



Work Group III:

Recommendations for improvements to the National Resilience and Recovery Plan (NRRP). Sustainable renovation of the building stock (residential and non-residential). Opportunities and challenges facing the industrial sector

Policy Recommendation (1)

Programing NRRP to minimize financial burden of multifamily building (MFB) renovation for home-owners

Summary

The NRRP is not clear whether the feasibility studies (energy survey, technical design, etc.) will be subsidized, and at what stage or in what amount, if such funding is provided. The latter creates a prerequisite for delays in the utilization of the funds earmarked in the NRRP for renovation of MFB. As a possible solution, the ESCO financing mechanism can be used. It covers by default the costs of required feasibility studies and thus facilitates condominiums in finding permanent or temporary financing for this type of activity.

The ESCO financing mechanism has been reflected as an eligible option in the NRRP for the case of renovation of MFB, along with other financial instruments. What makes the ESCO model superior to other financing methods are the additional benefits for the beneficiaries, such as:

- Conducting a pre-feasibility study without any financial expense for the beneficiary at this stage;
- Implementing energy-saving measures (ESM) without any payments from the beneficiary at this stage;
- Guaranteeing the anticipated energy savings after the implementation of the ESMs for the duration of the EnPC. The amount of savings is at least commensurate with the monthly payments by the beneficiary to the ESCO company. This is the only financial commitment for the beneficiary under the EnPC. It ends when the investment of the ESCO company is fully repaid;
- Constant monitoring and verification of energy savings achieved.



Taking into account the abovementioned advantages, the ESCO mechanism can support the intensification of projects implementation in the residential sector under the NRRP. The NRRP foresees the investments to be disbursed in two phases – with 100% subsidy and with 80% subsidy.

Support for the first phase of renovation of MFB - 100% grant for the implementation of ESM

The ESCO company conducts all required feasibility studies at its own expense after its selection as a contractor, according to a regulated procedure for selection of a contractor. With the prepared documentation, the condominium and the ESCO company apply for financing to the public authorities that manage the program under the NRRP. Upon approval, an ESCO contract is signed and implementation proceeds. After the implementation of ESMs, the ESCO company guarantees the achievement of anticipated energy savings, which ensures a sustainable spending of public resources and a real economic effect for apartment owners.

Support for the second phase of renovation of MFB - 80% grant for the implementation of the ESM

The process is similar as in the first phase, but with the addition that the ESCO company also co-finances 20%, which is necessary for the implementation of the ESMs. In this way, the problem for the beneficiaries in relation to financing the energy survey, technical design and 20% contribution is solved. The commitment for home-owners to make payments comes after the realization of the ESM, during the period of guaranteed energy savings. At this stage, home-owners will have enough financial resource due to less expenses for energy supply.

Recommendations for introduction of the ESCO mechanism to potential beneficiaries

The opportunity for condominiums to benefit from the advantages of the ESCO mechanism should be offered by the one-stop-shops (OSSs), which are planned to be established in connection with the implementation of the NRRP in the MFB segment. Given the need to follow the Public Procurement Act and potentially organized by the OSSs, the selection of an ESCO company can be made on the basis of the best offer, which includes (i) the amount of guaranteed energy savings, (ii) the percentage of savings that remains for the benefit of the households (upon payment of 20 % to the ESCO company), (iii) amount of required investment, (iv) types of ESMs and (v) contract duration. The company with the best technical and financial parameters will be given the right to sign an agreement for project development (PDA). Based on the PDA, the ESCO company will start investing funds and efforts to create required project documentation and a project application for financing under the NRRP. Alternatively, similar to the practice in other EU countries, the subsidy can be granted to the ESCO company / condominium after verification of the achieved savings and establishment of their compliance with those stipulated in the EnPC.



Figure 1: ESCO model & NRRP

