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Pilot Action 1
Summary report

P10 ENVIROS

SUMMARY OF THE PROPOSED FINANCIAL INSTRUMENT

To support SMEs to invest in energy saving projects for the next programming period in the Czech Republic, it is considered that the projects should be divided into two groups according to the size of eligible expenditures. Based on the discussions between the FIRECE project partner ENVIROS and the programme coordinators and operators from the Ministry of Industry and Trade and Czech-Moravian Guarantee and Development Bank (CMZRB), two financial instruments are considered to be explored for the new programming period 2021 – 2027.

1. Smaller projects, defined as those with eligible cost up to 200 thous. € (alternatively 120 thous. €), will be supported only through financial instruments – soft loans or guarantees. Based on project results (= reached savings), the project could receive a 'grant bonus' in a form of remission of final instalments. The loans could be provided either by the CMZRB directly, or by commercial banks; in the latter scheme, the CMZRB would play a role of the 'fund of funds'.
2. Large projects, i.e. over 200 / 120 thous. €, will receive a grant up to the maximum amount eligible according to the EU State Aid rules, that can be combined with a soft loan. Both the grant and the loan will be provided within the relevant Operational Programme managed by the Ministry of Industry and Trade.

VALUE ADDED OF THE FINANCIAL INSTRUMENT

In the current programming period, projects on energy efficiency and renewable energy sources were funded through grants from relevant ERDF operational programme, but partly also through financial instrument (soft loan) from national resources. However, the two programmes competed between each other, which did not lead to successful results.

Benefits of financial instruments can best be achieved when there is not such a competition and/or when both financial mechanisms are combined. Complementing grant with a financial instrument represent better option than using applicant's own resources as emerged from the pilot action analysis, delivering to SMEs better economic results in terms of net present value of the project and cash flow.

Companies do not have to provide its large own investment in the beginning of the project that would lead to initial negative cash flow. In case of efficient projects when energy and so financial savings exceed annual instalments, the cash flow can remain positive throughout the whole project lifecycle.

INVOLVEMENT OF STAKEHOLDERS

The key stakeholders involved in the development of the Innovative Financial Instruments in the Czech Republic are the following:

- Ministry of Industry and Trade
- Czech-Moravian Guarantee and Development Bank
- Ministry of the Environment of the Czech Republic
- State Environmental Fund of the Czech Republic
- commercial banks

Within the communication and dissemination activities of the project, other stakeholders such as regional and local authorities, academic representatives and business support organizations were involved in discussions, interviews, email communication and seminars.

Their involvement and sharing of personal experience contributed to defining the market gaps and developing ex-ante assessment analysis and subsequently, the development of the future financial instrument in the Czech Republic.

EXPECTED RESULTS OF THE FINANCIAL INSTRUMENT

Increased use of financial instruments will ensure and obtain sustainability of the financial resources and gradually reduce dependence on direct grant support. Hence, these resources will be returned to the system and be reused to support a larger number of projects.

Consequently, the results in terms of energy savings, CO2 reduction and other environmental benefits may be higher due to the fact that a larger number of projects will be implemented.

In the previous programming period, financial instruments have not been much used in the Czech Republic. Due to the difficult set up of the implementation structure of the programmes, the implementation of the FIs has been negatively influenced by several factors. There were several possible reasons why financial instruments weren't attractive and are considered risky for SMEs in the Czech Republic. One of them and probably most important, is the long process of documents preparation. SMEs have the opportunity to get a loan with a zero interest, but associated with it is a greater administrative work. Consequently, financial costs may be required for the preparation of the documentation.

With the implementation of the new Financial Instrument it is expected that these barriers will be overcome, especially the administrative work which could be facilitated by the application of sum tools such as software support, financial tools and calculators etc.

TRANSFERABILITY

As part of the FIRECE project activities, many documents, national reports, training materials and tools were developed and shared between project partners and other involved sides. Initially, these materials were planned between the project's partners in a form of questionnaires and interviews so that afterwards they will be elaborated and emphasized with inputs from regional and national authorities.

Within the project's activities, all involved partners presented the financial mechanisms used at regional and national level in their country as well as the success of their implementation. Thanks to the FIRECE approach, the partners had the opportunity to be introduced with various ways of how Financial Instruments can be set up in other Central European countries and later to share these experiences and present these financial mechanisms to the key stakeholders who are responsible for the development of the programmes to support energy saving projects.

The way in which energy saving projects are supported is comparable in FIRECE project' countries based on the available financial resources (European subsidies, loans from national sources, Financial Instruments). Thanks to the fact that these systems are comparable, setting up the financial instrument as it is done in one state can be transferred to another state relatively easily.

Therefore, one financial instrument or method of its setting can be applied in other partner countries and regions.