



## **2<sup>nd</sup> SMAFIN National Roundtable Croatia**

**Virtual event**

**13<sup>th</sup> and 14<sup>th</sup> of April 2022**

[www.smafin.eu](http://www.smafin.eu)



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## THE CORRELATION OF SMAFIN AND THE NATIONAL OBJECTIVES

European Green Deal policies, the Renovation Wave Strategy, the legislative package Fit for 55 to achieve the new 2030 climate and energy targets, as well as with the new MFF 2021-2027 and the Recovery and Resilience Facility the largest to date earmarked EU financial support for climate and clean energy transitions aim to set Europe on the path of transformation to a climate-neutral, fair and prosperous society, with a modern, resource-efficient and competitive economy. The strategy and legislative text are transposed in Croatian policy and regulatory framework through various key-strategic documents that set-up the framework and the pace of the national clean energy transition.

The 2030 National Development Strategy is a baseline umbrella document defining the priorities for long-term sustainable development of the state and incorporating EU Green Deal objectives in the long-term development. As outlined in the 2030 National Development Strategy, Croatia will focus on four national development directions: sustainable economy and society, recovery and strengthening resilience to crises, green and digital transition, and balanced regional development. The green transition policies outlined in the Green Deal are integrated into the national development directions through various documents, ranging from strategies to action plans for a certain area. The 2030 National Development Strategy emphasises the necessity to continuously support the development of a globally competitive, green and digital industry through modernisation and diversification of the production, as well as energy renovation of residential buildings, developing innovative financing opportunities to reduce energy poverty, increase energy efficiency, but also contribute to reducing air pollution.

The Long-term Strategy for mobilising investment in the renovation of the national building stock up to 2050 (hereinafter: Long-term Strategy) is one of the main supporting documents of the national policy framework. One of the targets outlined in the Long-term Strategy is to increase the renovation rate to 3% by 2030, which is a significant step-up of the renovation rate in Croatia, which currently amounts to 0,7% annually.

Another vital document supporting the green and digital transition, especially in the industry is the Low-Carbon Development strategy of the Republic of Croatia until 2030 with an outlook to 2050<sup>1</sup> (hereinafter: Low-Carbon Development strategy). This strategy envisages a reduction of greenhouse gas emissions between 33,5% and 36,7%, depending on the chosen scenario, by 2030. The largest contribution to this decrease will be made by the industrial sector (43%), followed by the fuel production and processing sector (18%), the agricultural sector (15%), the electricity and heat production sector (14%) and the general consumption sector (10%).

These ambitions then fed into the National recovery and resilience plan (NRRP)<sup>2</sup> to create reform and investment proposals related to undertaking energy efficiency measures in both, buildings and the industry sector. The resources committed in

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<sup>1</sup> Low-carbon development strategy of the Republic of Croatia until 2030 with a view to 2050, [https://mingor.gov.hr/UserDocImages/klimatske\\_aktivnosti/odrzivi\\_razvoj/NUS/lts\\_nus\\_eng.pdf](https://mingor.gov.hr/UserDocImages/klimatske_aktivnosti/odrzivi_razvoj/NUS/lts_nus_eng.pdf)

<sup>2</sup> National recovery and resilience plan, [https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/croatias-recovery-and-resilience-plan\\_en](https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/croatias-recovery-and-resilience-plan_en)

the Croatian RRP also addresses the investment issues, as the current levels of investment in sustainable energy are not sufficient to meet Croatia's 2030 climate and energy targets. In total, in the Croatian RRP, 6.3 billion euro in grants of which the 40%, around 2.5 euro billion have been committed to climate and clean energy actions, and over 1 euro billion will be invested in energy efficiency in buildings (just under 800 euro million) and in small-medium and large enterprises (around 253 euro million). However, public financing alone will not be sufficient and for this reason, smart financing mechanisms are much needed to support large-scale and long-term investments, especially in buildings and industry.

Besides significant investments coming from the public and private sector, the successful implementation of the Green Deal and subsequent national objectives in Croatia also depends on the political will and strong institutions to carry out the proposed investments. SMAFIN roundtables and the tested structure go hand in hand with the national efforts when it comes to green transition. SMAFIN roundtables will contribute to connecting public and private stakeholders, enabling them to work together in a supportive environment, which would generate new ideas and activities for improving existing energy efficiency politics and reaching the set targets faster. Besides tackling challenges in energy renovation in the building sector, SMAFIN roundtables will call attention to energy efficiency measures in industry and by addressing relevant stakeholders in that sector attempt to advance current policies.

The second edition of the SMAFIN round table in Croatia will focus on financing energy renovation of multiapartment buildings and energy efficiency measures in the industry in the Republic of Croatia, as well as how the New European Bauhaus initiative is connected with it. The round table aims to encourage dialogue between key Croatian stakeholders on improving the availability and allocation of funds for investments in EE and RES measures in buildings and the industry (primarily from Recovery and Resilience Facility and new multiannual financial framework). The NRRP and its structure of investments play a significant role in the discussion sessions of the round table. Adoption and the approval of the NRRP has opened a whole new set of discussion topics and will contribute to the engaged dialogues on how to efficiently implement the foreseen investments in the building sector and the industry.

SMAFIN roundtables will keep high on its agenda the objectives of the Long-term Strategy related to the higher renovation rates, and as such the first session is related to combining structural and investment EU funds and private capital for financing energy efficiency measures and energy renovation of multi-apartment buildings. Involving experts from the research and business sectors in policymaking will create opportunities for cooperation, but also shed new light on responding to the challenges of aligning all available funding sources and strategic documents.

A similar format is foreseen for the second day of the SMAFIN roundtable, where the emphasis will be on the business sector and the potential to combine structural and investment EU funds and private capital for financing EE & RES measures in the industry. In the breakout session of the second day, industry leaders in Croatia will talk about good practices implemented in their environment and about the way forward to de-carbonise the industry sector.

## AGENDA

### Topic: Multi apartment buildings

WEDNESDAY, 13<sup>TH</sup> OF APRIL 2022

09:00 - 09:05	<p><b>Welcome speech</b> REGEA</p>
09:05 - 09:10	<p><b>SEIF and SMAFIN results - how to integrate policy, projects, and beneficiaries</b> Julije Domac, REGEA</p>
09:10 - 09:30	<p><b>Public call: Energy renovation of multi-apartment buildings</b> Ministry of Construction, Spatial Planning and State Assets</p>
09:30 - 10:15	<p><b>Topic A: Combining structural and investment EU funds and private capital for financing energy efficiency measures and deep renovation of multi-apartment buildings</b></p>
	<p><i>Experiences and needs from the housing association perspective</i> GSKG / Multi-apartment Housing Association Croatia</p>
	<p><i>Experiences and needs of final beneficiaries for the upcoming financial perspective</i> Natko Bilić, Planetaris Ltd</p>
	<p><i>TBC</i> HBOR/Commercial Bank</p>
10:15 - 10:30	<p><b>Break</b></p>
10:30 - 11:55	<p><b>Discussion with Q&amp;A session</b></p> <p><b>Breakout session (moderated by REGEA) with following topics:</b></p> <ul style="list-style-type: none"> <li>• Financial instruments and grants from a new financial perspective 2021-2027 and RRF</li> <li>• Needs of financial institutions in financing EE and RES in private buildings sector</li> <li>• Readiness for integrating energy efficiency and seismic renovations</li> <li>• General discussion including questions and answers session</li> </ul>
11:55 - 12:00	<p><b>Concluding remarks</b></p>

## Topic: Energy efficiency investments in industry and sustainable financing in Croatia

THURSDAY, 14<sup>TH</sup> OF APRIL 2022

09:00 - 10:30	<b>Topic B: Combining European structural and investment funds and private capital for financing EE &amp; RES measures in the industry</b>
	<i>Funding of green and digital transition in the upcoming period</i> Ministry of Economy and Sustainable Development
	<i>The role of the business sector and industry in the green transition</i> Marija Šćulac Domac, Croatian Chamber of Commerce
	<i>Experiences of using public funding in previous financial perspective and needs in the upcoming financial perspective - final beneficiary</i> Goran Romac, Končar - energetika i usluge Ltd
	<i>The green transition in the business sector</i> Ariana Vela, Avelant Ltd
	<b>Discussion with Q&amp;A session</b>
10:30 - 10:40	<b>Break</b>
10:40 - 11:55	<b>Topic C: New European Bauhaus</b>
	<i>New European Bauhaus - New chance for integration</i> Marko Zlonoga, REGEA
	<i>Sustainable buildings framework</i> Ph.D. prof. Zoran Veršić, Architecture Faculty, University of Zagreb <i>CO2 emissions in buildings life-cycle</i> Marin Binički, Architecture Faculty, University of Zagreb (TBC)
	<i>Innovative funding in scope of New European Bauhaus</i> Simona Tršinar, REGEA
	<b>Discussion with Q&amp;A session</b>
11:55 - 12:00	<b>Concluding remarks</b>

## FINANCING ENERGY EFFICIENCY MEASURES IN MULTI-APARTMENT BUILDINGS

The session on financing energy efficiency in multi-apartment buildings and family houses will address ways to ensure efficient, sufficient, and diverse funding for the energy renovation of residential buildings, thus ensuring compliance with national commitments and objectives.

The objectives of the Long-Term Strategy for Encouraging Investment in the Renovation of the National Building Fund will be impossible to achieve without securing private investments and combining them with public funds. Out of 9,4 billion EUR (6,3 billion EUR in grants) allocated to Croatia from the Recovery and Resilience Facility, 12% of the funds or just over 792 million EUR will be dedicated to the building renovation initiative, including both seismic and energy renovations. A large part of it is intended for the post-earthquake reconstruction of buildings (ca. 591 million EUR) with mandatory energy efficiency improvements, but a substantial amount will be dedicated to increasing energy efficiency in public and residential buildings (132,5 million EUR) that have not suffered earthquake damages. The public call for the energy renovation of multi-apartment buildings worth ca. 40 million EUR will be published towards the end of March and the roundtable will provide space for building management companies, financial institutions and ministry to discuss the elements of the call and how to close the expected gap that is expected to occur due to disparity between the number of applications and the number of funds available.

Although a substantial amount of public funds will be dedicated to the energy renovation of buildings it will remain a financially large undertaking for the dwelling owners. The energy renovation is usually financed by combining the own resources of the building (regular monthly payments of the tenants which accumulated over the years decreased by operational costs of the building) and the bank loan issued to the building management company. Before issuing a loan, the financial institution assesses and estimates the credit risk of the company (not the multi-apartment building!) and determines the interest rate and the collateral. Building management companies that are privately owned, tend to score higher risk scores than public companies resulting in higher interest rates. However, publicly-owned companies have a large building portfolio and even with the low-interest rates, new loans will have a substantial effect on their balance sheet. Representatives of the building management companies will discuss this issue and how should the large influx of public money be used to address it.

The main topics of discussion that are expected to be addressed in this session are:

- What are the main challenges that will arise in the implementation of energy renovation programmes funded through the NRRP and multi-annual financial framework? How to overcome them?
- What are the possibilities for mobilising private funding into energy renovation of multi-apartment buildings?
- What could be the opportunities and challenges for seismic renovations and post-earthquake reconstructions when it comes to addressing energy efficiency improvements as well?

- What should be done to address the financial issues faced by the building managers representatives?
- Are financial institutions interested in setting up or supporting OSS facilities that would help in the more cost-effective upgrade of the building stock? If so, what would be the next steps for establishing it?



## FINANCING ENERGY EFFICIENCY MEASURES IN THE INDUSTRY

The session on financing energy efficiency in the industry will address possibilities and challenges ahead of the industry and business sector in the digital and green transition whilst building resilience and adapting to global challenges. The Low-Carbon Development strategy applies to all sectors related to the economy and human activity and is particularly related to energy, industry, transport, agriculture, forestry and waste management. The implementation document intertwined with the Low-Carbon Development Strategy is the Integrated National Energy and Climate Plan for the Republic of Croatia (NECP)<sup>3</sup> for the period from 2021 to 2030. The NECP puts a strong emphasis on various measures to support the decarbonisation of the industry and business sector. Additionally, the new REPowerEU initiative highlights the need to decarbonise industry by accelerating the switch to electrification and enhancing low-carbon manufacturing capabilities, and the roundtable topics during the second day will address the objectives of the initiative.

The industry has a 16% share in the gross domestic product of the overall Croatian economy, whereas according to the strategic goals of the European Commission, this share should be increased to at least 20%. Due to the relatively low share of industrial production in the gross domestic product in Croatia, NRRP highlighted a pressing need to carry out the transformation of the existing industry structures, based on productivity growth and greater competitiveness, while respecting climate, environmental, social and digital priorities of the Union. In that regard, the component Resilient, green and digital economy of the NRRP is allocated ca. 743 million EUR, out of which ca. 253 million EUR is specifically dedicated to supporting companies for the transition to energy and resource-efficient economy.

Besides a lower share of industrial production in the gross domestic product, other structural mismatches of the Croatian economy include a lower level of investment, in particular investments in higher technological level projects; a lower degree of internationalization of the economy; and high dependence on traditional sources of financing, as well as a decline in the activities of commercial banks caused by the COVID-19 pandemic.

The last public call, published in April 2021, aimed at co-funding the increase of production capacities, green and digital technology in micro, small and medium-sized enterprises and with the allocation of ca. 152 million EUR has sparked a large interest among companies. According to the preliminary results, the total value of funding requested was double the allocated amount and 70% of the project proposals were positively evaluated.

Considering the large interest of entrepreneurs in publicly available funds for co-funding the green and digital transition within their business processes, the second day of the SMAFIN roundtable will address the following discussion topics:

- How to structure financial models that will encourage financial market stakeholders in Croatia, primarily commercial banks but also other financial intermediaries (leasing companies and others) to strengthen their activities

<sup>3</sup> Integrated National Energy and Climate Plan for the Republic of Croatia for the period 2021-2030, [https://mingor.gov.hr/UserDocImages/UPRAVA%20ZA%20ENERGETIKU/Strategije,%20planovi%20i%20programi/hr%20necp/Integrated%20Nacional%20Energy%20and%20Climate%20Plan%20for%20the%20Republic%20of\\_Croatia.pdf](https://mingor.gov.hr/UserDocImages/UPRAVA%20ZA%20ENERGETIKU/Strategije,%20planovi%20i%20programi/hr%20necp/Integrated%20Nacional%20Energy%20and%20Climate%20Plan%20for%20the%20Republic%20of_Croatia.pdf)

and provide stronger support to investment projects in the Croatian market?

- What are the challenges experienced by the final beneficiaries when applying for funding and implementing the project proposal and how to address them?
- Are existing financial instruments sufficient for green and digital investments in industry and if not, what kind of financial instruments should be developed to also support the investment needs of specific target groups that often do not have access to financial resources from commercial banks?
- What are the challenges faced by private financial institutions when financing energy efficiency and clean energy transitions investments in SMEs and large enterprises? On what the additional public support and the projects submitted for financing do not meet the expectations and the interest of the financial institutions/commercial banks?

## NEW EUROPEAN BAUHAUS

New European Bauhaus, an initiative of the EU Commission, announced through the Renovation Wave Strategy, as an interdisciplinary and creative movement, wants to combine science, technology and engineering with culture and art and invites all European citizens to think together and participate in creating more beautiful, sustainable and inclusive places we live in.

After the stage of joint creation that lasted until June 2021 with the aim of designing the initiative through a joint dialogue of stakeholders and citizens, we are currently in the stage of "delivery", which began with the Communication of the European Commission on 15 September 2021 that defined values and thematic axes of the initiative and the interconnected transformations that the initiative wants to encourage or support.

To finance the projects and activities of the New European Bauhaus, the European Commission has prepared 85 million Euros through EU programs and funds in 2021 and 2022, but it expects that the Member States include and integrate the values of the New European Bauhaus into national, regional and local plans and projects, especially those to be financed by the Mechanism for Recovery and Resilience, the European Structural and Investment Fund and other sources of funding (national, regional, local and private).

The main topics of discussion that are expected to be addressed in this session are:

- What are the position and role of New European Bauhaus in the scope of the European Green Deal, Renovation Wave Strategy and all the goals that need to be achieved to achieve climate neutrality?
- Is there (or should there be) a connection between REPowerEU and New European Bauhaus?
- What could be a sustainable building's framework, especially regarding CO2 emissions in their life-cycle suitable for New European Bauhaus and how can it be linked with financing models?
- What are the possibilities of incorporating New European Bauhaus in RRF and ERDF funding?
- What are some innovative funding mechanisms that are planning to be used to finance New European Bauhaus projects and the transformation of places we live in beautiful, sustainable and inclusive?