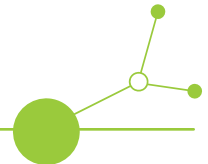


D.3.1.1 Baseline on financing models and instruments, potentials, and policy frameworks in partner countries



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A. Introduction

The central Europe region faces a very uneven energy transition due unbalanced economic development, distribution of technology and finance flows. Buildings, both public and private, account for 43% of the final energy consumption in EU and have been singled out in the European Green Deal as key drivers of energy transition. Energy efficiency investments must more than double to achieve the EU's new climate and energy targets, and this is increasingly urgent to deliver anticipated progress by 2030. The financing of the transition towards climate neutral buildings remains a key challenge for which the EU is expecting that member states involve private investors to a much bigger extent than before. Therefore, the purpose of this document is to assess the overall state of policies and financial markets in five central European countries for the building sector. A stronger emphasis in this baseline assessment has been placed on the innovative financing models which involve private investors and citizens. The results of this study will be presented to key stakeholders during roundtable sessions as part of the development of the market gap analysis for introduction of innovative financing models.



B. Country overview

1. Austria

1.1. General overview of the financial sector

Austria has a solid financial sector with high liquidity. For investments in the building sector in general, and in building renovation in particular a lot of different financial instruments are available, largely depending on the building segment.

In the (multifamily) residential sector, financing of renovation projects suffers from limiting regulations in housing laws, from the investor-user-dilemma and from lacking affordability at the side of homeowners. Generally, financing of renovations is easier in cooperative buildings, whereas in buildings that fall under the rental law the investors have difficulties to apportion cost to the tenants. The condominium sector usually suffers from insufficient repair reserves which makes financing of deep renovation difficult.

In the private sector, professional real estate companies usually do not have difficulties to raise financial means for their investments.

Public building owners, generally have good access to financial sources, but they are tied by debt limits (Maastricht criteria). This is particularly true for municipalities.

For most of the deep renovation projects that are implemented, public subsidies play a crucial role, meaning that they are an important driver behind renovation decisions (see below).

The politically desired refurbishment rates are currently not achieved in Austria (depending on the definition of the term): according to the government program, refurbishment rate should increase to 3%, currently it averages about 1.7% across all building segments.

1.2. Public support schemes

For the building sector, no relevant ESI grant support schemes exist. Austria has a wide range of different public support schemes in the buildings sector.

For the residential sector, the housing subsidy programmes (Wohnbauförderung), which are managed by the regions, have incorporated different EE/RES-related criteria step-by-step, which makes it attractive for investors to go beyond the requirements of the building codes. Also, in most regions these programmes include various schemes which support renovation measures. Federal programmes (e.g. Sanierungsscheck, Sanierungsbonus) complement the regional programmes with specific focus on renovation and energy efficiency measures.

For the municipal sector and the private non-residential sector different subsidy schemes of the so-called Umweltförderung (federal environmental subsidy scheme) address the renovation and EE in buildings.

Depending on the depth of measures, in most cases investors can expect funding levels of 20-40%.



In all regions there exists an energy consultancy scheme, under which the basic advice is practically for free. Furthermore, in a few cities “one-stop shops” have been established, e.g. in Vienna a One-Stop-Shop called ["Hauskunft"](#) has been set up to support the preparatory phase of refurbishment projects in private residential buildings - with the aim to boost renovations in Vienna.¹ As part of the service the “Hauskunft” co-finances the elaboration of renovation concepts for multifamily houses (50% up to maximum of 5k€)

1.3. Fiscal policies

The fiscal system is largely centralised. Due to the already very well-developed system of public subsidies, there are hardly any further fiscal incentives for the implementation of EE or renovation measures. The following possibility for tax deduction refer only to individual persons.

Tax Deductions for Building Renovation and Heating System Replacement: Starting from the assessment year 2022, expenditures for the thermal-energetic renovation of buildings and the replacement of a fossil heating system with an eco-friendly heating system (“boiler replacement”) can be considered as special expenses for tax purposes. This is done through an “Eco-Special Expense Flat Rate” (Öko-Sonderausgabenpauschale) under § 18 Abs. 1 Z 10 EStG 1988 (Income Tax Act of 1988). To qualify, the funding application must be submitted after March 31, 2022, and the granted funding must be disbursed after June 30, 2022. The tax benefit is applicable only for expenses related to the renovation of privately used buildings or parts of buildings, such as single-family houses, row houses, and apartments. Business or rental properties are not eligible.

Eligibility for Eco-Special Expense Flat Rate: Only natural persons who have received the funding are eligible to claim the Eco-Special Expense Flat Rate. In the case of condominium communities, each owner is entitled to a share of the benefit. For partnerships, the flat rate can only be considered for a partner who is a natural person, and the expense should not be a business expense. The Eco-Special Expense Flat Rate can be claimed for specific funding areas within the Climate Protection Initiative (KPC), including:

- Boiler replacement for private individuals.
- Thermal building renovation for private individuals.
- Transition from oil and gas for businesses - heat from renewable resources.
- Thermal building renovation for businesses.

1.4. Green and climate bonds

From the 28th of April 2022 Austria introduced a Green Bond Framework. This Green Bond Framework is aligned with the 2021 version of the Green Bond Principles (GBP), as published by the International Capital Market Association (ICMA). Austria will then allocate an amount equal to the net proceeds from issuing Green Securities to (re)finance government expenditures that meet the environmental eligibility criteria. The eligibility criteria align with the economic activities and

¹ <https://www.wien.gv.at/wohnen/wohnbautechnik/foerdern/projekt-renobooster/>



environmental objectives expounded in the EU Taxonomy 17 and have been marked to align with the UN Sustainable Development Goals (SDGs).²

To ensure the allocation of these funds Austria has established the Green Bond Board, an interministerial Core Working Group (consisting of the Austrian Treasury, the Ministry of Finance and the Ministry for Climate Action) to ensure the appropriate evaluation and selection of Eligible Green Expenditures under this framework.

First Green Bond in Austria was issued in May 2022 with a volume of EUR 4 bn and a tenor of 27 years, yielding 1.876% p.a.

On October 18, 2022 the Republic of Austria set another important milestone in its Green financing programme by issuing its inaugural Austrian Treasury Bill (ATB) in green format.

On April 18, 2023, Austria successfully issued its second Green Bond with a volume of EUR 3 bn and a tenor of 6 years, yielding 2.952% p.a.

Austria has developed an ESG Bond Market with 101 bonds being listed as ESG bonds on the Vienna Stock Exchange, however this represents fewer than 1% of all the bonds traded on the Exchange, making Green Bonds a negligible share of the market as a whole.³

That being said, there are some bonds of note. In 2014 Verbund successfully issued the so-called Verbund AG Green Bond, which had a volume of 500 Million Euros and the annual coupon of the bond amounted to 1.5%. The bond was intended exclusively for the financing and refinancing of energy efficiency measures in Austrian hydropower plants and for wind powered renewable energy projects in Austria and Germany. The bond was a success and was over 3-times oversubscribed.⁴

In 2021 Verbund launched a second Green Bond with a volume of 500 million Euros and an annual coupon of 0.9%. This bond is set over 20 years running until 2041 and has improved its security rating reaching A3 status.⁵

As noted above the Austrian Green Bond Framework is aligned with the 2021 version of the Green Bond Principles (GBP), as published by the International Capital Market Association (ICMA). Moreover, Austria has aligned with EU standards as the eligibility for the Green Bond Framework align with the EU Taxonomy 17.⁶

² For more detail see:

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwiU0OGQqfCAAxVGg_0HHcG9CUoQFnoECA4QAQ&url=https%3A%2F%2Fwww.oebfa.at%2Fdam%2Fjcr%3A5fd2c59f-fb71-4546-887d-35b97a6cc911%2FOeBFA_Green_Bond_Framework.pdf&usg=AOvVaw1DkTjMM-fNV18rDTiZWWSt&opi=89978449

³

https://www.wienerborse.at/en/bonds/?_csrf=OTF3cDNyT1hafaGy4ABkrHUoAKEEKDDszZnU%2FBEY%2FHxRYSyl3BjcAbw%3D%3D&c7928%5BISIN%5D=&c7928%5BID_COUNTRY_REGISTRATION_COMPANY%5D=&c7928%5BWBAG__ISSUER_SOURCE_ID%5D=&c7928%5BWBAG__ID_BOND_TYPE%5D=1013&c7928%5BLAST_TRADED%5D=&c7928%5BYIELD_MIN%5D=&c7928%5BYIELD_MAX%5D=&c7928%5BWBAG_PLACE_OF_TRADE%5D=&c7928%5BWBAG_MARKET_SOURCE_ID%5D=&c7928%5BWBAG__ID_TRADING_ALGORITHM%5D=&c7928%5BDATE_MATURITY_R2_MIN%5D=&c7928%5BDATE_MATURITY_R2_MAX%5D=&c7928%5BTIME_TO_MATURITY%5D=

⁴ <https://www.verbund.com/en-at/about-verbund/news-press/press-releases/2014/11/14/verbund-begibt-ersten-oesterreichischen-green-bond>

⁵ <https://www.verbund.com/en-at/about-verbund/investor-relations/financing/bonds>

⁶ For more detail see:

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwiU0OGQqfCAAxVGg_0HHcG9CUoQFnoECA4QAQ&url=https%3A%2F%2Fwww.oebfa.at%2Fdam%2Fjcr%3A5fd2c59f-fb71-4546-887d-35b97a6cc911%2FOeBFA_Green_Bond_Framework.pdf&usg=AOvVaw1DkTjMM-fNV18rDTiZWWSt&opi=89978449



There is not currently standardised documentation in Austria for issuing and monitoring green bonds in the private sector. Instead, it appears that for large commercial banks like UniCredit Group, they have developed their own internal Sustainability Bond Framework based on the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines as administered by the International Capital Markets Association ("ICMA"), and aligned with EU Green Bond Standard and the Technical Screening Criteria of the EU Taxonomy Delegated Act.⁷

However, for bonds to be classified as ESG bonds on the Vienna Stock Exchange they must align with the respective ICMA Principles. To confirm that the bonds are aligned with the core elements of the respective Principles, an external review (second-party opinion/verification/certification/rating) must be sent to the Vienna Stock Exchange upon application.⁸

Since March 2018 the Vienna Stock Exchange (Wiener Börse) has listed sustainable bonds, known as Green and Social Bonds, that meet the standards of the Green Bond Principles.

As of December 2019, the market value of the outstanding volume of domestic green bonds listed on this platform totaled EUR 3.0 billion. As of 2023 there were 101 bonds that the Vienna stock exchange classified as ESG bonds.⁹

Thus far issuers in the Vienna ESG segment have raised a total of approximately EUR 20 billion in financing for the sustainable transformation.¹⁰

There are not direct support mechanisms for preparing projects to access Green Bond financing. However, for the creation of new green bonds there is information easily accessible online about the guiding principles to which they must adhere.

1.5. Green loans

In 2022 Austria issued green financing instruments with a volume of up to EUR 5.1 billion. Most of this was Austria's green bond, which has already been discussed. However, one of the financing instruments used was the issuance of green loans in October 2022.

Austria has issued 2 green loans with a total combined value of EUR 100 million. These loans will come to maturity in 2030 and 2040 respectively. Since these first two loans were only issued last year we are not able to deduce trends for green loans in Austria in the last 3-5 years.

These loans may be used to finance eligible green expenditures, of which Austria has 8 categories. These are:

- clean transportation
- renewable energy

⁷ <https://www.bankaustria.at/en/about-us-green-covered-bonds.jsp>

⁸ <https://www.wienerborse.at/en/listing/debt-securities/vienna-esg-segment/>

⁹ https://www.wienerborse.at/en/bonds/?_csrf=HSDHXUiFfutdWF6ezHQ2MQS_02r7ME2IV-Egkwsri-t6f4htC-lNvDITbdz1M2QcRfqqObV6D7gl0GakenLt2w%3D%3D&c7928%5BISIN%5D=&c7928%5BBID_COUNTRY_REGISTRATION_COMPANY%5D=&c7928%5BWABAG__ISSUER_SOURCE_ID%5D=&c7928%5BWABAG__ID_BOND_TYPE%5D=1013&c7928%5BLAST_TRADED%5D=&c7928%5BYIELD_MIN%5D=&c7928%5BYIELD_MAX%5D=&c7928%5BWABAG__PLACE_OF_TRADE%5D=&c7928%5BWABAG__MARKET_SOURCE_ID%5D=&c7928%5BWABAG__ID_TRADING_ALGORITHM%5D=&c7928%5BDATE_MATURITY_R2_MIN%5D=&c7928%5BDATE_MATURITY_R2_MAX%5D=&c7928%5BTIME_TO_MATURITY%5D=

¹⁰ <https://www.wienerborse.at/en/news/vienna-stock-exchange-news/100th-bond-listing-vienna-esg-segment/>



- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- sustainable water and wastewater management
- and climate change adaptation.

Of this financing over half has gone to supporting green transportation and by far the least has gone to energy efficiency.¹¹

Sustainability has become increasingly important to the Austrian Private sector in recent years with over a third of the funds being invested in Austrian deemed as sustainable.

Within this sustainable financing movement green loans are now available from commercial banks in Austria. The specialised banks that consider sustainability within their deposit and lending operations contributed 2.1 billion euros to the total of sustainable investments in Austria. This is part of a wider context whereby the total volume of responsible investments in Austria in 2022 was EUR 102.7 billion, of which sustainable investments totalled EUR 67.3 billion.¹²

Within the public sector the outcomes of the green financing mechanisms have been compiled into an annual report. As part of this report various different metrics were used to evaluate the performance of these financial mechanisms. These included among others, a calculation of the total greenhouse gas reduction / avoidance of the Green Framework and the MWh energy savings from the renewable and energy efficiency measures.¹³ The 2022 impact report does not include a full set of impact and performance metrics across all categories, however the goal is that this should be present in the 2023 impact report.

There are currently no eco-labels for Green Loans in Austria, these only exist for green bonds and bank accounts. However, the introduction of these measures is planned which would presumably be applied from 2024.¹⁴

There are not specific support mechanisms in Austria for the development of projects that could be financed using green loans.

1.6. Energy service companies (ESCO) and Public-private partnership

Austria has a Federal Energy Efficiency Law which applies in some parts to energy services and to ESCOs. This law is regulated by the National Energy Efficiency Monitoring Agency (Nationale Energieeffizienz-Monitoringstelle) who evaluates energy efficiency measures and monitor their functions according to the specifications of the EU Directive 2012/27/EU and the Federal Energy Efficiency Law.

There is also a Register for Energy Service Providers. Meaning that from January 1st, 2015, the Federal Energy Efficiency Law obliges large energy-consuming companies to carry out energy audits or to introduce energy or environmental management systems. For this, a registration at

¹¹ <https://www.oebfa.at/en/presse/presseuebersicht/2023/green-investor-report-2022.html>

¹² <https://www.forum-ng.org/de/markt/fng-marktbericht>

¹³ <https://www.oebfa.at/en/presse/presseuebersicht/2023/green-investor-report-2022.html>

¹⁴ <https://www.umweltzeichen.at/en/products/sustainable-finance/green-loans>



the Register for Energy Service Providers (Register für Energiedienstleisterinnen und Energiedienstleister) and the fulfilment of reporting obligations are required.

The Austrian market, after presenting a growing pattern until 2005 (measured by the number of EPC project signed), entered in a phase of slight decrease and since 2011 is in stagnation.¹⁵ Nevertheless, Austria belongs to those countries in the EU which has a solid and well-developed energy services market, with a considerable number of service providers being active on the market. DECA, the Austrian association for ESCOs and energy consultancy, gathers approx. 50 members, half of which provide ESCO services including investments (energy performance contracting, energy supply contracting, and similar services)

Generally, there are no dedicated financial instruments for ESCOs and PPPs available. In exceptional cases some regions or cities may provide some financial support. However, ESCOs are allowed to directly access the public subsidies, which would be available for investors in the case of self-implementation.

Specific support mechanisms for preparation of ESCOs or PPPs projects are missing. In exceptional cases, the ELENA facility is used by a few Austrian institutions.

1.7. Citizen-led initiatives

1.7.1. Crowdfunding

In September 2015 The Alternative Financing Act (AltFG) was passed. This opened Austria to lending and equity based crowdfunding, this also particularly opened crowdfunding for SMEs in Austria.¹⁶

In August 2018 this law was amended to simplify the interaction between the AltFG and the Capital Markets Act (“KMG”) to increase legal certainty and practicality for users. In particular the term “alternative financing instruments” and the corresponding list of instruments that can be used, is no longer in force. Instead for crowd funding the distinction from the KMG is made by falling below value limits, these value limits were increased and the information requirements were relaxed. As it currently stands the limit for the mandatory preparation of a comprehensive capital market prospectus as part of crowdfunding is to five million euros with the following conditions:

- Below the limit of 250,000 euros, there is no requirement to have a prospectus for both securities and investments.
- From 250,000 euros and up to a public issue volume of 2 million euros, a simple information sheet must be created.
- From 2 million and up to five million euros, a simplified prospectus must be prepared in accordance with the KMG.
- When issuing investments, if the outstanding amount exceeds five million euros within seven years, the full prospectus requirement applies.

¹⁵ G:\19061_REFINE\4_Arbeitspakete\WP2_Market_analysis_for_refinancing_cycles\WP2_Deliverables\D2.2_Factsheets_on_Refinancing\D2.2_Factsheets_on_Refinancing_REFINE_Final.pdf

¹⁶https://www.wko.at/service/unternehmensfuehrung-finanzierung-foerderungen/Crowdfunding_fuer_oesterreichische_Unternehmen.html



- The scope of application of the AltFG ends at the absolute limit of five million euros per year.¹⁷

Since the Alternative Financing Act came into force on September 1, 2015, there has been a significant increase in crowdfunding projects in Austria.

There are around 25 Austrian crowd funding platforms and another 5 international platforms that are active in Austria.

Of these 25 platforms 7 specialise in real estate and 2 in energy and climate/sustainability respectively.¹⁸

In Austria the Financial Market Authority (FMA) has Austria has sought to comply with the EU crowdfunding directive (ECSPR).¹⁹ Since the introduction of ECSPR the aforementioned restrictions and regulations still apply, but crowdfunding has been restricted to licensed crowdfunding service providers.²⁰

There does not appear to be any information available on this for Austria that we could find.

There do not appear to be any organisations directly targeting providing consultation services, capacity building, and or technical assistance. However, much information and guidance is available from the Austrian Financial Markets Authority.²¹

1.7.2. Energy cooperatives

Generally, cooperatives play an important role in Austria, not least in the building sector. A few cooperatives with an energy focus supply their customers with heat based on renewable sources (energy supply contracting model).

We expect energy cooperatives to become more important in the future, also in the context of decarbonisation and renovation of buildings. In this context, we assume that in addition to energy supply cooperatives, energy customer cooperatives may gain importance in the future.²²

There exist well-developed support mechanisms for the establishment of cooperatives, e.g., through the ÖGV, the Austrian Cooperatives Association, but no specific initiatives related to energy cooperatives.

¹⁷https://www.wko.at/service/unternehmensfuehrung-finanzierung-foerderungen/Crowdfunding_fuer_oesterreichische_Unternehmen.html

¹⁸https://www.wko.at/service/unternehmensfuehrung-finanzierung-foerderungen/Crowdfunding_fuer_oesterreichische_Unternehmen.html

¹⁹ <https://www.fma.gv.at/en/financial-service-providers/crowdfunding-service-providers/european-crowdfunding-service-providers-under-the-ecspr/>

²⁰ <https://www.fma.gv.at/en/financial-service-providers/crowdfunding-service-providers/austrian-crowdfunding-platforms-under-altfg/>

²¹ <https://www.fma.gv.at/en/financial-service-providers/crowdfunding-service-providers/european-crowdfunding-service-providers-under-the-ecspr/>

²² E7 is currently involved in a number of demonstration projects in this field.



1.7.3. Energy communities

Following the requirements of the EU Clean Energy Package, the concept of energy communities has been officially defined in Austrian Renewable Energy Act in summer 2021.²³ There are two types of energy communities: REC (renewable energy communities) and citizen energy communities (CEC). Their main characteristics are based on the EU directives and shown in the table below.

Figure 1 Difference between REC and CEC in Austria²⁴

	REC	CEC
Geographic proximity	Local (common low voltage grid), or regional (common medium voltage grid)	Unlimited
Grid tariff	Reduced tariff* (57% for local RECs)	Full tariff
Technology	Renewable electricity only	All energy carriers
Participants	No large companies or energy suppliers	No restrictions, but medium and large companies and energy suppliers are not allowed to have decision authority in the community

In practice this means that people in Austria can now collectively engage in a n energy community by founding a dedicated association or cooperative. All participants have to sign an agreement with their local DSO (=grid operator) and those with an energy generation assets share their surplus generation with the other participants. The “sharing“ is done by the local DSO by assigning the energy quantities to each participants’ electricity bills. Considering that such an explicit regulatory framework for energy communities is already implemented in Austria (also the DSO procedures are already available), Austria can be seen as a frontrunner in the implementation of the requirements from the Clean Energy Package with regards to energy communities (Erneuerbaren Ausbau Gesetz, Elektrizitätswirtschafts- und -organisationsgesetz (Bürgerenergiegemeinschaften)).

Energy communities are on the rise in Austria. By the end of 2021, only 5 RECs have been registered. By mid 2022, there were already 51 active RECs and by the end of September 2022, there were 92 RECs.²⁵ CECs are still only very few active, which is because of the lack of incentives compared to RECs, where a reduced grid tariff applies.

²³ Austrian Government. Regierungsvorlage (Erneuerbaren-Ausbau-Gesetz). 2021.

²⁴ Österreichische Koordinationsstelle für Energiegemeinschaften. [cited 2023 Feb 17]. Available from: <https://energiegemeinschaften.gv.at/>

²⁵ e-Control, Tätigkeitsbericht 2023 <https://www.e-control.at/documents/1785851/0/E-Control-Taetigkeitsbericht-2023.pdf/405950fe-5af4-1303-c08f-73a0661dafa3?t=1681379506499>



In Austria, there is also a specific support facility²⁶ that provides knowledge for implementing energy communities with branches of this facility located in each of the 9 federal states. These facilities offer various supporting material, such as sample contracts for founding energy communities or detailed explanatory material on the contracts needed with the local DSO. They are also hosting national and regional conferences and information events.

²⁶ Österreichische Koordinationsstelle für Energiegemeinschaften. [cited 2023 Feb 17]. Available from: <https://energiegemeinschaften.gv.at/>



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