

Lithuanian Government Green Bond Allocation and Impact Report

Year End 2021



MINISTRY OF FINANCE
of the Republic of Lithuania



EUR 68 million

INTRODUCTION

In April 2018, the Government of Lithuania issued its first 10-year 1.2% Green Bond LT0000610305 amounting to EUR 20 million through the domestic auction. In 2020, this issue was tapped twice and now its final nominal value has reached EUR 68 million. The Green Bond proceeds serve as one of a variety of financing sources along with Operational Programme for the European Union funds investment in 2014–2020 of the Republic of Lithuania and international financial institutions to cover the financing gap for multi-apartment building upgrades and achieve broad national objectives for energy efficiency.

This report is the annual report for 2021 in accordance with Lithuanian Green Bond Framework. The reporting is based on the World Bank Guide for Public Sector Issuers 'Green Bond Proceeds Management & Reporting' published in 2018.

GOVERNANCE AND PROJECT SELECTION



Green bond issuance and oversight is supported by a multi-layered organizational framework that involves:

- **Ministry of Finance**, which issued the green bond, initially received proceeds and subsequently on-lent them to VIPA.
- **Public Investment Development Agency (VIPA)**, a Lithuanian National Promotional Institution with the goals of financing and promoting sustainable development. VIPA received the green bond proceeds through an on-lending process authorized by government Resolution No. 341 that was adopted on April 9, 2018. VIPA is responsible for eligible green project selection and oversight and subsequent on-lending of the borrowed funds to multi-apartment buildings' owners, represented by project administrators. The 'eligible projects' mean the soviet-era multi-apartment modernization projects which would achieve at least 40 per cent of energy savings after modernization. VIPA carries out financial, reputational and management capacity risk assessments of project administrators, and on a selective basis performs administrative audits on sites.
- **The Environmental Projects Management Agency (APVA) (previously Housing Energy efficiency agency, which was merged in 2021 in to APVA)**, which is an independent agency under the Ministry of Environment, is responsible for implementation and administration of the eligible green bond projects. APVA performs technical project evaluation, including energy efficiency savings performed by accredited entities. APVA also performs planned and unplanned site inspections to check the compliance of performed activities with the requirements of multi-apartment building modernization programme.
- **Ministry of Environment**, which is responsible for general supervision, coordination and strategic planning related to the green bond projects.
- **State Territorial Planning and Construction Inspectorate**, an independent agency under the Ministry of Environment, performs planned and unplanned site inspections to check the compliance of performed activities with the requirements of technical regulations and other national legislation.
- **State Labour Inspectorate**, an independent agency under the Ministry of Social Security and Labour, conducts planned and unplanned site inspections to evaluate the compliance with occupational health and safety requirements.

The Government has decided to allocate the green bond proceeds to the selected eligible projects with the intention of addressing increasing fuel consumption, energy demand and greenhouse gas emissions by modernizing multi-apartment buildings and raising public awareness of the energy performance of buildings and energy savings. These upgrades primarily align with the energy efficiency and green buildings categories of the Green Bond Principles.

APVA is assessing and prioritizing a list of projects received funding from the Green Bond proceeds. Each year the list of around 500 new projects is identified (to be extended to 1000 new projects per year until 2030), with details provided as to their location, amount of project upgrade and expected energy class achieved or to be achieved.

In turn, VIPA evaluates these projects and selects the ones eligible for green financing. By the end of 2019 VIPA had evaluated and issued conditional obligation letters to finance projects for the amount exceeding EUR 68 million. As soon as specified conditions are met (e.g. procurement is completed), VIPA signs loan agreements and allocates green bond proceeds to the energy efficiency projects in multi-apartment buildings. Green bond proceeds are allocated to these projects on a first-come, first-served basis. Loan agreements for the total amount of EUR 68 million were signed by the end of 2020.

Total disbursement for eligible projects during 2018-2021 is provided in Figure 1.



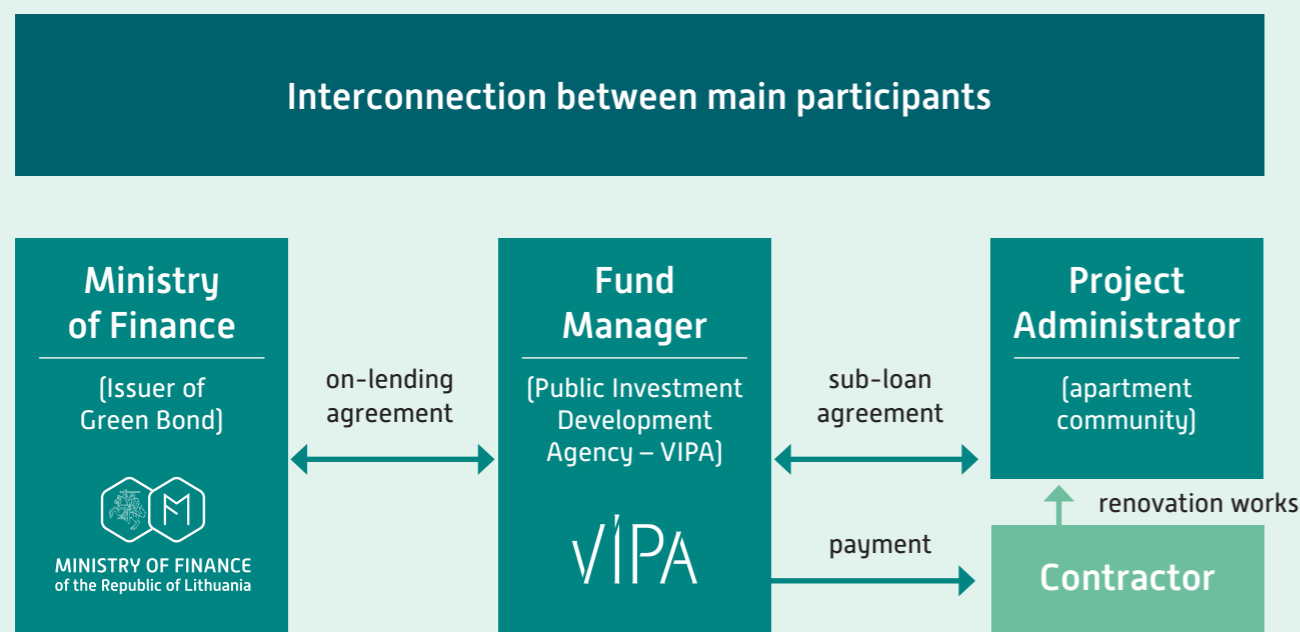
Figure 1
DISBURSEMENT/EXPENDITURE FOR ELIGIBLE PROJECTS
(figures in thousands EUR) in 2018-2021

PROJECT NAME		ENERGY EFFICIENCY (RENOVATION) PROJECTS OF MULTI-APARTMENT BUILDINGS
APPROVED AMOUNT		68,000
Actual Disbursements 2018		
2018	Q2	
	Q3	
	Q4	
	Total 2018	-
Actual Disbursements 2019		
2019	Q1	
	Q2	
	Q3	1,401
	Q4	7,952
Total 2019	9,353	
Actual Disbursements 2020		
2020	Q1	15,018
	Q2	19,586
	Q3	12,866
	Q4	6,423
Total 2020	53,893	
Actual Disbursements 2021		
2021	Q1	2,397
	Q2	1,055
	Q3	0,702
	Q4	0,242
Total 2021	4,400	
Total 2018-2021		67,642

USE OF PROCEEDS



A scheme for the use of green bond proceeds is shown below:



As a result of the aforementioned scheme, VIPA has got the 10-year loan from the Ministry of Finance, while multi-apartment buildings’ owners can get a 20-year sub-loan for renovation.

Proceeds from the green bond were on-lent to VIPA, which subsequently opened a separate account to manage the proceeds. The separate green bond account is used to receive the net proceeds, disburse payments to the contractors implementing the eligible projects, issue other payments related to the eligible projects and receive loan payments from the end borrowers. Proceeds held in the dedicated green bond account are managed in accordance with VIPA’s normal accounting policies which govern all aspects of the proceeds management and accounting processes. VIPA maintains an accounting system with an accounting code for all transactions relating to the distribution of green bond proceeds, allowing it to track green bond proceeds on a project-by-project basis. VIPA accounting policies also govern the list of eligible investments for green bond cash balances that have not yet been allocated to eligible projects, with eligible investments including:

- Government securities of the Republic of Lithuania
- Debt securities issued or guaranteed by foreign governments
- Term deposits with the Bank of Lithuania and commercial banks established in accordance with the procedure established by laws of the Republic of Lithuania or branches established by foreign banks in Lithuania
- Time deposits with foreign commercial banks
- Debt securities issued by Lithuanian or foreign commercial banks
- Lithuanian and foreign investment funds, the portfolio of which does not include shares
- Debt securities issued by international organizations

Quarterly flows and balances of funds on the VIPA account is presented in Figure 2.

Figure 2 Green bond ledger account (in thousands EUR) on december 31, 2021

	Credit	Debit	Balance
2018-Q2	20,000	0	20,000
2018-Q3		0	20,000
2018-Q4		0	20,000
2019-Q1		0	20,000
2019-Q2		0	20,000
2019-Q3		1,401	18,599
2019-Q4		7,952	10,647
2020-Q1	20,000	15,018	15,629
2020-Q2	28,000	19,586	24,043
2020-Q3		12,866	11,177
2020-Q4		6,423	4,754
2021-Q1		2,397	2,357
2021-Q2		1,055	1,302
2021-Q3		0,702	0,6
2021-Q4		0,242	0,358



IMPACT REPORTING

To monitor performance of the eligible projects, certain indicators have been selected as follows:



1.
Energy performance
of the buildings
before and after
modernization



2.
An amount of
greenhouse gases
emitted into the
atmosphere



3.
A number of
modernized building
financed using the
proceeds

Below you can see a table with detailed information indicated (Figure 3).

Figure 3
FULL DETAILED IMPACT REPORTING (in thousands EUR) ON DECEMBER 31, 2021

NAME	ENERGY EFFICIENCY
Eligible Amount in Thou EUR	68,000 (100 %)
Allocated to Date in Thou EUR	68,000
% Disbursed	99.5%
Goals and Key Beneficiaries	Loans for energy efficiency (renovation) projects of the soviet era multi-apartment buildings
Project Lifetime (years)	20
Capacity or Coverage	170
Units	Multi-apartment buildings
Expected Production or Improvement from Baseline	43,340*
Units	MWh
Emissions Reduced Tons of CO2 equiv.	9,912**
Progress to Date	91.3%***

- * It is expected that renovation of those 170 buildings will save 43,340 MWh of energy per year.
- ** According to energy efficiency evaluations, an emission factor is equal to 233 grams of CO2 eq. per kWh, i.e., each kWh saved reduces 233 grams of CO2.
- *** At the end of 2021, modernization of 170 buildings was stated being financed using the green bond proceeds. Whereas, 154 projects amounting to EUR 62.1 million are finished, thus 91.3 % of projects were fully implemented. The indicators (the energy performance of the buildings before and after modernization and the emissions of greenhouse gases reduced) are calculated after completion of the modernization of a building.



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