

Energy efficiency financing models - case: Slovenia

Deliverable D.T 2.3.2

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1. INTRODUCTION

As any activity, energy renovation has its related costs, which vary according to the depth of the refurbishment, i.e. number and complexity of implemented energy efficiency (EE) measures. Therefore, any decision on energy renovation of a building must carefully evaluate these costs and ensure financing, in order to reap the benefits after the implementation.

The most usually utilised financing models for EE were presented and discussed in the **Deliverable D.T2.2.1 - Collection of existing financing mechanisms**. They include: own funding, loan financing, ESCO model (Energy Performance Contracting – EPC), public-private partnership (PPP), grant schemes or some combination of the beforementioned models. All financing models may be compared based on several important criteria as demonstrated in the Table below. There is no universally best solution, but for each particular situation (country, region, building) an optimal solution should be tailor-made.

TableBłąd! W dokumencie nie ma tekstu o podanym stylu. **1 - Comparative analysis of considered alternative models**

Criteria/ Model	Own financing	Loan financing	Grants	ESCO model	PPP model
Neutral impact on government debt	😊	😞	😊	😐	😊
Administrative procedure complexity	😊	😐	😐	😐	😞
Guarantee of savings / service standard	😞	😞	😐	😊	😊
Capacities and capabilities of the public bodies to implement the model	😊	😐	😐	😞	😞
Estimated multiplier effect	😞	😞	😐	😊	😊
Projects for which the model is appropriate	Simple EE measures with short pay-back periods	Simpler EE measures with shorter pay-back periods	More complex projects, with longer pay-back periods	Highly complex projects, with moderate pay-back periods (up to 10 years)	Highly complex projects, usually with new buildings, long-term

Usually, energy efficiency projects in public buildings combine two financing models. Rarely, more than two financing models are used. Research of usual practices in the Project Partner countries showed that dominantly grants (if available) are combined with own financing.

Recently, with the availability of EU structural and investment funds for energy efficiency across the MS, the blending of such funds with other financing models becomes increasingly interesting. The blending refers to combination of EU grants with other financing mechanism such as loans or ESCO/PPP model.



The deliverables D.T2.2.1 presented available financing models in each participating country and, based on the Project partners' feedback, provided a comparative analysis of availability, current usage and planned usage of different financing models.

This document builds upon the previous data gathered on and analyses of available and desirable financing models and provides the list of all available incentives and financing mechanisms for energy efficiency actions in Slovenia.

2. AVAILABLE INCENTIVES AND FINANCING MECHANISMS IN SLOVENIA

2.1. Overview of financing mechanisms for EE

Slovenia has well developed financing mechanisms for EE projects in schools. Schools are owned by municipalities and plan in their own budgets the funds for energy renovation.

Debt financing is available from the national Eco-fund with the interest rate equal to three-month EURIBOR + 1.0%. However, debt financing is not used for EE projects in schools and is only envisaged in the long-term plans.

There are two grant schemes available for public buildings both financed from EU Cohesion Fund, with the grant rate of 40%.

Grants may be combined with PPP model, which is equivalent to ESCo model. Slovenska Bistrica has just finished with energy renovation of 16 public buildings including kindergartens, schools, sports hall, library using combination of PPP (ESCO) model and grants. Due to this reason, there are no plans for similar projects in the future.

Table 2 - Overview of financing mechanisms for EE projects in schools

Criteria/ Model	Own financing	Loan financing	Grants	ESCO model	PPP model
Availability	√	√	√	√	√
Previous and current usage	√	-	-	√	√
Planned usage	√	-	-	-	-

In table below the sources for more information on financing mechanisms for EE are provided.

Table 3 - Overview of sources for more information about financing mechanisms for EE

Information	Source
General information about EE	Local Energy agency (LEA) Spodnje Podravje https://www.lea-ptuj.si/en/ Energy efficiency portal http://www.energetska-ucinkovitost.si/
Information about loan financing	ECO Fund www.ekosklad.si Slovenian Export and Development Bank - SID Bank www.sid.si
Information about ESCO financing	Energy agency Podravje http://www.energetskiprihranki.si/energetsko-pogodbenistvo.html



Information about PPP financing	<p>Public-Private Partnership Act (PPP) http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4323 Ministry of Finance http://www.mf.gov.si/si/delovna_podrocja/javno_zasebno_partnerstvo/ Institute for Public-Private Partnership: http://www.pppforum.si/en/</p>
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2.2. List of incentives for EE

Analysis of energy efficiency improvements' costs and benefits in the selected schools demonstrated that EE projects need high grants in order to demonstrate financial feasibility. It is, therefore, very important to ensure incentives in form of grants as well as to inform potential users on their existence and terms and conditions for their utilisation.

An overview of available incentives for EE projects in schools in Slovenia is given in Table below.

Table 4 - Overview of incentives and financing mechanisms for EE projects in schools in Slovenia

Criteria/ Model	Grant programme 1	Grant programme 2	Grant programme 3
Name of institution	Ministry of Infrastructure	Ministry of Infrastructure	ECO Fund
Name and description of grant	Energy renovation of buildings of the wider public sector (ŠJS_2019)	Energy renovation of buildings of the narrow public sector OJS_2019	Non-refundable financial incentives for new investments in the use of RES and improved energy efficiency of buildings owned by the public sector (52SUB-JS17)
Max. percentage of grant (%)	40%	40%	25%
Max. value of grant (€)	No max value There is a minimum value of the operation of 500.000 EUR (750.000 EUR in the case of PPP)	Max value is not specified. There is a minimum value of the operation of 500.000 EUR (750.000 EUR in the case of PPP)	Not specified (total funds for this public call: 4.000.000 EUR)
Availability	Until the use of funds or no later than 25/11/2019	Until the use of funds or no later than 25/11/2019	Until the publication of the conclusion of the public call in the Official Gazette of the Republic of Slovenia
Legislative reference	Cohesion Fund	Cohesion Fund	Article 317 of the Energy Act of Slovenia and the Regulation on the provision of energy savings
Possible combination with other incentives/financing mechanisms	NO	NO	NO
More info	www.energetika-portal.si	www.energetika-portal.si	www.ekosklad.si



3. ASSESSMENT OF THE NEED FOR INCENTIVES FOR EE PROJECTS

The feasibility of EE projects depends on both technical potentials of applied measures in terms of energy savings and on the conditions of financing mechanisms available for their support. The financing gap occurs when the investment in EE cannot be paid off from savings on energy costs. The incentives in forms of grants are needed for closing the financing gap. The assessment of the need for co-financing in EE projects in participating schools in Slovenia is performed with assumptions shown in the Table below.

Table 5 - Overview of incentives for EE projects in schools

Criteria/ Model	Value
Interest rate	4,0%
Discount rate	4,0%
Life cycle of EE renovation (years)	25
Administrative, legal and architect cost	7% - investment and project documentation 3% - supervision of renovation works 1% - costs of communication and information
Other bank cost	-
ESCO cost	-
PPP cost	50%
Max % of grant available	85%