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Panel Discussion 1: Case studies on energy efficiency financing

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Answers on the following questions:

1. Main players in EE policy field: Who are they? What do they do? Do their activities promote EE?
2. Does your country still need new legislation and policies or the main issue is enforcement?
3. International donor aid vs. national policy reforms: their respective roles.
4. What are the main changes since last year? Your proposals for next steps?

1. Main players in EE policy field: Who are they? What do they do? Do their activities promote EE?

Main players in EE policy field in Croatia are:

- The main ministries in charge of EE policy:
 - The Ministry of Economy (MoE) is responsible for energy issues and has a dedicated division for renewable energy and energy efficiency issues. MoE monitors energy management, initiates, supports, and monitors energy efficiency programmes and covers the development of the legislative framework encompassing energy efficiency
 - The Ministry of Construction and Physical Planning (MoCPP) is the responsible entity in the field of energy performance of buildings, except for the part relating to inspection of boilers and air conditioning systems in buildings, for which the competence lies with MoE
- Other involved institutions:
 - The Croatian Energy Regulatory Agency (HERA) prepares methodology and tariff systems; licenses for carrying out energy activities (energy permit); rulings on granting the status of eligible producers
 - The Croatian Energy Market Operator (HROTE) performs activities of organizing the energy market as a public service under the supervision of HERA
 - The Environmental Protection and Energy Efficiency Fund plays a key role in financing the preparation, development and implementation of projects in the field of energy efficiency, renewable energy and environmental protection
 - ESCOs (about 10 energy service companies), whose core business consists of preparation, financing, and implementation of energy efficiency projects on a commercial basis

- The Energy Institute Hrvoje Požar (EIHP) prepares energy sector development studies, forecasting and planning; advice to the Government on energy market restructuring and legislation; tariff studies; studies in the district-heating sector; electric transmission and distribution system analysis and planning, and various activities in the framework of energy efficiency and renewable energy sources
- There are several agencies supported by some of the 20 Croatian counties and the City of Zagreb (North-West Croatia Regional Energy Agency (REGEA), Medimurska County Energy Agency (MENEAA), Regional Energy Agency Kvarner (REA Kvarner), Regional Energy Agency North (REA North), Regional Energy Agency of Istarska County, Development Agency of Varazdinska County (AZRA) etc. These agencies are mainly engaged in preparation of EE projects for the public sector
- Centre for Monitoring Business Activities in the Energy Sector and Investments (CEI) has role of analyzing the investments of energy companies and defines the concrete measures for optimization of their operations, gives professional support in realization to all strategic projects and investments, as well as to help in realization of energy efficiency projects

Activities of the main EE policy players promote implementation of EE projects.

2. Does your country still need new legislation and policies or the main issue is enforcement?

Since 2007, Croatia has undergone a long way in development of EE legislation. Progress made has resulted in creation of regulatory framework completely harmonized with EU legislation.

Existing legislation and policy in Croatia are helpful for promotion of EE investments, but there are problems in implementation. It is easier to illustrate the main problems in implementation of EE investments in the building sector:

- Lack of well prepared projects (the database of public buildings has more than 9000 public buildings but still needs improvements; insufficient number of energy audits for public buildings)
- Problems with property rights and ownership issues with public buildings
- Insufficient number of energy service providers (current situation is better than the situation in last year)
 - Problem: energy service providers must ensure energy saving guarantees (energy service providers don't like to take over the risks for behaviour of consumers)
- Financing of the project is on the owner/user of buildings through project financing (establishment of SPV)
 - Problem: project financing is not enough developed in Croatia
- Verification of energy savings is not solved

Consequently, the main issue is enforcement.

3. International donor aid vs. national policy reforms: their respective roles

National policy reform is crucial in implementation of EE projects, which includes legislative framework, strategic goals, education and promotion of EE, public awareness campaigns, supporting schemes, development of national EE industry and EE market etc. International donors could support development of EE market in Croatia, but without national policy reform the achievement of international donor aid will be limited.

The main international donors are:

- Global Environment Facility (GEF)
- United Nations Development Programme (UNDP)
- European Bank for Reconstruction and Development (EBRD)
- World Bank (WB)
- 5 EU structural and cohesion funds (e.g. European Regional Development Fund or Cohesion Fund)
- European Commission (e.g. Intelligent Energy Europe Programme, Instrument for Pre-Accession Assistance)
- EuropeAid, USAID
- Green funds: e.g. European Energy Efficiency Fund or Green for Growth Fund

4. What are the main changes since last year? Your proposals for next steps?

Croatia has been in the European Union from 1st July 2013. It is significant change in comparison with the last year. The legislative framework is the same as in other EU countries. Because of that, the general conditions for EE investments are now better.

A rapid legislative development, in the process of legislative harmonization, creates problems for project developers to follow and comply with regulatory changes. We expect that Croatian regulatory framework will be more stable and predictable in future, what is necessary precondition for significant implementation of EE investments.

Proposal for next steps:

- Simplification of administrative procedures
 - The period for obtaining required permits/approvals is too long. Procedures for project development should be simplified. It is also necessary to improve cooperation between different involved institution on national and local level. Consequently, establishment of clear and simple project development procedures and one stop shop for obtaining all necessary permits/approvals will encourage potential domestic and foreign project developers to invest in EE projects.
- Appropriate technical support of financial institutions
 - Financial institutions have started to offer soft “green” credit lines, but they need technical support in better understanding EE projects.

- Education
 - Lack of experience and expertise in preparation of EE projects on project developer's side also exist in some cases. Therefore, education through thematic EE seminars for project developers, investors, even engineers, architects and decision makers on a national/local level should be extended.
- Development of project financing
 - One of the characteristics of Croatian EE market is also lack of equity and/or mezzanine financing, needed for project financing. As an answer to this problem, the Government together with private investors established 5 private equity economic co-operation funds (Alternative Private Equity Ltd. www.alternative-pe.hr; Honestas Private Equity Ltd. www.honestas-pe.hr; Nexus Private Equity Partneri Ltd., www.nexus-pe.hr; Prosperus-invest Ltd., www.prosperus-invest.hr; Quaestus Private Equity Ltd., www.quaestus.hr), which should invest in different kind of projects in Croatia (including EE projects).
- Public awareness campaigns
 - Public awareness campaigns should be organised to increase private and public demand for EE technologies and stimulate the market for these technologies. In order to increase awareness and level of education, information centres for technical assistance and financial advice started to develop on county level.