

Partner Questionnaire

1. How can EPC affect local level (SEAPs and other energy plans) and National level energy efficiency targets?

The EPC market in Croatia is still in the early stage and there are only few registered ESCO companies so implementation of EESI2020 project directly contributes to development of ESCO market and promotion of EPC contracting.

Croatia has adopted EU EED and in that part the refurbishment of 3% of public buildings per year. Also it is important to point out that the Croatian Government has initiated in 2013 a programme of reconstruction of public buildings which envisages investments from ESCOs, however this programme does not envisage measurement of achieved savings. Instead, savings are calculated based on the Main project design (prepared by the selected ESCO).

Since there is a great problem of financing these kind of investments (different financing structures), EPC has crucial role in developing energy projects.

2. Discuss the most prevalent barriers you have experienced whilst implementing EPC in your region/city, organising your answers under the following headings:

- **Financial Barriers**

The main financial barrier is the fact that available grants do not envisage public private partnerships which are crucial for development of EPC projects. Even though REGEA started several pilot projects with co-financing through Croatian Environment Protection and Energy Efficiency Fund, there were quite several barriers on the way. The main issue is the possibility to combine private and public funding, which at the moment is not fully recognised by institutions providing public grants and subsidies.

An additional barrier is the insufficient interest and incentives from banks since they are not offering any credit lines for EPC investments.

- **Administrative Barriers**

As already mentioned above, the lack of possibilities for combining private and public funds is one of the largest barriers for implementation of EPC projects. In combination with the fact that the civil servants do not have sufficient knowledge about EPC projects this present the major issue in promoting of EPC projects to public authorities.

- **Policy/regulation Barriers**

Legal barriers to EPC in Croatia include issues similar to other EU countries (status of public debt related to EPC investment, unclear treatment of VAT, public procurement issues). Even though on declaration level (national strategies) ministries recognize the importance of EPC projects but on regulation level there are still a number of discrepancies.

Various options regarding the legal implementation of these projects have been considered, for example through Public-private partnerships in order to clarify and simplify the process of public debt approval by the Ministry of finance. Additionally, the issue of VAT treatment is still being addressed since it turned out that there is a collision between two laws (Law on VAT and Law on Energy Efficiency).

- **Knowledge Barriers**

Knowledge barriers are directly connected with the undeveloped ESCO market and only few ESCO companies in Croatia which clearly shows the necessity of raising awareness about EPC possibilities and business opportunities.

Public servants are unexperienced and need additional education workshops and seminars. It is important to emphasize that within EESI2020 project REGEA organized 3 workshops and 3 seminars where the interest of public authorities and companies for EPC development was recognized.

- **Other Barriers**

Even though it influences all the countries in the EU, the new EUROSTAT guidance note on EPC has made a large impact on, still undeveloped, EPC market in Croatia. The fact that EPC is essentially considered as public debt will make very difficult to promote and develop EPC projects in Croatia.

3. In relation to the barriers outlined, please suggest your preferred solution or policy recommendation.

Answer:

It is important to overcome all the mentioned barriers, which represent large steps, but crucial in developing of EPC projects in Croatia. Main recommendations include: the possibility of developing EPC projects through public private partnerships, credit lines for EPC projects in commercial banks, organization of dedicated workshops for public authorities and companies, synchronization of legal framework and finding solution for EUROSTAT guidance note.

The continued promotion of EPC is the key to make EPC viable alternative to the traditional approach to energy conservation projects.

4. Discuss the most prevalent success factors you have experienced whilst implementing EPC in your region/city, organising your answers under the following headings:

- **Financial success factors**

The main financial success factor was the gained co-financing for part of our mentioned EPC projects from Croatian Environment Protection and Energy Efficiency Fund and in that way overcame barrier of implementation of EPC projects through public private partnerships.

- **Administrative success factors**

REGEA has initiated discussions with ministries responsible for the implementation of the national programme and EPC projects. During the meetings they recognized all the potential solutions for overcoming EPC barriers in Croatia, as well as the improvement of future public tender policies related to EPC projects.

- **Policy/regulation success factors**

There are no significant improvements in this field at this moment.

- **Knowledge success factors**

The most important success was achieved in the field of knowledge rising. Through EESI2020 project several dedicated workshops and seminars were organised, as well as meetings with public authorities. Cities and counties showed great interest in developing EPC projects.

The experience and knowledge gained through the implementation of EPC projects in target region has already been used by REGEA in order to provide support (in the form of standardized products and project solutions as well as institutionalized know-how transfer) for other Croatian counties (EPC projects have been initiated in Krapina-zagorje County as well as within City of Zagreb and heat contracting projects in Zagreb County).

- **Other success factors**

By promoting EESI2020 project other energy agencies in Croatia and wider showed interest in promoting such type of energy projects. REGEA organized one seminar and one workshop for representatives both Croatian and Slovenian energy agencies. The gatherings included topics such as finding a solution to the problem of observing EPC projects as public debt, the role of facilitators in the promotion and bridging the barriers of EPC projects and future development of EPC projects in Croatia and Slovenia.

5. In relation to the success factors outlined, please elaborate on why these factors were of particular importance.

Answer:

The factors mentioned above were important in order to bring the importance of EPC projects development on a higher level. Public authorities (as a crucial policy implementators) and ministries (as a policy bringers) have to work together to bring these kind of projects on their feet. The key factors for EPC projects development are support and raising awareness on national and regional level which will give the various stakeholders involved the confidence to back the projects based on EPC contracting.

