



For additional information:

Inese Ozoliņa – Public Relations and Communications
ESEB
Mob. +37126174731

NICHOLAS STANCIOFF
F³
+37129569921
WWW.SHAREX.LV

European Bank for Reconstruction and Development plans to be one of the investors of the newly established building renovation fund

Until now, the main financial source for Latvia for the renovation of the Soviet time buildings was the EU funding, which is available only until 2020 and only for Energy Efficiency measures. To prepare and have an alternative solution after the EU funding programme ends, a facility, the Latvian Baltic Energy Efficiency Facility (“LABEEF”) has been established. Its aim is to create an innovative investment platform and to provide a long-term opportunity for the full renovation of Soviet era residential buildings in Latvia, based on the best foreign practices and procedures developed by the Fund and key stakeholders such as the maintenance companies, the Building Sector and the Banking Services.

European Bank for Reconstruction and Development (EBRD), one of the potential investors, has already affirmed its support to the idea and operation of the fund, by providing a significant funding. There are currently on-going negotiations with several other investors of private capital, as well as with the relevant State institutions. It is expected that in the initial phase an investment of 20 million EUR will be allocated, which would secure the renovation of 60 buildings in the following three years.

During the presentation event, the project initiators and partners – Board Member of LABEEF Nicholas Stancioff, chairperson of the Latvian Pensioners’ Federation and member of the Supervisory Board of LABEEF Andris Siliņš, representative of the Latvian Association of Municipalities Andris Akermanis, representative of the Riga Technical University and project SUNShINE Marika Rošā, and Board Member of the NGO “Building and Energy Conservation Bureau” (ESEB) Kristaps Zvaigznītis, director of the Riga Energy Agency Timurs Safiulins, chairperson of the Riga City Advisory Board of Energy Supply Experts Maija Rubīna, and chairperson of Līvāni Municipality Andris Vaivods – signed a joint memorandum, thus affirming their commitment to cooperate, to facilitate the process of renovation of residential multifamily buildings and to create a constructive cooperation for securing long-term solutions.

Nicholas Stancioff, co-founder and Board Member of LABEEF: “At a national level, financial instruments for the renovation of the Soviet time buildings must already be established, so that this process would not be entirely dependant on the EU funding programmes and the renovation process could be financed even after the end of the EU funding. It is obvious that the state itself will not have the necessary resources in such a great amount. Therefore, the only sustainable solution is to establish a special investment platform that would be able to accumulate the necessary financial resources and to provide a continuous access to them at the same time. Otherwise, the EU funding will be unavailable for Latvia and a full-scale renovation of buildings will become an unattainable goal. Creation of the fund is an alternative financial instrument for securing the entire renovation of Soviet era buildings, and it will be a unique example of a private and public partnership. It is expected that after a successful implementation of the pilot project the process will be continued, but already with a larger funding.”

This project will be significant not only for the State *per se*, but also for the municipalities because they will have access to another finance instrument for renovating by improving the energy-efficiency of buildings on their territories. For the State and its municipalities, their participation in this project will give an opportunity to improve the quality and energy–efficiency of its residential assets, to alleviate the burden of financial requirements on real estate managers, maintenance companies and inhabitants, and last but not the least, to reduce the impact on the climate change by reducing heat losses and CO₂ emissions.

One of the objectives of LABEEF will be the development of a new concept for managing renovation projects, thus securing a greater transparency and financial efficiency for the residents of a building. Management companies and residents are hesitant to participate in building renovation projects, which is partially due to the reluctance of banks to fund long-term investment projects of energy services companies (ESCO), as well as other projects related to energy-efficiency. It is planned that the new project management platform that will be offered by LABEEF and managed by the NGO ESEB will gradually increase the trust of residents and management companies and encourage to implement building renovation projects.

Nicholas Stancioff, co-founder and Board Member of LABEEF: “LABEEF will simultaneously be a watch-dog that will ensure the transparency of the project on behalf of builders, as well as of managers. At the same time, it will carry out consulting functions. We can provide the best specialists, consultants and attorneys that would work for the benefit of the residents. Also, we would implement the practice of the USA and the European states in using the Energy Performance Contracting. Such contract obliges an ESCO (any company – estate manager, constructor, project manager – may become an ESCO) to secure a certain level of energy-efficiency for the following 15-25 years (depending on the residents’ ability to pay) and to provide guarantee for the accomplished work throughout the entire contract duration. According to our calculations, the level must be about 50% of the current costs of the heating. The inhabitants do not have an additional loan, they pay the bills in the pre-existing sum, while the difference of cost is given to loan providers, in order to pay back the loan.”

ESEB is an NGO that is among the initiators of the new solution and creators of the new fund. In cooperation with the leading experts of the Riga Technical University, international and local experts in the fields of finance and building renovation, this NGO already works for many years to develop alternative solutions for a more fruitful renovation of the outdated residential assets. Last year, the project SUNShINE of the European Commission programme Horizon 2020 was started in a mutual cooperation, and this project financially supports the drafting of necessary documents, e.g., standard agreement form, procedures, as well as project preparation and involvement of new energy services companies in the market. The task of this project is to develop alternative financial and know-how concepts for renovating

residential blockhouses that in future will be applied not only in Latvia, but also in other states in the Eastern Europe.

To increase the trust of investors in the fund and to secure transparency of its operations, it has been decided to establish a public organisation for monitoring the fund and its operations – Funding for Future. The Netherlands are chosen as the state of establishment. Taking into consideration the strict requirements of financial monitoring that are in force in the Netherlands, this will be an additional safety guarantee for the foreign investors.

The functions of LABEEF Board Member will be carried out by Nicholas Stancioff. Whereas, the operation of the fund will be supervised by the Supervisory Board represented by experts of various fields – Dr.ing.sc. Aigars Laizāns, chairperson of the Latvian Pensioners' Federation Andris Siliņš, and finance experts Harijs Švarcs and Gunta Cekule. Finally, during its first year of operation, an Advisory Council will be formed, its members drawn from the stakeholders in Latvia and several foreign experts.

Approximately 70% of people in Latvia live in multi-family buildings, of which 63% are built during the time period from 1945 to 1992. These buildings have a limited period of exploitation due to deferred maintenance and will become increasingly dangerous unless a substantial renovation will be started in the next 10-20 years. By now, the main financial source for the renovation of the Soviet time buildings was the EU funding, which is available only until 2020. Therefore, the question on how to renovate the Soviet time buildings and to make them safe, healthy, warm and comfortable thanks to energy productivity measures becomes even more relevant and significant.