D6.4 Market plan

LITHUANIA

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Transparense project
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1 Summary

This report aims at providing a plan to support the development of the EPC market in Lithuania. The report focuses on actions needed to overcome market barriers identified in Report on Identified Barriers and Success Factors for EPC Project Implementation in Lithuania". The aim of the market plan is to provide EPC market overview in Lithuania, to provide recommendations for action to support the progress of the EPC market and to promote the EPC Code of Conduct developed in the Transparense project.

Overview of existing situation with energy efficiency shows, that the potential for ESCOs in Lithuania is big. The biggest potential exists in buildings sector (households and public buildings). Energy saving potential in this sector is 80% of the total energy saving potential in country. Lithuanian financial system is dominated by the banking sector, which leaves only 1/5 to the other participants in terms of assets. More than half of assets (60%) are concentrated in three banks owned by their Nordic parent banks.

Energy performance contracting and ESCOs is still an emerging field. Only very limited number of companies are eager to call themselves ESCOs, without having proper qualification.

However, the ESCOs may use the market plan is different ways depending on e.g. market matureness. Consequently, there may be several secondary target groups of the market plan. The market plan includes a stakeholder analysis to identify those secondary target groups.

2 Introduction: Transparense and EPC Code of Conduct

The Transparense project is financed by Intelligent Energy Europe, and has the main aim to increase the transparency and trustworthiness of EPC markets throughout Europe. With its twenty partners covering both mature and beginner EPC markets, the project has a great potential to develop and increase the European EPC market and thereby achieve substantial energy efficiency improvement.

The core action of the Transparense project is to develop a European Code of Conduct for Energy Performance Contracting (EPC), which will be implemented in all the twenty participating countries. The Code of Conduct can be used by both ESCO:s, EPC clients and EPC facilitators. It identifies a set of EPC values (ethics) and principles of conduct (behaviour)

to increase the transparency of the EPC markets and ensure the high quality of the energy services provided. The EPC Code of Conduct is a voluntary commitment and is not legally binding. Its ethics regime is integrity based and unenforceable. However, acts in violation of the EPC Code of Conduct may cause damage to the ESCOs' and clients' or facilitators' good name and may lead to corrective legal or disciplinary actions if initiated by the aggrieved party on the side of the ESCO or the customer.

The EPC Code of Conduct represents fundamental mechanism for ensuring EPC professionalism. It is also an indicator of the quality requirements for new ESCOs entering the EPC market. Last but not least, the EPC Code of Conduct is a quality indicator for clients: what they should expect and require from suppliers of energy efficiency services and at the same time which principles they themselves should adhere to so that the EPC project is implemented to the satisfaction of all parties involved.

The Transparense project started in April 2013 and will be completed in September 2015. The project brings together 20 European partners: Czech Republic (co-ordinator), United Kingdom, Slovenia, Germany, Sweden, Belgium, Austria, Bulgaria, Italy, Lithuania, Netherlands, Poland, Portugal, Slovakia, Spain, Greece, Hungary, Latvia, Denmark and Norway. The project has a budget of million 2.1 million € and is financed by Intelligent Energy Europe with co-funding from the project partners. For more information, please visit www.tranparense.eu.

3 Aims of the market plan

The aim of the market plan is to provide recommendations for action to support the progress of the EPC market and to promote the EPC code of conduct developed in the Transparense project. The market plan also provides answers to Frequently Asked Questions (FAQs) regarding Energy Performance Contracting and the use of the Code of Conduct. The aim of the FAQs is to serve for ESCOs to help them in dialogue and promotion of EPC and Codes of Conduct to customers. Further information about Transparense and Energy Performance Contracting can be found at the project website: www.transparense.eu.

The main target group of the market plan is European ESCO:s. However, the ESCO:s may use the market plan is different ways depending on e.g. market matureness. Consequently, there may be several secondary target groups of the market plan. The market plan includes a stakeholder analysis to identify those secondary target groups.

4 Market overview

In this section the EPC market in Lithuania is summarized based on previous analysis in the Transparense project (D.2.4). The analysis includes information on status of implementation of the EPC Code of Conduct, a summary of main barriers for EPC implementation in Lithuania and a stakeholder analysis that builds on previous work in the Transparense project (D 6.11).

4.1 General overview EPC market in Lithuania

Overview of existing situation with energy efficiency shows, that the potential for ESCOs in Lithuania is big. The biggest potential of energy saving exists in buildings sector (households and public buildings). Energy saving potential distribution between sectors is presented in Figure 1.

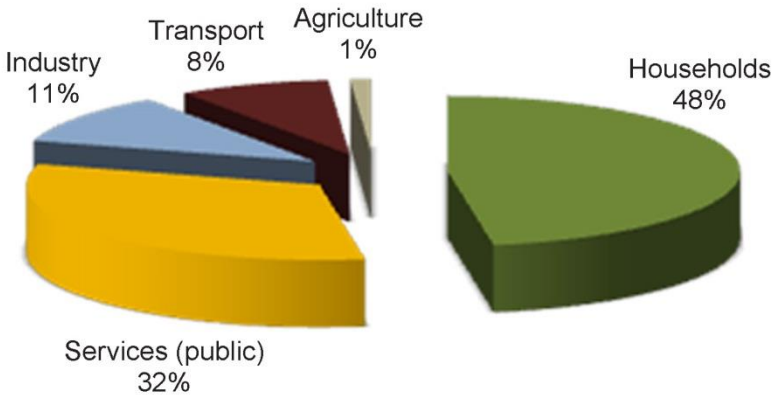

Figure 1. Energy saving potential distribution between sectors

Energy saving potential in buildings sector is 80% of the total energy saving potential in country. This sector is a priority area of the Lithuanian National Energy Efficiency Action Plan, with particular attention given to multi-flat buildings and various types' public buildings.

The main part of buildings sector is residential houses, Table 1.

Table 1. Data about buildings in Lithuania, 2012

Nr.	Type of buildings	Number of buildings	Overall area of buildings, m^2
1.	**Residential**	**478 898**	**1090 037 945**
	- one and two flats	439 767	53 481 976
	- three and more flats	37 379	51 917 557
	- social houses	1 752	3 638 412
2.	**Public**		
	- administrative	9 981	8 899 715
	- hotels, commerce, others	17 086	8 938 532
	- culture, science, sport	7 261	10 869 414
	- hospitals	1 843	2 821 783
	- others		

Detailed survey of buildings sectors showing that the biggest numbers of buildings were built in period 1961 – 1990, table 2.

Table 2. Age of single and residential houses in Lithuania

Year of construction	Residential (multiflat) houses		Single houses (one or two flats)	
	numbers	percentage	numbers	percentage
Till 1940 m.	10 311	27,6	115 907	26,3
1941-1960 years	3 750	10,0	86 599	19,7
1961-1990 years	20 118	53,8	193 777	44,1
1991 years and later	3 200	8,6	43 484	9,9
Total	37 379	100	439 767	100

Legal requirements for energy consumption in these buildings were very low, so energy consumption in existing buildings is too big. Average heat demand for heating in single houses makes up 200 kWh/m^2 year, for multiflats buildings 120-150 kWh/m^2 year. Energy-saving potential in these buildings of up to 50 percent.

4.2 Status of implementation of EPC Code Of Conduct

The European EPC code of Conduct is translated to the Lithuanian Language. Code of Conduct was presented for the first National Steering Committee meeting in 28.11.2013, in Lithuanian Energy Institute. Also potential clients and potential ESCOs were interviewed in February, March 2014. All interviewed actors were positive to a common EPC Code of Conduct for the Lithuanian EPC market. A workshop on the national implementation of the European EPC Code of Conduct will be arranged on April 2014.

4.3 Summary of EPC market barriers

In Transparense D.2.4 market barriers and success factors for Lithuania are presented. The Report D.2.4 is based on a survey among potential ESCOs and potential EPC consultants as well as results from several EU projects on EPC. The most important barriers identified by the Transparense survey are regulation and adminstrative issues, lack of support from the government, structural and finacial barriers. In Table 1 main identified barriers from EPC market in Lihuania development from D.2.4 are presented.

Table 3. Summary of EPC market barriers

	Short description of barrier	Comments
Barrier 1	Legislative and administrative	There is no clear definition on ESCOs, so there is no legal requirement for this type if companies. ESCO type business licensing and/or certification is not defined.
Barrier 2	Lack of information	In the absence of clear legal status of ESCO, there are many problems for the establishment, operation and development ESCO.
Barrier 3	Lack support from the government	Lack of the financial instruments to support EPC is stopping EPC market.
Barrier 4	Lack of knowledge	Lacking continuity in information and education initiatives.

4.4 Stakeholders analysis

An analysis has been performed regarding the main stakeholders for the Lithuanian EPC market identified in Transparense D.6.11. A stakeholder is defined as anybody who can effect or potentially will be affected by an organization, project, development etc. An assessment of the level of power and interest for each stakeholder group has been made. Each stakeholder groups' power and interest have been scored with the numbers 1-5 (1=very low, 2=low, 3=neither high nor low, 4=high, 5=very high).

The stakeholder groups have been prioritized in order of importance, by considering both the power and the interest of each stakeholder group. Based on the scoring of level of power and level of interest the stakeholders are considered to belong to one of the following groups;

Key players (KP): High power (level of power >3-5), high interest (level of interest >3-5)

Meet their needs (MTN): High power (level of power >3-5), low interest (level of interest 1-3)

Show consideration (SC): Low power (level of power 1-3), high interest (level of interest >3-5)

Least important (LI): Low power (level of power 1-3), low interest (level of interest 1-3)

The results are presented in Table 4 and Figure 2.

Table 4. Analysis of stakeholder groups in the Lithuanian EPC market

Stakeholder group	Number of stakeholders	Level of power (1-5)*	Level of interest (1-5)*	Power/interest group (KP, MTN, SC or LI)**
Municipalities, without experience from EPC	>50	5	4	KP
Energy agency	1	4	4	KP
Associations (Local Authorities and District Heating)	2	5	4	KP
National Authorities	3	5	4	KP
Regions	1	4	4	KP
Energy companies	1	2	3	KP
Potential ESCOs	4	5	5	KP
Consultants	1	5	4	KP
Public	1	1	1	Li
Universities	1	2	3.5	SC
Enginieering companies	2	2.5	5	SC
Media	2	2	1	Li

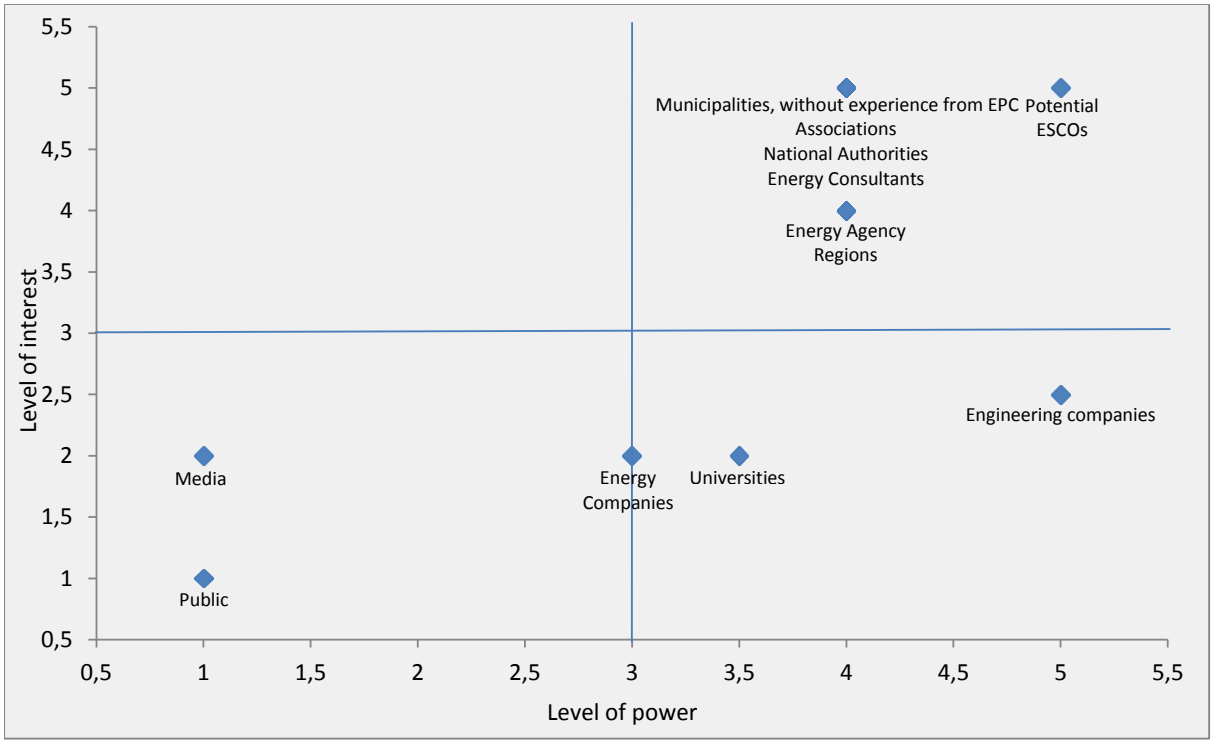

Figure 2. Stakeholder anlysis Level of power and Level of interest

Conclusions from the assessment of the stakeholders level of power and level of interest; identified key players for the EPC market are municipalities, national authorities as Lithuanian Ministry of Energy, Ministry of Environment, Association of local authorities, Association of District Heating, energy consultants. In order to strengthen the EPC market in Lithuania it is important for potential ESCOs to focus effort on these stakeholders. There are several important stakeholders with high power but low interest for EPC. It is important to increase their interest in EPC. Also, are several actors that have a high level of interest but a lower level of power such as universities, engineering companies. All these have a chance to strengthen the EPC market together with ESCOs. The public, media are believed to have a low level of power and low interest for EPC, there actors are considered to belong to the least important actors group.

5 Action plan for EPC market development

This section builds on the stakeholder analysis and identified market barriers and includes an action plan for overcoming the market barriers. The action plan is summarised in the table below.

Table 5. Overview of actions to overcome market barriers.

	Action associated with barrier no (see Table above)	What should be done and how	Who should act	When should actions be taken	Comments
Action 1	1	Evaluation of the existing legislative barriers. Preparation of legal definitions and requirements for ESCO type of business. Definition of licensing and/or certification for ESCOs.	Ministry of Energy, Ministry of Environment, Ministry of Finance, Energy Agency	ASAP	At present time in Lithuania is no clear legal definition on ESCOs, so there are no legal requirements for this type of companies.
Action 2	1, 2	Preparation of the information with relevant content to the different target groups.	Transparense, Ministry of Energy, Ministry of Environment, Energy Agency, EPC facilitators.	ASAP	Different target groups have different interest and needs. National interviews have indicated that all interested groups need more information on EPC implementation.
Action 3	3	Preparation of the financial instruments to support EPC (governmental subsidies for the facilitation of the EPC projects, financial support for ESCOs, subsidies for pilot projects)	Transparense, Ministry of Energy, Ministry of Environment, Ministry of Finance	ASAP	Lack of the financial instruments to support EPC is stopping EPC market in Lithuania. Transparense interview enclosed what financial instruments can help the EPC market development.
Action 4	2, 4	Implementation the EPC Code of Conduct, training of the potential ESCOs, information to consumers about energy efficiency and ways to save energy in daily life.	Transparense, Ministry of Energy, Energy Agency, Potential ESCOs.	ASAP	Compliance with the EPC Code of Conduct serves as a guarantee of the quality of energy efficiency projects. Training of the potential ESCOs will increase understanding about EPC.