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# Pilot Action 1 Summary report

**P8 LV**

## SUMMARY OF THE PROPOSED FINANCIAL INSTRUMENT

The proposed FI has three versions where all the three constructions cover Measure 4.2. Renewable energy production in enterprises and Measure 5.1. Improving the energy efficiency of enterprises as well.

### **Instrument I**

It is a combined product, consisting of a loan and subsidy component for small and medium companies. The maximum unit of support ranges between PLN 1.5 million up to PLN 500,000. The loan component creates the 50% - 75% of the project value. The remaining part (25%-50%) of the project is financed by the subsidy component. The proportion of the returnable and non-returnable component is determined by the MA. MA sets the interest rate for the refundable part of the subvention. The loan repayment happens in fixed instalments after a grace period equal to the duration of the investment. The fixed amount of redemption is defined by the amount granted, the duration of financing and the interest rate. The maximum funding period is over 60 months.

### **Instrument II**

It is a combined product, consisting of a loan and subsidy component for micro companies. The maximum unit of support is PLN 250,000. The loan component creates the 33% - 67% of the project value. The remaining part (33%-67%) of the project is financed by the subsidy component. The proportion of the returnable and non-returnable component is determined by the MA. MA sets the interest rate for the refundable part of the subvention. The loan repayment happens in fixed instalments after a grace period equal to the duration of the investment. The fixed amount of redemption is defined by the amount granted, the duration of financing and the interest rate. The maximum funding period is over 60 months.

### **Instrument III**

The third instrument is a combined product as well, consisting of a loan and subsidy plus guarantee component for micro companies. The maximum unit of support is PLN 250,000. The loan component creates the 33% - 67% of the project value. The remaining part (33%-67%) of the project is financed by the subsidy component. The proportion of the returnable and non-returnable component is determined by the MA. MA sets the interest rate for the refundable part of the subvention. The loan repayment happens in fixed instalments after a grace period

equal to the duration of the investment. The fixed amount of redemption is defined by the amount granted, the duration of financing and the interest rate. The maximum funding period is over 60 months. The guarantee covers from 50% to 100% of the value of the debt part of the instrument.

As the three constructions show the longer payback period of energy efficiency projects is considered however the partner reports that the redemption starts immediately after the investment because the supported activities bring benefits from the moment they are put into use,

The total volume of financing can be estimated by the expected number of beneficiaries. Support will be provided to 330 entities.

The construction is compatible with the applicable state aid rules. Part 4.3 of report assesses the required aspects.

The energy audit which is part of the construction is an innovative element of the proposed solution. It also decreases informational uncertainties of energy projects; thus it contributes to the decrease of credit rationing. The harmonization of repayment plan and the life cycle of investment helps companies to overcome market failures not reflecting the specialities of energy efficiency projects.

## VALUE ADDED OF THE FINANCIAL INSTRUMENT

The revolving loan element of all the three proposed constructions have a multiplicative effect, it increases (the value added) the number of projects and the total amount of investment till and after the end of the program. The proposed FI is consistent with other forms of interventions. Consistency is assessed on the resulting plane - whether other interventions have a similar or even the same goal and on an operational level - involving the possible simultaneous access of beneficiaries to various forms of intervention. Not only complementarity but also competition can occur on the market between the designed FI and other tools launched from the national level or capital tools offered by private investors. According to the findings of the report this competition will not significantly affect the performance of the proposed FI. Additional public resources (if double financing is not excluded) have been already studied in the assessment of value added. Where complementarity with other program arises there may be also a possibility of withdrawing additional public resources.

Private sources are only mentioned like crowdfunding which is a successful tool in financing energy projects in Europe. If we consider recent use of additional resources and the capacity of firms to absorb external resources in the report we can read that in the last five years, over 2/3 of enterprises applied for external financing in the Lubelskie Voivodeship.

The FI sets lower barriers to entry for applicants than other existing financial products available on the market. The guarantee part of instrument designed to micro firms reflects that these firms have often difficulties to obtain credit due to the lack of creditworthiness. The loan element will have preferential interest rate to maximize the debt service of beneficiaries.

## INVOLVEMENT OF STAKEHOLDERS

The partner insured a high level of involvement for stakeholders in the preliminary stage of the project. The FI was then adjusted according to the results of a survey conducted on a representative sample of small and medium enterprises from the Lubelskie Voivodeship. Conclusions of interviews with representatives of following organizations are considered as well: Managing authorities: (MA RPO WL, BEP, LESA, and Department of the Environment and Natural Resources of the UM WL), financial intermediaries (in the perspective of RPO WL 2014-2020 and potential ones), scientific experts: Lublin University of Technology, UMCS, and ULS. The MA ROP WL 2014-2020 Lubelskie Voivodeship, representatives of the Department of Environment and Natural Resources of the UM WL, representatives of the Department of Strategy and Development of the UM WL, representatives of the Lublin Enterprise Support Agency, representatives of the Regional Fund for Environmental Protection and Water Management in Lublin also had the opportunity to influence the design of the FI.

## EXPECTED RESULTS OF THE FINANCIAL INSTRUMENT

The output indicators to measure the expected results of FI covering Renewable energy production in enterprises (Measure 4.2) are defined in the "Detailed Description of Priority Axes of the Regional Operational Program of the Lubelskie Voivodeship 2014-2020". The partner found that the following indicators can be applied to FIRECE projects:

- Productive investments: number of enterprises receiving support.
- Renewable energy: additional capacity to generate energy from renewable sources.
- Reduction of greenhouse gas emissions: estimated annual decrease in greenhouse gas emissions.
- Number of renewable energy generation units built.

Similarly the output indicators of Improving the energy efficiency of enterprises (Measure 5.1) are presented in the same "Detailed Description of Priority Axes of the Regional Operational Program of the Lubelskie Voivodeship 2014-2020". For this measure the following indicators can be applied to FIRECE projects:

- Number of enterprises receiving support.
- Additional capacity to generate energy from renewable sources.
- Estimated annual decrease in greenhouse gas emissions.
- Amount of electricity saved.

According to the forecasts cited by the report the majority of indicators will shortly exceed the target values for 2023.

After defining the output indicators, the report also defines how the FI will contribute to the strategic objectives of the partner. More precisely strategic goals can be considered at three levels: at the European Union level, at the national level and at the regional level. Relevant strategic documents are 'Europe 2020: The European Union Strategy for Growth and Employment', "National Development Strategy 2020" and "Long-Term National Development Strategy. Poland 2030. Third Wave of Modernity", finally for regional level "Development Strategy for the Lubelskie Voivodeship for 2014-2020 (with a perspective up to 2030)".

## TRANSFERABILITY

The first question when considering transferability is the assessment of the applied methodology. The report is one of the best documented in the FIRECE project. Desktop research processed strategic documentation regarding FIs, Program, competition and design documentation plus reporting documentation on the implementation of financial instruments. Findings of CSO studies on energy efficiency of SMEs and renewable energy are also incorporated in the report. The applied qualitative methodology enriches the results of secondary research. Interviews with the representatives of Managing authorities, of Department of the Environment and Natural Resources, of financial intermediaries and scientific experts from Lublin University of Technology. Also an expert panel took place with similar participants.

The quantitative research provides the mathematical and statistical background of generalization. In case of Lubelskie Voivodeship the partner conducted a research with a representative sample of small and medium enterprises from the region.