

Energy Efficiency Loans for Entrepreneurs

In the capacity of the Management Body for the 2021 - 2027 Competitiveness and Cohesion Programme, the Ministry of Regional Development and EU Funds of the Republic of Croatia assigned to the Croatian Bank for Reconstruction and Development (HBOR) the task of implementing the Energy Efficiency Loans for Entrepreneurs (Financial Instrument), for which the funds are provided by the European Regional Development Fund (ERDF) and commercial banks, and from which, in accordance with the rules on aid, financially sustainable investments are financed that contribute to energy savings through increased energy efficiency in manufacturing industries and commercial and service sectors (tourism and trade) by enabling equal output using smaller amounts of energy input and reducing the share of conventional (fossil) fuels in total energy consumption by introducing renewable energy resources (RER).

1. Borrowers

Entities, regardless of their legal form, size and ownership structure, that have been, at least one year before the day of submission of loan application to the Financial Intermediary, registered for performing an activity in the area of:¹

- **Manufacturing industry**, in accordance with the 2007 Decision on National Classification of Business Activities (Narodne Novine, the Official Gazette of the Republic of Croatia, Nos. 58/07, 72/07, hereinafter: 2007 NKD) as follows: Section B, divisions 05-09, Section C, divisions 10, 11, except for activities from class 11.01, and divisions 13 to 33, except for activities from class 25.4., and Section D, activity 35.11;
- **Commercial and service sectors**, in accordance with the 2007 NKD as follows: Section G, divisions 45, 46 and 47, except for activities 46.17, 46.21, 46.35, 46.39, 47.11, 47.26 and 47.81, Section I divisions 55 and 56, Section L, activities 68.20 (limited exclusively to shopping malls), Section N division 79 and Section D, activities 35.12, 35.13 and 35.14.

The Borrower must have a registered business unit or a branch in the Republic of Croatia not later than at the moment of loan contract conclusion.

The Borrower in the ETS system must provide a prior consent of the Ministry of Environmental Protection and Green Transition.

The Borrower cannot be a company in difficulties as defined in Article 2, paragraph 18 of the Regulation (EU) No. 651/2014 (GBER).

During the implementation of the FI, only one loan can be realised with one Borrower.

2. Purpose of loans

I. Activities (measures) related to energy savings or use of renewable energy resources:

¹ A borrower must be registered or re-registered for the eligible NKD section, in which the investment is performed, at least one year before the day of submission of the loan application.

a. Manufacturing industry:

Eligible are those energy efficiency activities (measures) and/or activities (measures) for the use of renewable energy resources that contribute to reducing the consumption of delivered energy in production facilities of the manufacturing industry by at least 20% compared to the reference delivered energy or compared to the consumption of delivered energy before the implementation of the measures.

In addition to the energy efficiency measures and/or the installation of equipment for the use of renewable energy resources in the production facilities, the project may also include energy renovation measures for buildings accompanying the production facilities that are related exclusively to production processes for industrial and/or production and economic purposes (such as office buildings, manufacturing halls, etc.). In such case, support will be provided for the implementation of energy efficiency measures and installation of equipment for the use of renewable energy resources that will lead to a reduction in the consumption of delivered energy for heating / cooling in buildings by at least 50% compared to the consumption of delivered energy before the implementation of the measures.

b. Commercial and service sectors:

Eligible are those energy efficiency activities (measures) and/or activities (measures) for the use of renewable energy resources that contribute to reducing the consumption of delivered energy in the energy cost unit by at least 30% compared to the reference delivered energy or compared to the consumption of delivered energy before the implementation of the measures.

II. Activities (measures) that are not related to energy savings or use of renewable energy resources, but are necessary for the realisation of investment and/or relate to the implementation of horizontal accessibility and mobility measures of up to 30% of the loan amount.

A detailed description of eligible activities (measures) and related eligible costs are listed in Annex 2 to the Loan Programme.

3. Eligible investments

- Investment does not include activities that were part of an operation which was subject to relocation in accordance with Article 66 or which would constitute a transfer of productive activity in accordance with Article 65, paragraph 1, subparagraph (a) of the Regulation (EU) 2021/1060.
 - Investment is not directly affected by a reasoned opinion of the Commission in respect of an infringement under Article 258 of the Treaty on the Functioning of the European Union (TFEU) that puts at risk the legality and regularity of expenditure or the performance of operations.
 - Costs associated with investments that do not meet specific conditions related to compliance with the Do No Significant Harm (DNSH) Principle are not financed.
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- For investments in infrastructure with an expected lifetime of at least five years, it is ensured that the infrastructure is climate-resilient.
 - Investments falling within the scope of the Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment are subject to an environmental impact assessment or a screening procedure, and to taking due account of the assessment of alternative solutions based on the requirements of the Directive.
 - Investment is not related to the production, processing, transport, distribution, storage or combustion of fossil fuels.
 - Investment must be financially viable and in line with the applicable Aid rules.
 - Only those elements of investments are eligible that are not physically completed or fully implemented at the loan approval decision date.
 - Only new loans are allowed to be financed, excluding the refunding of existing loans.
 - Grants shall not be used to reimburse aid received under the FI and the FI shall not be used to pre-finance grants.
 - Refunds are not allowed².

Other investment eligibility criteria are defined in Annex 2 to the Loan Programme.

4. Manner of implementation

- On-lending to borrowers via selected commercial banks – Application and related documentation shall be submitted to commercial bank by the Borrower
- Loans are approved from ERDF funds and commercial bank's funds in a 50:50 ratio, with the possibility of writing off³ a part of the loan principal from ERDF funds (up to a maximum of 50% of the total disbursed loan principal amount), upon the fulfilment of predefined criteria
- During the implementation of the Loan Programme, only one loan can be contracted with one Borrower

5. Amount of loans

- Maximum amount of loan: EUR 3,000,000

The estimated investment value does not include VAT, except for the Borrowers supplying goods or providing services exempt from VAT and/or for Borrowers that do not operate in the VAT system.

6. Currency of loans

- EUR

7. Capital discount (write-off of a part of loan principal)

- The Borrower can exercise the right to a capital discount, i.e. a write-off of a part of loan principal
 - Capital discount is approved in accordance with the aid rules and represents aid in the form of a grant
 - The right to a capital discount is realised upon the fulfilment of the given criteria and it can amount to up to 50% of the total disbursed loan
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² Refund is allowed only for eligible expenses incurred after submitting the loan application and paid after the loan approval decision was made.

³ Write-off means a reduction of a part of the loan principal from ERDF Funds in the event of capital discount.

	<p>principal amount, whereas the calculated amount of capital discount is written off from the part of the loan principal from the ERDF funds</p> <ul style="list-style-type: none"> • The criteria for the capital discount and the percentage of write-off of a part of loan principal that can be realised on the basis of each fulfilled criterion are defined in Schedule 1 to the Loan Programme <p>Maximum intensities and amounts of individual types of aid may affect the amount of the expected capital discount depending on loan amount, size of the Borrower and region of investment.</p>
8. Interest rate	<ul style="list-style-type: none"> • On the part of loan principal from the ERDF funds: 0.00% p.a., fixed • On the part of loan principal from commercial bank's funds: in accordance with a business decision made by the bank
9. Fees	<ul style="list-style-type: none"> • Loan application processing fee: no fee is charged • Commitment fee: no fee is charged • Fee for loan principal write-off as a result of capital discount: no fee is charged • Other fees customary in banking operations can be charged only on the part of loan financed from commercial bank's funds • Other fees are not charged on the part of loan financed from the ERDF funds
10. Period and manner of loan disbursement	Generally, disbursement period is up to 12 months; depending on the purpose and dynamics of investment, it is also possible to approve a longer period of loan disbursement.
11. Period of repayment	Depending on the purpose and structure of investment, up to 17 years, including a grace period of up to 3 years
12. Manner of repayment	Generally, in equal monthly, three-monthly or semi-annual instalments
13. Collateral	Collateral customary in banking operations and in accordance with the assessment/requirement of commercial bank
14. Compliance with the Do No Significant Harm (DNSH) principle	The costs associated with the investments foreseen under the FI are already in advance aligned with the Do No Significant Harm principle and environmental objectives at the level of the entire FI.
15. State aid	<p>For investments in activities stated in point 2. I. of this programme, the following state aid under the Regulation No. 651/2014 (and all its amendments, including the Regulation No. 2023/1315, General Block Exemption Regulation) will be approved:</p> <ul style="list-style-type: none"> • Aid for energy efficiency measures, except for buildings referred to in Article 38, • Aid for investment in energy efficiency measures for buildings referred to in Article 38.a, and • Aid for investment in the promotion of energy from renewable sources, renewable hydrogen and high-efficiency cogeneration referred to in Article 41. <p>For investments in activities that are not related to achieving energy savings or using renewable energy resources, but are necessary for the implementation of investment, as stated in point 2. II. of this</p>

programme, de minimis aid will be approved pursuant to the Regulation No. 2023/2381 on de minimis aid.

16. Double funding

With respect to the item of expenditure financed by loan to the Borrower, in addition to the aid provided under the loan, the Borrower may receive aid also from another public source, provided that:

- (i) such combination is in line with the applicable rules on state aid and de minimis aid;
- (ii) separate records are kept for each source of aid;
- (iii) eligible expenditure item financed by loan to the Borrower is distinct from expenditure items financed by other sources of aid; and
- (iv) if other sources of aid cover the same eligible expenditure item, the sum of all sources of aid taken together does not exceed the total amount of the respective expenditure item.

17. Schedules

- Schedule 1 – Criteria for capital discount
- Schedule 1a – Table for the calculation of aid in capital discount

18. Related documentation

- Annex 1 – Calculation of savings
 - Annex 2 – Methodology for calculating and reporting savings and other project components
 - Annex 3 – Information for measurement system and savings verification
 - Template 1 – Statement on data accuracy
 - Template 2 – Statement on size
 - Template 3 – Statement on aid
 - Template 4 – Statement of the authorised designer for the main design
 - Template 5 – Statement on the preparation of infrastructure for climate change
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The Loan Programme is intended for the on-lending via commercial banks only.

The loans can be disbursed to Borrowers until 31 December 2029, whereas the criteria for the capital discount can be fulfilled after that date as well.