

Enough money for renewable energy

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"We have already secured over PLN5 billion for the partial funding of investment in renewable energy sources in the coming five years. It will enable us to carry out projects worth some PLN15 billion. It will be a large and attractive market," says Prof. Maciej Nowicki, Polish Minister of the Environment.

Jerzy Bojanowicz takes a look at the sources of financing renewable energy in Poland.

"Will the economic crisis hamper the development of renewable energy sources? I do not think so," says Prof. Maciej Nowicki, Minister of the Environment. "Investment in renewable sources is partially funded by the National Fund for Environmental Protection and Water Management (NFOŚiGW). In the coming five years the Fund is going to spend PLN1.5 billion for this purpose. Provincial Funds for Environmental Protection and Water Management (WFOŚiGW) have almost PLN1 billion in their budgets for the development of renewable sources, PLN450 million is available under the Infrastructure and Environment Operational Programme, nearly EUR200 million will come from other public sources and EUR1.3 billion from private sources. The planned spending will reach PLN15 billion. It is a huge market and money needed for the partial funding of projects has been secured. The only thing that needs to be done is to come up with projects."

National Fund: money for the best projects

According to NFOŚiGW President Jan Rączka, PhD, renewable energy sources are the Fund's priority. In 2009-2012 NFOŚiGW plans to provide PLN2.5 billion for the development of renewable sources with a total capacity of 800MW. And if economic conditions are good the Fund may provide over PLN3 billion. The money will be spent in the form of loans and investment subsidies, which will account for 15% of the total amount. Twenty nine applications for subsidies worth a total of PLN1 billion are waiting to be examined. The applicants plan to develop renewable energy sources with a total capacity of 68MWe and 137MWt.

Funding will be complemented by 15-year loans with a fixed interest rate of 6%. They are intended for projects worth over PLN10 million, with a total capacity of

350MW. The first contest, in which PLN750 million will be distributed, has already been announced. Sixty three applications have been submitted for projects worth a total of PLN1.6 billion. The applicants plan to develop 210MW of capacity. "A list of projects ready for funding will be announced in September," Jan Rączka says. "Cost efficiency will be the only criterion taken into account in making the list, with top marks given to installations which supply electricity at the lowest unit cost. I think the list will be made up of 40-45 projects worth more than PLN1 billion in total."

In July or August NFOŚiGW will announce another contest for PLN750 million. A third one will be announced next year if there is still money left. The loans are regarded as a temporary measure necessary under the current crisis. "Ultimately, we do not want to fund renewable energy projects with loans: we are thinking about other instruments," Jan Rączka says, adding that projects worth from PLN1 million to PLN10 million will be supported by Provincial Funds and those worth less will be funded through credit lines with subsidies from NFOŚiGW. "First, we are thinking of funding heat pumps and solar installations in households," he says.

Better view from close up?

Provincial Funds for Environmental Protection and Water Management also want to play a major role in the restructuring of the energy sector in Poland. Przemysław Gonera, Chairman of the Convention of WFOŚiGW Presidents and President of WFOŚiGW in Poznań, Wielkopolska province, thinks the strength and importance of the environmental funds lies in their decentralised structure and the money they have. Provincial Funds and Municipal Funds have operated since 1993 and County Funds started operations in 1998. Provincial Funds had PLN0.4 billion at their disposal in 1993, PLN2.8 billion in 1998, PLN4.1 billion in 2006, PLN4.6 billion in 2007 and PLN5.1 billion in 2008.

How is this huge amount of money distributed? The funds do not want this public assistance to be non-returnable. For example, in 2008 the Provincial Fund in Poznań had PLN437.5 million (PLN185.1 million in 1999) at its disposal. More than 50% of the money was spent on water protection. Local government units accounted for 74.4% of all applicants and loans accounted for 74% of all assistance. They were granted for up to eight years, with a grace period no longer than two years and the minimum value of security being 30% higher than the amount of the loan. The applicant's eligibility for credit was evaluated before granting a loan. Subsidies accounted for 14% of all assistance. They were granted for projects important from the point of view of the environmental policy pursued by the province. Allowances accounted for 1% of all assistance. They were granted under agreements between the Fund and the bank offering preferential

loans and between the bank and the borrower. The loan must not exceed 80% of the total cost of the project.

In 2008 spending on air protection in Wielkopolska totalled PLN133.1 million. The projects implemented contributed to a reduction in sulphur dioxide emissions from 705.1 tonnes in 1999 to 33 tonnes, carbon dioxide emissions from 40,978 tonnes in 2003 to 4,575 tonnes and particulate matter emissions from 164 tonnes in 2005 to 61 tonnes. In the years 1999-2008 the Provincial Fund in Wielkopolska provided PLN21.1 million, including PLN10.6 million in subsidies, for the construction of 88 solar collectors, 18 heat pumps, 61 biomass-fired and two biogas-fired boiler houses, two small water power stations, and two projects associated with energy recovery. In 2008 the Fund provided PLN3 million, including PLN1.1 million in subsidies, for renewable energy projects: 12 solar collectors, three heat pumps and four projects associated with the use of biomass. The amount of money spent for renewable energy sources was not large, considering that PLN32.5 million was spent in 2008 on air protection projects.

From European Union sources

Funding for renewable energy projects is also available from European Union sources, including EUR1.1 billion under the National Cohesion Strategy, Infrastructure and Environment Operational Programme, 16 Regional Operational Programmes, Innovative Economy Operational Programme and European Territorial Cooperation Programmes.

The European Investment Bank (EIB) also supports renewable energy projects. Last year the bank granted EUR57.6 billion in loans and guarantees. This year the bank is going to provide EUR7 billion for energy projects - only those worth over EUR25 million - with over EUR900 million set aside for renewable energy projects. The largest amount of money will be spent on wind power (44%), off-shore demonstration projects (16%) and solar energy projects (21%), including research and development work on photovoltaics. Among the major projects is the construction of 30 medium-sized wind farms, with a total capacity of 900MW and the total investment estimated at EUR1.1 billion, of which EUR450 million will be provided by EIB, and 30 photovoltaic installations with a total capacity of 35MW and the total investment estimated at EUR150 million, of which EUR75 million will come from EIB.

Bank Ochrony Środowiska SA (BOŚ) and others

Apart from institutions distributing public money, funding for renewable energy sources is also provided by banks and other institutions operating on the financial market. Established in 1991, BOŚ is the largest institution specialised in providing f

unding for such projects. The Bank's mission is support for environmental projects. The Bank has a special department employing economists and environmental engineers who evaluate environmental aspects of projects. "Over the 17 years the Bank provided more than 44,000 loans for environmental projects worth around PLN8.5 billion. This shows how high our position is in this area," says Alicja Siemienieć, Director of the Department for Environmental Projects at BOŚ.

Prospective clients are interested first of all in preferential loans – a grace period is possible – and special funding schemes for large projects. Of course, commercial loans are also offered, some of them in conjunction with foreign financial institutions. At present, small and medium businesses may apply for loans of EUR250,000 under one of five KfW lines. But BOŚ also signs contracts with EIB and other foreign banks.

Smaller financial institutions, like for example three Cooperative Banking Groups (SGB), operate successfully on the market alongside large banks. One of the groups operates under the umbrella of Gospodarczy Bank Wielkopolski SA and brings together 151 cooperative banks with 1,300 outlets rendering a full range of services, mainly in the western and northern part of the country.

"In many cases, a cooperative bank is the only organisation in its area of operation able to advise clients," says Hanna Gilicińska-Cieślak, head of the EU Funds Units at the Credit Department of SGB. "We offer loans, lease arrangements – we have our own lease company, SGB Trans-Leasing – factoring services and guarantees, account settlements, foreign operations, advice and insurance. Cooperative banks are prepared to support the absorption of EU funds. We have a network of 384 advisory points for EU programmes. They provide professional assistance in finding a suitable programme to fund a planned project. The service line is complemented by services provided by the Group's own advisory company, PolSpa SGB Consulting Sp. z o.o., with headquarters in Poznań." SGB has already provided funding for the construction of a PLN5.3 million wind farm and PLN13 million biogas plant.

Another form of financing is through leasing. Maria Awa, a specialist for EU Funds at Europejski Fundusz Leasingowy SA, stresses its importance in renewable energy projects: "Leasing may be an alternative to loans, own resources and EU assistance. It may also be used to fund EU projects." Not all people in Poland are aware of that because the country's share in this popular form of financing investment spending in Europe accounts for less than 3%. Leasing schemes can be used to finance fixed assets, machines and equipment, real estate, non-tangible assets and legal property rights, like software and new process lines. In a nutshell, funding for renewable energy projects is secured in Poland and

there are companies interested in implementing them. Consequently, despite the economic downturn, investment in renewable energy sources is not likely to slow. Just the contrary, it may help Poland come out of the crisis.

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