

ClearSupport - IEE-06-189

Clearinghouse Facilitation
Paving Way for Better Energy Building Performance

Guideline for subsidy regulations

Tool 5



WP3: Financing Schemes

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List of contents

1	Introduction	3
2	Scope/structure of this report	4
3	Standard format of a subsidy regulation.....	6
4	Format on the example of the "Financing Instrument" from Report 3.2	9

1 Introduction

This report is a result of the work conducted as a part of work package 3 (WP3) “Financing Schemes” of the project “Clearinghouse Facilitation - Paving the Way for better Energy Building Performance in EU Less Developed Regions”. The project acronym is ClearSupport and the project is based on the EC’s intentions for establishing a clearinghouse for promotion of small and medium scale sustainability energy projects as stated in the EU Green Paper on Energy Efficiency. The technology focus is on Rational Use of Energy (RUE) in building measures.

WP3 is dedicated to provide financial knowledge and instruments to the Project Service Facilities (PSF). The main focus is on building retrofitting, and to a minor extent designing for RUE in new buildings. A wide range of measures exist for RUE building retrofitting and must be made operational for the operation of the Project Service Facilities (PSF) and thus shall facilitate ClearingHouse penetration in general.

Latvia, Lithuania, Poland, Czech Republic and Crete have PSF in place. On one hand, the role of each PSF is to provide practical assistance to project owners (including housing associations, municipalities and building project developers). On the other hand financial institutes, political stakeholders and institutions/companies related to execution of the work on site are important target groups of PSF-action. To these target groups PSF should provide knowledge and experience about Energy Efficiency Ratio (EER) measures. In discussions with these stakeholders PSF should improve the framework conditions for Energy EER projects.

After the stock taking phase (see D 3.1) and the elaboration of the main components of a financing instrument (see D 3.2) the main object for WP3 is to develop tools for the daily work of PSF regarding discussions with the mentioned stakeholders.

This leads to the following six deliverables:

No:	Deliverable title
D 3.3	Tool 1: Recommendations on financial schemes for the PSF
D 3.4	Tool 2: Clearinghouse processes and procedures
D 3.5	Tool 3: Guide for RUE Building Retrofitting Financing for bankers
D 3.6	Tool 4: Agreements and contracts
D 3.7	Tool 5: Subsidy guidelines for financing instruments
D 3.8	Tool 6: Tools for the project evaluation

This guideline is elaborated because of experiences with some existing subsidy regulations which show that the effect of allocation of resources is not as effective due to non-optimal subsidy regulations.

2 Scope/structure of this report

The scope of this report is to create an instrument which allows the relevant stakeholders to elaborate a guideline on the basis of a standard format. This standard format should allow the participants to elaborate a suitable subsidy regulation. Suitable subsidy regulations are a precondition for efficient use of available financing resource by achieving a maximum effect regarding the support of project implementers and green house gas reduction.

This guideline should help to ensure practicable regulations and low effort in handling on the side of the managing institutions and subsidies project implementers.

An identical structure for different subsidy regulations can ensure easy comparison of regulations which allow a “benchmark” between different regulations. Benchmarking again is an important instrument for improvement of subsidy regulations.

This report is elaborated in the framework of the ClearSupport project to give PSF an instrument for discussion with political stakeholders. Beside the project implementers, the political stakeholders are the second most important target group of PSF-action. PSF will advice them on the background of their experiences to improve political action in the field of supporting energy efficient refurbishment.

This report contains in its first part; a general description of a template for a suitable subsidy guideline and in the second part, an example with values and detailed information is given on the example of “Financing instrument” from Task 3.2. As a result, this report provides in combination with the report on Task 3.2 a complete concept for a financing instrument which could help to overcome the obstacles in financing energy efficient refurbishment.

3 Standard format of a subsidy regulation

In the following a standard format for a subsidy regulation is given. The format is structured in chapters and for each chapter a short description of the requested content is presented.

No.	Headline	General content
1.	Aim of financing and legal basis	Description of the general aim of the financing and the legal basis for this regulation.
2.	Subject of financing	General description of the subject to be financed according to this regulation.
3.	Beneficiary	Definition of the natural or legal persons who are allowed to receive the subsidy given out on the basis of this regulations.
4.	Requirements for financing	Description of the general requirements to qualify for the financing.
4.1	Date of application and execution	Regulation for applications of already existing projects. The deadline for execution of the project should be provided.
4.2	Place of execution	Requested place of execution of the project to be financed should be provided.
5	Type, conditions and amount of financing	

No.	Headline	General content
5.1	Type	Definition if it is a non-repayable grant, a repayable grant, a credit etc.
5.2	Conditions	Description of Credit conditions (interest rate, duration, sort of credit etc) or special conditions of the grant (e.g. share of eligible costs).
5.3	Amount	Fixing of shares on eligible costs, minimum amount and maximum amount per application.
5.4	Calculation of eligible costs	
5.5	Non eligible costs	Description of non eligible measures and costs.
5.6	Cumulation with other subsidies	Regulation according to the question if it is allowed to cumulate the subsidy based on this regulation with other subsidies.
6.	Other regulations	Necessary regulations according to specific legal framework.
7.	Procedure	Description of the whole procedure from the application until evaluation of the project after implementation.
7.1	Responsible institution for application	Naming of the responsible managing institution (with address and other contact information). Internet pages (URL) where application documents can be accessed and the application has to be sent to.
7.2	Necessary documents for application	Listing of all documents which have to be submitted by institutions applying for

No.	Headline	General content
		financing. The list has to contain all necessary documents but should be as short as possible.
7.3	Covenant of financing	Description of the procedures to achieve the covenant of financing.
7.4	Conditions for payments	Definition of the stage of the project implementation, the fund will be paid to the project e.g. advance payment, interim payment, payment after finalisation. Description of which documents have to be submitted for a payment.
7.5	Confirmation of spent eligible costs	Description of the procedure should be available to confirm the amount of spent eligible costs. The procedure must ensure that an assured confirmation is prevailing, but it shouldn't be to much efforts for the project implementor.
7.6	Evaluation of success	Regulations which data the project owner has to submit in a certain period after the project implementation. These regulations shall ensure that the financing authority is able to evaluate the effects of the whole financing programme after a certain period.

4 Format on the example of the “Financing Instrument” from Report 3.2

In the Report 3.2 “ Financing instrument” the main parameters of a financing instrument that could ensure suitable financing of EER measures have been described. In the following these parameters will be specified on the basis of the preassigned structure. As a result a structure for a suitable subsidy guideline and a precise example for the application of this structure are at the disposal of the PSF.

In Report 3.2 some details of the financing instrument are described differently between the regions of the PSF. To exemplify “The Country Specific Regulations and Values” we take Latvia as an example.

No.	Headline	Proposed content in regulations
1.	Aim of financing and legal basis	
2.	Subject of financing	
2.1	General description	Funded items: Measures for energy savings on domestic buildings which were erected before the 01.01.1990, as far as these measures correspond to the demands of Points 2.2 and 2.3
2.2	Standards	Pre-requisite for foundation of the measure is conformation to the following energy minimum standards: Heat insulation of external walls: U-Value after renovation max. 0,3 W/m ² K Exchange of windows: U-Wert of the new items max. 1,5 W/m ² K

No.	Headline	Proposed content in regulations
		<p>Roof insulation: U-Wert after renovation max. 0,2 W/m²K</p> <p>Cellar roof insulation U-value after renovation max. 0,25 W/m²K</p> <p>Central heating renovation: Exchange of the heat generator present for a low temperature oil burner with sliding weather guided primary circulation temperature or a gas burner or wood (pellets) burner.</p> <p>Observation of the minimum standards is to be confirmed by the professional company carrying out the work.</p>
2.3	Measure packages	<p>Single items will not be funded. Only the following "packages" will be funded:</p> <p><i>Measurement Package1:</i></p> <p>Heat insulation of external walls, roof, cellar roof and exchange of windows</p> <p><i>Measurement Package2:</i></p> <p>Heat insulation of external walls, windows and heating renovation</p> <p><i>Measurement Package3</i></p> <p>Heat insultaion of roof, cellar roof, window exchange and heating renovation</p> <p><i>Measurement Package4</i></p> <p>Free combination of measures which give a minimum saving of 40 kg CO₂/m² living space. The CO₂ saving is to be proven by a professional planer according to the procedures laid down by the authorising agency.</p>

No.	Headline	Proposed content in regulations
3.	Beneficiary	Entitled applicants are those persons/institutions who carry out investment measures on habitation buildings, which are used wholly or partially used by themselves or rented out. Private individuals, or personal communities, private legal persons, municipalities or local or other public accommodation companies and house owner communities belong to this group. Subsidisation of contracting measures is possible.
4.	Requirements for financing	
4.1	Date of application and execution	The application must be made prior to start of the measure. The measure may only be started after authorisation. Planning operations are not considered as being then start of the measure. The measure must be commenced not later than two months after authorisation has been granted. The measure has to be completed and all invoices settled not later than two years after authorisation has been granted.
4.2	Place of execution	Funding eligibility is only for measures carried out in region xxx.
5	Type, conditions and amount of financing	

No.	Headline	Proposed content in regulations						
5.1	Type	Financing is provided as project financing in the form of a reduced interest loan.						
5.2	Conditions	<p>The loan will be granted as an annual credit under the following conditions:</p> <table data-bbox="815 577 1505 730"> <tr> <td data-bbox="815 577 1134 622">Interest rate</td> <td data-bbox="1134 577 1505 622">3,5%</td> </tr> <tr> <td data-bbox="815 629 1134 674">Fixed rates</td> <td data-bbox="1134 629 1505 674">10 years</td> </tr> <tr> <td data-bbox="815 680 1134 725">Duration</td> <td data-bbox="1134 680 1505 725">25 years</td> </tr> </table>	Interest rate	3,5%	Fixed rates	10 years	Duration	25 years
Interest rate	3,5%							
Fixed rates	10 years							
Duration	25 years							
5.3	Amount	The maximum loan value is 75% of the eligible loan expenses.						
5.4	Calculation of eligible costs	Fundable investment expenses are those expenses which arise directly from the energy measure including advisory, planning expenses and necessary side work to the energy measure, which are necessary for proper completion and function of the building. Pre-requisite for funding is the execution of the measure and proof of costing by a professional company.						
5.5	Non eligible costs	Non-fundable items are expenses for general renovation measures such as renewing the electrical installation or for used systems and components.						
5.6	Cumulation with other subsidies	Accumulation with other funding possibilities is permissible as long as the sum of all funding does not exceed the investment sum.						
6.	Other regulations	<p>Retrospective funding is excluded.</p> <p>The funding recipient is obligated to make it possible for the authorising agency or its</p>						

No.	Headline	Proposed content in regulations
		representative to obtain information on the significant circumstances for the granting of the funding and to present documents for proofing on demand and at any time.
7.	Procedure	
7.1	Responsible institution for application	<p>Applications are to be submitted using the corresponding form and including the documents according to 7.2 to the xxxxxx as being the authorising agency</p> <p><i>Variant:</i> The authorising agency is the xxxxx</p> <p>Applications are to be submitted using the corresponding form and including the documents according to 7.2 to the regional partner institutes. The regional partner institutes carry out preliminary checks of the applications and forward them to the authorising agency.</p>
7.2	Necessary documents for application	<p>The following documents are to included with the application:</p> <ul style="list-style-type: none"> - Measure description - Cost calculation of a professional planner or Cost tenders from professional companies - Confirmation by a professional planner on the CO₂ saving by implementing measure package 4.

No.	Headline	Proposed content in regulations
		<ul style="list-style-type: none"> - Declaration of the carrier either to secure the loan in the title deeds of the building or the confirmation of a suitable institution to take over the credit failure risk. - By house owner communities being contract and credit capable legal persons: Agreement of each individual home owner to a proportional debt record in the deeds of the building. - By house owner communities non-legal communities in civil law: Agreement of proportional costing on the home ownership of each individual owner.
7.3	Covenant of financing	<p>The authorising agency compiles a credit agreement on the basis of the application. The agreement is valid after signing by both parties.</p> <p><i>Variant:</i></p> <p>After checking and funding commitment by the authorising agency the regional partner institute makes a credit agreement with the applicant. The regional partner arranges security for the credit. The applicant makes interest and eradication payments to the regional partner institute.</p>
7.3.1	Special regulations for house owner associations	<p>By legally enabled house owner communities: The borrower is the legally enabled house owner community. This</p>

No.	Headline	Proposed content in regulations
		<p>divides the loan proportionally under the house owners and obligates them to proportional payment of the credit rates and secures this obligation from each individual house owner by recording as an individual debt in the deeds of the building. The demands on the home owners and the loan security contained in the deeds are then assigned to the financing credit institute for loan security reasons.</p> <p>Payment of the credit rate and its enforcement in cases where individual home owners do not fulfil their obligations is carried out in trust and in favour of the credit institute by the board.</p> <p>By non-legally enabled home owner communities:</p> <p>With non-legally entitled house owner communities a proportional division of the credit and its security in relationship Credit institute/ home owner is carried out.</p> <p>The administration takes over the administrative processing and security of the credit loan in trust for the credit institute corresponding to the previous regulation for legally entitled home owners.</p>
7.4	Conditions for payments	<p>Payment of the loan is normally made in a lump sum by the authorising agency after the measure has been completed and the evidence of use has been presented.</p>

No.	Headline	Proposed content in regulations
		<p><i>Variant:</i></p> <p>Payment of the credit is normally made after conclusion of the measure and on presentation of the evidence of use by the regional partner institute.</p>
7.5	<p>Confirmation of spent eligible costs</p>	<p>The fundable expenses are to be proven by presentation of invoices from the professional companies to the authorising agency. The invoices must include the address of the investment object and confirmation that the minimum standards according to Point 2.2 have been observed.</p> <p><i>Variant:</i></p> <p>The fundable expenses are to be proven by presentation of invoices from the professional companies to the regional partner institute. The invoices must include the address of the investment object and confirmation that the minimum standards according to Point 2.2 have been observed. The regional partner institute checks the invoices and forwards them to the authorising agency.</p>
7.6	<p>Evaluation of success</p>	<p>The funded recipient has to inform the authorisation agency of the energy savings success over the next three calendar years following the renovation measure. The corresponding evaluation criteria are determined by the authorisation agency together with the financing commitment.</p>