

SUNSHINE

Latvia

OWNERSHIP	PRIVATE
Program authority	Not applicable
Program Delivery unit	LABEEF
Implementation Model	Energy Performance Contracting (EPC)
Operating Services	Marketing Facilitation Financial advice Financing Assessment
Type of projects	Energy Efficiency (building retrofits)
Ambition/targets	Deep retrofit of minimum 200.000 m2 of Multifamily Buildings (ca. 80 buildings) for ca. 30 M€ investments
Beneficiaries	Residential Multifamily Buildings (MFB)
Funding Vehicle	Investment funds
Financial Instruments	EPC financing On bill financing Forfaiting

Summary

The SUNSHINE (Save your bUildINg by SavINg Energy) project is a Horizon2020 funded project running from 1 March 2015 to 1 March 2018. The project builds upon an existing programme that is aimed at the deep retrofit of Multifamily Buildings (MFB) in Latvia.

Under the existing scheme, a private ESCO, called RenEsco, has renovated, over the last 5 years, 15 typical soviet era apartment buildings using Energy Performance Contracting. These buildings are very old, overcrowded and of poor quality. They are typically heated through district heating. The focus of the investment is building envelope, heat distribution pipes, heat control and energy management. Projects are eligible for ERDF (European Regional Development Fund) support of 40% which gives a simple payback time of 9 – 10 years.

RenEsco's business model uses EPC as a tool for renovating the buildings, in combination with on-bill financing (i.e. the homeowner continues to pay the same amount, while the ESCO recovers the amount saved through the House Maintenance Company). EPC contracts are typically signed for 20 years. The homeowners get a modernized apartment, with an increased value by about 20% – 30% right after renovation and an extended life time of the building by 30 years.

Financing to RenEsco was provided by local commercial banks (60%) in combination with a third party guaranteed loan (40%) from the Dutch Housing Institute (guaranteed by the Dutch Housing Corporation) based on project cash flows. No other collateral was foreseen.

Homeowners have an extraordinary payment discipline, with 97% of payments on time and 0% non-payment during the 6 years of existence of the program.

One of the problems of the scheme is the fact that the balance sheet of the ESCO gets charged too much as the amount of projects increases.

This has led to the creation of the SUNShINE project in which, a forfeiting fund, called LABEEF (Latvian Building Energy Efficiency Fund), has been created. After having shown the energy savings, typically after 1 to 2 years, this forfeiting fund purchases the future receivables from the ESCO, allowing the ESCO to take on new loans. This forfeiting scheme is key in growing the amount of investment in the buildings.

In addition, one aim of the project is to create an online platform with information on how to renovate a MFB, with several technical, economic and financial tools and with various templates and applications (e.g. contracts, protocols, reporting).

How does it work?

The project uses a combination of an operational scheme based on EPC and a financial scheme using the forfeiting fund.

The EPC scheme

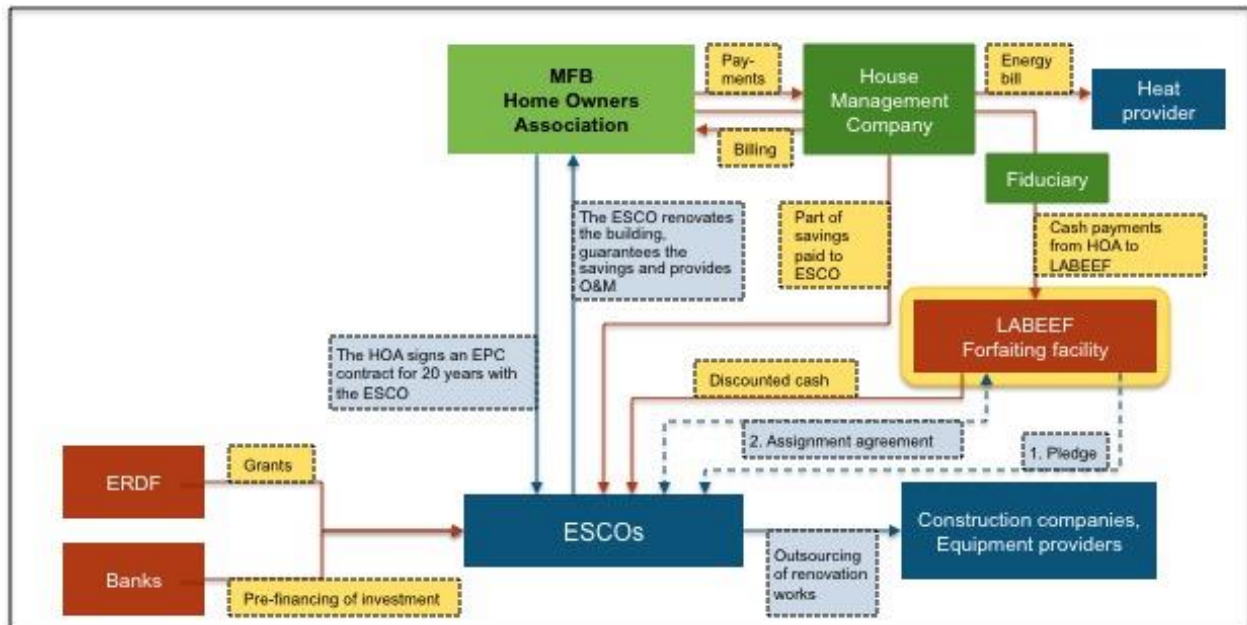
1. The ESCO signs a 20 year EPC contract with the Home Owner Association (HOA)
2. The ESCO takes on a loan from a Financial Institution (FI)
3. The ESCO renovates the building to reach typically 45% – 65% savings, while subcontracting to construction companies and equipment providers
4. The House Maintenance Company (HMC) bills the same amount as before the renovation works, and pays the ESCO a percentage of those bills, based on the realized savings.
5. The HMC pays the lowered energy bill to the heat provider

The forfeiting scheme

1. Using the (Multisided) Sharing Platform, the owners and the service company would download the current version of the EPC+ agreement and the Forfeiting agreement. Upon review and approval of the combined documents (quality/comfort standards and savings must be the same), these documents would be signed. Upon meeting these conditions precedent within the required time frame, the funds would be released to the company or its bank.
2. Once the project is implemented and the savings are proved, an Assignment agreement is signed. The ESCO receives discounted cash for the future receivables, minus an amount for Operations & Maintenance (O&M) and guarantee.

- The cash flow will then flow from the homeowners, via the HOA, to the Forfeiting facility, which will keep paying the ESCO for high-level O&M. A Fiduciary is in charge of assuring a transparent transaction.

Fig 1. Operational and financial model



The program delivery unit

The scheme essentially involves a financial (forfeiting) fund and ESCOs that work under market conditions. There is no separate program delivery unit.

Legal structure	N/A
Shareholder description	N/A
Equity	N/A
Shareholders	N/A
Program dedicated staff	Unknown
Program operational costs	1.555.991 €

Organization and partnerships

The program includes following partners:

RIGAS TEHNISKA UNIVERSITATE

EKU SAGLABASANAS UN ENERGOTAUPIBAS BIROJS

FUNDING FOR FUTURE BV

EKODOMA

SIA SALASPILS SILTUMS

ECO.NRG SIA

RenEsco SIA

Beneficiaries

Beneficiaries	Residential Multifamily Buildings (MFB)
Type of projects	Energy Efficiency (building retrofits)
Operational support	Implementation of EPC projects
Financial support	On bill financing of EPC projects, supplemented by a forfeiting facility

Funding mechanism

Program delivery unit funding	Not applicable
Projects Funding	Projects are funded through bank loans, which are then refinanced as discounted cash flows through the forfeiting facility
Funding Vehicle	Investment funds
Fund size	30 M€
Fund type	Public fund
Fund sources	Unknown
Financial Instruments	EPC financing On bill financing Forfeiting

Results

The initial program with RenEsco has allowed for the deep renovation of 15 multifamily buildings for a total Capital Expenditure (CAPEX) or investment of 4 M€. Energy savings ranged from 45% to 65%. The simple payback time (including ERDF grants) is typically 9 - 10 years.

Contact details

SUNSHINE

Contacts : Marika Rosa, Claudio Rochas, Nicholas Stancioff

marika.rosa@rtu.lv

claudio@fcubed.eu

nicholas@fcubed.eu

Factsheet

General Info

Country	Latvia
Model Name	SUNSHINE
Date of creation	2009 (RenEsco)/2015 (SUNSHINE)

Model Description

Ownership	Private
Program authority	Not applicable
Program delivery unit	Not applicable
Operating services	Marketing Facilitation Financial advice Financing Assessment
Implementation model	Energy Performance Contracting (EPC)
Type of projects	Energy Efficiency (building retrofits)
Beneficiaries	Residential Multifamily Buildings (MFB)
Geographical coverage	National

Financial Mode Description

Project funding	Public Private
Project funding vehicle	Investment funds
Financial instruments	EPC financing On bill financing Forfaiting
Repayment model	Guaranteed savings agreement

Project risk Profile

Performance risk	ESCOs
Recourse	Pledged receivables
Financial risk	Investment funds

Model Requirements

Staff Requirements	Not applicable
Equity or funding requirements	Not applicable

Model Key indicators

Investment volume since creation	4 M€
Size of project (or project portfolio)	Unknown
Level of average energy savings	45% - 65%

Development maturity

Development/implementation stage	Growth
Operational development maturity	Growth
Financial development maturity	Start-up

Model Qualification

Level of establishment	Few examples
Growth of potential	High
Scalability of the model	High
Replicability of the model	High
Impact on public balance sheet	High

Sources

<https://www.youtube.com/watch?v=5bbXKYUdPTM>

<http://www.renesco.lv>

Eric Berman, Experiences with ESPC business models in Latvia's Residential Building Sector, 23 March 2015

Eric Berman, RenEsco A residential private ESCO and social enterprise, Financing housing modernization through energy conservation, Milan, October 2014

Marika Rosa, Claudio Rochas & Nicholas Stancioff, Save your bUildiNg by SavINg Energy, Towards 2020 m2 of deeply renovated multifamily residential buildings, Brussels, 28-29 April 2015