

Briefing

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New State Aid Scheme to encourage investments in high efficiency cogeneration in Romania

The Romanian Government has just approved through Government Decision no. 215/2017 a new state aid scheme aimed at supporting investments in high efficiency cogeneration ("**New Support Scheme**").

The New Support Scheme is applicable until 2020 and has a total allocated budget of EUR 81,101,376 (85% ensured from the European fund for regional development and 15% ensured from the state budget).

The state aid provider is the Ministry of Regional Development, Public Administration and European Funds ("**State Aid Provider**") in its capacity as Authority for Managing the Operational Programme - Large Infrastructure. The State Aid Provider will launch the call for applications, establish the eligibility conditions and sign the contracts with the selected beneficiaries.

Scope of the New Support Scheme. The New Support Scheme aims to encourage investments in high efficiency cogeneration. It is estimated that the New Support Scheme will have approximately 50 beneficiaries and will generate an additional 50 MWe of installed cogeneration capacity.

The financial support under the New Support Scheme is granted only in connection to newly installed capacities or refurbished capacities which ensure global savings of primary energy, compare to separate production of electricity and heat.

Financing and Eligible Expenses. The New Support Scheme will provide support in the form of non-refundable funds granted to beneficiaries to cover eligible expenses, namely (i) the additional investment costs for the necessary equipment to make the installation functions as a high efficiency cogeneration installation, compared to conventional installations for electricity or heat with the same capacity; or (ii) the additional investment costs for refurbishment in view of obtaining an increased efficiency of an existing installation which has already reached the high efficiency threshold. The financial support to be received by each beneficiary is capped at a maximum of EUR 15,000,000 and the non-refundable funds cannot exceed 45% from the total amount of the eligible expenses - the rest will be supported by the beneficiary from own resources or external sources that are not public aid. The financing received under the New Support Scheme cannot be cumulated with other state aids (including *de minimis* aid) for the same beneficiary and the same eligible expenses.

Eligible Beneficiaries. Potential beneficiaries are industrial companies/administrators of an industrial park or distributors of thermal energy to an industrial park with energy consumptions of more than 200 toe (tons of oil equivalent)/year, which can prove a useful necessity of thermal energy for industrial processes with a minimum duration of 4,000-5,000 hours/year and require simultaneously an electricity necessity that can be ensured by cogeneration groups.

Industrial companies are required to carry out activities in the extractive industry (Section B of NACE Rev. 2) or manufacturing industry (Section C of NACE Rev. 2), while the administrators of industrial parks or energy distributors to industrial parks are required to carry out activities in the production of electricity and thermal energy, gases, hot water and air conditioning sectors (Section D of NACE Rev. 2).

Additionally, beneficiaries should have a sound financial and tax standing in order to be eligible for the New Support Scheme.

Eligible Projects. Projects eligible for the New Support Scheme are those for development/refurbishment of (i) high efficiency cogeneration plants of maximum 8MWe, on natural gas and biomass; or (ii) high efficiency cogeneration capacities which use residual gas resulted from industrial processes. Additionally, projects should observe the following eligibility conditions:

- (a) it is implemented on Romanian territory, in one of the following developing regions: West, North-West, North-East, South-East, South, South-West, Centre. Projects in Bucharest and Ifov County (i.e. capital city of Romania and its surrounding county) are excluded;
- (b) the implementation period of the project sits within the eligibility period of the expenses, namely between the date when the project is declared eligible by the State Aid Provider and 31 December 2023;
- (c) the investments associated with the project have not benefited from support from public funds in the past 5 years before the date when the request for financing has been filed by the applicant, with the exception of preliminary studies.
- (d) the beneficiary will use goods produced at national level and/or national services.

The full text of the New Support Scheme can be accessed at the following link: <http://lege5.ro/Gratuit/ge2tmnrshe4g/hotararea-nr-215-2017-privind-aprobarea-schemei-de-ajutor-de-stat-pentru-sprijinirea-investitiilor-in-cogenerare-de-inalta-eficienta>

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