



# ESCO IN LITHUANIA

## ELENA PROJECT

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## I. ELENA

- In 2014 VIPA and EBRD signed an agreement for consultancy services project “Supporting the Development of the ESCO Market in Lithuania: Preparation of standardized typical documents and tenders for ESCO energy efficiency projects in Lithuania”
- The project aims to support and develop the ESCO market in Lithuania, i.e.:
  - To prepare standardized typical documents and tenders for ESCO energy efficiency projects
  - To provide financial, technical and legal support for pilot projects

## II. ELENA

- ELENA group consists of: VIPA, Ministry of Energy, Energy Agency, Consortia and EBRD
- Consultant team consisted of: KPMG Baltics, Glimstedt and Ekotermija
- Consultant team prepared:
  - A template of a standard ESCO contract and template procurement documentation
  - Procurement documentation for the pilot projects
  - Provided consultancy services for the pilot projects

# MARKET POTENTIAL

## MARKET POTENTIAL: GENERAL OBLIGATIONS

- The Energy Efficiency Directive (2012/27/EU) obliges Member States, for the period of 2014-2020, to renovate each year at least 3% of public buildings
- Ex ante assessment of energy efficiency prepared in 2015 by the Ministry of Energy sets a long-term strategy in Lithuania:
  - to modernise 700,000 m<sup>2</sup> area of 3,500-4,000 public and government buildings by 2020
  - It will require around EUR 440 million of investments

# BUILDING RENOVATION QUOTES 2015 - 2017

- None of buildings from the quotes are modernised yet
- 115 buildings
- ~ 176,585 m<sup>2</sup> buildings area
- ~36 mill. Eur investment
- Energy saving potential:
  - Heat (heating purposes) - 17,6 GWh
  - Electricity (lightning) - 3,2 GWh



# LITHUANIAN ESCO MODEL



# TENDER PROCEDURE

- ESCO project implementation under PPP bases
- Procurement types:
  - Open tender procedure
  - Public negotiations procedure
- Best offer selection criteria:
  - Price
  - Energy savings

# TECHNICAL SPECIFICATION

- Requirements for energy saving services:
  - At least building C class must be reached
  - Microclimate conditions must be ensured
  - Proposed level of savings for heat and electricity must be ensured
- Heat and electricity savings monitoring
- Installation and requirements of the monitoring system
- Supplier is enabled to choose the most efficient and financially feasible measures

## ENERGY SAVING

- After energy saving measures are implemented, first five years energy savings are being monitored
- If actual cumulative energy savings of a five-year period are higher or equal to the energy savings declared by the supplier, liability for energy saving ends
- If actual cumulative energy savings of a five-year period are lower than declared, monthly fines for the rest of the contract have to be calculated

# PILOT PROJECTS

## ON-GOING PILOT PROJECTS

- The Special Investigation Service building - winner awarded
- Vilkija Agricultural School - winner awarded
- Kelme Vocational Training Centre - negotiations concluded, waiting for the final proposals
- State Social Insurance Fund Board of Mazeikiai - waiting for proposals until 31/01/2018
- SBGS of the Ministry of Interior building in Geranionų 36, Dieviniskės - waiting for proposals until February 2018
- Police department - the procurement shall be launched during January 2018

# I. LESSONS LEARNED

- The Lithuanian laws do not set any compulsory obligations for public building users, entitled to implement ESCO projects, to renovate the buildings
- Institutions are not certain that their obligations under the ESCO agreements will be supported by the central budget
- In some cases project size is a barrier to solicit enough competition from potential bidders
- Development of ESCO market needs co-financing solutions. Co-financing in the case of the ESCO model has two aspects, i.e. the subsidy part, as an instrument to stimulate the market, and the possibility of blending with other instruments within the ESCO model

## II. LESSONS LEARNED

- Existence of competing products (ESCO/repayable subsidy/subsidy) creates confusion and slows processes as building owners are employing “cherry picking tactics”
- The ESCO model is very new among decision-makers in the governmental institutions
- Need for technical assistance to building owners for preparing tenders
- The ESCO model as a new financial instrument is being seen by the building owners as much riskier than the simple procurement of construction works

# THANK YOU

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