De minimis – the off the shelf model
Lithuania case study

State Aid Conference
CSI

Riga, 2^{nd} -3^{rd} April 2014

Background to JESSICA in Lithuania

- The **Lithuanian Housing Strategy** was approved in 2004 with the aim to ensure effective use of existing housing, maintenance, upgrading and modernization, including the rational use of energy resources.
- The **Renovation Programme of the Government** of Lithuania was launched in 2006 and ran out of money in late 2007.
- The intention to implement JESSICA for the modernisation of multi-apartment buildings is foreseen in the **Law on State Support for Housing** (approved in July 2009, amended in 2013) and in the amended **Programme of the Government of Lithuania** (approved in December 2008, to be amended in 2013).
- **Programme for Renovation (Modernisation) of Dormitories of Higher Educations Institutions and Vocational Education and Training Institutions** approved in 2009 (amended in 2011).
- **JESSICA Holding Fund measure** established in 2009 in the Operational Programme for Promotion of Cohesion for the total amount of **EUR 227m** (**EUR 127m Structural Funds** and **EUR 100m national co-financing**).
- The Lithuanian national co-financing contribution is, in turn, funded from an **EIB framework facility of EUR 1.13bn**, signed with the Ministry of Finance in early 2009 as co-financing for Lithuania's overall 2007-2013 Cohesion funding programme.

JESSICA scheme in Lithuania: renovation of multi-apartment buildings and student dormitories

European Investment Bank

Ministries of Finance and of Environment
contribution of EUR 227m from Operational Programme:
« Promotion of Cohesion 2007-2013 »

European Investment Bank **JESSICA Holding Fund managed by EIB**

Investment Committee

Contingent loans

Urban Development Funds

ŠIAULIŲ BANKAS

Swedbank

SEB

VIPA VIEŠŲJŲ INVESTICIJŲ PLĖTROS AGENTŪRA

CPVA

Renovation Loans

Repayments

PROJECTS:

Eligible energy efficiency projects in multi-apartment buildings and student dormitories

BORROWERS:

Individual owners of apartments in multi-apartment buildings / administrators of commonly used premises of multi-apartment buildings / municipal administrators / higher education and vocational education and training institutions

1st financial product
Multi-apartment building renovation

Basic facts about Lithuania and multi-apartment building sector

- Population - 3 million and declining
- More than 38,000 multi-apartment blocks (24,000 needs to be refurbished)
- More than 800,000 apartments

66 % of population lives in multi-apartment buildings built before 1993

97% privately owned, only 3% municipal rental stock (to take

!!! JESSICA loan- majority of home-owners vote for modernisation **50%+1**)

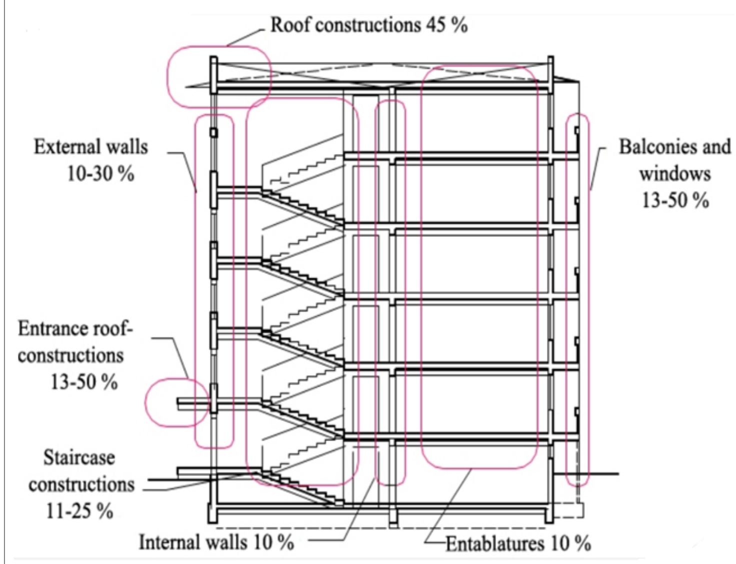
<u>The age structure of buildings</u>:

26 % built before 1960

65 % built between 1960 – 1990

9 % built after 1990

For JESSICA - constructed before 1993



- **65 %** of multi-apartment blocks are served by district heating systems
- **Average energy savings for a single building are estimated to be circa 50%**

Example: JESSICA project (Vaišvilos 9, Plungė)

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Area of apartments	2590 m^2
Number of floors	5
Number of apartments	50
Year of construction	1978
Date of completion	September 20, 2011
Investments	**385.319,16 EUR** *(Šiaulių bankas UDF)*
Implemented measures	Heating and hot water system upgrading; replacement of windows and exterior doors; roof insulation; wall insulation; basement ceiling insulation; insulation of base; drinking water pipelines and equipment replacement; repair works of sewage system; floor insulation on the ground; electrical wiring repair works; and stairwell repair works
Energy efficiency class *(according to Energy Performance Certification classification)*	before upgrading – E, planned value – C, **achieved value – B**
Heating before upgrade	**293,94 kWh/m²**
Heating after upgrade	**121,01 kWh/m²**
Energy saving	**65%**

Key parameters of a JESSICA loan in Lithuania for energy efficiency renovation of a multi-apartment block building

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Support elements →	**100% grant or JESSICA loan*** to prepare renovation documentation
→	**15%** loan rebate for where minimum energy efficiency level is met (class "D" level, 20% reduction) + **25%*** grant from CCP, i.e. sale of AAUs (40% reduction)
→	Exceptional **100% subsidy** on all expenses for low-income persons
Maturity →	up to **20 years**
Interest rate (1st and 4th Calls) →	fixed for entire loan period at **3% p.a.**
Interest rate (2nd Call) →	variable equal to 1 to 12 months relevant EURIBOR + 3.0% margin p. a., capped at 9% p.a.
Maximum monthly instalment →	determined for each multi-apartment building
Insurance, guarantees →	no loan insurance requirements, no third party guarantee requirements
Grace period →	2 years, during construction

*Until 31/12/2014

De minimis aid

Commission Regulation (EU) No 1407/2013 of 18 Dcember 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid:

“The total amount of de minimis aid granted per Member State to a single undertaking shall not exceed EUR 200,000 over any period of three fiscal years.”

State Aid issues related to the scheme

Who are the final beneficiaries?

- Final beneficiaries may be:
  - Home owner, i.e. **natural person**;
  - Home owner, i.e. **natural person undertaking economic activity** in its apartment(s) at the time a preferential loan is granted;
  - **Legal entity** (hair dress salon, dentist office, etc.).

Which institution registers *de minimis* aid?

- It was agreed with the Ministry of Environment (responsible ministry) to assign **Housing and Energy Saving Agency (HESA)** functions of the provider of *de minimis* aid set forth in the Regulations of the Register of State Aid Awarded approved under the national legislation.
- Other functions of HESA:
  - Consults with apartment owners, administrators, municipalities and other interested parties;
  - Prepares and promotes standardized structural and design elements for renovation projects;
  - Evaluates, supervises and approves technical aspects of the renovation projects;
  - Administers state supports mechanisms;
  - Liaises with UDFs on project compliance issues.

What are the main steps?

The owners of apartments and other premises in a multi-apartment building inform the administrator of commonly used premises on the exercised economic activity

⇩

The administrator of commonly used premises then applies to HESA requesting to issue a certificate on the scope of possible *de minimis* aid

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Upon receipt of the application, HESA calculates and evaluates whether the total amount of *de minimis* aid provided does not exceed the limits established in the regulations

⇩

The administrator of commonly used premises submits the certificate issued by HESA to the financial intermediary / UDF

⇩

Following the conclusion or decision on the loan agreement, the financial intermediary / UDF notifies HESA

⇩

HESA provides details to the Register of State Aid of granted *de minimis* aid

2nd financial product
Renovation of student dormitories

Background and key data

- Over **27 thousand students** reside in student dormitories of Public Higher Educational Institutions, Vocational Education and Training Institutions, for which renovation is pending.
- **Programme for Renovation of Student Dormitories** of Public Higher Education Institutions, Vocational Education and Training Institutions **approved in December 2011.**
- EIB **launched** the call for expression of interest in **January 2012.**
- Selected financial intermediary - Public Investment Development Agency and Central Project Management Agency planned in **July 2013.**
- JESSICA Holding Fund channels funds (**EUR 20m**) through the financial intermediary, acting as UDF, to finance EE measures in around **46 student dormitories**.
- **Financial product**:
  - *Interest rate* – fixed for entire period for 3% p.a.
  - *Maturity* – 20 years
  - Additional subsidy elements






State Aid issues related to the scheme

<u>Why financial support granted for renovation of student dormitories does not constitute State Aid under Article 107(1) TFEU?</u>

- Student dormitories form an integral part of educational process and the provision thereof is a state function in the educational field
- Student dormitories are provided as a service of general economic interest

Contact

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