



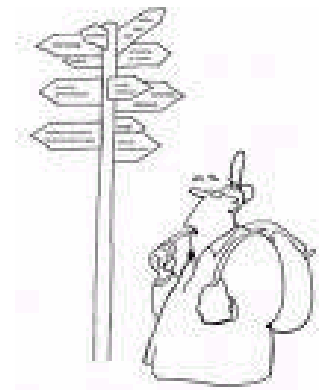
# Government Incentives supporting Long Term Agreements in the Netherlands

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## Content

- Why use government incentives?
- General guidelines for government incentives
- Questions when selecting incentives
- Other considerations
- Types of (financial) incentives
- Pitfalls
- Steps of Track B of the LTA project
- What are we going to do today?
- Barriers in Bulgaria?





## Why use government incentives to support LTA?

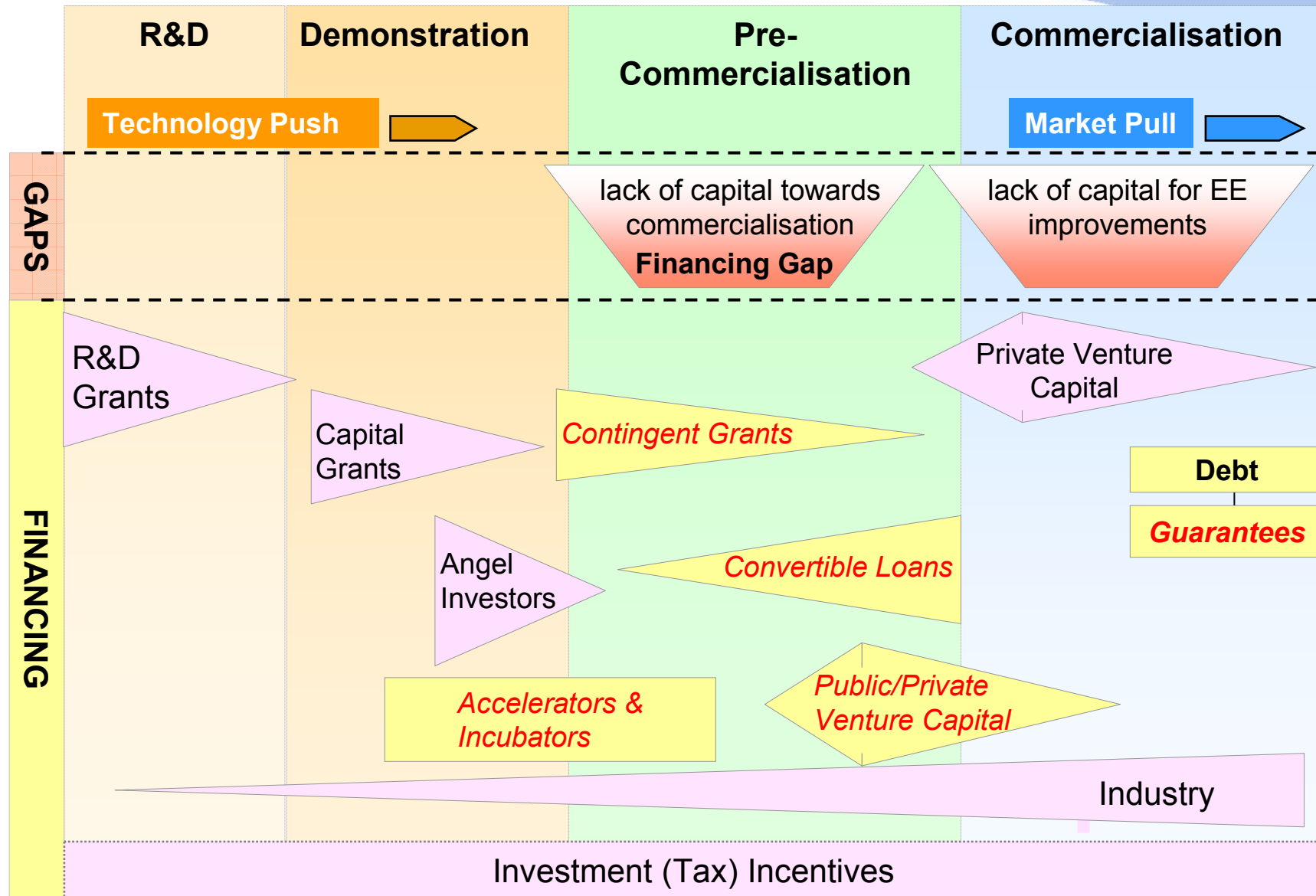
- Show commitment of the government in order to uphold commitment from industry
- Solving barriers and market failure to promote cost-effective measures that are currently ignored
- Create leverage effects: trigger large private investments with little government funds
- Realise EU obligations regarding climate and energy



## **General guidelines for government incentives**

Government incentives are financial and non-financial interventions that remove barriers and market failure and catalyse private investments in order to accelerate market uptake

# Incentives at different phases of the technology life-cycle



## General guidelines for government incentives

Government incentives are financial and non-financial interventions that remove barriers and market failure and catalyse private investments in order to accelerate market uptake

Effective incentives should:

1. Address **specific barriers** or **market failures**
2. Do not overly **distort** but **support** existing markets
3. Are **removable** → *do not create dependence and leave private-sector financing solution in place*
4. Reward **innovation** → *bring costs down, not up*
5. Are **cost effective** → *leverage, catalytic, etc*

## Questions when selecting incentives

- ◆ Type of incentives?
- ◆ Target group?  
→ *Generic or specific (e.g., industry, buildings)*
- ◆ Source of funding?  
→ *European versus national/ Public versus private*
- ◆ Budget control?  
→ *Tender versus open-end/ Budget size*
- ◆ Phase of life cycle?  
→ *Pre-feasibility, R&D, demonstration, market introduction, maintenance & operation, monitoring)*
- ◆ Different barriers  
→ *Which market imperfection is solved? (e.g., cash flow, lack of information)*



## Other Considerations

- Distance of targeted technologies to market commercialisation
- Presence of market failure
- Financial efficiency
- Incorrect use
- Transparency & reliability
- Complexity of a scheme
- Awareness of the target group
- EU guidelines on State Aid





## Types of (financial) incentives in the Netherlands

1. Taxes
2. Tax relief
3. Grants/ subsidies
4. Feed in tariffs (renewable electricity)
5. Soft loans
6. Guarantees
7. Emission Trading Systems
8. (Revolving funds)

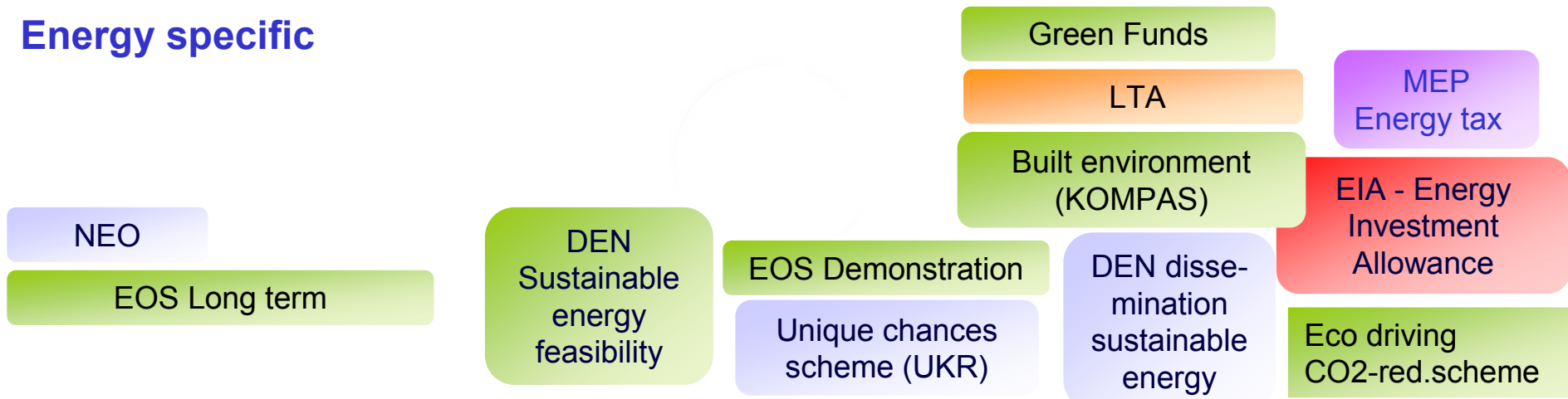
# Examples of incentives in the Netherlands

Research    Development    Feasibility    Demonstration    Dissemination    Investments    Exploitation

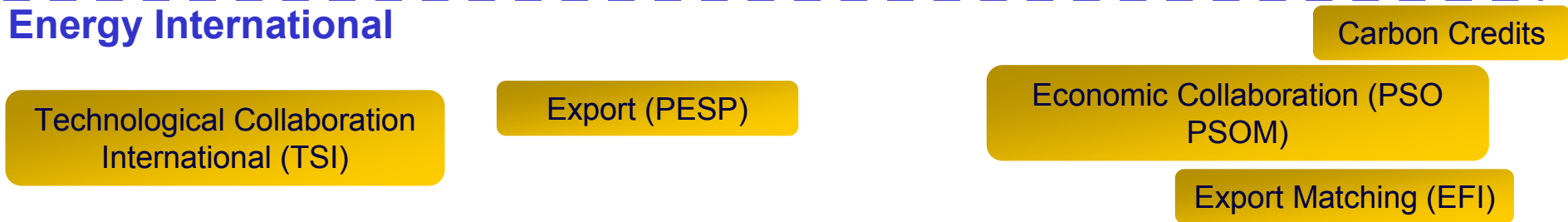
## General



## Energy specific



## Energy International

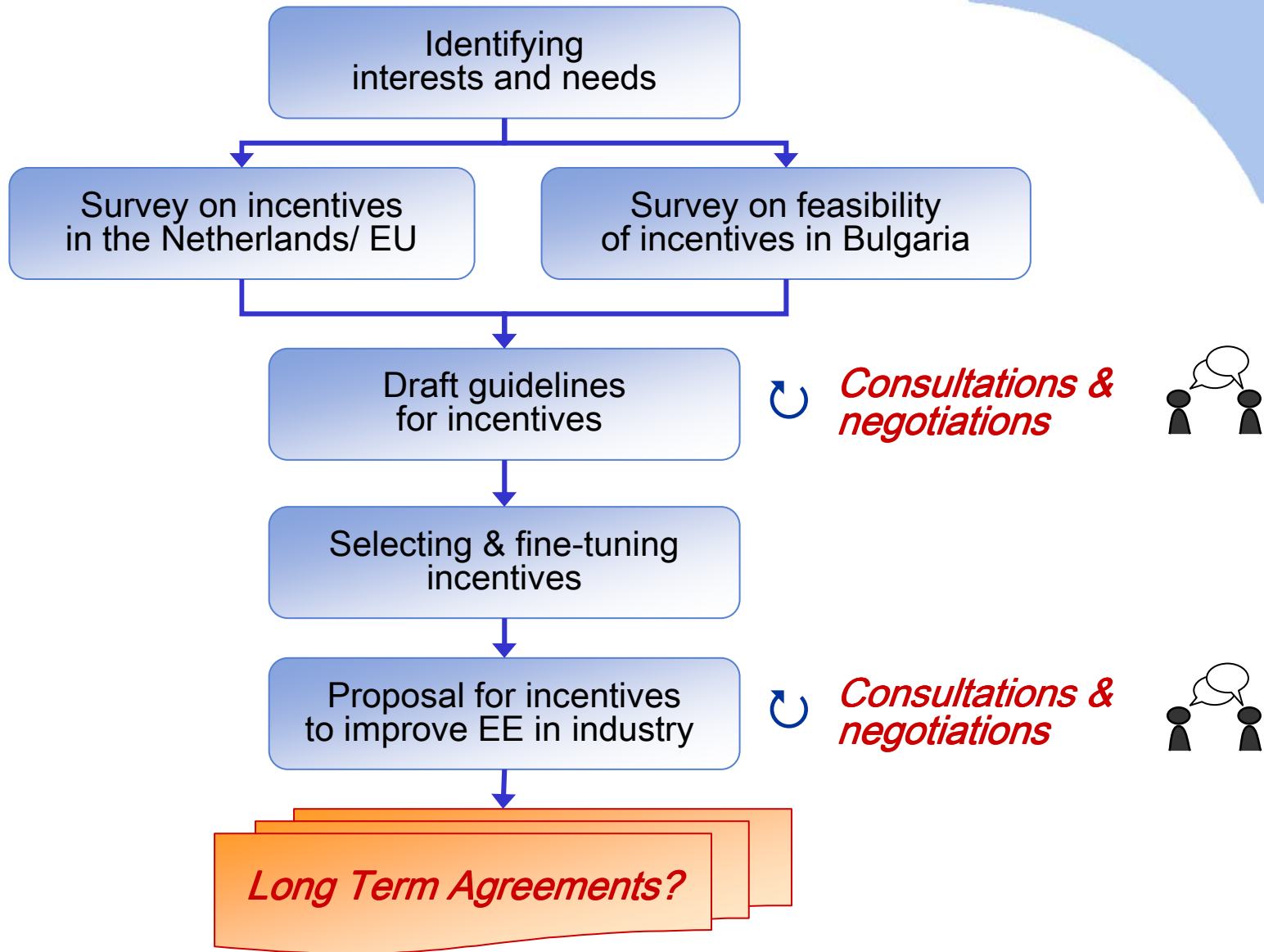


## Some lessons learnt



- ❗ Beware of premature claims (when permits are required)
- ❗ Fiscal limiting conditions (excluding some groups)
- ❗ Include enough time for the EU Commission Community notification (> 6 month) and guidelines on State Aid for environmental protection
- ❗ High energy prices result in more energy investments (and high subsidy costs?)
- ❗ Manage the expectations to avoid disappointment

# Steps of TRACK B: Government Incentives





**Today:**  
**Discussion on barriers, preferences and focus**

1. Discuss barriers in Bulgaria for types of incentives
2. Identify preferences of participants for certain incentives
3. Determine focus for surveys

## Barriers in Bulgaria?

- Access to capital:
  - Lack of capital
  - Knowledge of funding
  - Funding energy audits/ up front costs.
  - High debt and equity costs
- Project size limitations, transaction costs
- Administrative procedures
- Lack of awareness, expertise and willingness of banks to finance EE measures
- Uncertainty governmental policies and regulations
- Low managerial priority and skills on EE (energy management system)
- Distribution of costs & benefits: investor does not profit
- Distorted energy prices (not reflecting real costs to society)
- Risk aversion: fear of hidden costs
- Uncertainty about the future (short term decisions)
- Other? .....