

Framework program for energy  
efficiency investment  
Best practice from Dalarna, Sweden



EUROPEAN  
REGIONAL  
DEVELOPMENT  
FUND

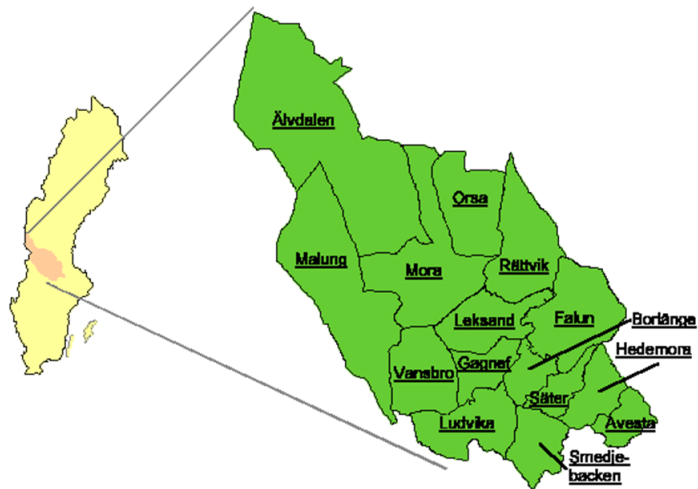


# Regional framework program for aid to SME investments in energy efficiency

The County Administrative Board of Dalarna has, in previous ERDF-European Regional Development Fund program periods, operated framework programs for investments in SMEs (small and medium enterprises). In the years 2016-2020, the board operate a regional framework program targeting energy investments combined with increased competitiveness in SMEs. The program, “ENCOM – Energy investments for competitive companies” is the first of its kind and it has inspired other Swedish counties to launch similar programs.

Half of the program budget is financed by the ERDF thematic area for a low carbon economy and half is financed from governmental funds for sustainable growth in SMEs in northern regions with disadvantages from a competitive perspective.

Allocation of the funds is governed by EU Commission regulation No 651/2014 about state aid.



## Categories of aid

The different kinds of aid are :

- Regional investment aid
- Investment aid to SMEs (de minimis)
- Investment aid for energy efficiency measures.

The two first categories, where aid is given to measures that aim for increased competitiveness and increased energy efficiency, are the most common. The aid for energy efficiency measures is of a new kind in EU regulation No 651/2014 and has not been used as much yet.

ENCOM grant aid to energy efficiency measures if the investment also enables new or increased production, since the regional priorities for the program is also to promote new jobs.

**Facts about SMEs receiving aid during the first two years**

72 % operate within manufacturing, mainly in metal and wood industries.

97 % has an annual turnover less than €5 million.

21 % are start-ups

## Type of investments

The aid granted is divided into two investment categories:

- Investments in increased and more energy efficient own production.
- Investments in new products and services leading to energy efficiency on the market.

The type of investments that can be funded is more described in the paper *“How state aid can be used to support energy efficiency in SME”*





## Results - Half-time evaluation

The half-time evaluation of ENCOM shows good results in both achieved energy savings and new jobs created. 33 companies have been granted aids during the first two year.

### Financial results

The granted aid spans from €100 000 to €850 000, with an average of €130 000. Share of aid has varied from 20 % to 40 % with an average of 27 % of the eligible costs. Funding for the development of new products and services have generally received more, motivated by more job opportunities.

The program has had a budget of €4 million. Included with not eligible costs the total investments in the program adds up to a total of €19 million. The companies themselves have contributed with the rest; €15 million. Broken up by categories:

- Total investments in new products and services: €6 million.
- Total investment in more efficient own production: €13 million.





## Employment results

Investments in the program has created 158 new jobs, whereof 102 in SMEs investing in more efficient own production and 56\* in SMEs investing in new products and services. The cost of one new job varies in a large span from €8 000 to €13 000, with an average of €27 600 per new job in public money. In every new job an additional €100 000 of private capital has been invested.

## Energy and climate results

Achieved energy savings and increased energy efficiency has been calculated for each company applying for investment aid. If the production is increased using the same amount of energy the result is an increased energy efficiency, but not energy savings. Annual energy savings and increased energy efficiency in MWh as a result of funded investments:

- For investment in more efficient own production: 4 360 MWh
- For investments in new products and services: 363 000 MWh\*

To be able to compare how cost effective the program compared to other energy projects, the cost per energy efficiency/savings has been calculated. Public money spent for energy savings and efficiency:

- For investment in more efficient own production: €0,68 per kWh
- For investments in new products and services: € 0,004 per kWh

An average cost of €0.683 for investments in existing productions is a bit higher than results for previous capacity building projects, but the first priorities in the framework program has been the companies' ability to grow.

The average cost of 0.004 per kWh of efficiency for funding new energy efficient products and services supports the significance of prioritizing innovation and business development during the environmental and energy work.

\* *The calculations assume that the business plan is being followed.*

## Increased energy requirements

The request for concrete energy calculations has forced the applicants to reflect and collect information, making them more energy aware. The program budget includes an energy expert who can help the applicants and the county to verify the energy calculations. During the expert visits they have at the same time been able to give more advices on energy measures, something that has been much appreciated.

National legislative demands on the companies regarding energy knowledge and management has increased. At the same time the energy requirements in ENCOM has been increased to be able to receive aid.

The applicants now need to present an energy audit with an action plan to get aid. In order not to delay planned investments, it is enough that the audit can be presented before money will be transferred.

On many occasions the companies have chosen to order a supplementary energy audit at their own expense to be done by the energy expert hired by ENCOM. Financing this, in connection with a larger investment, has not been seen as burden but as a logical well-timed effort at a reasonable cost, delivered to a motivated part. Particularly as it often contributes to find the best investment solution and simplifies the possibilities to get aid granted.

Experience shows us that timing is a key factor when it comes to inspire companies to make energy auditing and work systematically with energy issues. The companies are most motivated when they plan new investments. In this way the program setup has been more successful than introduction of energy auditing to companies on other occasions.



## Bundling as a tool for Public Private Partnership

Within the program a new model for bundling of energy measures has been developed. During the energy auditing process, a list of measures has been compiled, from the simple and least costly to the costlier and less profitable. When this is done it is possible to make a partnership agreement with companies who apply for investment grant for energy efficiency measures.

The applicants undertake to carry out the simpler measures at their own expense while the costlier measures can be granted aid. In this manner the goal to carry out all measures can be achieved, instead of “cherry-picking”.

The model also regulates that a company cannot get aid for a measure if there also is another measure with higher energy saving potential and this measure is not carried out. In some cases, further measures can be added if they are entitled for aid and if this will guarantee implementation. In other cases, demands for further measures can be an included prerequisite for grant.

We find this method successful and recommend it to be tested on a larger scale within the EU.





## Conclusions

Our conclusion is that framework programs for company aid, aiming for a combination for increased competitiveness/more employees and energy efficiency, are successful. Strong synergies will be reached when these are combined and almost all granted aid leads to both effects. The low cost for energy effectiveness related to funding of new products is especially notable.

To use ERDF for framework programs like ENCOM is an effective way to allocate the funds. Exchanging of experience with similar programs in other countries is requested.

## More information

More information together with policy recommendations can be found in the report “Effective use of European Regional Development Fund for increased energy efficiency in SME” to be found on [www.effect4buildings.se](http://www.effect4buildings.se).

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