

## Energy and Climate Change

### Operational rules (Annex II)

#### 1. Programme summary

This Annex sets out the operational rules for the programme. The programme agreement is based on the MoU, the concept note and comments made by the FMC. Commitments, statements and guarantees, explicit as well as implicit, made in the concept note, are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

The Programme Operator is the Directorate for European Territorial Cooperation within the Ministry of Regional Development and EU Funds of the Republic of Croatia. The Energy Institute Hrvoje Požar shall act as Programme Partner and the Norwegian Water Resources and Energy Directorate (NVE) shall act as Donor Programme Partner.

Certain tasks of the Programme Operator may be carried out by the Programme Partner, however this does not in any way reduce or restrict the responsibility of the Programme Operator.

The programme objective, "Less carbon intensive energy and increased security of supply" will be achieved through two outcomes:

- Outcome 1: "Improved energy efficiency"

The outcome shall be supported through one pre-defined project with Energy Institute Hrvoje Požar as the Project Promoter and the Faculty of Civil Engineering at the University of Zagreb as the Project Partner.

Addressing poor energy performance of public buildings is at the core of Croatian energy strategies and action plans. The newly implemented building standard – nearly zero energy building (nZEB) is adopted, however the real implementation is still lagging behind. One of the growing issues in Croatia today is how to efficiently transfer the respective regulations and recently developed methodologies regarding nZEB standards to all the key stakeholders. This project will therefore support the key stakeholders to realize all the benefits of nZEB standard.

- Outcome 2: "Increased renewable energy production"

The outcome shall be supported through four open calls and two small grant schemes.

*Open call #1: Energy production from the sea.* The call shall support projects and pre-investment studies aiming to increase the installed capacity of energy from the sea, such as seawater heat pump systems. Applicants may apply for funding for investments, including full-scale, demonstration and pilot projects. Applicants can also apply for funding for studies and other technical documentation such as concept, pre-feasibility, feasibility and front-end engineering and design (FEED) required to mature projects necessary to prepare a potential future investment decision.

*Open call #2: Increased solar energy production capacity.* The call shall support projects which increase the installed capacity of solar energy. The solar energy production installed must be connected to the power grid. Applicants may also apply for funding for storage capacity in addition to energy production if the added value from installing storage capacity is clearly justified and quantified in the application.

*Open call #3: Increased geothermal energy production capacity.* The call shall support projects which increase the installed capacity of geothermal energy. Applicants may apply for funding for investments, including full-scale, demonstration and pilot projects.

The applications may include one or more of the below activities such as:

1. Production and injection wells in areas with documented geothermal potential;
2. Construction and/or extension of a geothermal heating plant;
3. Construction of infrastructure connection(s) to integrate geothermal heat into an existing district heating system;
4. Technological and infrastructure changes to existing district heating systems in order to integrate geothermal energy source(s);
5. Educational/training activities

*Open call #4: Technical documentation for geothermal energy.* Applicants may apply for funding for studies and technical documentation such as concept, pre-feasibility, feasibility and front-end engineering and design (FEED) required to mature projects necessary to prepare a potential future investment decision.

*Small grant scheme #1: Shallow geothermal energy database.* The aim of the call is to increase knowledge about shallow geothermal potential in Croatia in order to facilitate a larger uptake of geothermal energy. The call shall support the establishment of a public database for shallow geothermal resources in Croatia.

*Small grant scheme #2: Deep geothermal energy database.* The aim of the call is to increase knowledge about deep geothermal potential in Croatia in order to facilitate a larger uptake of geothermal energy. The call shall support the establishment of a public database for deep geothermal resources in Croatia.

## 2. Eligibility

### 2.1 Eligible applicants:

	Eligible applicants	Eligible partners
Open call #1, 2,3,4	Any entity, public or private, commercial or non-commercial and non-governmental organisations, established as a legal person in Croatia.	Any public or private entity, commercial or non-commercial as well as non-governmental organisations established as a legal person in Norway, Iceland, Liechtenstein or Croatia.
Small grant scheme # 1,2		

### 2.2 Special rules on eligibility of costs:

Costs are eligible in accordance with Chapter 8 of the Regulation. The following exception is made:

With reference to Article 8.5 Indirect costs in projects (overheads), an identification of the indirect costs by the Project Promoter and project partner is limited to a method defined under point 1. c) i.e. a flat rate of up to 15% of direct eligible staff costs without there being a requirement for the Programme Operator to perform a calculation to determine the applicable rate.

## 3. Bilateral relations

### 3.1 Bilateral relations

The programme shall contribute to strengthening bilateral relations between Croatia and the Donor States.

The programme shall as appropriate facilitate donor partnership projects by carrying out, inter alia, match-making events and activities in conjunction with launching calls for proposals, as well as by encouraging donor partnership projects in call texts.

The further use of the funds for bilateral relations allocated to the programme shall be agreed in the Cooperation Committee.



#### 4. Selection of projects and financial parameters

##### 4.1 Open calls and availability of funds (including number of calls, duration of calls, and estimated size):

Call	Outcome (and title of the call)	Estimated timing of the call	Total amount available (EUR)	Maximum grant amount applied for (EUR)	Minimum grant amount applied for (EUR)
Open call #1	<b>Outcome 2</b> Energy production from the sea	Q2 2021	1,534,000	1,300,000	200,000
Open call #2	<b>Outcome 2</b> Increased solar energy production capacity	Q2 2021	7,400,000	1,300,000	200,000
Open call #3	<b>Outcome 2</b> Increased geothermal energy production capacity	Q3 2021	4,956,000	1,300,000	200,000
Open call #4	<b>Outcome 2</b> Technical documentation for geothermal energy	Q2 2021	3,000,000	1,300,000	200,000
Small grant scheme #1	<b>Outcome 2</b> Shallow geothermal energy database	Q4 2021	200,000	200,000	5,000
Small grant scheme #2	<b>Outcome 2</b> Deep geothermal energy database	Q4 2021	200,000	200,000	5,000

Notwithstanding Article 6.9 of the Regulation, reallocations between open calls and small grant schemes not affecting the objective or outcomes of the Programme are permitted without the FMC's prior approval. In the case of reallocations between outcome 1 and 2 the Programme Agreement will have to be modified, in accordance with Art. 6.9 of the Regulations.

##### 4.2 Selection procedures:

The project evaluation and award of grants shall be in accordance with Article 7.4 of the Regulation. The Programme Operator shall be responsible for the project evaluation, selection and award of grants.

The Programme Operator shall review the applications received for compliance with the administrative and eligibility criteria. Applicants, whose applications are rejected at this stage, shall be informed and given a reasonable time to appeal that decision.

Every application that meets administrative and eligibility criteria shall be reviewed by two impartial experts appointed by the Programme Operator. Each of the two experts shall score every project proposal in compliance with the selection criteria published in the Call for Proposals. The projects shall be ranked on the basis of the average score calculated on the basis of the individual scores awarded by the two experts. If the difference between the average score exceeds by more than 30% the higher score awarded by one of the experts, the Programme Operator shall commission a third independent expert to score that project. In such a case the project shall be ranked based on the average score calculated on the basis of the two scores with a smaller difference between them.

The Programme Operator shall establish an Evaluation Committee. The Evaluation Committee will consist of at least three voting members with relevant sector expertise, one of them external to the Programme Operator and Programme Partner. The Evaluation Committee shall be chaired by the Programme Operator.

The Donor Programme Partner shall be invited to participate in the meetings of the Evaluation Committee as a non-voting member. The Donors, the FMO, as well as the National Focal Point, shall be invited to participate in the meetings of the Evaluation Committee as observers.

The Programme Operator shall provide the Evaluation Committee with a list of the ranked projects. The Evaluation Committee shall review the ranked list of projects. It may modify the ranking of the project applications in justified cases based on transparent criteria. The minutes of the Evaluation Committee shall include the justification for the modifications.

The Evaluation Committee shall prepare a list of projects recommended for funding, or to be approved with conditions. The Evaluation Committee shall make a decision by consensus of all voting members. If consensus cannot be reached, the decision may be taken by a majority of all voting members. Any dissenting opinions shall be included in the minutes of the Evaluations Committee.

The Programme Operator shall verify that the selection process has been conducted in accordance with the Regulation and that the recommendations from the Evaluation Committee comply with the rules and objectives of the programme. Following such verification, the Programme Operator shall, based on the recommendation of the Evaluation Committee, decide which projects shall be supported.

The Programme Operator shall notify the applicants about the results of the selection process within a reasonable time and publicise the results. All unsuccessful applicants shall be provided with a brief description of the reasons for the decision and given a reasonable time to appeal that decision.

#### *4.3 Project grant rate:*

Grants to projects from the programme may be up to 100% of total eligible expenditure of the project. The project grant rate shall in all cases be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects. Funds for any remaining costs of the project shall be provided or obtained by the project promoter in the form of monetary contribution (electronic transfers).

### **5. Additional mechanisms within the Programme**

#### *5.1 Pre-defined projects*

There will be one pre-defined project implemented under the programme:

#### **1) "Establishment of the national training center for nearly Zero Energy Buildings (nZEB)"**

Project Promoter:	Energy Institute Hrvoje Pozar
Other project partner(s):	Faculty of Civil Engineering, University of Zagreb
Total maximum eligible costs:	€ 1,600,000
Project grant rate:	100.00 %
Maximum project grant amount:	€ 1,600,000

Programme outcome the project contributes to: Increased capacity to implement nZEB standards.

The overall objective of the project is to increase the capacity at the national level to implement the newly adopted, yet not utilized, nearly Zero Energy Building standard (nZEB).



Addressing poor energy performance of public buildings is at the core of Croatian energy strategies and action plans. The newly implemented building standard – nearly zero energy building (nZEB) is adopted, however the real implementation is still lagging behind. One of the growing issues in Croatia today is how to efficiently transfer the respective regulations and recently developed methodologies regarding nZEB standards to all the key stakeholders. This project will therefore support the key stakeholders to realize all the benefits of nZEB standard. The project will prove that nZEB approach, although innovative, is optimal and cost-effective solution for renovation of public buildings. Project also aims to capitalize on results of the key Norwegian initiatives, developed by the well-known research institution SINTEF, regarding nZEB and zero emission neighbourhoods.

This objective will be achieved specifically by the following main activities:

- Development of all the required documentation needed for achieving nZEB standard while retrofitting the existing public building
- Deep retrofit of the existing public building with state-of-the-art technologies which will be thoroughly documented and monitored by the group of nZEB experts
- Design of the training programme and project development assistance for nZEB projects for the neighbourhood with the action plan on how to achieve the zero-emission neighbourhood
- Established cooperation with Norwegian scientific institutions and other nZEB initiatives

## 5.2 *Financial Instruments*

Not applicable

## 6. **Programme Management**

### 6.1 *Payment flows*

Interim and final payments to the projects shall be based on approved project reports, and transferred to the Project Promoter no later than 30 days after receiving the complete documentation.

Payments of the project grant shall take the form of interim payments and a final payment. The level of final payment to projects shall be set out in the project contract.

	<b>Interim payments</b>	<b>Final Payment</b>
All projects	Up to 90%	At least 10%

The periodicity of reporting periods, and deadlines for reporting will be further detailed in the description of the Programme Operator's management and control systems.

### 6.2 *Verification of payment claims*

Project promoters shall submit interim and final project reports containing information on project progress and incurred expenditure.

In line with point i) of Article 5.6.2 of the Regulation incurred expenditure reported shall be subject to administrative verifications before the report is approved. Verifications to be carried out shall cover administrative, financial, technical and physical aspects of projects, as appropriate and be in accordance with the principle of proportionality.

Additionally, in line with point ii) of Article 5.6.2 of the Regulation on-the-spot verifications of projects, which may be carried out on a sample basis, shall be carried out.

The requirements for proof of expenditures shall be defined within the call for proposals or small grant scheme and it will be stated in the project contract as well.

The detailed procedure for verification will be further detailed in the description of the Programme Operator's management and control systems.

#### *6.3 Monitoring and reporting*

The Programme Operator shall monitor, record and report on progress towards the programme's outcomes in accordance with the provisions contained in the legal framework. The Programme Operator shall ensure that suitable and sufficient monitoring and reporting arrangements are made with the project promoters in order to enable the Programme Operator and the National Focal Point to meet its obligations to the Donor States. In particular, the final project report from the project promoter shall comprise a final technical report, containing: i) an overview of the results and their exploitation and dissemination; ii) the conclusions on the project; iii) a report covering the wider societal implications of the project.

The Programme Operator shall ensure that estimated greenhouse gas emissions (GHG) reductions corresponding to the interventions are collected in tonnes of CO<sub>2</sub> equivalent per year for each project where energy efficiency measures have been implemented and/or renewable energy production capacity is increased.

When reporting on progress achieved in Annual and Final Programme Reports, the Programme Operator shall disaggregate results achieved as appropriate and in accordance with instructions received from the FMO, in accordance with Annex I to the Programme Agreement and the "Core indicators 2014-2021 Guidance document for programmes financed under the EEA and Norway Grants 2014-2021" issued by the FMO.

#### *6.4 Programme administrative structures*

The Programme is operated by the Directorate for European Territorial Cooperation within the Ministry of Regional Development and EU Funds of the Republic of Croatia.

The Programme Partner, Energy Institute Hrvoje Požar, will cooperate with the Programme Operator and be involved in tasks related to the management of the programme, however this does not in any way reduce or restrict the responsibility of the Programme Operator.

The organisational structures of the Programme Operator and Programme Partner shall ensure independence and functional separation of the divisions responsible for verification of incurred expenditure and approval of payments from the divisions responsible for the implementation of the programme. The Programme Partner shall not be involved in verification of incurred expenditure or verification of project outputs related to the predefined project no. 1, for which it acts as Project Promoter.

### **7. Communication**

The Programme Operator shall comply with Article 3.3 of the Regulation, the Information and Communication Requirements in Annex 3 of the Regulation and the Communication plan for the programme.

### **8. Miscellaneous**

Not applicable.