



Republic of Croatia
Environmental Protection and Energy Efficiency Fund



Environmental Protection and Energy Efficiency Fund in financing EE and RES programs and projects

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as a key issue for economic development
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Environmental Protection and Energy Efficiency Fund – establishment and organisation



- ❑ Established in 2003 according to the Act on Environmental Protection and Energy Efficiency Fund
- ❑ First and only **extra-budgetary fund** aimed at financing environmental protection, EE and RES projects, programs and other activities in Croatia
- ❑ Legal person vested with public authority (*administrative acts related to payment of charges, register of parties subject to payment, conditions that must be met by recipients of the Fund's resources, conditions for allocation of funds*)
- ❑ On behalf of the Republic of Croatia, founder's rights are exercised and obligations discharged by the Government – responsible ministries for environmental protection and economy (energy)
- ❑ Fund is liable for its obligations with all its assets
- ❑ The Republic of Croatia has joint and several unlimited liability, with no limitation, for the Fund's obligations



Activities of the Fund



Main activity of the Fund is:

- Financing** of preparation, development and implementation of programs, projects and similar undertakings in the fields of:
 - environmental protection
 - waste management
 - energy efficiency and use of renewable energy sources

Additionally in the field of energy efficiency:

- EE policy implementation and co-ordination of activities in accordance with Act on Energy End-Use Efficiency
 - Fund acts as a **National EE Agency** together with Ministry of Economy, Labour and Entrepreneurship (MoELE)

New role of the Fund in preparation and implementation of energy projects:

- Intermediate body** for energy projects financed by EU structural funds



Financial Resources of the Fund



- Financial resources secured from:
 - ✓ **Charges levied in accordance with the Act on Fund and Waste Act**
 - ✓ Bilateral and multilateral cooperation
 - ✓ Revenues from management of available monetary assets of the Fund
 - ✓ Budgets of units of regional and local self-government, in accordance with joint implementation programs
 - ✓ Grants
- Projected revenue for 2011 amounted to 148.65 million EUR
 - ✓ **17.66 million EUR for EE&RES projects and programs**
- Resources for financing the activities of the Fund mainly secured from specific-purpose revenues from:**
 - charges on polluters of the environment (charges for emissions of CO₂, SO₂ and NO₂)
 - charges for burdening the environment with waste (non-hazardous and hazardous waste, industrial waste, special categories of waste such as packaging, old tyres, electric and electronic equipment, oil, old vehicles, batteries, accumulators)
 - special environmental charge on motor vehicles.



Allocation of Fund's resources



- On the basis of **the public invitations of applications** announced by the Fund financial resources can be allocated to:
 - **local and regional self-governments**
 - **legal and natural persons**that invest their own financial resources in projects for which tenders are issued
- Fund shall not invite applications when, as a contractual party, it directly co-finances and participates in the realisation of projects
- Fund's resources can not exceed more than **40%** of the eligible investment costs
- There are some exceptions for:
 - projects and programs of regional and local self-governments (territories under special government protection- up to 80%, islands and mountain areas – up to 60%)
 - national programs and projects (approved by the Government)



Allocation of Fund's resources (cont.)



Resources can be allocated as:

- ⇒ **Loan** - zero interest rate, repayment period 7 years (grace period 2 years, payback period 5 years), up to 190.000 EUR
- ⇒ **Subsidy of interest rate** - up to 2% of the stipulated rate and up to 108.000 EUR
- ⇒ **Financial aid** - only for units of regional and local self-government up to 190.000 EUR
- ⇒ **Grant** – for educational, research and development activities, up to 22.000 EUR





Fund's investments in the EE and RES projects **(2004 – March 2011)**



	No. of projects	million EUR
Improvement of energy efficiency	301	19.57
Utilisation of renewable energy sources	82	11.18
Sustainable building	80	5.54
Cleaner transport	556	11.31
Energy audits and demonstration activities	42	0.50
Educational, research and development studies	74	0.86
Other programs and projects	10	8.18
TOTAL EE and RES PROJECTS	1.145	57.14



Co-operation with international organisations **and institutions in the field of EE and RES**



- ❑ **GEF/IBRD Grant for Renewable Energy Resources in Croatia**
- Loan program for the preparation of RER project documentation (2005 – 2010)
 - loans up to 250.000 USD (up to 50% of the eligible costs)
 - budget of 2 million USD (Fund provides guarantee of payback)
 - performed by the Fund and Croatian Bank for Reconstruction and Development
- ❑ **GEF/IBRD Grant – Program of providing bank guaranties for contracted energy efficiency projects (2008 -2010)**
 - additionally Fund provides financial resources for subsidy of interest rate of approved loans
 - performed by the Fund and Croatian Bank for Reconstruction and Development
- ❑ **GEF/UNDP Energy Efficiency Program and projects (2005 – 2012/2013)**
 - Main partners: Ministry of Economy, Fund, UNDP





GEF/UNDP Energy Efficiency Program and Projects



1. Project “Removing Barriers to Improving Energy Efficiency of Residential and Service Sectors“ (2005 - 2009)

- Objectives** - to raise the awareness of citizens regarding efficient consumption of energy and to stimulate implementation of economically payable, energy efficient technologies, materials and services
- Project's target groups (on which falls out more then 40% of total consumption of energy in Croatia) - **residential sector and service sector**
- Activities** – national info campaign about EE, seminars, free brief energy audits of buildings and recommendations for citizens, etc.
- According to surveys carried out by the Project the number of citizens who believe they can reduce their energy consumption by implementing EE measures has **increased from 27,9% in 2007 to 45,1% in 2009**
- For the purpose of **information campaign** Fund ensured the sum of **1.23 million EUR** (out of 1.53 million EUR)



2. Project “Systematic energy management in cities and counties” (2007 – 2012)

3. Program for efficient use of energy in government buildings “House in order” (2008 - 2012/13)

- Objectives and goals** - reduce consumption of energy in the buildings owned by the state, cities and counties; plan energy policies and sustainable management of resources on the local and regional level
- Results** - 80 out of 127 cities, 19 out of 20 counties and 13 out of 16 ministries are actively included in both projects, with 8.000 out of estimated 10.000 public buildings being entered into the systematic energy management system
- Brief energy audits of more than 1.000 public buildings conducted
- Know-how of the projects transferred to Montenegro
- For the purpose of Program and Project implementation performed by the UNDP Fund ensured the sum of **11.38 million EUR (90% of total budget for 7 years)**





Conclusion



- ❑ **Key aspects in creating a good investment climate for RES and EE in Croatia:**
 - ✓ Positive perception of RES and EE
 - ✓ Strong interest and initiative from municipalities and regions
 - ✓ Increasing number of entrepreneurs (private companies)

- ❑ **Measures undertaken in order to improve the investment climate:**
 - ✓ Legal framework
 - ✓ Fund as a key financing institution supporting public and private sector



Conclusion (2)



- ❑ **Main challenges in raising project finance for RES and EE projects:**
 - Legislative and institutional barriers
 - Public perception (RES and EE as income provider not spender)
 - Long administrative procedure
 - Lack of financing instruments
 - General lack of financial resources (public and private sector)

- ❑ **Experiences with national or international mechanisms for project financing in Croatia:**
 - Strong role and good results of national Fund
 - Promising start of using EU funds and schemes
 - Questionable feasibility of other international donations



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