



## APAĻĀ GALDA DISKUSIJA PAR ENERGOEFEKTIVITĀTES FINANSĒŠANU LATVIJĀ



**8. decembrī, 2021  
10:00 ZOOM platformā**

**PRIVĀTĀ FINANSĒJUMA PIESAISTE  
ILGTSPĒJĪGAS ENERGOEFEKTIVITĀTES  
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**8.decembris, 2021**

**Tiešsaistes pasākums**



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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.

The event was a follow-up to the National Roundtable discussions held on May 6<sup>th</sup>–7<sup>th</sup> and September 29<sup>th</sup>, 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 regional level Roundtable was held on-line 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. One of the 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.

Because of the *COVID-19* pandemic, all the events could only be held remotely in virtual space, and the organizers of the discussion had to adjust the structure and format of the forum accordingly 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 **94** registered participants from **54** organizations. Around 25–30 % of them were representatives of the finance sector and organizations. Click here [http://www.lvif.gov.lv/?object\\_id=33799](http://www.lvif.gov.lv/?object_id=33799) to view the complete event.

## AGENDA

### Raising private funds for financing sustainable energy efficiency

| Round table discussion: Energy efficiency of public buildings and promotion of private financing. December 8 <sup>th</sup> , 2021 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9:45 a.m.<br>10:00 a.m.                                                                                                           | <p>Registration of participants</p> <p>(Moderated by Reinis Aboltins)</p> <p><b>Introductory presentations:</b></p> <ul style="list-style-type: none"> <li>• <b>Introduction to the event – Reinis Aboltins</b>, Energy Policy Expert</li> <li>• <b>Opening remarks – Guntis Gladkins</b>, Chairman of the Vidzeme Planning Region Development Council</li> <li>• <b>The European Green Deal and the Renovation Wave in the public sector – Martins Zemitis</b>, Representation of the European Commission in Latvia</li> <li>• <b>Science-based approach to national policy development – Dmitrijs Skoruks</b>, Director of the Sustainable Energy Policy Department of the Ministry of Economics of Latvia,</li> <li>• <b>Support measures for energy efficiency in the public sector from EU funding sources in the 2021–2027 programming period – Edgars Garkajis</b>, Senior Expert of the Environmental Investment Division, Investment Policy Department</li> <li>• <b>Improving energy efficiency in the public sector: the financial sector's perspective – Viktors Toropovs</b>, Sustainability manager at SEB, Finance Industry Association</li> <li>• <b>Experience in Vidzeme regarding renovation of public sector buildings – Edgars Augustins</b>, Vidzeme Planning Region</li> </ul> <p>Q&amp;A session</p> |
| 11:45 a.m.                                                                                                                        | <b>Short break</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 12:00 p.m.                                                                                                                        | <p><b>Break-out sessions:</b></p> <p><b>1 Room for the use of renewable energy sources in the public sector and project financing</b><br/>(Moderated by Artis Ozolins)</p> <p><b>Speakers at the discussion:</b></p> <ul style="list-style-type: none"> <li>• <b>Aluksne District Municipality, Una Tetere-Teterovska</b>, Energy Efficiency Project Manager</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

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|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                  | <ul style="list-style-type: none"> <li>• <b>Gulbene District Municipality, Janis Barinskis</b>, Development and Projects' Department Manager</li> <li>• <b>Vidzeme Planning Region, Edgars Augustins</b>, Energy Efficiency Expert</li> </ul> <p><b>2 Publicly reliable data as a prerequisite for planning energy upgrading measures and fundraising</b><br/>(Moderated by Reinis Aboltins)</p> <p><b>Speakers at the discussion:</b></p> <ul style="list-style-type: none"> <li>• <b>Ministry of Economics, Helena Rimsa</b>, Senior Expert of the Sustainable Energy Policy Department</li> <li>• <b>European Commission Representation in Latvia, Martins Zemitis</b>, Deputy Head of the Representation</li> <li>• <b>State Construction Control Bureau, Aija Timofejeva</b>, Director of the Energy Resources' Control Department</li> <li>• <b>Institute for Corporate Sustainability and Responsibility, Dace Helmane</b>, Head of the Institute</li> <li>• <b>Administration of the Liepaja City Municipality, Martins Tidens</b>, Deputy Executive Director for Property Issues</li> <li>• <b>Finance Industry Association, Nora Pastore</b>, Head of Business Development at Signet Bank</li> </ul> <p><b>3 How can the public sector implement ESCO energy efficiency projects?</b><br/>(Moderated by Gundars Reders)</p> <p><b>Closed working group of invited representatives from the ministries and other organizations, policy makers.</b></p> <p>The topics planned for discussion:</p> <ul style="list-style-type: none"> <li>• Off-balance sheet commitments in ESCO projects</li> <li>• Guidelines for the development of ESCO procurement projects</li> </ul> |
| <b>1:45 p.m.</b> | <b>Short break: continuation in the main room</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>2:00 p.m.</b> | <b>The main discussion topics/insights from each session presented to all the participants of the event</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>2:30 p.m.</b> | <b>Closing of the event</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## **1. PART ONE. PLENARY MEETING: RAISING PRIVATE FUNDS FOR FINANCING SUSTAINABLE ENERGY EFFICIENCY IN PUBLIC BUILDINGS**

### **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 raising private money, 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: GUNTIS GLADKINS, CHAIRMAN OF THE VIDZEME PLANNING REGION DEVELOPMENT COUNCIL**

The main points highlighted in the opening speech were as follows: Vidzeme is the largest region of Latvia with about 280,000 inhabitants. In the past 10 years, there has been a significant increase in the number of the renewable energy systems used. In the near perspective, it is important to establish a regional energy consumption database which is indispensable for planning and implementing energy efficiency projects, developing an energy efficient infrastructure, as well as establishing the East Latvian Energy Efficiency Centre in the Gulbene Municipality. These activities would encourage and facilitate the implementation of energy efficiency projects both in households and in public buildings. Funding is required for all the above-mentioned tasks. The day's discussion will consider raising the required funds, even if we have already started to work along these lines.

#### **THE EUROPEAN GREEN DEAL AND THE RENOVATION WAVE IN THE PUBLIC SECTOR – MARTINS ZEMITIS, REPRESENTATION OF THE EUROPEAN COMMISSION IN LATVIA**

The EU Green Deal and the announced “Renovation Wave” which means more renewable energy, better and smarter buildings, the “Energy Efficiency First” policies, energy communities, etc., is also an economic stimulus. It is both a greening plan and an economic recovery plan. The EU target is minus 55 % and the Latvia's target is minus 17 % off the baseline emissions in 2005. This means less dependence on imported fossil resources, which is now more pressing than ever. Buildings account for about 1/3<sup>rd</sup> of the GHG emissions. There is also significant energy poverty, with people spending too much of their income on their energy bills.



Under the RED II Directive, new targets have been set for renewable energy use: 40 % instead of 32 % for Europe, and 50 % instead of 40 % for Latvia. In turn, the former 32.5 % growth target in energy efficiency compared to the “business as usual” scenario has now been upgraded to 36 %. In the buildings’ sector, 49 % of the energy must come from renewable sources by 2030, the public sector will have to work hard. The public sector has a key role to play by setting an example. What is going to be done on the European side for Latvia to achieve these goals?

There will be a social climate fund for support from 2025.

There will be funding for Member States to help the more vulnerable energy consumers.

There will be partial compensation for the increase in fossil energy prices.

The total amount of funding for 2025–2032 will be 72.2 billion EUR, **including about 500 million EUR for Latvia.**

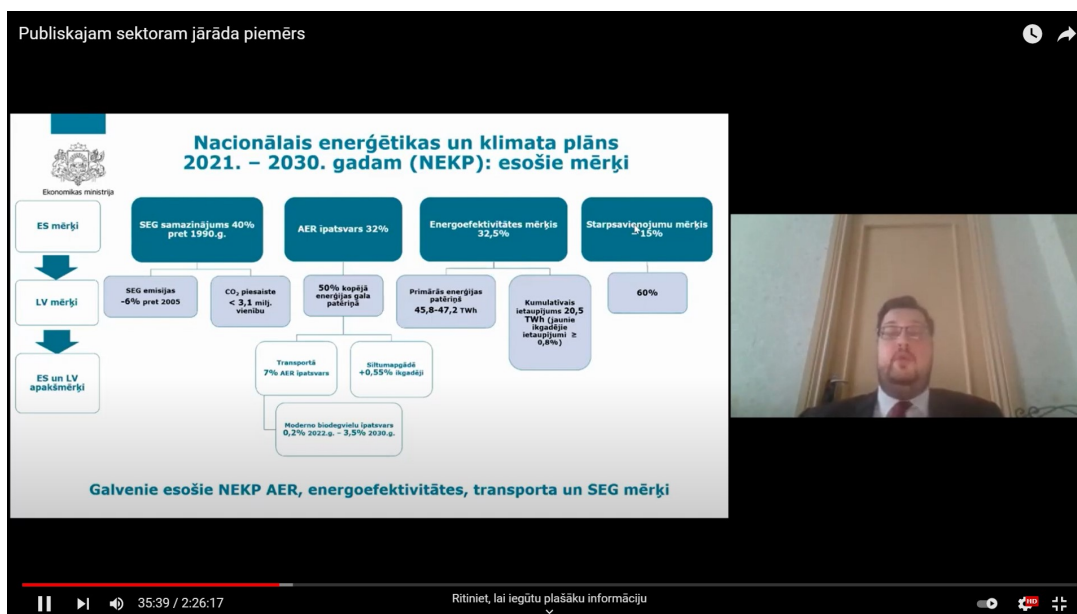
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## SCIENCE-BASED APPROACH TO NATIONAL POLICY DEVELOPMENT – DMITRIJS SKORUKS, DIRECTOR OF THE SUSTAINABLE ENERGY POLICY DEPARTMENT OF THE MINISTRY OF ECONOMICS OF LATVIA

The Green Transition, or transition to “zero emissions” is not just a plan – it consists of facts leading to material transformation. There are the facts from the actual situation in Latvia established/aligned in the context of the EC objectives. In the “FIT for 55” package, the EU targets are much higher. Accordingly, the individual targets for Latvia could increase substantially. We must use our financial, administrative, and economic resources to achieve the objectives not just formally, but in “in the real world”, and their implementation is linked to local capacity. This means that we must understand how the goals “set out on paper” are going to be reached by linking and pairing them together to develop Latvia in a way that is ready for the Green Transition. We are going to develop a system dynamic model on energy and economy for Latvia, aligned with the overall dynamics of GDP growth and aimed at defining and understanding how implementation of specific policies can affect the population of Latvia. We must find out how market

mechanisms could help our companies in a non-distortive way. In 2023, the National Energy and Climate plan will be reviewed, and its latest version approved.

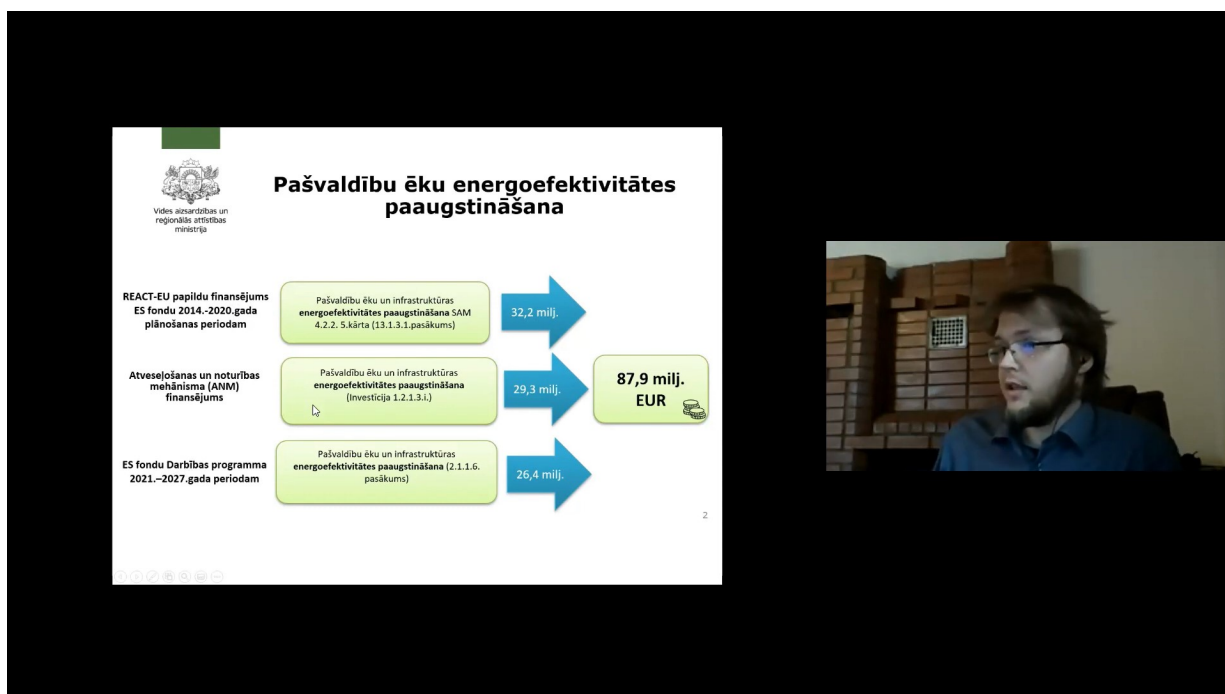


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## SUPPORT MEASURES FOR ENERGY EFFICIENCY IN THE PUBLIC SECTOR FROM EU FUNDING SOURCES IN THE 2021–2027 PROGRAMMING PERIOD – EDGARS GARKAJIS, SENIOR EXPERT OF THE ENVIRONMENTAL INVESTMENT DIVISION, INVESTMENT POLICY DEPARTMENT

Funding from several sources for a total of around 87.9 million EUR is available for improving the energy efficiency of municipal buildings; this is of course insufficient, but at least these funds have been earmarked and are available.



Measure 13.1.3.1. "Increasing the energy efficiency of municipal infrastructure to improve the economic situation" (SSO 4.2.2.) Phase 5, eligible activities for buildings:

- Reconstruction or renovation of existing buildings, including the use of smart technologies for the management of a building's energy consumption
- Procurement and installation of energy equipment for the use of RES
- Reconstruction/renovation of local/autonomous heating infrastructure
- Procurement of emission treatment plants for decontamination (biomass)

Project applicants: municipalities and municipal institutions; municipality owned companies; public-private capital companies.

Criteria have been redrafted to achieve these objectives. As stated before, there is not enough money to cover all the needs; therefore, selection criteria have been designed to finance only the most effective projects.

It is planned to release the RRS or Recovery and Resilience Funding in 2023, and it is essential that the funding is earmarked, or that climate codes are applied to the investments that deliver energy efficiency. This means that such projects will have to achieve a minimum of 30 % reduction in primary energy use or a 30 % reduction in CO<sup>2</sup> emissions. It is important to note that in the municipal buildings' sector the requirements will be significantly higher, and there is a strong likelihood that the current renovation practices will no longer apply after 2025 when the near zero emissions standard is required. There will be a significant impact on the costs of such buildings and projects.

CLICK HERE FOR THE FULL PRESENTATION:

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## IMPROVING ENERGY EFFICIENCY IN THE PUBLIC SECTOR: THE FINANCIAL SECTOR'S PERSPECTIVE – VIKTORS TOROPOVS, SUSTAINABILITY MANAGER AT SEB, FINANCE INDUSTRY ASSOCIATION

The presentation evolved around four blocks of information: legislation, strategies, data, and customer transformation.



The obligation to provide information about customers applies from 2022. Customers, then, ask to provide data to their suppliers, etc. Climate risks play a key role, as do the non-financial statements. Most likely, banks will be less willing to cooperate with the businesses or sectors that do not show sustainability. Data are especially important for assessing sustainability and moving towards a greener portfolio. We are faced with a lack of data at national level; structured data are absent. They are the very basis for measuring energy efficiency and development. The winners will be the ones who are the first to work with their own data, by collecting and analyzing them; because when fundraising and negotiations begin, every evaluation, analysis and strategy development starts from data. I invite each company to start assessing the current situation against what must be developed, and to collect information and data about themselves to ensure a sustainability strategy. The buildings' sector is among the most important sectors, as it generates the highest share of emissions; therefore, banks are ready to engage in a wide range of discussions to arrive at a result leading to sustainability funding. As regards energy efficiency, the most important things are 1) taxonomy; 2) energy certificates for buildings; 3) energy efficiency monitoring and data; 4) use of renewable resources.

CLICK HERE FOR THE FULL PRESENTATION:

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## EXPERIENCE IN VIDZEME REGARDING RENOVATION OF PUBLIC SECTOR BUILDINGS – EDGARS AUGUSTINS, VIDZEME PLANNING REGION



We have an agenda for developing and drafting our future planning documents.

Renewables are the basis for supplying heat. How could we achieve a fossil-free Vidzeme planning region by 2023? I am not able to give you an answer right away because there is no data, and, as stated in the previous presentation, data are important. The Vidzeme Planning Region has implemented a series of projects directly related to energy efficiency of buildings, i. e., effect4building, *smart living*, etc. We have also developed a manual on the various financing solutions, such as EPC, etc.

In the public sector, costs are higher compared to multi-apartment buildings. The funding mainly comes from CCFI, ERDF, the State Treasury, loans.

SECAP or Sustainable Energy and Climate Action Plans are the basis for everything. Not all the municipalities have them. This also refers to the energy manager, who might be the responsible person for planning energy management and financial investment needs by segment and area.

We are also planning to build an energy competence center in Vidzeme. Unfortunately, investments are sporadic; instead of following a plan, we use whatever funds and grants are available.

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### **Discussions and opinions**

- Question to the Ministry of Economics: How are we going to handle the situation if measuring against the strategies and regulations has been planned for 2025? How can we possibly measure if we talk about the industry and results as late as in 2023? Because data is a huge problem at the municipal level.
- MoE's response: there are two aspects to consider. The models will be aligned with the "Fit for 55", which means that the Member States' targets have not yet been fully defined, so finalizing these models would be ineffective. Secondly, we are proceeding with our work anyway; the model developers have offered the primary closed data, which should be considered as temporary, showing four possible development scenarios.

### **Conclusions and further recommendations:**

- Analytics should underpin all decisions, so that we could obtain accurate information for the development of future strategies
- Unfortunately, investments are sporadic; instead of following a plan, we use whatever funds and grants are available
- Data and non-financial reporting are critical for assessing the situation and planning for additional funds, and financing in general
- The public sector's objectives and ambitions will continue to increase; we must take that into account and start to plan now, rather than just wait for the grants to become available.

## PART TWO. BREAK-OUT SESSIONS

### ***SESSION 1: ROOM FOR THE USE OF RENEWABLE ENERGY SOURCES IN THE PUBLIC SECTOR AND PROJECT FINANCING***

The session was organized on the ZOOM platform and was attended by 40 participants. It was moderated by Artis Ozolins.

#### **INTRODUCTION TO THE SESSION AND ITS OBJECTIVE**

Energy prices in Latvia are going up along with the price on fossil fuels. Although energy prices will largely depend on national policies, the people of Vidzeme themselves can also drive the region's progress towards greater independence from imported energy resources through more extensive and efficient use of wood, wind, biogas, and solar energy. The group planned to discuss the following topics:

- How can the municipality switch to the use of renewable energy sources?
- The municipality must set a good practice example for the businesses and residents of the region in implementing energy efficiency solutions.
- Raising private money for the implementation of renewable energy projects.

#### **Speakers at the discussion:**

Aluksne District Municipality, Una Tetere-Teterovska, Energy Efficiency Project Manager

Gulbene District Municipality, Janis Barinskis, Development and Projects' Department Manager

Vidzeme Planning Region, Edgars Augustins, Energy Efficiency Expert

#### **Vidzeme Planning Region, Edgars Augustins, Energy Efficiency Expert**

It is important that municipalities have a sound regulatory framework before such projects are implemented. The net accounting system does not operate in the Latvian public sector regarding the use of solar energy; it is a major barrier in the implementation of such projects.

Since in most cases municipalities do not have the competence for implementing the latest energy upgrading solutions and technologies, the first thing that should be introduced to stimulate energy efficiency projects in municipalities is a mandatory energy performance guarantee provided by the technology supplier for monitoring and maintenance purposes. It should be valid at least for the currently permissible period of 5 years after project implementation.

The priorities in municipal project implementation should be ranked by their contribution to energy savings, rather than by giving priority to the projects that are fastest and easiest to implement (for the absorption of

the available funding). The solutions for improving energy efficiency can be identified only after the energy consumption of the building has been fully assessed in terms of its optimal and proper operation.

The roofs of municipal buildings can be used for energy production without degrading the environment, which is the main reason for the frequently faced public resistance to the development of solar and wind energy infrastructure. It is indispensable that the local community perceives a real benefit and contribution from such infrastructure.

**Aluksne District Municipality, Una Tetere-Teterovska, Energy Efficiency Project Manager**

We try to be up to date, we keep track of the several types of external funding that may come available, and we try not to promise more than we can deliver.

We have implemented 10 projects within the framework of the CCFI. It was not easy.

In the most energy-intensive municipal buildings, we have installed microclimate, water and electricity consumption, and heat energy consumption monitoring sensors, remotely integrated into the monitoring platform. This will enable us to collect data in a structured way, compare them, highlight the priorities, and address any issues of concern. The numbers will speak for themselves.

It is important to evaluate the data regularly every month, rather than wait for a year.

**Gulbene District Municipality, Janis Barinskis, Development and Projects' Department Manager**

Introduction of smart technologies – data, data, and once again data. Only real data can justify why specific solutions need to be implemented for specific buildings. Feelings and vocal claims are poor guidance. We only make decisions based on data. Cost-effectiveness is our only basis for assessment now. At low energy prices, it is often not cost-effective to implement energy efficiency measures.

We have installed remote heat consumption meters in all municipal buildings and in one multi-apartment building. We can analyze the data every 20 minutes and respond to problems promptly.

There are, certainly, also problems with smart technologies, i. e., when technologies are out of order specialists need to be on-call.

A 50-kW solar power plant has been installed on the roof of the municipal office precisely with the aim of setting an example to the public on what is possible. It has been working for a year now, and I can assure you, that it is operational and worth the investment. We are already planning to implement a similar solution for several other municipal buildings. Notably, we procured performance, i. e., a specific amount of energy generated per year, instead of system installation works, and a 5-year guarantee to make sure that the promise is fulfilled. I believe that this is the most appropriate way to procure a service of the above kind. We

must admit that the Latvian municipalities have almost no experience or knowledge regarding that type of procurement. And there are no specific guidelines, either.

Unfortunately, the current national policies focus on financial support for those who can reduce CO<sup>2</sup> emissions. This means that the money for energy efficiency upgrading goes only to the heat-producers that use natural gas, on the presumption that those who produce heat from wood, i. e., RES, need not improve their energy-efficiency. I think this is a misguided approach, as RES must also be used in an energy-efficient way.

I would like to express my gratitude to our colleagues from the Riga Technical University, who helped us to develop our procurement methodology.

Municipalities are always looking for cheaper money. Municipalities think that a 100 % loan is expensive. If every now and then we see some EU funding appear with, e. g., a 50 % grant component, it is only logical to wait for the grant instead of taking out a loan and setting to work immediately. Grants, on the one hand, are highly effective, but since they come in cycles, they slow down the decision-making process a great deal.

### Discussion and opinions

- Latvia lacks a one-stop support point to provide structured information for both the public and the private sector. At present, there is not enough awareness in Latvia about investments in energy efficiency for taking sound decisions. There is also a lack of a sound and justified long-term view shared by the stakeholders on at national and municipal level.
- There is a lack of a platform of examples, a platform of knowledgeable and competent people who could offer immediate and specific guidance on how to act by sharing examples and useful information.
- Ministries brood on policy documents, while what we need is a national institution of experts and practitioners.
- Energy managers are the key players in municipalities, and they are the ones to source the knowledge. But they, too, should have a shared platform, such as an Energy Managers' Association.
- Perhaps municipalities should not be afraid to apply private sector expertise also in the public building sector. A whole business niche has emerged in the private sector working towards energy management, and it has been highly active in the energy management of private businesses. It is

equipped with information technologies and provides advice and monitoring. DIY is good, but we should use a service when it is readily available.

- Europe has called on the Member States to turn their backs to the grants and, instead, use the available financial instruments for setting up national financing platforms. We have not been working on any such platform in Latvia.
- The European Union is constantly reminding us of the immense size of the goal which may by no means be achieved through public money alone without raising private funds, and every European Funds' planning strategy prioritizes on developing instruments involving the private sector.
- Banks can also finance a builder. This practice in procuring energy efficiency improvement services has not yet been established in Latvia.
- Building renovation is not just about implementing energy directives. It is about promoting entrepreneurship and creating new jobs in the region.
- From the point of view of the banks, the public sector projects are in no way considered substantial risk projects, but we do not have a demand for financing them. The government must resolve the ESCO issue.
- There is the cheaper grant money on the market compared to bank loans. But, no doubt, some day it will stop.

## Conclusions

- The municipality are there to set an example for the people and they must work with the latest technological solutions.
- The challenges are lack of motivation, low level of legal and technological competence, lack of real-time energy consumption data.
- Only high-quality data can be relied upon.
- Regulatory inconsistency is a hindrance. As Cabinet regulations change, some of the work becomes obsolete.
- Carefully and prudently developed procurement specifications are essential when procuring modern technologies.
- Much better results can be achieved by procuring performance than by tendering for technology supplies and installation work.
- We need a national competence center and a centralized approach.
- We do not always need to know everything ourselves. Private sector expertise must be involved.

- Commercial banks are able and prepared to finance building contractors as implementers of energy upgrading measures.

## ***SESSION 2: PUBLICLY RELIABLE DATA AS A PREREQUISITE FOR PLANNING ENERGY EFFICIENCY UPGRADING MEASURES AND RAISING FUNDS***

The session was organized on the ZOOM platform and was attended by 33 participants. It was moderated by Reinis Aboltins

### **INTRODUCTION TO THE SESSION AND ITS OBJECTIVE**

Strategic energy decisions and fundraising for achieving energy efficiency objectives always requires publicly available and reliable energy consumption data for all the stakeholders involved, i. e., a comprehensive energy consumption profile. The group planned to discuss the following topics:

- The need for a publicly available and publicly reliable national energy consumption database
- The “FIT for 50” package as an impetus for municipalities and public administration
- The role of the energy manager in achieving energy efficiency objectives
- Voluntary agreements to improve energy efficiency

### **Participants of the discussion:**

Ministry of Economics, Helena Rimša, Senior Expert of the Sustainable Energy Policy Department

European Commission Representation in Latvia, Martins Zemitis, Deputy Head of the Representation

State Construction Control Bureau, Aija Timofejeva, Director of the Energy Resources’ Control Department

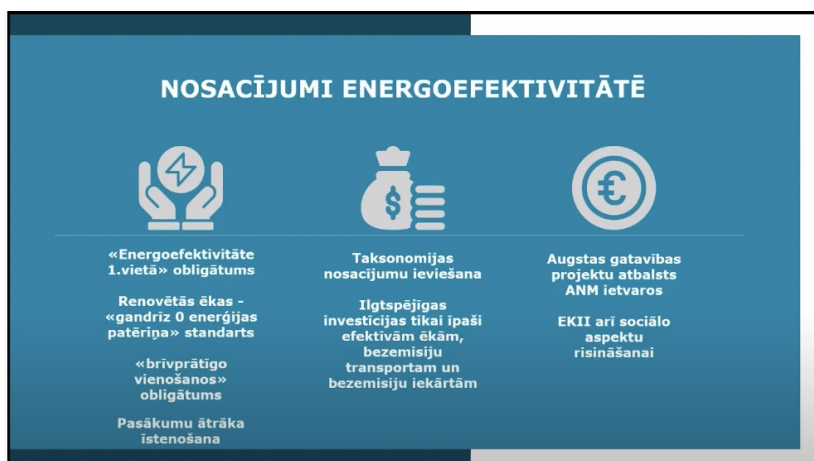
Institute for Corporate Sustainability and Responsibility, Dace Helmane, Head of the Institute

Liepāja City Municipality Administration, Mārtiņš Tīdens, Deputy Executive Director for property issues

Finance Industry Association, Nora Pastore, Head of Business Development at Signet Bank

### **Ministry of Economics, Helena Rimša, Senior Expert of the Sustainable Energy Policy Department**

Under FF55, significantly higher energy efficiency targets must be achieved from 2024 onwards.



**Martins Tidens, Administration of the Liepaja City Council, Deputy Executive Director for property issues**

Data are crucial for planning and achieving. Otherwise, we are groping in the dark and the results are ephemeral.

Data may be collected at three levels.

1. The level of the entire city, i. e., data on all emission indicators. We have been doing this since 2012, and there is already a good database. The baseline year for comparison is 2006. In 2020, the reduction of CO<sup>2</sup> emissions compared to the baseline was 51 %.
  2. System level: data on buildings, street lighting, transport vehicles.
  3. System component level: data on specific buildings, lighting on a specific street or a specific vehicle.
- For each building, we have electricity and heat consumption data available online.

It is not enough to acquire data, they also need to be analyzed, forecasted, and planned. We develop an energy plan for each system component, and we have daily monitoring of it. When things do not go as planned, we immediately seek for the reasons. It is easy to make the right decisions when data are available.

**Nora Pastore, Financial Industry Association, Head of Business Development Division, Signet Bank**

From the moment when sustainability issues were placed on the lending institutions' agenda, data, their acquisition, application, and interpretation became matters of immediate concern and excitement.

Banks have increasingly been expressing their support for sustainability initiatives. In addition to the perceived banking industry values and the belief in a greener future, there are very practical and pragmatic reasons for such interest:

1. EU and national requirements motivate banks to think more actively about channeling funding into more sustainable projects and impose specific obligations.

2. Risk management. The sector is becoming increasingly aware of environment, social and governance (ESG) risks and their potentially significant impact on the activities of companies or investment sites.

In the future, projects with better ESG performance indicators will be prioritized for access to financing and eligible for financing on preferential terms.

It would be inefficient for each bank to collect all the required data separately, and it would moreover open an entirely unnecessary window for interpretations that would be disruptive in the overall progress towards the goal. The financial sector is, therefore, looking forward with hope and perseverance to a publicly reliable database. There is no need to start from nothing. Preliminary work has already been carried out, but we need to find the driving force that will keep things in motion.

#### **Dace Helmane, Institute for Corporate Sustainability and Responsibility**

Measurements, non-financial statements, and data are the basis for sustainability and development. I can share some of the data since I have been working with the Sustainability Index.

If in 2010 most of the companies that participated in the Sustainability Index expressed surprised when asked to show their financial statements. Today attitudes have changed, but not so much regarding non-financial data under the pretext that they contain trade secrets or similar.

It is not so much about disclosing data, as about whether the data are altogether available to companies or not. One of the challenges is the lack of measurable targets and little clarity about what indicators are monitored. This is further confirmed by the Transparency Survey of the largest companies in Latvia, showing that out of the TOP 100 largest companies in Latvia (in terms of turnover and number of employees) only 16 (i. e., 16 %) meet at least 50 % of the criteria of various performance indicators, including on environmental and energy efficiency issues. As regards the environmental and the fuel sector, only 37 % of the businesses disclose their information. Thus, there is indeed a lack of data, and many players will have to make a considerable effort to obtain the relevant information.

#### **Discussion and opinions**

- We know that, in principle, we do possess data. But there is a gap from the time when energy consumption is measured until the time when decisions must be made. The question is whether the problem we face is systemic, human, procedural, or compliance related, or just laxity of attitude, or perhaps the problem rests with the government, i. e., at a more central level, and we need an

aggregator at the level of the Ministry of Environmental Protection and Regional Development to collect all the relevant data.

- On a national level there is a lack of a joint vision and a plan towards which to move. There may be several reasons for the data gap: little clarity about where to start, what data we need and what actions should we take. It is especially important to have a project manager for every project. Thus, the crucial question is about the project manager responsible for this data collection on a country level: who should be driving all the parties involved at the highest level, i. e., the national level. That is what we presently lack most.
- Data are also needed to target EU aid. If the municipalities had data, it would be easier for them to understand and explain their problems and get support for resolving them.
- Non-financial reporting and data tracking are most of all important for the companies and organizations themselves to understand what has the greatest impact and what lines they should be working along.
- What is the role of the Central Statistical Bureau (CSB) in collecting energy efficiency data? The CSB acts under the data confidentiality law, so they may not acquire data on companies or organizations.
- The MoE will work in cooperation with the State Construction Control Bureau on mainstreaming data acquisition from both municipalities and businesses down to the level of house managers, i. e., to obtain source data.
- Sometimes those who generate emissions are reluctant to share data under the pretext of commercial secrecy. There are no national regulations that would prevent them from doing so. Responsibility must be reinforced, and municipalities must have the right to obtain data from those who generate emissions in their area.
- Data availability is a problem. One of the reasons is that both the municipalities and businesses have failed to do their homework, i. e., they have no knowledge about their own housekeeping, so data are absent.

## Conclusions

- There are technical, administrative, awareness-related, political, and regulatory aspects that currently affect effective data collection.
- If we do not install the appropriate sensors and collect data as close to real time as possible, we shall not be able to come to good and accurate policy decisions.
- Today in 2021, we cannot operate with the data from 2015. They will not help us to renew the National Energy and Climate Plan (NECP).

- We need to move towards digital data. They must be as dynamic, open, and publicly accessible as possible, so that all the stakeholders, including entrepreneurs and scientists, could use these data to create new businesses and new applications.
- The goal should be publicly available real-time energy consumption data. Data also have an economic impact. They should be used for making smart investment decisions; this requires real-time data.

### ***SESSION 3: HOW CAN THE PUBLIC SECTOR IMPLEMENT ESCO ENERGY EFFICIENCY PROJECTS?***

The session was organized on the ZOOM platform and was attended by 21 participants. It was moderated by Gundars Reders

#### **INTRODUCTION TO THE SESSION AND ITS OBJECTIVE**

Currently, municipalities and public authorities have the right to use ESCO services and conclude energy performance contracts (EPC), however, the investments made under these contracts are listed as public debt with an impact on fiscal space. Actually, the underlying principle of the ESCO model does not incur additional budgetary costs, since private investments are reimbursed from energy savings (the projects are fiscally neutral). At the same time, there is no guidance on how to draft public sector energy performance contracts and how to organize tenders, and there is no clear regulatory framework enabling municipalities and public authorities to work under long-term commitments (longer than 5 years), if an ESCO project is implemented. These are the obstacles for implementing ESCO projects in the public sector, as mentioned in the NECP for 2021–2030. The group planned to discuss the following topics:

- Off-balance sheet commitments in ESCO projects
- Guidelines for the development of ESCO procurement projects
- Regulatory framework for the implementation of ESCO projects

#### **Participants of the discussion:**

Ministry of Finance (MoF); Ministry of Economics (MoE); Ministry of Environmental Protection and Regional Development (MEPRD); Central Finance and Contracting Agency (CFCA); Procurement Monitoring Bureau (PMB); Competition Council (CC); Fiscal Discipline Council (FDC); Latvian Association of Local and Regional Governments (LALRG); Financial Industry Association (FIA); Ltd. company EKODOMA; RCG Lighthouse; Adazi Municipality Council; Tukums Municipality Council; Bauska Municipality Council.

**The discussion was opened by the representatives of EKODOMA who spoke about their experience and situation as regards room for the municipalities to implement building renovation projects by concluding long-term EPC (energy performance contracts).**

One of the Horizon2020 projects “Accelerate Sunshine” went through the following process within 4 years: 6 building renovation projects were implemented with a 5-years’ performance guarantee on energy-efficiency. The project participants were four municipalities: Bauska, Adazi, Jurmala and Tukums. The initial ambition was to attract private financing and a private contractor that would offer and secure guarantee periods that last longer than 5 years.

Articles 16 and 18 of the Energy Efficiency Directive set out with clarity what must be done to enable and foster EPC:

- Draft model EPC contracts
- Establish a register of energy service providers
- Guidance, including on the Third Energy and Climate Package (TEP)
- Encourage the use of EPC contracts

*Eurostat* guidelines, supplemented by the European Investment Bank guidelines, regarding how such commitments should be listed as off-balance sheet commitments.

Though there is a range of ways how municipalities can borrow or raise funds, they remain extremely limited, if the commitments are long-term.

The main overall conclusion is as follows: after calling in lawyers from the Deloitte company, we understood that we could choose to work *via* PPP which would allow us to enter into long-term contracts with third-party financing. EKODOMA, however, sees it as a poor solution with downsides that outweigh the benefits. It is a complicated process. Currently, it is practically impossible to take on long-term commitments since there is neither a model contract nor procurement guidelines. Though theoretically possible, it is hardly workable in practice.

### Key questions and comments during the discussion

**Municipality of Tukums:** On the one hand, we can conclude longer contracts under the Energy Efficiency Law, whereas, on the other hand, the Law on Local Government Budgets does not allow us to conclude contracts for a term longer than 5 years. Consequently, a municipality may only cooperate with ESCOs on street lighting projects, while municipal buildings remain beyond the bounds of practical feasibility. Also, we used to have the EE guarantee stipulated by the CFCA; it was a way for moving towards the goal.

**Moderator to MoF:** Can the ESCO model be made operational for a period of more than 5 years or not; what are the obstacles and how can they be overcome?

**MoF:** The Procurement Law states that a contract may be concluded for a maximum period of 5 years, but there it is possible to conclude it for a longer period under certain conditions. The Law on PPP does not impose a limit of 5 years; the public-private partnership agreement may be concluded for a lengthier period, even 30 years.

**Moderator:** Practitioners say that it is not feasible, whereas from a theoretical or legislative standpoint it seems to be possible. So, what keeps you away from it?

**CFCA:** The paradox is that the bicycle has been invented and has stood ready for use for 10 years, but no one has yet learned to ride it. Given that we are not going to have huge projects, but rather projects below 10 million, it is not mandatory to have a clearance from Eurostat, we only need it if we cannot handle the

issue ourselves. The legal framework is in place, and we must simply go on with the projects. No one has tried, and, therefore, we have nothing to assess. There is no substantial difference between a PPP and an ESCO. Perhaps, the concerns about obstacles to PPPs should be dispelled.

**Moderator:** So, should we forget about ESCO projects that are longer than 5 years and focus on something else? If the restriction is real, can we and must we change the legal framework?

**RCG Light house:** I hardly believe that Europe, when they set energy efficiency as a priority, thought that we were to continue using the PPP framework without changing anything... far from it. Something should definitely be done to remove this simple constraint. Any lawyer in the municipality will say that this is a restriction, because if one cannot conclude a contract for a period that is longer than 5 years, there will be no energy efficiency.

**MoE:** We are not speaking here about an elementary procedure that could be handled by any average lawyer in the municipality. It has never been and will not be an uncomplicated process. The contract was drafted, and Eurostat finally agreed that the contract was there, but every contract thereafter would anyway need to be cleared with Eurostat. What is big for Latvia is small for Europe. And there will not be a separate ESCO or PPP for every municipality. Europe immediately said that they do not develop such projects for 1 single building but package several buildings together. It doesn't work like that. Municipalities in Europe are also larger. It is not even worth starting with figures below 10 million. When it comes to large-scale projects, yes, it makes sense to start, but we are not going to get an ESCO contract approved for every single building.

**Moderator:** Thank you. If we are talking about such large-scale projects and investments, then it is all too clear that the 5 years' period is too short, and there will hardly be a private investor who is able to do all the work, make the promise and afford it. So, once again – who should remove this 5-year limitation for ESCO projects?

**MoE:** When you have a packaged portfolio of 10 million, then yes, but don't keep saying that it is elementary and simple.

**Moderator:** I will repeat myself: who should remove this 5-year limitation for ESCO projects?

**LALRG:** Agrees that projects should be packaged. Believes that the 5-year scenario for ESCO can be handled. Lithuania has handled it. The contract is more complicated, but it has been extended to 10 years. Believes in big projects, but they need preparation, and an inventory must be taken. With the assistance of MoE, build-up packages by sector – kindergartens, etc.

**Moderator:** How many companies that are ready to engage in the implementation of such large-scale projects do we have in Latvia? Given the statements by MoE and LALRG, could you still say that everything is fine with ESCOs in Latvia?

**Bauska District Municipality:** No, it is not. When you look at open competitions SSO 4.2.2., it is not possible to win points for the projects where EE can be implemented. ESCO would be a solution for long term property management, but it looks like there will be no changes or arrangements.

**EKODOMA:** Which municipalities will be ready to join in with others in a buildings' project worth 10 million, under what title will they be represented and which of them is going to be the applicant, etc.? There are so many questions even before going deeper into this topic. How does MoE visualize it? Also, there is the EE directive issued by EU, stating that Member States develop an ESCO market. Question to MoE: do we then ignore this directive? Where ESCO has been proposed as a solution, we say no, it only works elsewhere and

does not work for us? If the municipality has 70 buildings under their management, and at least 1 million is allocated for each building, then it already makes a total of 70 million, but are the municipalities ready to act? For the time being they are trying to obtain a grant for every separate building, and these will not be pooled together. Other countries, e. g., Slovenia, work with the PPP model, but they have incentives for every project with an EE component and an ESCO guarantee, where financing from the Structural Funds is involved. Well, then, we could do the same and require a mandatory 5 years' guarantee for the projects that have financing from the Structural Funds. What we face is enormous resistance at all levels, both from the municipalities and from the state government institutions. In the face of what we see, if it has been hard to include the 5-year period, what 20-year period can we expect? For a customer and a government taxpayer, there must be a guarantee when they buy a renovated building with insulation. It seems reasonable for us to demand a guarantee when we buy a refrigerator, and we ask for a 5-years' guarantee, when we buy a car. Can we forgo the guarantee when millions are at stake? Unless there is a change in our mindset, ESCO and energy efficiency will remain a utopian project. Years go by and we are right where we are.

**Moderator:** Who have you approached concerning the guarantees that may not be incorporated?

**EKODOMA:** The municipality at all levels, as well as the CFCA, MEPRD, MoF and MoE. We have also talked to almost all the MPs in the Saeima.

**Moderator:** After what has been said, it looks like we must end this discussion; it looks like ESCOs have no future and they will not work in Latvia, as long as there is this desire to retain the 5-years' limitation at the national level, though it is not really clear why.

**FDC:** Eurostat and the way they look at our expenditure were mentioned several times. Managing the state budget to prevent a recurrence of crisis, or similar situations, could be easier. Now, we (the EU) have green budgeting. What public debt is good? The answer is "high quality debt". We are moving towards a paradigm shift as regards budget deficit, which should lead to a change in the perception of the fiscal impact of such projects, which appears to be neutral.

**MoE:** Yes, there is resistance to ESCO and PPP stemming from the 2008 crisis and the perceived need to have control over such projects and monitor them. And if the EC tells us to facilitate these kinds of projects, we shall do it; but while EC and Eurostat are requiring us to control our fiscal space, we shall act accordingly. The EIB also said that Latvia could easily package large projects. And if we start favoring ESCOs, it will have a massive impact on inflation in the construction sector, and that is not what we want.

**CC:** Joint procurement by a pool of several municipalities would not be immediately seen as limiting competition, we would rather pay attention if a single ESCO supplier would be procured all the time. We would, however, identify breach of competition, where the market is both advising and participating in procurement. Advice from the market should be evaluated in detail.

**FIA:** Of course, larger projects with more capacity would be good, and less would be spent on administration. But there is no consensus between the parties; on the one hand, they say that everything is fine, while, on the other hand, nothing moves forward. That means that there are problems. How viable is such packaging? What are the packages, namely, projects in energy efficiency, which have been mentioned so far? And do we have ESCOs and companies that would be able to absorb such projects. Okay, the banks could provide the financing, but what exactly would they finance? Do we have businesses with the capacity of picking up and executing such projects worth 10 or 50 million? We should start small, before we proceed to work with huge packages.

**PMB:** The Public Procurement Law (PPL) allows for a lot of flexibility, but the next step is to have a single vision and guidance that would clarify all the steps to be taken by the project promoter – we have not yet developed such a document. The PMB would readily engage, but the specific terms and the technical specification should come from the industry.

**FM:** Is the 5-year period the only problem? Should we focus only on that problem? If we did not have this 5-year period, would everything else be resolved? Definitely, no. There are the PPP and PPL instruments that still apply.

**MoE:** We are fulfilling the target of renovating 3 % of the public buildings, and we are doing even more. We need to aim higher, but things are not bad, everything is already being done.

**Moderator:** The RTU experts say that the targets are not achieved?!

### Conclusions

- Latvia must aggregate projects in large packages of at least 10 million to make ESCO work.
- The policy revealed by the Government is that we should slightly slow down on investment because over-investing will cause high inflation in the construction sector; if ESCO launches projects worth many millions, there will inevitably be inflation in the construction sector.
- ESCO is neither an elementary nor a simple model, as is oftentimes claimed.
- Every ESCO contract must be cleared with Eurostat, and no one will take this up as regards every single contract.
- We can currently choose between ESCO and grant; grants will certainly come as the first choice, but ESCO is the second-best option.
- No one can be criticized for not fully utilizing grants that are available for a brief period of time.
- It would be wrong to start working on big packages if we fail in handling small projects. There are hardly any companies that have the capacity to implement and finance the larger projects.
- Practitioners have lost all hope; there have been a lot of attempts, but it seems that nothing will change in Latvia for ESCO projects in the near future; ESCOs will only work for lighting projects of up to 5-years of duration, but not for construction or building refurbishment projects.

## **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. Municipalities should play a leading and exemplary role in the implementation of the latest energy efficiency technologies.
2. Municipalities should work more actively and more closely with the private sector, making effective use of the existing expertise in energy efficiency technologies.
3. Procurement for energy efficiency should target performance instead of construction/installation works.
4. A national center of excellence for energy efficiency should be established.
5. Digital metering should be introduced in the public sector, and all energy consumption data should be made publicly available.
6. It must be decided on a national level which government body will lead the energy consumption data collection project and coordinate all the parties involved.
7. There is a need to review, evaluate and modify, as appropriate, the regulatory framework for encouraging private ESCO involvement which could become an alternative source for filling the gap in budgetary resources for the renovation and energy-upgrading of public sector buildings.