

Instruments & support tools complementing Long Term Agreements in the Netherlands

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Instruments complementing LTA in the Netherlands

Information & Process Support

Financial incentives

Regulation

Long Term Agreements (LTA)

Energy
Audits

Knowledge transfer
subsidy for branch
associations (SKB)

Energy tax
(REB)

Green
Investment
Funds

Environmental
Management
Act



Energy
Centre



Energy
Investment
Allowance (EIA)



Instruments complementing LTA: **Regulation**



Environmental Management Act

- Energy conservation plan obliged for large energy consumers
 - Above 25.000 cubic meter of natural gas per year or
 - 50 MWh of electricity per year
- Measures with reasonable payback time (< 5 years) mandatory
- Problem: enforcement of compliance
 - Financial means and manpower of local authorities
 - Knowledge of civil servants
- LTA = inexpensive measure to achieve high compliance rate
 - Higher ambitions of companies
 - Process support SenterNovem
 - Monitoring and evaluation by experts SenterNovem
 - Financial incentives from national government



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Instruments complementing LTA: **Information**



Energy Audits for companies

- Essential for awareness of company: starting point to get energy on corporate agenda
- Insight in energy consumption of buildings and processes
- Insight in possible energy measures
- Insight in costs and payback times of measures
- Basis for energy conservation plan (EE improvement plan)



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Instruments complementing LTA:
Information



Energy Centre (NGO for SME)

<http://www.energiecentrum.nl> (in Dutch)

- Paid by members (branch associations and energy companies)
- Service point in the field of energy efficiency and renewable energy for branch associations and their members
 - Digital energy portal: database with specific energy information per branch (statistics, benchmarking tools, advice)
 - Helpdesk
 - Directory of energy-related suppliers
 - Feasibility quick-scan for energy management systems

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Instruments complementing LTA:
Financial Incentives



SKB: Knowledge Transfer Subsidy for Branch Associations

- Generic subsidy until 2005 to improve the competitiveness of companies by knowledge transfer on technology developments
- Central role for branch associations for dissemination of knowledge to relevant members
- SKB program provides branch associations financial support to:
 - Map the needs for knowledge and potential of technological innovation to improve the competitiveness of its members
 - Actively disseminate practical know-how



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Instruments complementing LTA: Financial Incentives



REB: Energy Tax

- Since 1996: Tax on energy consumption for electricity and heating to promote the efficient use of energy
- Energy producers exempted/ compensated through feed-in tariff (MEP)
- Budget-neutral 'greening' of the tax system → energy tax compensated by lower tax on labor and capital
- 2006 Tariffs:
 - Electricity max. € 0,0705/ kWh_e
 - Gas max. € 0,1507/m³



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Instruments complementing LTA: Financial Incentives



Green Investment Funds

- Aim: Attract funding for 'green' projects at reduced interest rates
- Funds operated by Dutch banks:
[ABNAMRO](#), [ASN](#), [Fortis](#), [ING](#), [Rabobank](#), [Triodos](#), [Nationaal Groenfonds](#)
- Banks can offer can offer loans below market interest rates (-1.0 %) while still making the funds attractive to investors
- No taxes have to be paid for green investments
- Benefits: good image for banks and investors, good profit, better environment
- Results 1995-2001:
 - More than 1.500 green projects in the Netherlands
 - Funding exceeded € 2 billion



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Instruments complementing LTA:
Financial Incentives



Requirements for Green Investment Funds

- Project must be carried out in the Netherlands or selected other countries
- Project capital should be at least € 22.689
- Project must provide a significant and immediate environmental benefit
- Project must provide a financial return
- Project must obtain Green Certificate from Ministry of Housing, Spatial Planning, and the Environment



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Instruments complementing LTA:
Financial Incentives



Examples of Green Projects

- Nature, woodlands and landscape features
- Organic agriculture
- Green Label Greenhouses
- Industrial processing of agricultural products
- Renewable energy (biomass, wind, solar, geothermal, hydro)
- Sustainable residential construction and refurbishment
- Soil remediation
- Cycle path infrastructure
- Other environmental protection projects and projects benefiting nature



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Instruments complementing LTA: **Financial Incentives**



EIA: Energy Investment Allowance

- Since 1997: Promoting investments in energy efficiency assets (EE) and renewable energy sources (RES)
- Target group: Entrepreneurs / enterprises liable to pay personal or corporate tax
- 44% of the investments can be reduced from taxable profits in the year of investments (net benefit ~14% of investment costs)
- Annually updated EIA Energy List



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Instruments complementing LTA: **Financial Incentives**



Energy Investment Allowance: Example

Suppose that your taxable profit is € 500,000, and the corporate tax amounts to 25.5% over the first € 22,689, and 29.6% over the remainder. You invest € 300,000 in new energy investments.

The EIA amounts to 44% of € 300,000, which is € 132,000. Your taxable profit is now reduced to € 368,000 (€ 500,000 - € 132,000).

Without EIA you would have to pay € 147,069 in corporate taxes, but by receiving EIA tax relief this is reduced to € 107,997.

Your direct tax benefit amounts to € 39,072 (net EIA advantage is thus around 13%).

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Instruments complementing LTA:
Financial Incentives



The EIA Energy List

- List of eligible assets that contribute to energy efficiency and meet certain energy criteria
 - Annually updated, with two types of investments:
 - I. Generic energy criteria for equipment
 - II. Specifically named assets /equipment (> 100)
 - 5 Categories, each with its own criteria
(Buildings; Processes; CHP; Transport; Renewable Energy Sources)
- Also for Energy Audits (if recommended measures are taken)

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Instruments complementing LTA:
Financial Incentives



Logistics of the Energy Investment Allowance

- The company is obliged to report the investment within a period of 3 months after the investment date
 - The company needs to apply for a tax credit
 - SenterNovem verifies the investment and will request supplementary technical information
 - SenterNovem prepares the tax credit
 - The tax inspector decides to grant or not to grant the tax credit in the tax return
- It is a fairly simple scheme for companies



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Instruments complementing LTA:
Financial Incentives



Results of the Energy Investment Allowance 2004

- Investments: € 1.200 million; Nett fiscal budget: € 169 Million
- Energy savings: Approximately 40 PJ → 1200 kton CO₂
- Over 11.000 investments reported:
 - 84% SME companies with less then 100 employees (covering 59 % investment costs)
 - Renewable: € 461 million (33%)
 - Energy Efficiency: € 923 million (67%)
- Well represented: SME, agricultural industry, chemical industry, financial institutions
- LTA sectors: € 314 million investments (36%)



Instruments complementing LTA: **Financial Incentives**



Lessons Learnt with the Energy Investment Allowance

- Beware of premature claims (2002): building permit
- Fiscal limiting conditions (housing corporations, project developers)
- + Reliable (since 1997 and certainty in advance)
- + Simple list of assets
- + Extensive participation SME
- + Free publicity through articles from entrepreneurs in branch magazines
- + Supports long term agreements (LTA)



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Thank You!

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www.senternovem.nl/english (SenterNovem Homepage)

www.senternovem.nl/LTA/ (English website on LTA)

www.senternovem.nl/eia/Topnavigatie/English.asp (English website on EIA)

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