

Energy Performance Contracting for Public Building Renovation: experience from Latvia

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THE SUNSHINE PROJECT AT A GLANCE

5 signed contracts

Heat energy savings: 1.65 GWh/a
Investment: €5.35m

more than 31 developed projects

Heat energy savings: 7.5 GWh/a
Investment: €25.5m

more than 125 energy audits

Heat energy savings: 25.3 GWh/a
Investment: €67.3m

more than 600 inventories and building scans

Heat energy savings: 161 GWh/a
Investment: €360m



Moving on...



...makes the place we live better

THE ACCELERATE SUNSHINE PROJECT AT A GLANCE

Energy savings: 2.5GWh/year
Investment: €13.6m

8 signed contracts

Energy savings: 0.33 GWh/year
Investment: € 0.9m

2 projects in contract negotiation phase

Energy savings: 2.5 GWh/year
Investment: € 14m

15 projects in procurement stage

Energy savings: 3.2 GWh/year
Investment: € 7.6m

19 projects triggered by Accelerate SUNSHINE



Moving on...



...makes the place we live better

Experience from two Project Development Assistance projects (2015-2021)



EPC is the right instrument for public building renovation once the barriers are removed

Barrier #1

Regulatory barriers
for long term EPC
and application of
PPP

- Existing contradiction in the Latvian regulatory framework:
 - Energy Efficiency Law **allows** municipalities to sign up to 20 years energy performance contracts
 - Law on Public Procurement **prohibits** municipalities to sign service contracts longer than five years
- To sign long-term EPC, municipality should follow the procedure set in the Law on Public Private Partnership (foreseen for multi million infrastructure projects) -> not feasible for small energy efficiency projects

Barrier #2

No incentives
at local level
to use EPC

- At local level there are no incentives to sign EPC:
 - Higher administrative costs for EPC compared to Business-As-Usual scenario
 - Strong local opposition to unrequired changes even though everyone agrees on the principles and benefits of energy performance contracting

Barrier #3

Subsidies limiting use “design and build” approach and for project bundling

- Energy efficiency projects in Latvia are done only based on availability of EU grants
- 70-85% subsidies (grants) from Structural Funds are already “off-balance” sheet energy efficiency projects
- Restrictions if Structural Funds used:
 - “one building | one project | one application” rule, i.e., no project bundling possible to reduce costs
 - “design bid and build” approach (first the municipality develops a project technical design and then bids for a contractor for civil engineering works based on the developed project design), i.e., ESCOs should guarantee energy savings based on possibly poor technical designs

Barrier #4

- Use of energy subsidies instead of any other financial mechanisms significantly reduce any motivation to implement energy efficiency projects

Generous
energy
subsidies for
everyone

EPC is the right instrument for public building renovation once the barriers are removed

1. Change of thinking and approach

prove why business-as-usual approach should be still used instead of EPC

2. Introduce EPC facilitated approach in PPP procedure

allow to use “Design and build”, project bundling and use of Structural Fund grants

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