

SME POWER

Action Plan

Resources Recovery

Regional Agency



Table of Contents

1	Introduction	3
2	General information.....	4
3	Policy context.....	5
4	List of Actions.....	7
5	Details of the Actions Envisaged.....	8
5.1	Action 1	8
6	Signature.....	17

1 Introduction

The SME Power project, developed in the framework of Interreg Europe project, which brings together 7 European partners, with ARRR as lead partner, aims to improve the effectiveness of the European Regional Development Funds dedicated to policy measures for SMEs to reduce energy consumption and emissions.

An "action plan" containing some improvement proposals to the ERDF ROP program (or to the management or related calls) compared to the 2014 - 2020 programming will be elaborated and evaluated with the Trade Associations and the Tuscany Region (Managing Authority) to verify their effective feasibility.

The intent is to encourage the size increase of the projects to be financed, the monitoring of the results achieved, the dissemination of good practices and, above all, to increase the number of companies supported in energy efficiency measures and the use of renewable energy, both in buildings and in production processes, and achieve important results in terms of energy saving and reduction of emissions.

These projects involve sharing good practice and experience to develop regional action plans which can improve our policy frameworks.

During the project, so far, the partnership has met "in person" only twice (in Florence in September 2019 and in Heinola in February 2020) due to COVID-19 pandemic, but we have had several opportunities to meet each other virtually hearing the presentations of each others' Good Practices, Action Plans etc. As reported in our Energy Support Map, ARRR pointed out the strength and weakness points of the Policy Instrument and identified the possible Good Practices of the other partners that could fit the Tuscan situation. Thanks to these peer-to-peer international learnings we had the opportunity of evaluating some Good Practices enabling a possible improvement of our local Policy Instrument. These Good Practices were then shared with the Stakeholders and after various discussions, the Managing Authority and ARRR decided to go into deep to one of the GP presented by the UK partners Durham County Council (see below).

2 General information

project: **SME POWER**

partner organisation: **ARRR SPA (Resources Recovery Regional Agency)**

country: **ITALY**

nuts2: **Tuscany**

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3 Policy context

Name of the policy Instrument:

ERDF 2021-2027

"Aid to projects aimed at improving energy efficiency in SMEs"

Ax 4: "support the transition towards a low carbon economy in all sectors"

Action 4.2.1 - sub action a1: "aid to projects aimed at improving energy efficiency in buildings"

Action 4.2.1 - sub action a2 "aid to projects aimed at improving production processes"

The Policy Instrument that the Action Plan aims to impact is:

X *Investment for Growth and Jobs programme*

☐ *European Territorial Cooperation programme*

☐ *Other regional development policy instrument (please indicate the name)*

Policy Instrument

The political tool of the Tuscany Region addressed in the action plan is the Regional Operational Program ERDF 2014 – 2020, Priority Axis 4 "Supporting the transition to a low carbon economy in all sectors", action 4.2.1 "Aid for energy efficiency projects for companies".

We have analysed policy tools in support of SMEs, including the calls relating to action 4.2.1:

- sub-action a1 "aid for energy efficiency projects for buildings"

- sub-action a2 "aid for energy efficiency projects of production processes"

With these calls, 280 projects were financed, for a total contribution of € 17.2 million and an average contribution per intervention of € 61,500 (with an average contribution % per intervention of 34%). Interventions carried out in these projects have resulted in total energy savings of 6,645 toe and a reduction in CO₂eq emissions of 13,065 tons.

An analysis of strengths and weaknesses of these calls, and possible proposals for improvement, was carried out.

In particular the weaknesses highlighted with the stakeholders are:

- in many cases, SMEs are not structured or do not have the necessary resources to verify and manage energy consumption through energy audits and monitoring of key data.
- not enough resources (around 20 million euros) are available to incentivize the vast number of Tuscan SMEs for the 7 years of the ERDF 2014-2020.
- SMEs have difficulty finding information on relevant incentive policies and energy efficiency interventions
- the procedures for participating in calls for tenders were, in some aspects, complex with many documents and attachments to submit. Therefore, companies, even the most structured ones, preferred to rely on external consultants (which is costly) for the presentation of the application, management and financial reporting

Considering that Tuscany Region has closed the incentive activities relating to the period 2014 - 2020, the Action Plan focuses on activities that will be implemented with the new ERDF programming, i.e. in the period 2021 - 2027, which will broadly follow the previous one in terms of energy efficiency.

In defining and developing the possible improvements to be applied to the policy tool, ARRR has been in constant contact with the Managing Authority to try to improve the management of the 2014 - 2021 programming for energy efficiency actions in SMEs. However, all financial resources available for these actions had already been allocated. Therefore, in agreement with the Managing Authority, attention turned to policy changes in the new programming period.

The Regional Operational Program ERDF 2021 - 2027 submitted to the European Commission highlights some elements of particular interest, in continuity with the previous program:

- technological development and energy efficiency interventions induced by regional incentives have produced significant results and present further potential for application;
- Tuscany Region, starting from the experience of the 2014-2020 ERDF, intends to strengthen the integrated strategy in support of sustainability and ecological transition, through ongoing actions such as the promotion of energy efficiency and within the intervention priorities foreseen by the OP2 objective “A greener Europe”. Interventions will be promoted in support of public and private bodies for the rationalization and reduction of energy consumption, as well as for energy efficiency and for reduced Greenhouse Gas emissions.

4 List of Actions

ARRR, together with the Managing Authority (Tuscany Region) and the Regional Energy Stakeholders (RES) have agreed on the following action for the policy identified – the Regional Operational Program ERDF of Tuscany Region.

ACTION 1: Encourage the implementation of energy audits among SMEs

The Action aims to modify the upcoming 2021 – 2027 ERDF OP calls on energy efficiency for SMEs, in order to encourage support for projects carried out on the basis of an energy audit and therefore to further encourage the implementation of energy audits. By carrying out an audit, SMEs can gain increased awareness of their energy efficiency status and on how this can be improved (with consequent economic and environmental benefits).

The modification will address the application of the projects, by the introduction of one of the following options (that will be evaluated with the Managing Authority of Tuscany Region during the issuing of calls):

- 1) by increasing the additional score granted for the evaluation of applications that include an energy audit, compared with the score granted within the 2014 -2020 ERDF OP (excluding companies - large and energy-intensive companies- which according to the Italian law, the legislative decree 102/2014, are obliged to periodically draw up an energy audit);
- 2) by including the mandatory presentation, within the application, of an energy audit (not only a technical report as foreseen in the 2014 - 2020 ERDF calls) before intervention signed by a qualified, independent and external technician.

5 Details of the Actions Envisaged

5.1 Action 1

Title of the action

Encourage the implementation of energy audits among SMEs by integrating specific requirements in the upcoming call for proposals”

Nature of the Action

The action aims at increasing the number of SMES running energy audits, as part of their move towards a well-informed, energy efficiency approach within their organisation.

The action proposed to do so by strengthening future 2021-2027 ERDF OP calls for "Supporting the transition to a low carbon economy in all sectors" and "Aid for energy efficiency projects for companies". The first calls are expected to be launched between December 2022 – May 2023.

This can be achieved by implementing one of the following proposed improvements:

- introduction of an obligatory energy audit as mandatory document to be included within the application that company must submit to obtain a contribution for the energy efficiency intervention;
- an increased score awarded in the evaluation phase for projects that include an energy audit as part of their preparatory documentation, compared with score granted within ERDF 2014 – 2021 ERDF OP.

This action is inspired by interregional exchange within SME POWER, particularly the BEEP Good Practice from Durham.

Each energy efficiency intervention identified with the audit, and which will then be the subject of a request for grant, must highlight both costs and economic benefits (investment costs, annual costs, for example maintenance costs, savings or annual revenues, i.e. the overall difference between costs ex ante and ex post), and appropriate financial parameters that allow an evaluation of the necessary investments (pay-back time, internal rate of return, net present value). Savings assessments should be made without first taking into account possible incentives. Then, for the most economically interesting proposals and with acceptable return times, the possible incentives will also be listed.

In order to stimulate SMEs to perform the energy audit, support for the entire duration of the calls all the companies interested in drafting the audit and illustrate the benefits in economic and business management terms, Tuscany Region, ARRR and trade association, within the promotional activities of the calls on the new ROP - ERDF 2021 - 2027 for the energy efficiency of businesses, will implement a specific information activity: direct communications to businesses and through Trade Associations, workshops ("virtual" and / or in presence), provision of simulation tools, use of social media, online support and information through the ARRR website, section dedicated to the SME Power project: <https://www.arrr.it/news-energia-per-le-pmi> (already set up and functioning which must necessarily be expanded and better structured).

Policy Need Addressed

SMEs are the engine of the Tuscan economy. The potential for increasing energy efficiency in SMEs is very extensive but despite the significant extent of this potential, its full implementation is still held back by numerous technical and economic barriers. Furthermore, the same barriers often prevent SMEs from easily accessing the energy services market.

Energy audits are the basis for the definition of an SME's energy efficiency approach, both in relation to the building and to the production process. By carrying out an energy audit, SMEs can increase awareness of the company's energy efficiency status and how this can be improved. Equally important is the measurement of energy consumption (and renewable energy production). This not only raises knowledge, but can also help monitor interventions and investments. As such, SMEs can verify whether or not expected objectives have been achieved and make further strategic decisions.

However, as highlighted by the regional stakeholders during the 1st RES meeting held in Florence in January 2020, in many cases, SMEs are not structured to verify and manage energy consumption. This is partly because energy costs are less significant compared to other costs connected to their core business. Meanwhile, energy audits have an important cost for a SME. Carrying out an energy audit is in fact a process that requires the use of appropriate experience and technical skills, and therefore it is necessary to rely on an auditor external to the company. For this reason, the costs incurred by companies for the energy audit will be foreseen in the calls will be eligible for a contribution about the 10% of the total eligible expenses (with other technical expenses: design, construction management, safety, testing and certification of plants).

During the SME POWER 2nd Interregional Event (Heinola, Finland, February 2020), partners discussed the crucial role of energy audit as instrument to increase awareness on energy efficiency impact on SMEs. The BEEP project (from Durham County Council) was presented for the first time. BEEP provides a fully funded and independent audit, to identify where financial savings can be made (*see further details below*).

The need for improvement of public incentives for energy audits in SMEs emerges clearly. Without these incentives, in terms of raising awareness, funding audits and rewarding their implementation, many SMEs will not undertake these important audits.

Overview of the Policy Improvement that this Action refers to

This action is intended to impact the addressed Policy Instrument by changing the management of future calls for Energy efficiency, thanks to the lessons learnt during SME POWER project.

Specifically, the Action aims at modifying the procedure for evaluation and approval of projects to be funded by the 2021 - 2027 ERDF OP, in order to encourage the adoption of energy audits, before project implementation.

As described above, the action has the objective of introducing one of the following modifications (one in alternative to the other):

- The mandatory realisation and presentation of an energy audit during the application phase of the project:
- By increasing the additional scores granted for applications that include an energy audit.

We aim also at guarantee a contribution, as foreseen by the 2014 - 2020 ERDF OP, for companies that have incurred costs for the energy audit and which will then carry out the interventions planned and evaluated in the audit.

Background

Input from interregional exchange in SME POWER (including GPs and any other inputs)

Lessons learnt	Elements to be transferred for my policy improvement	Exchange process
<p>Durham County (England)</p> <p>Business Energy Efficiency Project (BEEP and BEEP 2)</p>	<p>BEEP provides a free energy audit for SMEs, with the aim of helping to improve business productivity and energy efficiency and reduce carbon emissions and energy costs.</p> <p>Each company receives an energy efficiency plan that details low, medium and high-cost measures adapted to the needs of the company.</p> <p>If the SME carries out the measures envisaged in the energy efficiency plan, it can access an ERDF grant. The Tuscan ERDF OP 2014 – 2020 already included measures to support energy audits, but they were considered not sufficient and not particularly appreciated by SMEs. Instead, companies that had received support from BEEP, were enthusiastic about this service.</p>	<p>P4, Durham County Council, being a partner of SME Power, presented the Good Practice of Beep and Beep2 in various occasions:</p> <ul style="list-style-type: none"> On November 11th 2020 during the virtual presentation of the GP "BEEP 2 – building on strong foundations" to the partners made by Helen Grayshan, Caroline Hearne, Stephen Beresford (GP Peer review) On January 21st 2021 during the virtual bilateral Call between ARRR and Durham staff (for ARRR Roberto Bianco and Susanna Ceccanti / for Durham Helen Grayshan, Caroline Hearne, Stephen Beresford) On June 22nd 2021 during the Virtual study visit made to companies who have been beneficiaries of Beep 2 (YouTube video https://www.youtube.com/watch?v=Rq_S6lqc-zY), with interviews to 3 companies that converted to

	<p>After internal discussion with the Tuscan ERDF OP MA, it was clear that it is not possible to introduce 100% funded energy audit among beneficiaries. However, potential modifications to better encourage this instrument within the next ERDF OP in Tuscany were discussed.</p> <p>During the bilateral call 30th July, they discussed other ways to encourage energy audits, given that in Tuscany it was impossible to finance 100%. Partners suggested other incentives, as including mandatory energy audit implementation in the framework of financed projects.</p>	<p>green and sustainable economy thanks to Beep</p> <ul style="list-style-type: none"> • On June 24th 2021 during a presentation held in the framework of the virtual event "E-workshop: Championing sustainable energy in SMEs" organised by Interreg PLP • On July 30th 2021 during a virtual bilateral call organised ad hoc to discuss GPs that should provide input to ARRR Action Plan (BEEP). Participants: 4 partners from Durham County Council (Stephen Beresford, Helen Grayshan, Dorothy Gibson, Caroline Hearne) 1 representative from Durham University (Dr Chima Michael Anyadike-Danes) 1 DCC/Durham University Work Placement (Sarah Hide) 2 partners from ARRR (Roberto Bianco, Susanna Ceccanti) <p>We also learned about BEEP from their website: https://www.durham.gov.uk/beep and the document named Business Energy Efficiency Project (BEEP) Summative Assessment (July 2019)</p>
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Regional / Local input, including input from SME POWER Stakeholder Group

Regional stakeholders met regularly in order to discuss the different phases of the project. Trade Associations of companies gave interesting inputs during the RES group meetings by highlighting strengths and weaknesses of the calls for "aid to energy efficiency projects for companies" and gave contributions to possible proposals for

change and improvement in order to enhance the tools adopted at the regional level. In particular, they pointed out that the incentive for SMEs (up to 100%) to carry out energy audits could increase their adoption and boost further participation to calls / other investments.

ARRR worked in close contact with the Managing Authority of the ERDF OP, in order to define how the learning from the project and the BEEP GP could be adapted in Tuscany. Moreover, they considered how to adapt proposals in light of the timing of the approval of the ERDF ROP 2021/2027. The final feedback from the MA is as represented in the Action Plan, with the possibility for improvements to be adopted within the future 2021 -2027 ERDF OP as follows:

- An increased score awarded in the evaluation phase for projects that include an energy audit as part of their preparatory documentation;

OR, in alternative

- Introduction of the mandatory realisation and presentation of an energy audit during the application phase

We will also guarantee a contribution, as foreseen by the 2014 - 2020 ERDF OP, for companies that have incurred costs for the energy audit and which will then carry out the interventions planned and evaluated in the audit.

Specific Activities and Timeframe

September - December 2022	Tuscany Region 2021 - 2027 ERDF OP Approval by the European Commission
December 2022 - May 2023	Preparation and publication of first calls on Energy Efficiency, including modified rules for projects proposal evaluation and project implementation to boost energy audits. The preparation of call content is carried out by the Energy Service of the Regional Government of Tuscany, who has been part of the definition of the SME POWER Action Plan.
February - June 2023	Evaluation of projects, following new adopted grid for evaluation (additional score for project with energy audit

	within the application) and new rules for project implementation (including an energy audit realisation). Publication of approved projects.
April – July 2023	Implementation of projects funded by the call. Monitoring and analysis of the results following call closure and projects approval (project implementation phase).

Stakeholders involved

A working group (called “Regional Energy Stakeholder” - RES) has been set up at the regional level, including the actors potentially affected by policies on SME energy efficiency measures.

Name of Organisation / person	Role in Action Plan
Valerio Marangolo, Tuscany Region, Energy and Environment Directorate, responsible for the technical management of the Structural Funds in energy matters – Managing Authority	<p>As Managing Authority of the ERDF programme, this has been the key stakeholder since project outset (as described above) and will continue to be the key stakeholder in Phase 2.</p> <p>Tuscany region is responsible for all the related calls and evaluation and funding of projects.</p> <p>They have been involved in the development of this Action Plan and have endorsed its content.</p> <p>They will be consulted on each activity, through meetings and involvement in territorial animation activities undertaken by ARRR.</p>
<ul style="list-style-type: none"> Craftworkers Association Tuscany (Laura Simoncini and Luca Baglioni) 	Encourage companies in preparing energy audits through a correct and effective communication and information activity on

<ul style="list-style-type: none"> • National Confederation of crafts Tuscany (Antonio Chappini, Simone Marchi, Chiara Di Sacco) • Commerce Association Tuscany (Francesca Caciolli) 	<p>the usefulness of an audit for an SME and on the methods of implementation also in relation to the qualification and reliability of the consultants who carry them out.</p> <p>Support ARRR and MA in the implementation of the Action Plan, in particular to plan initiatives and workshops throughout the regional territory in synergy with Tuscany Region and to make all their dissemination channels available to associated and non-associated companies (from the more traditional, such as website, newsletters, bulletins, mailing lists, press, conferences etc. to the most current and increasingly used in this post-covid period, such as social media, webinar, youtube) in order to act as a multiplier effect of information and initiatives.</p>
<p>Andrea Rocchetti, Department of Engineering of Florence University</p>	<p>Evaluate the effectiveness of support policies in favor of SMEs in the field of energy and provide contributions in order to improve the tools adopted at the regional level and share Good Practices related to the project identified by the partners at an interregional level</p>

Costs and Funding Sources

The Call for energy efficiency has an expected budget for the period 2021-2027 of 22 million EUR (ERDF). For the period 2014 -2020, allocated resources amounted to around 18 million EUR.

The promotion and information activities will be implemented by ARRR, the Tuscany Region and Trade Associations with their own internal resources, as part of the activities carried out in the development of European programs.

Risk and Contingency Plans

Description of Risk	Level of probability (High, Medium, Low)	Description of Contingency Plan
Delay in the final approval of the ROP ERDF 2021 - 2027 and in the publication of the related calls	Medium	Research of additional funds to allow early launch of new calls for energy efficiency Active communication activities to promote the upcoming calls among potential beneficiaries and promote the energy audit adoption
Lack of interest from SMEs	Medium	Promotion and support activities and involvement of Trade Associations

Monitoring

Indicators

Indicator	Target	Means of Verification
Percentage of enterprises that deliver an energy audit among those requesting and receiving financial support for energy efficiency and	25 %	Regional database with information on funding applications and reporting on funded projects.
N. of new requirements in each call in 2022-23.	1	Text of the final published calls

6 Signature

Institution: Managing Authority (Tuscany Region Administration - Energy and Environment Directorate)

Name of Signatory: Valerio Marangolo

Position: Responsible for the technical management of the Structural Funds in energy matters

Date: 26-5-2022

Stamp (if available): _____

Signature: 