (through electronic surveys, e-signature) and to simplify/facilitate the process (by granting the voting rights and decision-making power to those apartment owners who attend the general meeting/participate in the survey).

## WORKGROUP 3: THE SME SECTOR

*(THIS SESSION WAS ORGANIZED ON THE ZOOM PLATFORM AND WAS ATTENDED BY 13 PARTICIPANTS. THE SESSION WAS MODERATED BY EDIJS BOŠS, JOURNALIST)*

### INTRODUCTION TO THE SESSION AND OBJECTIVES

Regulatory risks, volatile energy prices, high up-front and non-transparent long-term costs, long payback periods, technological uncertainty, lack of adequate financial products and heterogeneity of consumers make it difficult to mobilise private capital for energy efficiency improvement projects and, in particular, hamper the development of viable financial instruments fine-tuned for energy efficiency improvement projects. In other words, private investors remain sceptical about energy efficiency improvement projects because of several risks and uncertainties.

The purpose of the Roundtable: Recommendations on how to facilitate raising private investments for SME energy efficiency projects. The following topics have been planned for discussion:

- Climate change objectives, sustainability: impact on the medium- and long-term performance of companies, guidelines for business transformation
- Energy efficiency and public trust data; their availability seen as a driver of improvement in energy efficiency
- Assessment of the risks associated with the introduction of new energy efficiency technologies, ways of standardisation
- Communication plan and interaction channels seen as an opportunity to strengthen the integrity between different sectoral strategies for achieving sustainability goals

### Presentations

The purpose of the Roundtable: Recommendations on how to raise private investment for SME energy efficiency projects

Introductory presentations for the discussion:

#### **Edijs Kupčs, Head of Industrial Companies' Customer Service Unit, Swedbank AS**

The main discussion and the overall session revolved around involving private investors in financing energy efficiency projects. They remain sceptical because of several uncertainties and risks. Regarding the role and importance of banks in attracting private investments to energy efficiency projects and financing sustainable energy efficiency: the impact of the banks on the climate and the environment through bank-financed projects is significantly higher than through their individual performance. Environmental and climate risks are currently being integrated into assessment processes and models, lending, and investment strategies. Even today ESG risk assessment is part of the loan evaluation process. The bank is working on the development of new financing products that mitigate climate change or support adaptation to climate change. In the context of sustainability, the trend is shifting

from short term to long-term thinking and benefits, i. e. “long money”. The bank comes up with an ever-broader range of choices regarding sustainable investment solutions for clients. The bankers see linkage of financing with the impact of business activity on the environment and society as a gradual transformation process, and soon the approach to lending is going to be such as to support green initiatives through specific financial instruments, knowledge, as well as the acquisition of quality data on the environmental impact of the client's business.

#### **Lessons learned when integrating climate and environmental risks into banking practice:**

- Climate change policy is complex.
- The impact of economic activity on the climate is not unambiguous.
- Data on business sustainability are not readily available (e. g., CO2 emissions, energy efficiency data as regards buildings).
- Public and policy makers have limited knowledge of climate risks, opportunities, and solutions.
- There is a distant horizon for risk planning.
- It is difficult to quantify climate risks.

Proposals and recommendations: what should be done to enable the banks engage more freely and actively in financing such projects:

#### Communication

- A single managing authority that overtakes ownership of the process should be defined; so that no referrals to other authorities, ministries or other institutions would be required.
- We recommend having a single site for publishing brief annotations and summarized proposals on regulatory changes in the framework of climate change objectives.
- Transformation in companies requires a road map, guidelines for businesses with a clear set of activities.
- There is a need to develop a separate communication plan on achieving the objectives of NECP 2030.

#### Data

- We recommend implementation of a uniform monitoring system with a harmonised methodology to accumulate reliable and comparable non-financial data on both total energy consumption and CO2 emissions, etc., thus ensuring data availability, relevance, reliability, etc.
- All parties should be involved in having unified data that can be monitored, helping to define *status quo*.
- We need recognition of international certificates of sustainability, record-keeping, and access to information.

#### Technologies

We support new technologies: they may be experimental, unapproved; performance may be assessed only after introduction. We recommend that this aspect be taken into account when planning national support programmes, and considering, for example, guarantees as instruments for the introduction of such technologies.

We also recommend expanding negotiations with insurance companies on the possibility of introducing performance insurance for energy efficiency improvement equipment/technology projects

All companies should be supported to ensure availability of CO<sub>2</sub> and energy consumption measurement equipment from government resources.

#### Other recommendations

- SMEs need standardisation vs. individual approach so that they could move forward faster and more effectively.
- Sustainable financing: how do we ensure it if there is no clear measurement for facilitation; preferably *via* taxation in the form of “the stick and the carrot”.
- We recommend that there should be no requests from authorities on the re-submission of data that already are in the system, and that authorities should abstain from creating their own individual guidelines and policies on sustainability (due to the persisting high administrative burden on companies).

#### **Key questions and comments**

- In Latvia, there tend to be two kinds of companies: there are companies that are very proactive and implement energy management at a very high level, and there are companies that are at a complete zero level and have done nothing whatsoever.
- There are the commercial companies and the industrial sector, which is even more complicated. Manufacturing companies that apply different technologies may not expect similar aid, and aid should also be sectoral. Because alternatively only the easiest things get done, such as replacing the old lighting with LED which supposedly already qualifies for energy efficiency.
- Many companies believe that they know best, and they are opposed to energy efficiency audits.
- Financing is very problematic: if a SME does not possess anything that could be used for security, it is difficult to find any EE financing.
- There is a lack of vision about where we want to be: there is no shortness of ideas, there is readiness to educate and be educated, there is even readiness to finance, but we lack a regulatory framework and clarity.
- Not all depends only on the ministries; ALTUM has asked a lot of different institutions for their opinion, data, and vision, yet there has been little response.
- Neither the entrepreneurs, nor the banks or the experts should act as policymakers. We can come up with our recommendations and proposals, but there must be a legislator acting on the

recommendations and sectoral discussions and formulating a strategy which can then be passed down from the top to the bottom, so that everyone would be clear about it.

## SUMMARY

- Establish a joint knowledge centre (reference point) for funders, commissioners, contractors
- Establish a national body, a “Climate King” (like the Vaccination Office), for coordinating all the energy efficiency-related processes across the country
- The “low-hanging fruit” have already been picked, so it is critical to elaborate solutions for raising “long” money
- Introduce additional information/educational/motivational activities/campaigns
- Demand a stronger role and involvement of industry associations in energy efficiency processes
- Establish a national publicly reliable database of energy efficiency projects

## PLENARY MEETING AND PANEL DISCUSSIONS ON ATTRACTING PRIVATE FUNDING TO FINANCE ENERGY EFFICIENCY. SECOND DAY, MAY 7, 2021

*The event was organized on a special broadcast platform hybridpasakumi.lv, where it was watched by 42 viewers and broadcasted live on FaceBook live, where it was watched by 77 viewers. During the event, the skate platform was also used to elicit responses from the speakers.*

The discussions on the second day were devoted to the vision of policy makers, public, private and finance sector representatives on how to attract private funding for financing energy efficiency projects. The ensuing discussion and exchange of views on the subject, followed by a panel discussion, focussed on the recommendations and proposals regarding the ways of mobilizing private money in each of the three sectors identified during the three parallel sessions.

### INTRODUCTION TO THE PLENARY

On the previous day there were 3 parallel sessions, attended by a total of about 65 participants. They addressed specific issues in each of the sectors identified above and came up with proposals and ideas on how to avoid problems and make improvements. The plan was to present the proposals to policymakers, industry experts and representatives who were invited to the second day. This was the purpose why the parallel discussions of the working groups had been organised on the first day; the idea was to deliberate them jointly on the second day in the public part of the event. The chosen topic was about attracting private funding in view of the general awareness of its importance. There is a perceived need for constructive solutions regarding how to raise private money and direct it towards financing energy efficiency projects.

### PART 1: OVERVIEW OF THE CURRENT SITUATION REGARDING FINANCING OF ENERGY EFFICIENCY IN LATVIA

- **Sanita Bajāre**, President of the Finance Industry Association
- **Mārtiņš Zemītis**, European Commission Representation in Latvia, economist
- **Alda Ozola**, Deputy State Secretary of the Ministry of Environmental Protection and Regional Development
- **Edijs Šaicāns**, Deputy State Secretary of the Ministry of Economics
- **Reinis Bērziņš**, Chairman of the Board; Altum

### PRESENTATIONS

**Sanita Bajāre represents the Financial Industry Association and Chairs its Board.** The Finance Industry Association said their participation in this event was very important and they have also been represented in every working group and panel organised during the event.

They, firstly, emphasized that the financial sector financed development. And the most important vector was sustainability. Since each country, including Latvia, sets its own sustainability goals, there is a need to consider what instruments are going to be used to achieve these goals. Since no country, not even the richest, can achieve these goals with public resources alone, attracting private funding for

sustainability projects is crucial. The FIA offers a 15-item plan to facilitate access to finance. The basic pillars are *cooperation, coordination, communication, and data*.

As regards the public sector, it is important that public authorities turn to private institutions and financing institutions as soon as possible with their ideas and plans. Data-driven market failures need to be addressed. Data is essential to enable financiers to evaluate and assess the situation and make appropriate decisions.

The Ministry of Finance has established a working group or coordination mechanism for the development of a sustainable finance strategy.

As for the housing sector – we have a very fragmented way of seeing it, we should talk about complex renovation of buildings. The division of competences in this area between the national and local authorities makes it very difficult to achieve any common objective.

As regards the SME sector, the type of enterprise is important, and identification of non-financial data, and the data that have been included in the non-financial statements in the SME sector are important. This is because financiers, banks and investors need data to evaluate projects and investments, this is the most relevant factor which is extremely important.

### **Mārtiņš Zemītis, European Commission Representation in Latvia, economist**

You were talking about housing, about the strategy of the “renovation wave”, how to renovate a million homes. Why? Because this is about the number of dwellings we have in Latvia, the number of buildings is smaller, because most Latvian residents live in multi apartment buildings. As we know, buildings account for 1/3 of all emissions, they are at least 20 years old in Latvia, and they account for 40 % of the total energy consumption. The EU targets are becoming increasingly ambitious, with required emission reductions of up to 55 % by 2030; and the NECP will have to be reviewed and ambition levels stepped up. There are 34 million people across Europe that live in energy poverty because they pay too much for their energy compared to their revenues, so energy efficiency is extremely important.

From the 2 billion that Latvia will access from the Recovery Fund only a very small share has been earmarked for the renovation of apartment buildings, so there is a critical need for private capital to make these goals achievable. Therefore, we must devise smart ways of risk reduction and find ways of integrating private capital in financing energy efficiency. There is market imbalance in Latvia, and demand is higher than supply, which means that public funds will not suffice.

How can we attract more of this private capital for financing sustainable energy efficiency?

For the time being, there is a 1: 1 ratio, with one unit of public money to one unit of private money. But that is not sufficient, we must achieve a ratio of 1:10 or 1:15.

The available amount for the renovation of residential buildings is going to be 57 million. How do we act? Some proposals:

**Better market regulation and long-term planning, such as:**

- Setting long-term renovation targets that are clear and binding
- Focus on achieving energy efficiency goals, rather than on the process
- Stepping up competition throughout the renovation project cycle
- Improving the quality of project management and monitoring

**Accessible and targeted funding, such as:**

- Attracting long-term financing from international financial institutions
- Reduction of Altum's grant share, scaling of the financial instrument
- Municipal (government?) tax benefits for energy efficiency
- Loan subsidies for the financing of near-zero-emission buildings

**Simpler, clearer, more standardized energy savings'**

- accounting model and calculation
- Introduction of the **principle of "energy efficiency first"/near zero net emissions** in any construction project
- Focus on **deep renovation** (60 %+ savings), **smart buildings, digitisation, energy communities and prosumers**

**Reduction of regulatory barriers**

- throughout the entire renovation cycle: from renovation design to project development, financing, construction, and commissioning

**Capacity building to prepare for and implement sustainable construction activities:**

- 360 degrees of technical assistance for project developers
- Regular training, new skills and knowledge for engineers and builders

**Developing a market for sustainable products and services for the construction industry, such as:**

- use of new, sustainable, natural building materials
- new marketing regulations for building materials
- targets for recycling, re-use and recovery of materials

**Alda Ozola, Deputy State Secretary of the Ministry of Environmental Protection and Regional Development**

There has never been so much money, but we shall have to find much more, more than ever before.

We have less than 30 years for achieving zero emissions from buildings. There is an ongoing discussion on whether the housing and buildings sector should be included in the Emissions' Trading Scheme.

It is important not to invest in measures that conflict with GHG emission reduction, carbon sequestration and improvement of climate resilience!

**The public financial instruments currently available are:**

**Financing from the climate action instruments**

- **National budget:** e. g. Emission Allowances Auction Instrument, Modernisation Fund
- **European Union financing:** e. g., EU Funds 2021-2027, Recovery and Resilience Facility
- **Other financing:** e. g. Norwegian Financial Instrument
- **Additional financing:** e. g. "green certificates", "green" bonds; bilateral deals.

**The Modernisation Fund** is a new financing mechanism for supporting low-carbon investments, increasing energy efficiency, modernising energy systems, and facilitating fair transition in carbon-dependent regions by supporting progress towards climate neutrality.

**Priority investment areas:**

- production of electricity from renewable energy sources;
- improving energy efficiency, including in the transport, agricultural and waste management sectors, as well as in buildings;
- energy storage;
- modernising energy networks and increasing interconnections between EU Member States;
- fair transition in carbon-dependent regions (transfer, re-training and upskilling of workers, job search initiatives).

**The decisions we take today will have an impact on the decades to come!**

**Edijs Šaicāns, Deputy State Secretary of the Ministry of Economics**

There are four very important axes: Funding – Regulation – Scientific basis – Government involvement.

The RRF plan framework provides for several activities:

	Darbības programma 2021-2027 EE un AER veicināšana	Atveseļošanas un noturības mehānisms EE uzlabošanas sadaļa
Privātmāju energoefektivitāte	117 164 531 EUR	-
Daudzdzīvokļu energoefektivitāte		57 282 000 EUR
Valsts ēku energoefektivitāte	74 985 300 EUR	23 956 000 EUR
Vēsturisko ēku energoefektivitāte	-	
Uzņēmumu energoefektivitāte	31 243 875 EUR	120 586 000 EUR

Darbības programma 2021-2027 EE un AER veicināšanai	Operational Programme 2021-2027 for promoting EE and RER
Atveseļošanas un noturības mehānisms EE uzlabošanas sadaļa	Recovery and Resilience Facility, EE improvement chapter
Privātmāju energoefektivitāte	Energy-efficiency of detached buildings
Daudzdzīvokļu energoefektivitāte	Energy-efficiency of multiapartment buildings
Valsts ēku energoefektivitāte	Energy-efficiency of public buildings
Vēsturisko ēku energoefektivitāte	Energy-efficiency of historical buildings
Uzņēmumu energoefektivitāte	Energy-efficiency of companies

There will never be enough public funding, regardless of what we wish, so we must find a model for working together in public-private cooperation.

### Reinis Bērziņš, Chairman of the Board of Altum

In Altum we deal with energy efficiency on a daily basis. We work together with lending institutions to kick-start private financing. Grants are provided exclusively for energy efficiency and social entrepreneurship, although ALTUM tries to avoid issuing them.

There is going to be funding from the RRF, a contract has also been concluded with the EIB Green Bonds, and this programme will have even more “cherries on the cake” for companies. ALTUM is committed to taking energy efficiency into account, there will be a bonus, even if somewhat small, or a discount or something similar for some improvement measure leading to enhanced energy efficiency. The ALTUM programmes will be continued, and their conditions will be even better.

## Discussions and views

Risks for the private sector to provide financing for EE improvement in buildings: what the risks are and how they can be reduced?

We have a standardised housing stock, which means that we should be able to understand the horizontal risks that can be identified and anticipated in advance and mitigated systematically.

Attracting private funding is of great importance throughout the EU. What should we do to have more private money? Different types of pilots, demos, and the right mix. Create something new without destroying what is already there. Think ahead of the “bottlenecks”. Close cooperation, data; there is no need for revolutionary solutions, but rather for watching out to see what the other countries are doing.

May municipalities conclude contracts for a period of more than 5 years or not? And do the amounts go on the balance sheet?

No, they are not counted as part of the total debt, so, consequently, these obstacles to ESCO have been removed. Neither are there any problems with the duration of the agreements; they can be concluded for a longer period, and the permission is valid for public persons, including municipalities.

Regarding the building renovation programme, how does the new programme compare to what we had before, what is going to be different?

The main idea is to make it simpler, without a lot of red tape.

To what extent does ALTUM plan to improve its operations as regards attracting private funds? Is the ESCO model viable at the current prices in construction and the current energy prices?

Market failures were identified; therefore, an energy efficiency programme was established to provide for security, we offered loans with security included in the interest rate, they were more expensive than the average ALTUM loan. Now, we are also helping to build this kick-off for ESCO.

With a smaller grant, theoretically speaking, more houses could be insulated. Consequently, it would be preferable to have a smaller grant, but the result would be an increase in household expenditure after the implementation of the project, so there is a need for an additional “carrot” to provide motivation.

## PART 2 PANEL DISCUSSION

### INTRODUCTION TO THE PANEL DISCUSSION

#### Panel 1. The Public Sector

#### Participants

- Raimonds Kašs, Ministry of Environmental Protection and Regional Development, LOCUS Director of the Climate Change Department
- Artis Lapiņš, Procurement Monitoring Bureau, Manager

- Kaspars Osis, RCG LightHouse, Chairman of the Board
- Jānis Ikaunieks, Riga Energy Agency, Director
- Gatis Kalniņš, AS “Swedbank” Project Finance Manager

### Key questions and comments

Ministry of Environmental Protection and Regional Development: One matter is the availability of sustainability finance, and the other is how the public and private sectors could work together to deliver energy efficiency.

RCG Lighthouse: Is there a need for more specific measures to invigorate ESCO? In the public sector, there is the topical issue of these 5 years, can contracts be concluded for a period longer than that? And about the standardized contracts that would be very helpful for introducing ESCO projects in the public sector.

Procurement Monitoring Bureau: The law provides for several exceptional situations in which a contract may be concluded for a period exceeding 5 years. Such derogations are provided for and, therefore, it is possible to have them. But you must be able to give your reasons. And as regards standard documents, they have not been the primary focus over the previous years, but given there is demand, this could certainly be addressed. There is also the need to educate the customer on how to buy these services and for a longer term.

Riga Energy Agency: there are several potential sites where the ESCO mechanism might be applied, and the buildings subsequently taken over for management. REA is ready and willing to implement such projects, so this year we expect to develop the plan on how to move forward with it.

Swedbank: From the point of view of private capital, for a more extensive application of ESCO. Different solutions are already being proposed for the private sector to support energy efficiency, the same holds true also for the public sector. There is a need for public sector leadership and elaboration of guidelines for the implementation of ESCO projects and the way they would be reflected in budgetary and financial accounting. Because there must be a clear business model and capacity for implementing and maintaining such projects. If these things are set in order, then the financial institutions will also find ways of financing the projects.

Procurement Monitoring Bureau: The guidelines are, and should be, an enabling factor. PMB is ready to collaborate in developing such guidelines, but only if we strengthen them with a market vision and not just stop at quoting the “dry” provisions of the law.

RCG Lighthouse: As regards the economic rationale of ESCO projects, the most expensive scenario is to do nothing at all or do things by on our own to make them seem less costly and then bear the risks, as it gets more expensive and less good.

Riga Energy Agency: When we compare whether a building has been renovated with or without ESCO, we can come to our conclusions about which method is more cost-effective, but when we compare it to no renovation at all, then it is certainly cheaper and more cost-effective to renovate by any method.

Ministry of Environmental Protection and Regional Development: The Ministry is one of the actors in the context of ESCO implementation. One aspect is how to reduce the administrative burden for all the parties involved. The second aspect is how aware we are of the standard documents that have already been developed.

RCG Lighthouse: ESCOs are interested in the best possible interest rate and money that is “long” enough. This is not the type of project that can be drafted in a short time; it requires time, money, and knowledge. Perhaps in the initial phase, the project development does not require huge grants, but there is a need for initial support to get such projects running.

Riga Energy Agency: We would actually need seed capital for the implementation of ESCO projects. We are also working on PESCO.

Swedbank: It would be very important to have a central office that could help us with the elaboration of such projects. Agencies for the smaller municipalities to turn to are not everywhere.

RCG Lighthouse: to make the field fit for sound operation, there must be a clear policy, so we hope to have somebody with ownership in the responsible ministries, be it MoE, MoEPRD or MoF, but somebody must become the flag bearer.

## Panel 2. The Housing Sector

### Participants

- Selīna Vancāne, Riga City Council, elected member
- Ilze Kukute, AS Swedbank, Head of the State and Municipal Customers’ Service Unit
- Mārtiņš Tīdens, Liepāja City Municipality Administration (*LPPA*), Deputy Executive Director
- Gints Miķelsons, Latvian Construction Contractors Partnership (*LBP*), manager
- Gatis Silovs, Ministry of Economics (EM), Head of the Energy Financial Instruments’ Unit

### Key questions and comments

Riga City Council: Municipalities should develop a set of motivational measures for the “senior tenants” of residential buildings. Municipalities should provide financial and expert support for the owners of the buildings as regards drafting the project documentation. There are 6,000 buildings in Riga that are in acute need of renovation. This is no longer just about the energy efficiency of buildings, but about their overall functionality and sustainability. There is a need to raise citizens' energy awareness. Lord Kelvin has said: “If you cannot measure it, you cannot improve it”, so households need to implement all kinds of energy consumption measurements and accounting solutions so that citizens can keep track of their daily consumption, and improve their energy literacy, and reduce their costs.

Swedbank: Commercial banks need to step deeper “into the shoes of apartment owners”. Communication with the owners takes place 1–2 years before the physical renovation of the building.

Liepaja City Municipality Administration: At the national level, apartment owners need to be informed and educated about what it takes to be an owner in your multi apartment building. Financial corrections clearly discourage citizens from committing themselves to energy efficiency projects. Liepaja municipality covers 50 % of the technical documentation development costs for buildings as soon as building renovation and energy efficiency improvement works begin.

Latvian Construction Contractors Partnership: The European funding for energy efficiency improvements in apartment buildings currently makes up just 1 % of the annual turnover of the Latvian construction industry; it is, in fact, negligible. Private funds are always focused on the business model. Private funding will only come when the returns are clearly visible. The recommendation for MoE and MoF officials is to reflect on their support policy. At present, the policy of financial support implies that the buildings with the biggest savings’ potential get supported most (low hanging fruit, which is easiest to pluck). In our view, support should be shifted more towards the buildings where energy efficiency improvement measures are not going to pay back over a reasonable period. Municipalities must be much more active in motivating the implementation of such projects.

MoE: We are working on a new programme to support energy efficiency in multi-apartment buildings under new terms and conditions. The programme presumes that there is a very long period from the time when the owners of the apartment building are addressed to the time when construction works take place. From the point of view of national planning, it is like steering a large ship with enormous inertia. It is important to have lasting rules of the game that are not submit to any “revolutionary” changes. It is very important to find an experienced project manager who can demonstrate from his own personal experience how things actually happen and lead by example, and who knows how such projects are to be implemented.

Riga City Council Rational tools often fail short of expectations, so we shall try to launch an information campaign with an element of game and competition in it: offering “senior tenants” of residential buildings to become champions of energy efficiency with medals or diplomas as an award. Encourage them to compete.

Latvian Construction Contractors Partnership: The fundamental issue when it comes to construction work is the budget. Standardisation of projects would be required to optimise. There are 7 types of standard multi-apartment buildings in Latvia. The government should launch a tender for the development of standard (model) projects, which might then be used free of charge throughout the country. There should be 2 types of model projects:

1. a simplified project for the repair and insulation of the building envelope;

2. a “deep” renovation project, which in addition to the restoration and insulation of the building's “envelope” would also include restoration of the water supply, plumbing, heating, ventilation, and electricity supply networks.

Tenders should relate to sets of 5–10 buildings resulting in discounts on both material and labour costs. In these programmes, budgets are so tight that very few construction companies are eager to take them up.

Swedbank: We have been hearing discussions about model projects and how much they would help for about 10 years now, but there has been no result, and both apartment owners and banks no longer believe that such projects will ever be developed. Introduction of standard designs will not preclude the need for their adaptation to each renovation site, since buildings of the same type/series may be rather different as regards how the construction works have initially been performed, both from a quality and dimensional aspect. From the point of view of banks, today we are no longer talking only about energy efficiency measures regarding multi-apartment building renovation, even though they represent a large and important part. We are now talking about comprehensive renovation of buildings. In the context of the European Green Deal and implementation of the sustainable financing framework so important for the finance sector, we are looking at sustainable renovation of buildings.

MoE: Issues such as correct information for banks and correct assessment of energy efficiency improvement projects must be sorted out.

Riga City Council: Cooperation between the government and the municipal authorities depends on the level of awareness of the parties concerned as regards energy policy and the planning of energy efficiency related financing. In the case of Riga, MoE, Altum and MoEPRD have been very responsive. Worn out and energy inefficient apartment buildings are not just a problem in Riga. They are a national problem. Public funding is far from sufficient.

Liepaja City Municipality Administration: There must be no disruptions in access to finance.

MoE has not made any calculation of the overall budgetary impact of VAT relief on the costs of energy efficiency improvement projects. There are ideas about real estate tax rebates for energy-efficient homes.

Latvian Construction Contractors Partnership: Any adjustments in real estate tax should only be used as a “carrot”. Anything that leads to tax increases will not benefit the overall energy efficiency agenda.

Riga City Council: In Riga, we have started to review immovable property tax, and there are binding rules that provide for a 90 % discount from Immovable Property Tax for energy efficiency measures in the building, but I believe that the energy efficiency class for which this discount is granted is too low. This level should be raised so that people have the motivation to do more.

MoE: The regulatory framework clearly allows municipalities to reward implementation of energy efficiency projects in privatized multi-apartment buildings financially.

Liepaja City Municipality Administration: With the existing legislation in place, I am very sceptical about the possibility of organizing a tender on technical documentation development and the procurement of construction works for a 10 multi-apartment buildings' package, because there are several things that need to be changed before it can be implemented. For example, the decision should rest with those who attend the meeting. We are struggling to achieve a 67 % vote regarding a single building, ten buildings would make it more than complicated. To ensure quality management of their property, citizens have to choose their own operator and it must be a good operator. If the existing operator is not satisfactory, there should be a way to change them at any time.

Swedbank: The State must communicate with the apartment owners in a focused, clear, and unambiguous manner about the framework of the goals to be achieved.

### Panel 3. The SME Sector

#### Participants

- Edijs Kupčs, Swedbank AS, Head of Industrial Companies' Customer Service Unit
- Katrīna Zariņa, Latvian Chamber for Commerce and Industry, Board Member
- Edgars Kudurs, Development Finance Institution Altum, Head of the Energy Efficiency Division for Enterprises

#### Key questions and comments

Swedbank: It is important for entrepreneurs to be proactive in the field of energy efficiency rather than adopt a "wait-and-see" attitude. For Swedbank energy efficiency is part of the routine financing procedure. Energy efficiency should not be considered as something standing apart. It should be seen within the context of sustainable environment and transition to green economy. There is a need for a single management body/organisation that could coordinate these processes. Such an organization could provide for a single flow of information. So that every actor would not go in their own direction. There is a need for a clearly communicated common goal, and then we can make our progress towards it in small steps. Quality or availability of data. There is no single, publicly reliability data site, where all market participants (merchants, public institutions, and financial institutions) could get both technical data and non-financial data. For moving forward, it would be helpful to have such a single site with reliable data easy to monitor, access and use, and these data should be accessible not only to the banks, but also to the entrepreneurs themselves, including when they choose cooperation partners. Long money, long thinking is one of the most important topics in this process. At a national level, there is a need for greater cooperation between sectoral associations. The main challenge is not to kill the willingness of SMEs to move forward. It should be encouraged at a national scale.

Latvian Chamber for Commerce and Industry Energy efficiency is one of the steps in increasing the competitiveness of SMEs in the market by making their products more attractive to consumers. SMEs

tend to have limited financial capacity and financial literacy. To increase their investments in energy efficiency, this competence must be improved. Energy efficiency should be seen in a broader context rather than just insulation of buildings. It also includes new, energy-efficient equipment, investments in vehicles with lower emissions, research activities in search of new green products. Clear-cut national-scale communications through telling and showing how things can be done will certainly stimulate interest on the part of businesses and interest about public and private financing that is already available or will become available from the recovery and resilience mechanism. It is going to be crucial whether companies are prepared to make these investments. Our experience shows that those companies that have already started investing in energy efficiency continue to do so, because they see both short-term and long-term benefits.

Altum: Take your example from Altum. Altum continues to learn and to share information with its clients and partners. There is always a place for seeking friendlier and more attractive financing conditions, but our experience in Altum shows that projects already work under the offer that we have now. It seems that there might be more willingness and, particularly, knowledge. There is a need to develop company resource management.

Swedbank: SMEs will find it difficult to keep track of all the new energy efficiency requirements on their own, so there is a need for creating a knowledge and competence centre.

Latvian Chamber for Commerce and Industry: Such a knowledge centre would be very valuable. LCCI would certainly be willing to participate in the creation of such a knowledge and competence centre. LCCI has organized internal energy auditor trainings for its member companies, and we have seen a lot of interest and received positive feedback from them.

Altum: ALTUM is fully in favour of the creation of such a knowledge and competence centre and will be happy to support such activity.

Latvian Chamber for Commerce and Industry There is a growing demand for long-term money and long-term solutions from entrepreneurs.

Altum: In the long run, Altum would have to deal with guarantees, while commercial banks would have to deal with long-term loans.

Latvian Chamber for Commerce and Industry In order to promote resource management and a responsible and integral approach on the part of the companies, we must define the data that we collect and their purpose both internally and in cooperation with external partners, where, how and with what tools the data will be stored and transferred. There must be a very clear framework: what, how, why, who and at what point.

Altum: The main thing is not to make things complicated and not to scare entrepreneurs.

## CONCLUSIONS AND FURTHER RECOMMENDATIONS

From the list of recommendations and proposals collected over both days of the first National Roundtable it follows with clarity that the conditions for attracting large-scale private funding to finance energy efficiency in Latvia is not mature yet and there is much to be done!

### Recommendations as regards the urgent tasks to be done are as follows:

1. Establish a national sustainable energy efficiency competence centre that collects and coordinates all energy efficiency related processes in the country, as well as educates and advises and provides the necessary information, clients, funders, and contractors for decision making and project implementation. Establish a national publicly reliable database of energy efficiency projects in the framework of that organization.
2. Introduce regular informative/educational/motivational events/campaigns for the general public (involving the media: TV, Radio) to explain Latvia's long-term energy efficiency goals and promote public awareness and linkage with the national sustainability goals.
3. Targeted information and education to the public about the ESCO approach to the implementation of energy efficiency improvement projects: nature, process, benefits, and disadvantages.
4. Standardize the documentation of energy efficiency implementation projects and develop practice-tested, standardized, free, readily accessible solutions and technical drawings of insulated structural nodes specifically for sustainable insulation of standard Soviet-era apartment buildings.
5. Make mandatory the requirement of a guarantee on energy efficiency performance for all projects co-financed by the EU Structural Funds.
6. Policy makers, i. e., MoE, MoF and MoEPRD, will actively engage with public institutions, Altum, LCCI, etc., municipalities and, in close cooperation with the financial institutions' sector, will coordinate and implement harmonized activities aimed at developing promotional instruments for attracting private funding intended for energy efficiency improvement projects (the preconditions for attracting private funding must be established).
7. The "low-hanging fruit" have already been picked, so it is critical to elaborate solutions for raising "long" money.



8. The Government shall require from industry associations a much stronger role and involvement in energy efficiency related processes.

