Analytical report for market and stakeholder analysis

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Output 4.1.5 - Austria

Based on expert interviews with financial stakeholders

STENUM GmbH

Content

1. Relevant public organizations that finance eco-innovation and introduction of the financing instruments

The following table shows the public financing institutions which were interviewed.

Name	Service
AWS	Austrian federal development and financing bank, which provides grants, loans and guarantees.
Municipality of Baden	Citizen participation in solar power
SFG	Styrian Business Promotion Agency, fully owned by the federal state. Offers services such as general information and advice, grants and financing and location consultancy/location analysis.
ZIT	Technology Agency of the City of Vienna, a subsidiary of the Vienna Business Agency. Provides direct financial assistance
KPC	KPC manages state financed subsidy programs on energy and environment.

1.1. Resource efficiency action plan[1]

The Resource efficiency action plan (REAP) sets targets to increase the efficiency in the use of natural resources. Furthermore significant fields of actions are identified and tools as well as measures for the increase of resource efficiency in Austria are suggested.

The long term goal of the action plan is to decouple the Austrian economy from resource consumption and the associated environmental impacts. Therefore it is necessary to pro-mote resource efficiency in Austria as a medium term target (until 2020) to increase the re-source efficiency at least of 50 %. Therefore the resource consumption should be significantly reduced.

Main obstacles to receive public funds for investments in eco-innovation and possible improvements which would lead to easier access to public funds

Actually, quite generous subsidies are available (up to 35 % for development of new products and processes). The main problems observed are:

- Small and very small enterprises frequently do not know about these schemes, find the application procedure too difficult or do not have staff, who is at easy with forms, procedures and applications
- The funds are mostly available for developing hardware; soft, incremental improvement, or the combination of existing parts usually is not appreciated by the evaluation panels as innovative enough to justify funding

According to the interviewee at AWS the eco-innovative dimension of products has to be made more visible. If this can be achieved eco-innovations will have a positive effect on the image of a company. One fundamental contradiction results from the following gap: on the one side the projects must not be too economical (payback period less than two years): in this case they are not considered eligible for funding, as they are too profitable. On the other side, the payback periods cannot be too long; else they are not acceptable for companies.

[1] http://www.lebensministerium.at

Therefore skilled consulting is necessary to identify potential funding opportunities and present them properly to the funding body.

Traditional grants and subsidies have therefore limits. Innovative approaches can help: Crowd financing leaves it to the presentation of the project and the understanding and motivation of the involved financiers, whether a project is funded or not. This will reach out to:

- Profitable projects in companies with low liquidity
- Long term projects which provide an opportunity for sustainable, long term investment for financiers looking for such opportunities (several examples for such institutions were identified during the interviews)

However, several interview partners expressed their opinion that significant price effects, tax exemption and regulatory measures to foster resource efficiency might have a higher leverage effect as compared to consulting, funds and grants.

1.2. Best practice examples for public financing instruments

We consider the standardized applications e. g. for insulation, upgrade of compressed air systems, small solar plants etc. best practice (http://www.umweltfoerderung.at): They consist of standardized forms, accessibility via internet, reduced to basic demand for information, electronic submission, little administration effort and quick response. Also there are an informative webpage, good accompanying information brochures, a helpline and regular information days.

1.3. Perspectives of financial actors concerning public financing instruments

The banks ideally should promote public financing instruments. However it surfaced also during the interviews, that several institutions apparently do not know the available instruments, or do not recommend them because they do not have the expertise to judge the quality of the respective application (or simple do not want to take the effort).

1.4. Enterprise perspective concerning public financing instruments

From the perspective of enterprises the following barriers were described:

- Time and effort required for handling applications for funding
- Lack of time and lack of human resources
- The de-minimis regulation for receiving European funds
- Too much paperwork, where effort does not always bear relation to benefits

2. Relevant private financing institutions and the offered instruments and services for financing eco-innovations

The following table shows the private financing institutions which were interviewed.

Name	Service
1000x1000.at	Crowd-funding platform. Includes also other services such as evaluation by the crowd and dissemination activities.
Bank Austria	Plenty of banking services
EKZ-GETEC AG	Contracting of energy supply (steam, heat, cooling, compressed air), waste heat recovery and cogeneration plants.
Entwicklungsagentur Kärnten (EAK)	Business Promotion agency of Carinthia. Information on the region, grants. Attraction of investors.
PONTIS	Private Equity investment firm with a focus on small and medium sized growth companies and technological areas ICT, Clean Tech and MedTech.

The following table shows the other financing institutions which were interviewed.

Name	Service
AVCO	National organisation of Austrian Private Equity and Venture Capital Organisations.
DECA	Association of energy efficiency services providers with success guarantee
ECO WORLD STYRIA	ECO WORLD STYRIA is the world's leading business cluster in the field of energy and environmental located in Styria. Also acts as a financing agent.
OGUT	OGUT is a non-profit organisation, formed as a scientific platform for environment, economy and administration.
Tanzer Consulting	International consulting company, which supports Öko-Box Sammel Ges.m.b.H In handling its legal obligation of running a waste prevention funds since 2006.

2.1. Main barriers to obtain private capital for eco-innovation investments

When going for bank loans, enterprises need to provide securities. Banks at the moment expect their clients to provide securities for 100 to 200% of loans provided. This is prohibitive, as companies either regards these securities as excessive or simply cannot provide them.

2.2. Best practice examples for private financing instruments and services

Example of a best practice for private financing is crowd financing.

For crowd funding transparency is essential. Crowd-funding agents should consider how not to be in conflict with Financial Market Authority, and companies have to cope with it. The interviewee adds that crowd- funding also triggers additional values like evaluation and dissemination activities.

ECO expects a boom on crowd funding, which is driven by individuals with strong intrinsic motivation.

2.3. Perspectives of financial actors concerning private financing instruments

Financial actors in Austria to some extent have a critical view on crowd financing as this is considered unfair competition violating existing laws on banking licences and transparency. Currently, creative solutions involving banks in this novel financing approach are being de-signed (using established instruments like the "Kapitalsparbuch" and the bank as intermediate). A law on transparency and deposit protection is in discussion.

2.4. Enterprise perspective concerning private financing instruments

Several very successful Austrian privately owned companies have stated that they as a matter of principles finance investment out of cash flow. Generally speaking, the use of credit capital for other than core business activities is unusual, except legal compliance necessitating this sort of investment and accordingly discouraged by the respective house bank.

1 out of 20 interviewed companies use this kind of financing. Companies which made use of private financing stated that no problems have occurred with this type of financing. For bank loans, companies have to provide securities, for some companies this was a barrier.

3. Are there any further innovative financing instruments offered for financing eco-innovations

3.1. Best practice examples for innovative financing instruments and services

3.1.1. Contracting

Contracting is especially interesting when a company lacks of liquid funds (OGUT). Contracting is not a matter of technical problems, but of contractual questions between contractor, owner and user (minimum service level, guarantee agreements and the duties of the contractor). The advantage for the user of the plant is that liabilities are transferred from employer to the contractor (DECA). EKZ expects increased potential for contracting due to rising energy costs.

3.1.2. Crowd financing

The drivers for crowd funding are small interest rates for savers and the opportunity to make a difference. Project between 50.000 – 300.000 Euros which have no other financing options are highly eligible (1000x1000).

3.1.3. New type of funding

Intracting: Investments are financed by internal savings, which are managed by an internal clearing office (DECA). If the first efficiency measures only need behavioural change, no starting capital is required.

SFG praises the Competitiveness and Innovation Framework Program (CIP), since it promoted innovations close to the market. Proof of its success: oversubscribed for several times.

The Risk sharing finance facility (RSFF) by the European Investment bank and the European Commission follows a new concept for promoting business development, which is situated between investments and subsidies (SFG). SFG wishes to have both types of funding also on national level.

3.2. Perspectives of financial actors concerning "innovative" financing instruments

Perspective regarding contracting, interacting, crowd financing:

Regarding crowd financing in Austria the reaction was not only positive, as this instrument apparently is regarded as a competitor to traditional loans
Contracting apparently is well established in the financing sector

3.3. Enterprise perspective concerning "innovative" financing instruments

For enterprises, in contracting it is difficult to trust the contractor, to find a reliable baseline for savings and to calculate actual savings, especially in a highly volatile environment, in which

- Energy prices are changing all the time
- Production quantities are changing
- Products are changing

Crowd financing is novel, and was not known to any of the interviewees.

4. SWOT-analysis

4.1. Strengths

- High willingness for giving subsidies by government
- High interest and demand from the industry perspective for the implementation of resource efficiency measures and to claim subsidies or to use innovative financing instruments
- High level of impact due to popularity of instruments at businesses even if less economically advantageous than other instruments like tax reduction
- New types of financing instruments, e.g. crowd financing

4.2. Weaknesses

- In transparent subsidy environment due to weakly focused aims and a high bureaucracy
- The application of the deminimis regulation
- No online database where all company grants/findings are visible at a glance
- Little coordination of the different kind of financing instruments and conflicting interests with little access to complete information
- Redesign of system is overdue
- The current tax system is a barrier for further development, since it focuses too much on the workforce instead of internalizing environmental costs (KPC). A first step is to cut subsidies for "wrong" technologies (OGUT).

4.3. Opportunities

- Tough new European energy efficiency directive (e.g. could foster contracting projects)

- The national resource efficiency action plan describes approaches how to foster the increase of the efficient use of resources
- Increase of the demand of eco-innovative financing instruments
- The requirement of consumers for “green products” with less environmental impact
- Eco-design directive

4.4. Threats

- Investments are made to make a higher profit and the investments have to have a short payback period (in many companies less than 2 years)
- Shrinking budget contribution for universities by state increased their dependency on third party funds