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Pilot Action 1
Summary report

P3 RER

SUMMARY OF THE PROPOSED FINANCIAL INSTRUMENT

The proposed Financial Instrument aims to reduce the energy impact of SMEs through the analysis and evolution of the instrument activated in the previous regional programming, the "Energy 2.0 Fund". Replicating an example of success by intervening on errors and innovating where possible gives a sign of continuity that businesses need to plan their interventions in the best possible way.

More specifically, the Financial Instrument intends to exploit the combination of a Loan Instrument and a Guarantee Instrument. In addition to them and in order to improve the quality of the proposed projects, a technical assistance unit will be financed by the fund to helps beneficiaries design their project.

The loan fund has the objective to encourage enterprises to invest in industrial research programmes, in the growth of SMEs operating in the S3 sectors, in energy efficiency processes in enterprises and in self-production of energy from renewable sources in order to increase competitiveness. The guarantee fund, instead, aims at supporting the access to credit, through guarantee interventions, of companies in order to support their diversification, growth and internationalization paths.

These instruments can be managed by financial intermediaries or by entities with experience in business credit. Among them, innovative platforms such as lending crowdfunding ones, should be involved.

The loan element will consist of an initial public funding of EUR 26.6 million increased by the tranche for outright grant assistance to final recipients and the tranche for interest rate subsidy. Its final beneficiaries will be enterprises, SMEs, area companies, production area managers and ESCos. For the guarantee fund there is a total budget of EUR 35 million available; it targets SMEs, ESCo including, individually or in association, professionals and their associations. Finally the Technical assistance unit dispose of a capital of EUR 10 million which equals the approximately 4%-10% of the final investment supported.

VALUE ADDED OF THE FINANCIAL INSTRUMENT

The added value of the Financial Instrument covers some innovative aspects compared to the previous instruments.

Firstly, the Financial Instrument can attract public and private resources in different forms and combine them to achieve the goals. The revolving characteristic is a plus and contributes to the long term sustainability of programs.

The grant elements can preserve interest of beneficiaries in the success of the project. This is the case especially when a project does not generate cash flow high enough to cover debt service and to leave an appropriate portion of the cash flow at to entrepreneur to incite him to provide high efforts in the favour of the project's success at the same time.

The technical assistance allows enterprises to present high quality projects, more effective in terms of energy efficiency and enables the participation to those small companies which could not afford the energy analysis otherwise.

Successful cases can promote the topic of potential energy savings resulting from investments in energy efficiency among companies who have access to appropriate FIs to finance such investment projects.

The strategy to offer guarantees for investments with too long payback time and to offer FIs for cash flow generating projects avoids the overlap between grants and other financial instruments.

In addition to these elements, the involvement of crowdfunding platforms lead to the reaching of a wider number of enterprises and private subjects, generating consciousness and willingness to reach better results; likewise, the involvement of ESCos, especially through the Energy Performance Contract models, help to reach out for more participants and a higher quality of the projects, for the reason that for the EPC an energy efficiency result is mandatory.

INVOLVEMENT OF STAKEHOLDERS

As a consolidated tool, RER has a scientific committee composed by Association of Enterprises, Universities, Research centres and energy senior experts that on regular basis meet to monitor, assess and improve Regional Energy Plan. Grasping the opportunity to work also on FIRECE outcomes, for the new programming period the idea is to discuss within this committee in charge to cooperate in the drafting of the new Regional Energy Plan, to consider also FIRECE outcomes and inputs to better shape the future Regional strategies and financial Instruments. On the other hand, as arranged also in the current programming period, public events are arranged to further share and discuss also with the wide public about vision and ideas for the future Regional Energy strategies.

EXPECTED RESULTS OF THE FINANCIAL INSTRUMENT

In the view of the new programming period, RER would like to increase the leverage effect, mobilising more private funds. Similarly, based on the many inputs arisen from the events arranged in the last FIRECE implementation period, RER will try to coordinate and monitor the Industry needs to support “aggregation”. In other words, EE measures whereas respond to shared needs, if submitted in a “joint” proposal might drive to bigger projects, bigger investments and to relevant regional impact. Nevertheless, Energy is not only a cross cutting issue but more and more is becoming a competitiveness factor consequently the improved perception of the relevance of Energy by Industry will be crucial in the close future as a priority topic to invest on.

TRANSFERABILITY

Good practices can inspire other member states to adopt elements of prospering programs if market circumstances and the business environment are close to those of the original partner. When considering transferability, expected results are the most interesting information to look at. However, to well estimate a result, is fundamental to draw a well developed and structured action plan. An appropriate and well implemented research is the corner stone of the generalizability of results. The report is based on the objective of maintaining a structure consistent with previous programming and learning from lessons learned, giving them a wide space in the report itself.

Once another member state finds itself dealing with similar issues or having a similar objective, it can avoid the issues faced by Emilia-Romagna Region and take the innovative and positive elements that arise from the study and can be useful tools of Financial Instruments in other European countries.

The training element and the technical assistance in the construction are valuable propositions even at the international level. Same thing for the adoption of Energy Performance Contracts and crowdfunding platforms, proposed also by the German partner, as auxiliary tools.