

## Energy efficiency financing models - case: Austria

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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.

**Table 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 Austria.

## 2. AVAILABLE FINANCING MECHANISMS AND INCENTIVES IN AUSTRIA

### 2.1. Overview of financing mechanisms for EE

In Austria, EE projects in schools may typically be financed through own funding, but it needs to be approved via a special resolution of the municipal council. In the previous period (within the last decades), energy efficiency projects were not implemented in schools as the expansion of educational rooms was the priority. Loans are never used for single projects, but rather at the whole municipal budget level.

There are grants available from EU and national funds, however they are not currently used due to other priorities.

ESCO and PPP models are well known and utilised in Austria, however, due to other priorities, there are no specific plans to use these models in the City of Graz at the moment.

**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	Klima:aktiv programme of the Federal Ministry for Sustainability and Tourism <a href="https://www.klimaaktiv.at/">https://www.klimaaktiv.at/</a> Austrian Energy Agency <a href="https://www.energyagency.at/">https://www.energyagency.at/</a> Monitoringstelle Energieeffizienz – Austrian Energy Agency <a href="https://www.monitoringstelle.at/">https://www.monitoringstelle.at/</a> Graz Energy Agency <a href="https://www.grazer-ea.at/">https://www.grazer-ea.at/</a>
Information about loan financing	ProjektTransparenz <a href="http://www.transparenz.eu/tmce/Germany/TrainingEPC_4_EPC_financing_interadv_DE_updated_a.pdf">http://www.transparenz.eu/tmce/Germany/TrainingEPC_4_EPC_financing_interadv_DE_updated_a.pdf</a> klima:aktiv Contracting Portal <a href="http://www.contracting-portal.at/show.php?nid=3&amp;mid=45">http://www.contracting-portal.at/show.php?nid=3&amp;mid=45</a>
Information about ESCO financing	Graz Energy Agency <a href="https://www.grazer-ea.at/cms/arbeitsfelder/energiespar-garantie-projekte/content.html">https://www.grazer-ea.at/cms/arbeitsfelder/energiespar-garantie-projekte/content.html</a> DECA – energy services



	<a href="https://www.deca.at/contracting-begleiter-informationen">https://www.deca.at/contracting-begleiter-informationen</a> Projekt Transparense <a href="http://www.transparense.eu/at/startseite/willkommen-auf-der-transparense-projektseite">http://www.transparense.eu/at/startseite/willkommen-auf-der-transparense-projektseite</a>
<b>Information about PPP financing</b>	Austrian Association of Cities and Towns <a href="https://www.staedtebund.gv.at/ausschuesse/kontrollamtsangelegenheiten/aktuelles/aktuelles-details/artikel/projektfinanzierung-im-oeffentlichen-sektor-mittels-public-private-partnership/">https://www.staedtebund.gv.at/ausschuesse/kontrollamtsangelegenheiten/aktuelles/aktuelles-details/artikel/projektfinanzierung-im-oeffentlichen-sektor-mittels-public-private-partnership/</a>

## 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 Austria is given in Table below.

**Table 4 - Overview of incentives for EE projects in schools**

Criteria/ Model	Grant programme 1	Grant programme 2
<b>Name of institution</b>	Federal Ministry of Sustainability and Tourism; subsidies managed by Kommunalkredit Public Consulting	Climate and Energy Fund
<b>Name and description of grant</b>	Environmental Funding Program - grants for climate and environmental protection projects: Energy efficiency E-mobility Renewable energy Lighting Thermal refurbishment District heating Heat pumps New efficient buildings Climate and Energy Model Regions	Mustersanierung - comprehensive renovation projects of commercial and public buildings
<b>Max. percentage of grant (%)</b>	35%	50%
<b>Max. value of grant (€)</b>	€ 0,88 per kWh saved energy	EUR 800.000,-- (2.500.000 in some rural regions)
<b>Availability</b>	constant	periodical



<b>Legislative reference</b>	Energy Efficiency Act	Energy Efficiency Act
<b>Possible combination with other incentives/financing mechanisms</b>	YES	NO
<b>More info</b>	<a href="https://www.umweltfoerderung.at/">https://www.umweltfoerderung.at/</a>	<a href="https://www.klimafonds.gv.at/">https://www.klimafonds.gv.at/</a>

### 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 Austria is performed with assumptions shown in the Table below.

**Table 5 - Overview of incentives for EE projects in schools**

<b>Criteria/ Model</b>	<b>Value</b>
<b>Interest rate</b>	3,5%
<b>Discount rate</b>	2,5%
<b>Life cycle of EE renovation (years)</b>	25
<b>Administrative, legal and architect cost</b>	12,0%
<b>Other bank cost</b>	1,0%
<b>ESCO cost</b>	10,0%
<b>PPP cost</b>	13,0%
<b>Max % of grant available</b>	30,0%