

Possibilities to use ESCO model for housing renovations

2014-2020 JESSICA Evaluation Study

14 November 2013

Ministry of
Environment



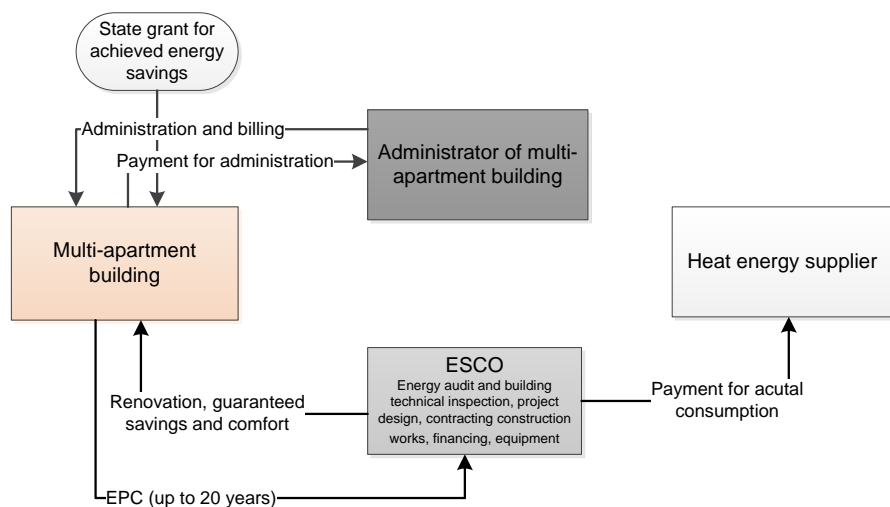
General remarks

- ESCO model may be an additional alternative for implementing renovations of multi-apartment buildings.
- Introduction of similar structures may be complicated due to:
 - ✓ limited experience of using ESCO structures in housing sector;
 - ✓ current legal framework.
- It may also be considered if:
 - ✓ ESCO model should co-exist with current renovation structures or
 - ✓ current renovation structures should evolve into single ESCO model.

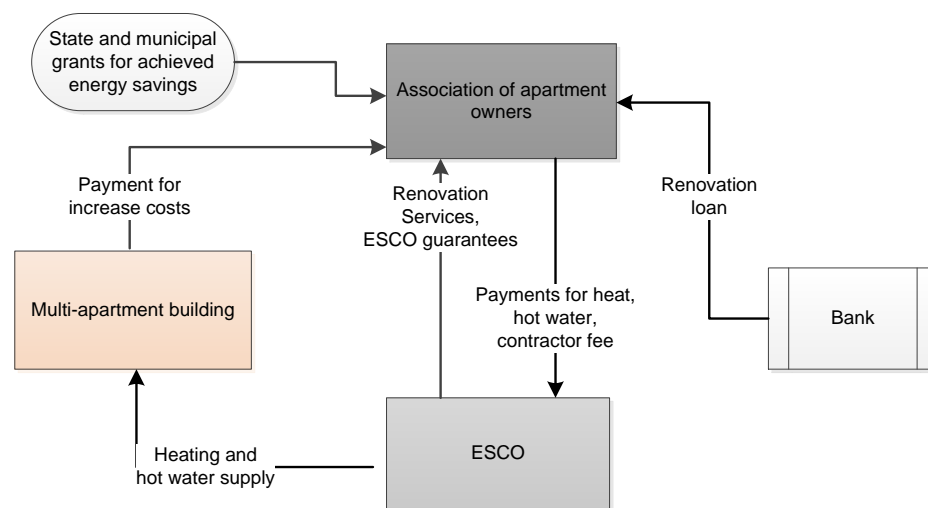
ESCOs practice in residential sector

- Experience of ESCO model in residential sector is quite limited (covers only 4% of projects implemented by ESCOs)

Latvia



Hungary



Added value and drawbacks of ESCO structures

Advantages

Professional approach

Guaranteed result

Alternative financing

Higher increase of value

No direct borrowing by owners

Continuing responsibility for the result

Possibly reduced state funds for renovation projects

Disadvantages

Project implemented with ESCO is more expensive

Payments based on energy savings may lead to lower level of comfort

ESCOs are more interested in shorter term savings

Individual approach is always necessary

Main obstacles for ESCOs in Lithuania

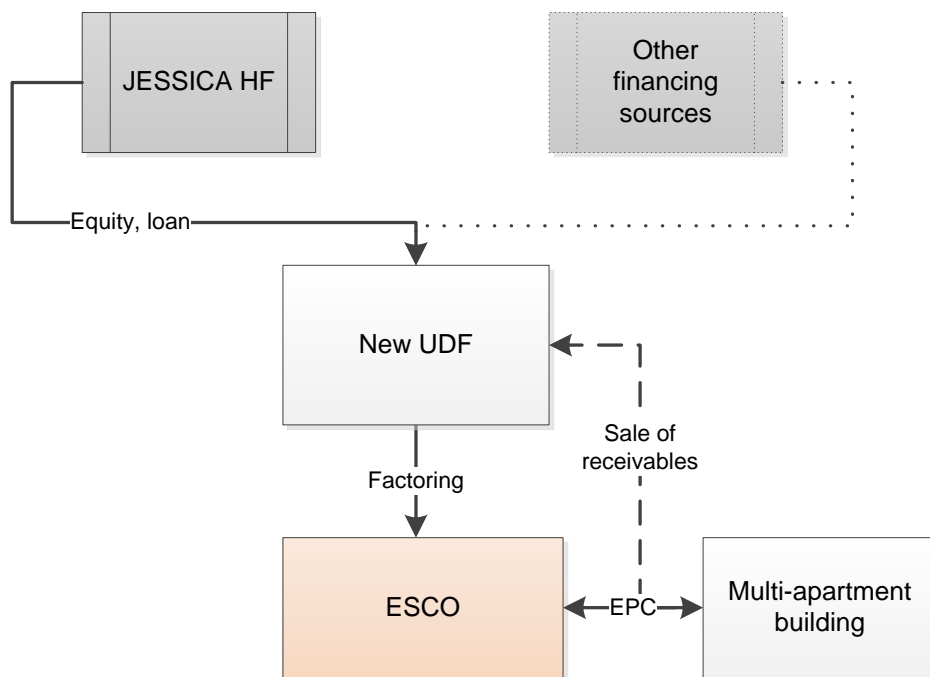
- Lack of understanding of ESCO concept and mistrust
- Limited financing possibilities
- Projects implemented by ESCOs cannot benefit from Renovation Programme
- Public procurement regulations
- Small size of projects
- Compatibility with state aid requirements
- Regulatory provision in heat energy sector

Types of ESCOs

Type of ESCO	Obstacles / actions required
Large companies acting as ESCOs	<ul style="list-style-type: none">• Renovation projects implemented not accordingly to the effective Renovation Programme may not benefit from state grant of 40%.• Product proposed by such ESCOs to their potential clients would be much expensive and with a longer payback period.
Small or medium companies acting as ESCOs	<ul style="list-style-type: none">• It would be necessary to create new financial product in a form of loan or guarantee for them.• Renovations projects implemented by such ESCOs should be also eligible for state grants.• It would be necessary to increase trust of apartment owner in such ESCO by ensuring certain level of state supervision of their activities.
Public ESCOs	<ul style="list-style-type: none">• Financing from public recourses could be ensured for public ESCOs.• Renovations projects implemented by such ESCOs should be also eligible for state grants.• It would be necessary to increase trust of apartment owners in such ESCOs by ensuring certain level of state supervision of their activities.

Forms of possible financing

Private ESCO



Public ESCO

