

New aid programme for boosting energy efficiency in businesses 1/28/22



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The Cabinet of Ministers Rule¹ governing a new aid programme for improving energy efficiency in manufacturers and exporters came into force on 18 June 2022. Businesses can apply for aid to cover their overheads, i.e. for a loan (or a parallel loan) of up to EUR 5 million from the Altum Development Finance Institution. Up to 30% of the loan principal can be cancelled as a capital allowance. The aid can be used on costs associated with improving energy efficiency or introducing renewable energy resources for personal consumption by businesses in non-residential buildings and warehouses. This article explores some aspects of the new aid programme described in the publicly available wording of the Cabinet Rule.

What businesses qualify for this aid?

Manufacturers can apply for the aid during the first four weeks after the date Altum starts taking applications for the project. Exporters meeting one of the following criteria can apply after the four-week time limit:

- The enterprise or its related parties export at least 51% of their products.
- The enterprise's exports amount to at least EUR 1 million for the last closed financial year.

At the same time, energy efficiency service providers that serve a qualifying exporter under an energy efficiency service agreement can apply for the aid.

After the qualifying exporters, other enterprises can apply for the aid, except for excluded sectors (e.g. gambling and betting, financial and insurance activities, wholesale and retail trade). The full list of exclusions can be found in paragraph 26 of the Cabinet Rule.

It is important to note that the aid programme is available only to enterprises entered on the Latvian commercial register, i.e. micro, small or medium enterprises defined by Commission Regulation No. 651/2014, Annex I, or large enterprises defined by article 2(24) of the Regulation. The aid is available to a Latvian enterprise: an individual (sole trader) or a business organisation (partnership or company). Those may be privately and publicly owned enterprises, so the aid is also available to a municipal enterprise.

What costs are eligible under the new aid programme?

Enterprises can use the aid programme for additional investment costs listed below that are necessary to achieve higher levels of energy efficiency and will represent the value of assets created under the project:

- Carrying out construction work in structures enclosing non-residential buildings and warehouses
- Renewing, rebuilding or creating the engineering systems of a non-residential building, warehouse or manufacturing site, including creating a connection to the district heating system and creating a heating hub
- Purchasing and installing more energy efficient manufacturing equipment and ancillary

process equipment supporting manufacturing processes if it replaces the existing manufacturing equipment and ancillary process equipment

- Recovering secondary energy resources (e.g. heat) from manufacturing processes – investment qualifies if installing the equipment will save energy
- Installing energy efficient lighting
- Rebuilding internal and external individual and local heating and cooling systems
- Author supervision and construction supervision
- Site clearance
- Other measures prescribed by an independent expert on energy efficiency in buildings or by enterprises accredited to carry out corporate energy audits, if such measures are necessary for improving energy efficiency simultaneously with one or more of those mentioned above
- Purchasing and installing electricity generation technology that uses solar or wind energy
- Installing or rebuilding a system connection – costs necessary to connect electricity production equipment to the electricity system
- Purchasing and installing heat production sources that use renewable energy, including heat pumps (air, water, earth) and solid biomass technology
- Purchasing and installing biogas technology that helps obtain biogas from specified types of raw materials
- Purchasing and installing other renewable energy technology and construction costs associated with equipment installation

Enterprises cannot use the new aid programme to cover costs associated with an energy audit (feasibility study, economic rationale etc). To apply for the aid, an enterprise will need to prepare the project, energy calculations and the economic rationale (calculations of the energy benefit and the economic benefit).

Altum has yet to announce this programme and start taking applications. In a separate article we will be informing MindLink subscribers about aid instruments available under the programme and relevant time limits.

¹ The Cabinet of Ministers' Rule "EU Recovery and Resilience Facility Plan's Reform and Investment Path 1.2 "Improving energy efficiency" Investment 1.2.1.2.i. "Improving energy efficiency in business (including a shift to renewable energy technologies in heating and R&D activities (including in bioeconomy))" Measure 1.2.1.2.i.1. "Improving energy efficiency in business (including a shift to renewable energy technologies in heating))" implementing provisions")