



# FINANCE FOR ENERGY EFFICIENCY IN THE CZECH REPUBLIC

21 OCTOBER 2020

## VIRTUAL ROUNDTABLE

**Organised by the European Commission in partnership with the Ministry of Industry and Trade of the Czech Republic**

### **Background:**

As part of the "Smart Finance for Smart Buildings" initiative, the European Commission is organising a series of "Sustainable Energy Investment Forums" to enhance the capacity of and co-operation between public and private stakeholders to develop large-scale investment programmes and financing schemes. The SEI Forums has arranged more than 30 events in 14 Member States in 2016-2020; information on past and upcoming events can be found on the SEI Forums [webpage](#).

An initial [public conference](#) on Financing Energy Efficiency in Central Europe took place in Prague on 27 April 2017 and gathered 103 participants. This was followed up by a [round table](#) in Prague on 5 November 2017 on financing energy efficiency with an emphasis on the use and development of financial instruments. The event was attended by 53 experts from both the Czech Republic and abroad who are engaged in financing energy efficiency in the sector of national governments, the financial sector, project developers, the renovation supply chain and local and regional partners.

The objective of the previous National Roundtable was to initiate a dialogue on energy efficiency finance with key stakeholders in the Czech Republic, in order to identify common objectives and potential improvements to be made in the policy framework within the country. Due to public health concerns related to COVID-19 outbreak in Europe, it has been decided to move this follow up event to a virtual format (online). The event will still aim to support identifying actions that can be put in place in Czech Republic to facilitate access to finance for energy efficiency projects.

As to the latest EU strategy development the event will also interact with the "European Green Deal Investment Plan" in relation to its three dimensions: Financing (mobilize EU funding), Enabling (providing incentives to unlock and redirect public and private investment), and practical support (provide support to public authorities and project promoters in planning, designing and executing sustainable projects).



*This event is organised by the Executive Agency for Small and Medium-sized Enterprises (EASME) in the frame of the [Sustainable Energy Investment Forums](#) contract, funded under the EU Horizon 2020 programme.*

# AGENDA

**10:00**    **Welcome**

**Moderator:** Petr Holub, Chance for Buildings

**10:05**    **Key-Note Speech**

**Karel Havlíček**, Minister of Industry and Trade

**10:15**    **Plenary Session: European and National Context**

**Introduction and Update from the European Commission**

Radoš Horáček, Policy Officer, DG Energy, European Commission

**Support for project development assistance**

Ralf Goldmann, Head of Division, European Investment Bank

**Inspirational case from Germany – holistic approach from KfW scheme to  
“*Deutschland macht’s effizient*” communication campaign**

Dominik Bach, Policy Advisor, KfW

**Development of financial instruments for energy efficiency in Czech Republic**

Jiří Jirásek, General Director, Czech-Moravian Guarantee and Development Bank

**Questions & Answers**

**11:15**    **Thematic Session 1: The role of Project Development Assistance to  
increase quality of projects**

**RenoBooster – One-stop-shop service for residential property refurbishment in  
Vienna**

Waltraud Schmid, Head of Energy Center, Urban Innovation Vienna

**Requirements for project development assistance in the Czech Republic**

Vladimír Sochor, Director of Department of Energy Efficiency and Savings, Ministry  
of Industry and Trade

**Discussion**

**12:15**    **Break**

**13:00 Thematic Session 2: Use of communication campaigns to overcome non-financial barriers**

**Best Practise international example - More details on the *Deutschland macht's effizient*" communication campaign**

Dominik Bach, Policy Advisor, KfW

**Czech proposal for the communication campaign**

Petr Pařízek, Account Director, PR.Konektor

**Discussion**

**13:45 Thematic Session 3: Design of successful and effective financial instruments**

**Designing innovative and effective financial instruments with the European Regional Development Fund**

KATEŘINA FORTÚN, Policy Officer, Financial Instruments and International Financial Institutions Relations, European Commission, DG Regio

**Lithuanian example: Developing financial instruments using ESIF funds**

Justinas Bucys, Head of Investment and Development Department, Public Investment Development Agency (VIPA), Lithuania

**Designing effective financial instruments in the Czech context**

Ondřej Ptáček, Head of Product Development, Czech-Moravian Guarantee and Development Bank

**Discussion**

**15:00 Final Plenary**

**Report back from topic groups (rapporteurs)**

**Concluding Remarks by the Organisers**

**15:15 Closing of the Event**

# FINANCE FOR ENERGY EFFICIENCY IN THE CZECH REPUBLIC

## SEI FORUMS Virtual Roundtable – 21 October 2020

### Background Paper for Participants

*This paper aims to summarise the background for the three thematic sessions at the roundtable and related key questions which are relevant for the discussion sessions.*

*The background material is based on outcomes and recommendations from the [2017 roundtable](#). It summarizes main thoughts and draws questions for further debate in which the current topics on **technical assistance**, needed **information campaign** and **financial instruments** are largely present.*

### National context

**There are several programmes supporting energy efficiency investments in the Czech Republic and a majority is aimed at buildings renovation.** They differ in source and size of their financing, managing authority, regional coverage, eligible applicants, supported measures as well as specific conditions and level of support. **Almost every programme motivates possible beneficiaries to undergo deeper renovation by offering several levels of support** – the more savings achieved, the higher the support.

The Ministry of Industry and Trade (MIT) wanted to know better the motivations, the barriers, and the processes behind renovation at various types of building owners. A survey<sup>1</sup> was conducted by Chance for Buildings and Nielsen Admosphere under the supervision of Ministry of Industry and Trade (MIT) to bring the answers and map the process.

The results showed that **support schemes are covering only a minor share of renovations** – around 7 % in single-family houses, 20 % in multi-apartment buildings and around 30 % in businesses. Only in the public sector, more than 75 % of the renovations are being financed by some of the support scheme available (but not that many renovations take place in this sector).

The same survey also showed that many renovations are just partial ones, when only a single measure is being undertaken (i.e. window replacement, wall insulation etc.), and in the case of single-family houses that **many renovations happen without any project or technical plan**. This situation means that **even when substantial number of renovations happen, their potential is not being fully exploited**. Additionally, shallow renovations often create lock-in effect for deeper renovations or at least they make further renovations more expensive and thus non-attractive for the owner.

### Theme 1 – Project development assistance

**There is thus a clear need to make renovations deeper and make more of them**, especially in case of public buildings. This will be a topic of the first thematic session of this workshop. We will argue, that one of the ways to bring more projects to deeper renovation (whether at once or in a staged process) could be **advisory and project development assistance**. We will focus mainly on the residential and public sector which are a bit easier to start with as they are more unified than commercial sector with variety of businesses types and buildings. An overlapping goal could be creating a **“one-stop-shop”** – a place where a building owner could ideally get **free general advice** on possible measures, **subsidized building-specific energy-optimization study** and get **information and assistance with grant support** if requested.

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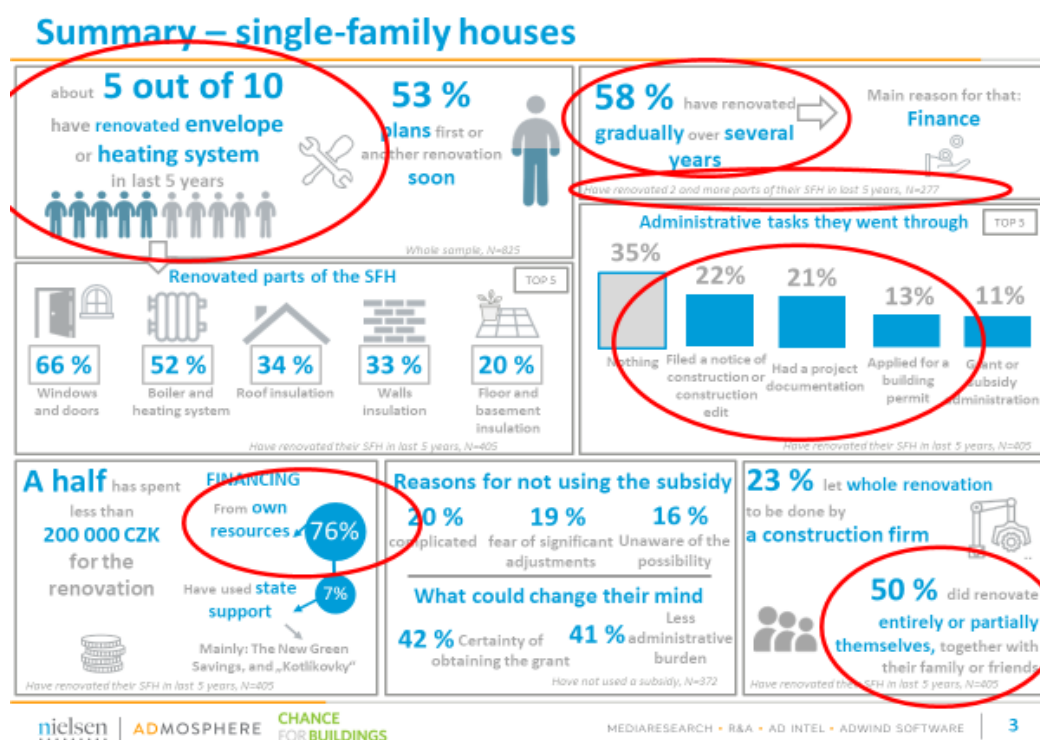
<sup>1</sup> [https://www.mpo.cz/assets/cz/rozcestnik/pro-media/tiskove-zpravy/2019/5/MPO\\_pruzkum-povedomi\\_uspory-energie\\_zavery-a-doporuceni\\_2021.pdf](https://www.mpo.cz/assets/cz/rozcestnik/pro-media/tiskove-zpravy/2019/5/MPO_pruzkum-povedomi_uspory-energie_zavery-a-doporuceni_2021.pdf)

Deeper renovations will not only be beneficial for the building owners, but they could help to fulfil energy efficiency targets under Art. 7 EED as more projects and savings could be counted towards the target. Unfortunately, every segment of buildings and type of the owner have its own needs and designing one-size-fits-all one-stop-shops could be challenging. One possibility could be a usage of the current network of Energy Consulting and Information Centres (EKIS) or local departments of programme managing authorities.

## Residential sector

In case of single-family houses (SFH), there is a quite popular renovation scheme “The New Green Savings (Nová Zelená Úsporám).” In 2019, it provided more than 2bn CZK in subsidies to 9088 projects and in 2020 it will be even more. This programme runs quite well and its conditions are quite well set. Unfortunately, the programme is covering just about 7-10 % of all energy renovations happening annually. Vast majority of renovations happens outside the programme and more importantly, outside any supervision of state. The above-mentioned survey showed quite a big renovation activity but just 13 % of owners applied for building permit and only 22 % filled in construction notice. There is thus no public record on almost 2/3 of the renovations happening. Renovations are mainly shallow, performed by the DIY method, spread over several years, with no general plan and financed predominantly with own savings (see graphic results below).

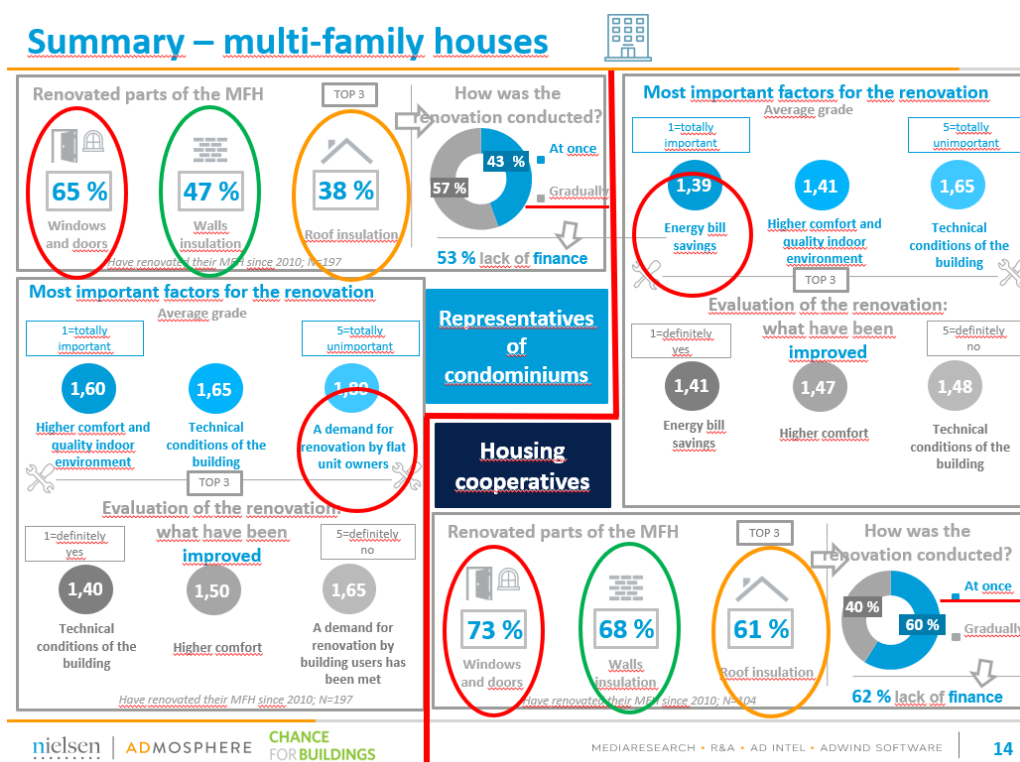
Figure 1 Graphic summary of survey results for SFHs



Source: Sance pro budovy, 2018

In case of multi-family houses (MFH) the situation is better as project documentation for the renovation usually exists. But still, majority of renovations in MFHs owned by condominiums (around 40% of all the MFH in the Czech Republic) is staged and usually with less measures than in case of housing cooperatives (see graphics below). The usage of support schemes and loans is more common in case of MFHs, around 20 % have used subsidy and almost 50 % asked for a loan. If we thus consider the usage of one of the existing schemes (IROP, NZÚ, and Panel2013+) as a proxy for quality assurance there is also a potential for improvement.

Figure 2 Graphic summary of survey results for MFHs



Source: Sance pro budovy, 2018

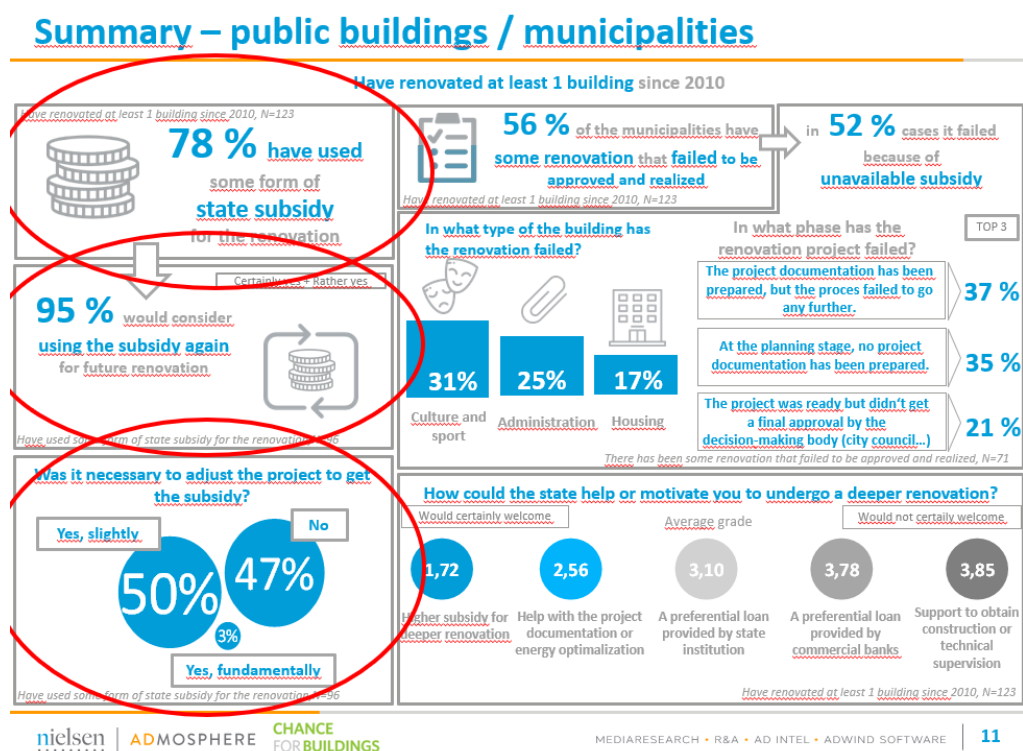
Well-designed project development advisory and assistance should **reflect the needs of the target group**. The product we are looking for in residential sector should be locally accessible, trustworthy, not time-consuming, and relatively inexpensive. At the same time, final output in form of a document should provide enough technical information and guidance for the owner to plan the renovation properly whether at once or in stages. It should also reflect the fact that the building owner is often not an expert on building renovation. In case of multi-family houses, such a document with possible savings calculations could also serve as a tool for the condominium board to help them with persuading other unit-owners to support renovation – this decision-making process at condominium level was identified as a significant barrier that needs to be addressed. The creation of such document should be subsidized with no conditionality of investment in the renovation afterwards.

### Public buildings

In case of public buildings, there is no need for a one-stop-shop. Yet, we still need an improvement in quality of the projects and mainly we need to have renovation projects being prepared.

Various investment actions at municipal level often compete each other. Limited budgets force decision-makers to prioritize between project while considering their urgency, readiness, availability of subsidy and related level of needed co-financing, and an election period. According to the above-mentioned survey, more than 75 % of the renovations is financed using some subsidy scheme. The smaller the municipality, the bigger the share as their budget-constraints are more limiting. The unavailability of subsidy was a most common reason for renovation project to fail.

Figure 3 Graphic summary of survey results



Source: Sance pro budovy, 2018

The problem with renovation projects at municipal level is that they usually happen “as usual.” The same public servant preparing same type of projects the same way as he/she is used to, usually with the help of same group of local construction companies/project engineers. Not much space for innovations. On the other hand, they prepare projects to fit in some available subsidy scheme. The state thus has substantial leverage on the quality of these projects and innovations like adaptation measures, RES, use of recycled materials etc.

Currently discussed way of increasing the number of projects and their quality is to have an energy manager at municipal level. He/she could audit the municipal building stock and prepare and prioritize renovation projects. As such measure does not make much sense in small municipalities, in their case, one energy manager could take care of several of villages or small towns. Another proposed measure is to finance project development with no need of investment within certain time as in case of residential buildings.

## Key Questions

- 1.1. Is tailored advisory and project development assistance key to more and deeper renovation?
- 1.2. What should be the key components of a one-stop-shop service operated at municipal or multi-municipal level to meet the needs of the home renovation market in the Czech Republic?
- 1.3. What are the needs of public building owners in Czech Republic when it comes to supporting them in their energy renovation projects? How do we support them in the best way? What would be the role and benefit of municipal energy managers?
- 1.4. Could public funding be allocated in the form of project development assistance, which has a higher leverage factor than investment grants/public loans? How to improve access to ELENA and PDA funding?

## Theme 2 – Communication campaign on energy efficiency

Despite the existing efforts of the Ministry of Industry and Trade (MIT), progress towards better energy performance remains insufficient in the Czech Republic. Primary energy intensity remains one of the highest in the EU, more than the double of the EU average. Therefore, MIT decided to prepare and launch an awareness raising communication campaign within the area of energy efficiency aiming to inform on possible measures and to motivate different target groups to decrease their energy consumption.

A communication strategy on energy efficient campaign was developed for MIT under SRSS contract by consortium of PR.Konektor and Chance for Buildings in 2019. A basis for the strategy were above mentioned sociological survey among different building owner groups and interviews with various stakeholders that identified most common motivations and barriers to work with. Created document is a stand-alone manual for energy savings communication strategy that explains the idea behind, main mechanisms of the campaign and proposes 3 versions of the campaign based on the budget available. Public outcomes could be found at the web portal [www.chytra-volba.cz](http://www.chytra-volba.cz) and main outcomes will be presented during this thematic session.<sup>2</sup>

The campaign should make target groups “see opportunities for energy savings”, or in different variant “to see opportunities for... (add another aspect of implementing energy-saving measures)”. The main message to reach the target groups through specific executions in individual media channels is, in the shortened version, “Opportunities are everywhere” and, in another version, “Opportunities for energy saving are everywhere you look.” The main message includes the following arguments which support thinking about energy-saving opportunities that should be perceived by the target groups thanks to the campaign:

- There are plenty of opportunities on how to save energy!
- These opportunities are big, medium, and small.
- Even if you do not have enough money to insulate the whole house, or do a major renovation, it does not mean that you cannot do anything.
- Wherever you look, there is a “smart choice” opportunity that leads to saving energy.
- You just should learn to look around, and you will see these opportunities!<sup>3</sup>

Based on this strategy, a creative part of the communication campaign is now being prepared. An update on the current state of preparation will be delivered during this session.

### Key Questions

- 2.1 Do you recall or remember any Czech energy savings campaign from past few years? Is there an inspirational foreign one?
- 2.2 Is there a need for a massive public awareness raising campaign? Or should the campaign rather be targeted more specifically?
- 2.3 Who or what is the audience the campaign should target? What kind of information does the audience want to hear and on what kind of information does the audience react to?
- 2.4 How to reach public bodies?
- 2.5 How to reach businesses?

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<sup>2</sup> The designed communication strategy can be supplied upon request (the solely owner of the results is the European Commission, and the beneficiary is Ministry of Industry and Trade).

<sup>3</sup> Extract from the strategy. Pr.Konektor, Sance pro budovy 2019.



## Theme 3 – Design of successful and effective financial instrument

According to the Energy Performance of Buildings Directive (2018/844/EU), to support the mobilization of investments into the renovation needed to achieve the European and national goals (highly energy-efficient and decarbonized building stock by 2050), Member States shall, among other measures, facilitate access to appropriate mechanisms for accessible and transparent advisory tools, such as one-stop-shops for consumers and energy advisory services, on relevant energy efficiency renovations and financing instruments.<sup>4</sup>

In the Czech Republic, grant schemes/subsidies are prevailing financial mechanism being used in current 2014-2020 financing period. So far, only minor progress has been made towards more sustainable financing mechanisms such as loans and guarantees. One of the reasons is a fact, that non-repayable grants are easier to administer, and they require less preparation and continuous maintenance from the governing bodies. More practical reason is that in the environment of non-repayable grants it is hard for financial instrument to compete. Loans or guarantees need to complement the grants or include a grant component.

One of the ways out to start a gradual shift towards more sustainable financing is allowing for combination of (low intensity) grants and other financial instruments. In case of the New Green Savings programme, a guarantee scheme for renovation loans is now being prepared by Czech-Moravian Guarantee and Development Bank (CMZRB) and State Environmental Fund to enable pre-financing and co-financing of the investment. The aim of the guarantee mechanism within the programme is to increase the availability of commercial loans intended mainly for the renovation or construction of family houses by providing guarantees and a financial contribution to pay interest on bank loans<sup>5</sup>.

A space for a preferential loan scheme is also in case of MFH as successful Slovak example can demonstrate<sup>6</sup>. Innovative scheme could also be used for businesses. For public buildings, energy performance contracting can become standard. These plans as well as details on SFH scheme will be presented during this thematic session.

The new OPTAK supporting energy efficiency in a commercial sector is designed to offer financial instruments. The guarantee from the programme (via CMZRB) will make a commercial loan more accessible and cheaper for many businesses, especially small and medium enterprises. On top of that, a deduction of a certain portion of the principle will take place after a prove of performance of the project, probably two years after the investment. The level of deduction will depend on quality of the project (e.g. actual energy savings in buildings). The overall level of support depends on the revised state-aid rules (GBER) that are supposed to come into for

### Key Questions

- 3.1 How can a continued dialogue between banks and the energy efficiency sector be maintained? Is there a need for establishing a Central National Authority for coordination of financial instruments? Which support mechanisms are needed to enable this?
- 3.2 What role could guarantee funds play in supporting the growth of energy efficiency investments? How can such support mechanisms be best structured to address the needs of the banking sector?
- 3.3 What kind of financial instruments are most suitable for energy renovation projects in residential and public buildings? How can we shift from grant-based support to financial instruments (project aggregation, one-stop-shops, standardisation measures etc.)?

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<sup>4</sup> <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32018L0844>

<sup>5</sup> [https://www.sfpz.cz/files/documents/storage/2020/02/05/1580916554\\_DP%20NZ%C3%9A\\_30072019.pdf](https://www.sfpz.cz/files/documents/storage/2020/02/05/1580916554_DP%20NZ%C3%9A_30072019.pdf)

<sup>6</sup> <https://www.sfrb.sk/ziadatel/obnovujite-s-nami/>

## **Invited Stakeholders**

Invited roundtable participants include local key energy efficiency investment and finance stakeholders including:

- Ministry of Industry and Trade
- Ministry of Environment
- State Environmental Fund
- State Energy Inspectorate
- Ministry of Regional Development
- Regional Development and EU funds
- Ministry of Finance
- Czech-Moravian Guarantee and Development Bank
- Czech Banking Association
- Private finance providers
- Project developers
- Local and regional authorities
- Consulting companies
- Representatives of manufacturers and service providers within the building sector