



ROUND TABLE DISCUSSION ON ENERGY EFFICIENCY FINANCING IN LATVIA



**Projekta RoundBaltic
2. nacionālais
apaļais galds
ilgtspējīgas finansēšanas
ietvara attīstība
energoefektivitātes
pasākumu finansēšanai**

25. maijs, 2022

Pullman Riga Old Town Hotel, Jēkaba iela 24, Rīga



May 25, 2022

Event held in person



Funded by the Horizon 2020 Framework
Programme of the European Union

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Disclaimer

The event was organized within the framework of the RoundBaltic project funded by the European Commission's Horizon2020 program, Contract No 957051

The responsibility for the content of the document rests entirely with the authors (the Latvian Environmental Investment Fund), and it does not necessarily 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 on how to raise private money for energy efficiency projects and identify shared challenges and potential improvements that could be achieved within the current policy context and business practice. This document includes the agenda of the event and the topics discussed. The event was held in Latvian and English.

The event was a follow-up to the National Roundtable discussions held on December 8, 2021, and it brought together stakeholders from the energy efficiency and financial sector, as well as policy makers.

The National Roundtable is held within the framework of the “Smart Finance for Smart Buildings” initiative, which is the broader framework 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 improving their collaboration for developing large-scale investment programs, one-stop agencies, and financing plans for better energy efficiency.

The objective of the event is providing policy makers, government authorities and municipalities with constructive recommendations on how to raise 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 second national level Roundtable was held in person and was split into 2 parts according to the *RoundBaltic* concept: there was a main part followed by 3 break-out sessions. The working group break-out sessions were open for all the interested parties that wished to apply, but, as before, some guest participants, representing the field and experts, were also invited. All three break-out session discussions in this event was organized within a closed working group, hosting only invited guests. The discussions were not public and were not broadcast on any of the social media, such as *Facebook*, *YouTube*, etc. The intention was to give the participants more freedom and a sense of security when sharing and discussing issues.

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

The structure and format of the forum was organized to make it as effective as possible with an emphasis on the discussion itself rather than lectures or presentations, mindful of the goal of *RoundBaltic* to have a roundtable discussion for generating new ideas and discussing them.

There were **72** registered participants from **34** organizations. Around 20% of them were representatives of the finance sector and organizations. Click here http://www.lvif.gov.lv/?object_id=136680 to view the complete event.

AGENDA

Development of sustainable financing framework for energy efficiency



2nd National roundtable – development of sustainable financing framework for energy efficiency

25th of May, 2022

Location: Pullman Riga Old Town Hotel, Jekaba street 24, Riga

Registration open until 24th May **HERE**

Objective: recommendations for policy makers, state institutions and municipalities for attracting private funding to finance and promote sustainable energy efficiency in Latvia

Panel discussion

09:00 **Arrival, registration, coffee**

09:30 **Current situation and perspectives in attracting private funding to finance energy efficiency**

Welcome and opening remarks, objectives of the event, short recap on project findings and overview of the current situation by moderator: **Reinis Aboltins**, energy policy expert

Describing current achievements and future plans in the field of sustainable financing framework, taxonomy and financing energy efficiency:

- **Martins Zemitis**, European Commission, Deputy Head at the Representation of the EC in Latvia, Policy unit manager
- **Irina Kuzmina**, Finance Latvia Association, AS Swedbank Baltics, Sustainability Area Manager
- **Atis Zakatistovs**, Ministry of Finance, Parliamentary Secretary
- **Raimonds Lapins**, Ministry of Economics, Deputy State Secretary on Economic Issues
- **Jekabs Krievins**, ALTUM Member of the Management Board

Questions – 15-20 min

11:00 **Coffee break**

RoundBaltic, H2020 contract no 957051



Parallel roundtable discussions

- 1.** 11:20 **Implementation of sustainable financing framework in Latvia**
(for public and housing sector) (working language: Latvian)
Moderator: Viktors Toropovs, SEB bank, Sustainability area manager in Latvia

 - **Aleksejs Kanejevs**, ALTUM, Aleksejs Kanejevs
 - **Janis Ikaunieks**, Riga Energy Agency
 - **Edvards Kušners**, Bank of Latvia
 - **Imants Tiesnieks**, Ministry of Finance
 - **Martins Tidens**, Liepāja city municipality

Moderated discussion – 1,5 h

 - 2.** 11:20 **Best practices of implementing sustainable financing framework in Europe**
(for public and housing sector) (working language: English)
Moderator: Reinis Aboltins, energy policy expert

 - **Tatyana Panova**, European Commission, DG FISMA (remotely)
 - **Junona Bumelyte**, European Investment Bank
 - **Lauri Suu**, Ministry of Economic Affairs and Communications of Estonia, LIFE IP Buildest project manager
 - **Matiss Paele**, BaltCap Private Infrastructure Fund
 - **Igors Kasjanovs**, Nordic Investment bank

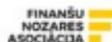
Moderated discussion – 1,5 h

 - 3.** 11:20 **Practical aspects of the sustainable financing framework and necessary preparations - DATA** (for SME's) (working language: Latvian)
Moderator: Dace Helmane, Board member of Institute of corporate social responsibility

 - **Edijs Kupcs**, Swedbank Baltics
 - **Edgars Kudurs**, ALTUM - ESCO unit manager
 - **Iļona Kalnina**, Valmiera county municipality
 - **Edite Biseniece**, State Construction Control Bureau of Latvia

Moderated discussion – 1,5 h
- 13:30 Lunch break
14:15 Summary of roundtable sessions, the main outcomes, discussion and the next steps
14:45 Closure

The RoundBaltic project aims to find new ways of attracting private funding to finance energy efficiency in these 3 main sectors - public, housing and SME's. The event is a continuation of the RoundBaltic Roundtable held on December 8, 2021 and brought together around 94 participants from 54 organisations. The topic of 2nd National roundtable has been developed as a follow up to the previous events and Sustainable Energy Investment Forum events. All in all, the 2nd National roundtable is going to focus on discussing the implementation of the sustainable financing framework in Latvia - implementation and best practices for improvement. We see the development of a sustainable financing framework as one of the key instruments for developing financing of energy efficiency, therefore it is important to bring key stakeholders together and pursue fruitful discussions among them to create valuable results.



RoundBaltic, H2020 contract no 957051



1. PART ONE. PLENARY MEETING: THE CURRENT FRAMEWORK OF SUSTAINABLE FINANCING AND PERSPECTIVES IN THE ATTRACTION OF PRIVATE FINANCING FOR ENERGY EFFICIENCY

INTRODUCTION TO THE PLENARY

Reinis Aboltins, acting as moderator, offered an insight into the *RoundBaltic* project and its history, and spoke about the importance of the project. He also shared some technical information and gave an overview of the current event.

The topic selected specifically concerned on the sustainable financing framework, since private money is clearly going to be indispensable. Therefore, there is a need for effective solutions on how to raise private money and channel it into energy efficiency projects. The project activities evolve in the framework of the “Smart Finance for Smart Buildings” initiative.

THE CURRENT SITUATION IN FINANCING ENERGY EFFICIENCY IN LATVIA

PRESENTATIONS

OPENING REMARKS - REINIS ABOLTINS, ENERGY POLICY EXPERT

The main points highlighted in the opening speech were as follows: it is important not only to talk, but also to act in order to promote the implementation of energy efficiency measures. In 13 years, Latvia has been able to renovate only 10% of the housing stock, therefore there are many measures that can be promoted to improve the situation in general. Considering the current situation in the energy market in Europe and the world, energy efficiency becomes an essential part of the development of every country.

Energy efficiency of the sector as the basis of energy security and economic development – MARTINS ZEMITIS, REPRESENTATION OF THE EUROPEAN COMMISSION IN LATVIA

If previously it was recommended to take energy efficiency measures, now energy efficiency is the basis of security and economic development. The more electricity we save, the more independent we will be from fossil energy, oil and gas supply disruptions. It is necessary to invest renewable resources. A more recent activity on the part of the European Commission is the broad REPowerEU initiative, which aims to free the EU from dependence on Russian oil and gas by 2027. Therefore, it is important to save energy, which includes short-term energy saving measures and medium-term structural energy efficiency improvements, Diversifying supply sources - EU Energy Platform for voluntary joint purchases of gas, liquefied natural gas (LNG) and hydrogen, accelerating the transition to renewable resources, increasing green electricity, the use of hydrogen, biomethane, solar energy, heat pumps, as well as increasing energy efficiency and finally investing in energy independence. The investment gap of €210 billion until the end of 2027 will be covered by ETS income growth (Innovation Fund), Recovery and Resilience Mechanism loans, 12.5% of Cohesion Policy and Common Agricultural Policy funds transfer to the REPowerEU program.

It is necessary to raise the level of ambition in all new directives, incl. increased energy efficiency goals until 2030 (compared to 2020): reduction of primary and final energy consumption by 9% - 13%. In addition,

increase the renewable energy target for 2030 from 40% to 45% of the total energy balance (compared to the 2007 base)) along with accelerated coordination of renewable resource projects ('go-to areas' and 'priority public benefit projects'). The next step is the introduction of a mandatory obligation to use solar energy in the building sector (in public and commercial buildings with a useful area >250 m² from 2027; in new residential buildings - from 2029).

Solutions for energy efficiency and local renewable resources are already available. They foresee energy efficiency measures and consumer behavior; faster and wider installation of heat pumps and energy efficiency measures will generate 37 billion m³

natural gas savings – investment gap: €57 billion, rooftop solar initiative and industry and skills development to start mass production of solar panels and heat pumps in Europe.

CLICK HERE FOR THE FULL PRESENTATION: <https://drive.google.com/drive/folders/1npeEu2kbz4m4xfAUuhQr8nWR8ESBI62i>

AVAILABILITY OF FINANCING PROMOTION OF ENERGY EFFICIENCY – IRINA KUZMINA, FINANCE LATVIA ASSOCIATION, AS SWEDBANK BALTICS, SUSTAINABILITY AREA MANAGER

In the banking industry in general, there are many different products available, which include a wide range of applications. There is a great emphasis on standardized offers for the renovation of multi-apartment houses, housing energy efficiency credit, financing of renewable energy technologies for individuals and companies (solar panels, wind turbines, heat pumps), mortgage credit for properties of a higher energy efficiency class, as well as green financing for large companies (according to the green bond frames).

In addition to individual offers, which provide for different financing conditions and programs according to the client's needs, sustainability linked loans (Sustainability Linked Loans) are available, as well as assistance in issuing green bonds. Other sustainable products include green car financing and sustainable pension plans and investments.

Banks are bound by regulations imposed by the ECB, namely exposure to climate change and environmental risks. This means that supervised institutions should proactively incorporate climate change and environmental risks into their business strategies and governance and risk management frameworks to mitigate and disclose such risks and to ensure compliance with relevant regulatory requirements. EBA Pillar 3 disclosure requirements on sustainability risks also apply. The goal is improved risk detection and market discipline, including detection of climate transitions and physical risks, transition-promoting measures, proportion of green assets (GAR - Green Asset Ratio and BTAR - Banking Book Taxonomy Alignment Ratio), quality information on risk management.

Achieving the set goals will be possible if there is interaction between all involved partners - Policymakers (EU and national level legislators, regulators), research and development, cooperation with educational institutions, external experts, newly established companies in the field of sustainability, the financial sector (including external investors), as well as access to data registers.

CLICK HERE FOR THE FULL PRESENTATION: <https://drive.google.com/drive/folders/1npeEu2kbz4m4xfAUuhQr8nWR8ESBI62i>

ATIS ZAKATISTOV, MINISTRY OF FINANCE, PARLIAMENTARY SECRETARY

Until now, sustainability was not part of the business environment, but with fundraising it became an important area. There are three organizations in Latvia (Altum, Augstsprieguma tīkli and the State Treasury) that have issued sustainable bonds. For example, the State Treasury borrows 600 million for 8 years at 0.2% euros and received 120 applications. One of the interested parties was the Danish Pension Fund, which collected information to understand investment opportunities. The key is to understand what the long-term improvement will be from a sustainable investment. DG Reform has started a program with Latvia and Estonia on defining the taxonomy. Its program is 1.5 years long and aims to promote common understanding

of the sustainable approach in many areas. Latvia has also adopted the Green Course at the Polish level and plans to develop it in the future, especially trying to appeal to entrepreneurs and explaining the benefits it can provide.

RAIMONDS LAPINS, MINISTRY OF ECONOMICS, DEPUTY STATE SECRETARY ON ECONOMIC ISSUES

Until now, there have been general talks about energy efficiency and sustainability in Latvia, but this crisis was a good push to move towards concrete steps and solutions. About 1/3 of EU funds are directed to both energy efficiency and sustainability issues - human resources development, new products, housing insulation, etc. In this case, finances are not the most unnecessary problem, but it is important to understand the areas that need to be supported and what is their further strategic development in order to maintain the interests of the private sector to be involved as well. From an economic point of view, it is necessary to invest in those directions where the market does not yet exist, where there is resistance and something needs to be changed.

There are several industries where sustainability is already a fact and it exists and this is already a common thing for the Financial Industry Association and there are representatives who practically work with these issues on a daily basis. It is important to identify the tools that already exist and are working successfully, at the same time to find solutions for the introduction of new tools, where the market is not yet ready to do something, or, taking as an example the heating of apartment buildings, but the market will not develop in addition to investments. In other words, the task of the state is to correct market failures.

JEKABS KRIEVINS, ALTUM, MEMBER OF THE MANAGEMENT BOARD

One of the main tasks of Altums is to supplement the market, and when talking about the field of energy efficiency, it is the reduction of risks for investors and lenders, which is done through guarantees, parallel financing. Another task is to reduce barriers and insecurity on the part of project investors, whether it is a private person or a company. All this is done in close cooperation with policy makers, especially with the Ministry of Economy. Altum's support is through grants, technical assistance (ELENA), as well as knowledge and promotion.

This morning, the 2nd round of the energy efficiency program for multi-apartment houses and private houses has been opened in Altum and there are already a few hundred projects in it and the money is still available. Although it may seem that the number of projects is not large for Latvia's standards, all the funding has not yet been exhausted and is available. There is also a corporate energy efficiency program, which aims to finance projects that pay for themselves directly through energy efficiency activities. In addition, there will be several programs available in the context of renewal and resilience mechanisms, which will be aimed directly at energy efficiency for both entrepreneurs and multi-apartment housing.

Any investment project includes two sides - a sustainability story and a financial issue. It is important to evaluate whether its investment directly paid off. At the current prices of energy resources, it is easy to justify the need for the project and investment. However, the risk exists in uncertainty, as it is difficult to predict price increases in all areas, incl. inflation in construction, equipment purchases, etc. Our task is to find solutions to reduce this risk, and from the point of view of entrepreneurs, it is investing in energy efficiency measures, despite these risks.

Discussions, and opinions and conclusions

- The money is available and there are those who are ready to use this money, but there are concerns about the possibility of repayment, efficiency generators, external factors, etc.
- It is important that the state institutions that plan the cash flow are able to explain existing concerns
- Cyclicity has been one of the biggest barriers so far, as many are waiting to use grants instead of taking out loans
- So far, a lot has been done so that there are no big breaks between projects. On the contrary, especially considering multi-apartment buildings, there are cases where an overlap has been observed, when one program has not yet ended and another has already started
- Entrepreneurs who did not wait for grants, but engaged in energy efficiency measures themselves, taking loans are usually more efficient
- Investments in multi-apartment building insulation issues will never be commercial, because the building has structural wear and tear. In this case, no financial instrument will replace grants.
- Cyclicity can be mitigated by initially doing the work and then returning the funding
- In Latvia, the problem is that 65% of public investments are investments of European funds, because this shows the dependence on the cyclical nature of the planning of the mentioned funds
- The longer the introduction of energy efficiency measures is postponed, the more expensive and disadvantageous it is for the consumer, considering the increase in the price of energy resources, supplies, etc. negative changes in factors not in favor of the consumer
- The owners of their own apartments must be able to mobilize and take the initiative, but a project manager who is knowledgeable enough to encourage others to act, setting an example for others, is needed.
- Long-term planning leads to market development, as it is possible to predict what kind of activities are planned and what the steps are to achieve these goals. This is how a business ecosystem is built.

PART TWO. BREAK-OUT SESSIONS

SESSION 1: IMPLEMENTATION OF SUSTAINABLE FINANCING FRAMEWORK IN LATVIA (FOR PUBLIC AND HOUSING SECTOR)

The session was moderated by Viktors Toropovs, SEB bank, Sustainability area manager in Latvia

Speakers at the discussion:

1. Jānis Ikaunieks, director of the Riga Energy Agency
2. Imants Tiesnieks, Ministry of Finance, Capital Market and Insurance Policy Department
3. Ieva Vērzemiece, Head of the Department of Energy Efficiency Programs at ALTUM
4. Mārtiņš Tīdens, Deputy Executive Director of Liepāja State City Municipality for property issues
5. Gatis Silovs, Head of the Energy Financial Instruments Department of the Ministry of Economy

Jānis Ikaunieks, director of the Riga Energy Agency

Pointing out the current situation with apartment buildings in Riga, the trends marked a relatively low proportion of renovated apartment buildings, low activity of residents, insufficient active use of available co-financing, inability to agree on joint decision-making, as well as low awareness of residents about heat energy saving and correct the renovated building. In order to promote the awareness of citizens and promote energy efficiency, it is planned to open a one-stop agency that would provide consultations, participation in informative meetings, preparation of thermography reports, development of sample documentation, as well as support for the preparation of technical survey opinions. At the moment, the one-stop agency includes online consultations (energy efficiency of buildings, necessary measures, available financing, management models, establishment of apartment owners' associations, etc.); face-to-face meetings (progress of building renovation projects, decision-making, support in general meetings of apartment owners, thermography, etc.); training (detailed training face-to-face training and online); support for technical documentation (preparation of the technical documentation of the building and its evaluation, preparation of the design task) and project management (full-cycle energy efficiency project management, from project management, from idea to building renovation. The next step would be the creation of the Energy Efficiency Fund, with the aim of promoting the availability of information and data improvement of the energy efficiency of multi-apartment buildings.

CLICK HERE FOR THE FULL PRESENTATION: <https://drive.google.com/drive/folders/1npeEu2kbz4m4xfAUuhQr8nWR8ESBI62i>

Discussions, and opinions and conclusions

1. It should be clarified what is the role of society and how to make sure that energy efficiency pays off in the long run.
2. Recently, activity has been higher since 2016, which is a good trend, but compared to the average current situation, we are far behind and need to be much more active.
3. The new European Union targets for Class C energy efficiency are ambitious and in practice mean that the National Development Plan needs to be adjusted for public policy-making.
4. Money is available from both the public and private sectors, but the question of available programs is what the allocation of funds is.
5. At higher aid intensities, money comes back in the form of taxes.
6. The process by which citizens come to the decision to increase activity and promote energy efficiency measures is important.
7. The possibility of using the program step by step and phasing in energy efficiency measures should be considered.
8. More support is needed for the persons of low income to engage in energy efficiency processes, which means a greater burden on the social budget.
9. The energy class must be at some minimum level in order to handle the property (e.g. rent, etc.).
10. Other forms of support need to be reviewed to kick-start this process. The more renovated homes there are, the more positive examples there can be in the future.
11. There is a need for greater explanation by banks on why data is needed. At present, this level of explanation is insufficient, but it is essential to meet a number of requirements and to be able to finance the greenest possible projects, thus measuring future benefits (energy efficiency, CO₂, longer loan terms, better interest rates, etc.).
12. There is a need to share responsibilities and set goals, and public policy makers need to work even more closely together to set a positive example.

SESSION 2: BEST PRACTICES OF IMPLEMENTING SUSTAINABLE FINANCING FRAMEWORK IN EUROPE (FOR PUBLIC AND HOUSING SECTOR)

The session was moderated by Reinis Aboltins, energy policy expert

INTRODUCTION TO THE SESSION AND ITS OBJECTIVE

Evaluation of financing options Strategic energy decisions and the attraction of financing necessary to achieve energy efficiency goals can only take place if all parties involved have access to publicly reliable energy consumption data and a clear source of financing - a comprehensive energy consumption profile. . The session is planned to discuss sustainable financing frameworks available in Europe and what are the conditions for their application.

Participants of the discussion:

1. Junona Bumelyte, European Investment Bank, Financial Instruments Division
2. Lauri Suu, energy expert of the Estonian Ministry of Economy and leader of the LIFE IP Buildest project

3. Igor Kasjanov, Northern Investment Bank
4. Matīss Paegle, BaltCap Infrastructure fund, Investment Director
5. Tatjana Panova, European Commission, Directorate General of Financial Stability, Financial Services and Capital Markets Union, Head of the Capital Market Department (remotely)

Junona Bumelyte, European Investment Bank, Financial Instruments Division

Considering the importance of developing financing schemes for energy efficiency by combining financial instruments and grants, the Commission, with the support of the EIB, ensures to support Member States in the development of financial instruments for energy efficiency and to increase the use of these schemes within the Cohesion Policy Funds.

This financial instrument model is an example of how program design and implementation requirements can be applied to provide market-oriented financial instruments and support energy efficiency projects. The model illustrates the approach one might wish to take when developing and implementing their proposals under the 2021-2027 annual programs.

CLICK HERE FOR THE FULL PRESENTATION: <https://drive.google.com/drive/folders/1npeEu2kbz4m4xfAUuhQr8nWR8ESBI62i>

Lauri Suu, energy expert of the Estonian Ministry of Economy and leader of the LIFE IP Buildest project

The goal of the Estonian long-term building renovation strategy is to restore the Estonian national building stock in highly energy-efficient and decarbonized buildings by 2050, promoting the cost-effective transformation of existing buildings into almost zero-energy (min. energy class C) buildings. However, there are various types of complications, for example technical obstacles - lack of standardized renovation solutions/tools, incl. among private houses), insufficient knowledge of market participants. There are also financial barriers due to the reluctance of owners to take a loan, differences in real estate values, long payback periods, and insufficient grant funds. Finally, there are social barriers – low interest and initiative and cultural differences. These risks can be mitigated by creating technical, administrative, legal regulation and the necessary tools.

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Matīss Paegle, BaltCap Infrastructure fund, Investment Director

Until now, Latvia has depended on EU funds for infrastructure development. It is necessary to provide for a change of priorities, for example, to determine that 65-85% of Cohesion funds are intended for a Smarter and Greener Europe. It is important to achieve changes in the principles of co-financing. Looking from the perspective of the state and local government, crediting opportunities in many areas have been exhausted, the state budget is in a catastrophic state, and according to the observation of many experts, the energy crisis is still ahead. In order to be ready, it is necessary to promote the development of other instruments that would reduce cyclicity and ensure a regular financial flow for the implementation of projects.

CLICK HERE FOR THE FULL PRESENTATION: <https://drive.google.com/drive/folders/1npeEu2kbz4m4xfAUuhQr8nWR8ESBI62i>

Tatjana Panova, European Commission, Directorate General of Financial Stability, Financial Services and Capital Markets Union, Head of the Capital Market Department (remotely)

To ensure financial flow, it is important to remove all obstacles and existing barriers. This is very important in the field of sustainable financing. Public grants and money are important when it comes to apartment building renovations and renovations, but at the same time, there are many projects that are capable of attracting private capital. One of the key factors in this context is data, because without it it is impossible to predict and plan cash flow and whether it achieves the intended goals.

The taxonomy allows you to position yourself as a green thinker and it offers clarity to investors and end consumers, as it is based on a scientific approach and methodology, so it can be trusted. The taxonomy includes 6 aspects – climate change, climate adaptation options, water resources, relation to the circular economy, pollution reduction, as well as ecosystem diversity. Taxonomy allows us to standardize activities and compare their effectiveness. For international investors, this is a good signal that it is possible to invest in different projects and foresee benefits. Public investments are not enough, it is important to attract private investments as well.

Discussions, and opinions and conclusions

- The government cannot cover the whole energy efficiency market, it is too large, so private resources must be involved.
- The use of advanced digital technologies can help overcome technical, financial and social barriers.
- Data availability makes automatic energy efficiency labeling/identification possible.
- The availability of data enables banks to know and understand what they are financing and what they want them to finance.

- Funding is not only needed for energy efficiency in the narrow sense - it is critical what else needs to be done (in addition to insulation) in the building renovation process.
- The various aid elements must be combined and varied: loan / grant / own contribution (EE currently 55% loan / 40% grant / 5% self-financing).
- If demand is too high, the share of the grant should be reduced and the share of own funding or loan should be increased.
- The NIB system has two major mandates for project evaluation: 1) environmental benefits and 2) productivity benefits. Energy efficiency measures combine the two mandates.
- Not significantly refinancing the sector as it raises costs (how to optimally balance supply and demand?).
- If a few years ago the renovation costs were 450 €/m², then at the beginning of 2022 they reached 1000 €/m².
- Private capital can help fill the gaps in access to finance caused by market failures.
- Examples from other countries show that the involvement of the persons of low-income is important and can be achieved by making the involvement of energy efficient activities mandatory, otherwise assessing the need for low-income benefits.
- The application of EU sustainability taxonomy also helps banks to implement a standardized approach to evaluating and financing the implementation of energy efficiency / renovation projects (banks tend to have their own 'taxonomies'). The taxonomy makes it possible to measure the level of sustainability, as projects cannot be assessed in 'black and white'.
- It is important to understand what is needed to make the decision to invest in energy efficiency.
- Generally, commercial banks do not have a financial flow to finance renovation projects.
- From the banks' point of view, there is too little (insufficient) cooperation between building management companies and others involved in [renovation].
- From the point of view of financial institutions, projects could be “packaged” to obtain a larger order volume and more favorable conditions, but a more detailed flow of projects and project phases within a project “package” should be planned in order not to discriminate against smaller projects.

SESSION 3: PRACTICAL ASPECTS OF THE SUSTAINABLE FINANCING FRAMEWORK AND NECESSARY PREPARATIONS - DATA (FOR SME'S)

The session was moderated by Dace Helmane, Board member of Institute of corporate social responsibility

INTRODUCTION TO THE SESSION AND ITS OBJECTIVE

There are a lot of risks and uncertainties in the SME sector, but one of the key aspects that helps in deciding whether to invest in sustainable projects is the availability and access to data. This is equally important for those who borrowed, as well as for banks, which can assess and plan risks more effectively.

Participants of the discussion:

1. Edijs Kupčs, AS Swedbank Baltics, Head of the Production Companies Service Department

2. Edgars Kudurs, Head of ALTUM ESKO department
3. Edvards Kušners, Head of Sustainability at the Bank of Latvia

Edijs Kupčs, AS Swedbank Baltics, Head of the Production Companies Service Department

It is important that when a businessman comes to the bank, all accessible information comes to him. Until now, a bigger problem was the lack of a single database that helps identify potential risks. From the banks' perspective, this can significantly reduce the administrative burden. This should be connected to the open data portal, which is under VARAM's control, so that the data is reliable and reflects the real situation.

Edgars Kudurs, Head of ALTUM ESKO department

For entrepreneurs, the fact that they have to enter the specific calls for money for sustainable energy efficiency projects shows an additional strain. As a result, an absurd situation arises, that the interest and the number of applications is high, and thus the price rises. Studies show that when entrepreneurs perform the same activities themselves, without participating in calls, the costs are the same, or in some positions lower. At the same time, a situation also arises that it would probably be useful for entrepreneurs to invest money elsewhere, but by succumbing to this pressure of calls, money is invested in projects that are not always necessary at that moment. It would be important not to create calls for a specific period, but to offer a program with specific strict criteria and funding, so that entrepreneurs can evaluate it and benefit from their participation, either in the form of favorable conditions, or by investing the necessary financial resources themselves.

Edvards Kušners, Head of Sustainability at the Bank of Latvia

The bank has a credit register that is regularly updated and includes many indicators, such as risk level. The system should work more efficiently so that all information is available even before loans are granted. The state control of construction has a building energy efficiency base, which is of great importance in the context of evaluating green projects, but it needs to be digitized to make it more efficient. One problem is that each institution only maintains its own databases for narrow use, but there is no common mechanism for other institutions to use them as needed. In the context of energy efficiency projects, several institutions are involved in both the state and the banking sector, and so far data exchange has been cumbersome and ineffective. By solving it, the administrative burden for SMEs can be significantly reduced, making applying for loans or credits much simpler and faster.

Discussions, and opinions and conclusions

- A clear signal from the state is needed, such as "no gas", indicating that the market for fossil fuel solutions will shrink, while the market for RES and energy efficiency will grow.
- There is a lack of a one-stop shop to take the energy user through the whole process from start to finish.
- Decisions are not based on data because there is no universal availability of data.
- Increase the awareness of energy users that the aim of investments is to reduce energy consumption and make it optimal. It is absurd to install a solar PV electricity generation system and waste the electricity generated in this way at night.
- There is a need for comprehensive resource management, including encouraging the responsible use of energy at micro and macro levels.

- It is useful to introduce and set benchmarks so that users can compare their energy consumption with that of other users.
- Data tracking and availability is critical for both simple consumptions recording and comparison and decision making.
- Measures are hampered by the policy cycle: before the elections, decision-makers actively address voters, mostly households, temporarily forgetting to pay enough attention to, for example, the SME segment, so financial support is also more focused on households than businesses.
- Be able to identify and support the most environmentally sustainable solution.

PART THREE. THE INSIGHTS FROM EACH SESSION AND THE CONCLUSIONS PRESENTED BY THE MODERATORS

SUMMARY

The recommendations regarding the tasks that require immediate action are as follows:

1. There is a need for greater explanation by banks on why data is needed. At present, this level of explanation is insufficient, but it is essential to meet a number of requirements and to be able to finance the greenest possible projects, thus measuring future benefits (energy efficiency, CO2, longer loan terms, better interest rates, etc.).
2. There is a need to share responsibilities and set goals, and public policy makers need to work even more closely together to set a positive example.
3. The availability of data enables banks to know and understand what they are financing and what they want them to finance.
4. The various aid elements must be combined and varied: loan / grant / own contribution (EE currently 55% loan / 40% grant / 5% self-financing).
5. A clear signal from the state is needed, such as "no gas", indicating that the market for fossil fuel solutions will shrink, while the market for RES and energy efficiency will grow.
6. Data tracking and availability is critical for both simple consumptions recording and comparison and decision making.