



The Flemish Climate Fund: an incentive scheme for new mitigation measures



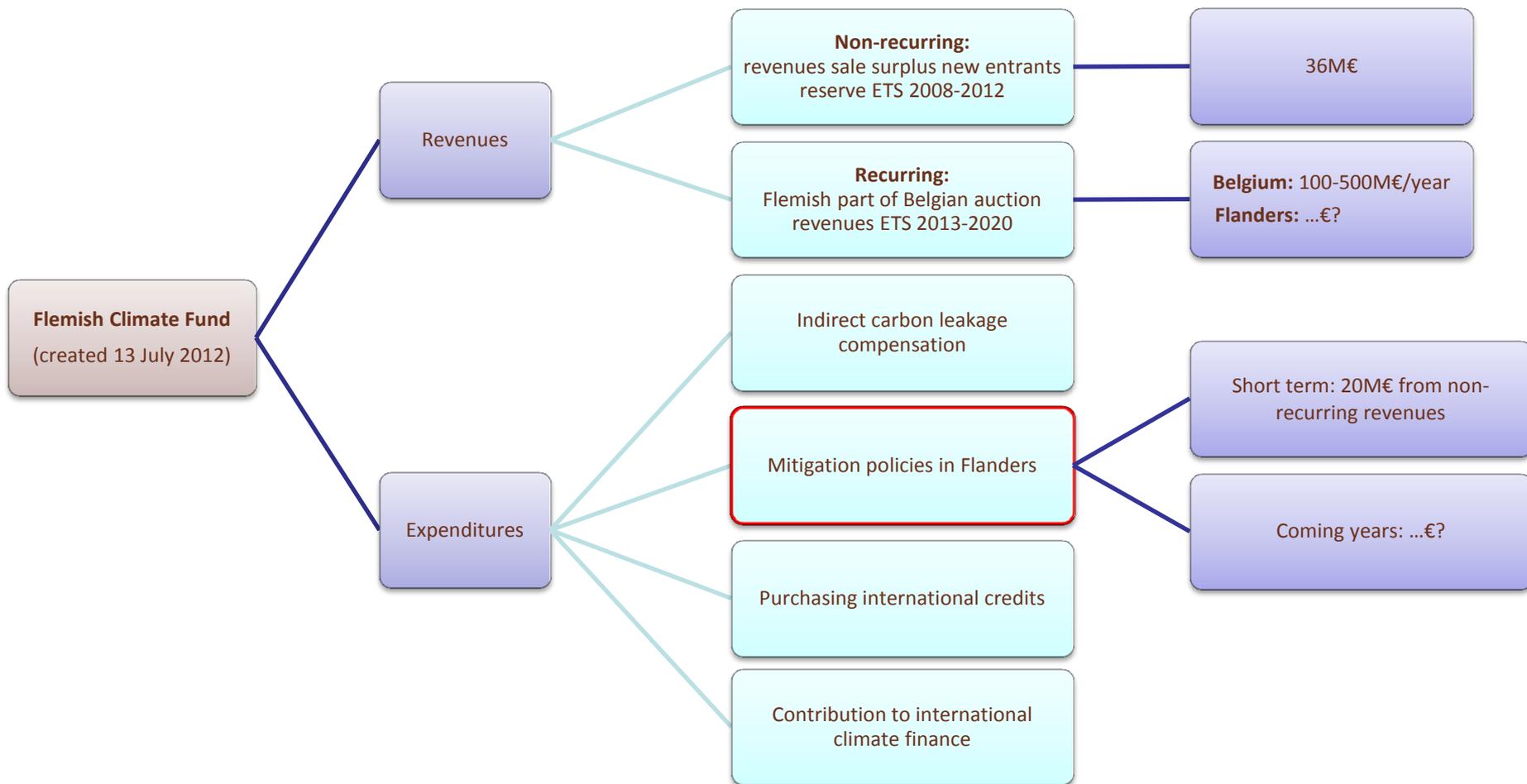
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1. What is the Flemish Climate Fund?





Flemish Mitigation Plan 2013-2020 for non-ETS:

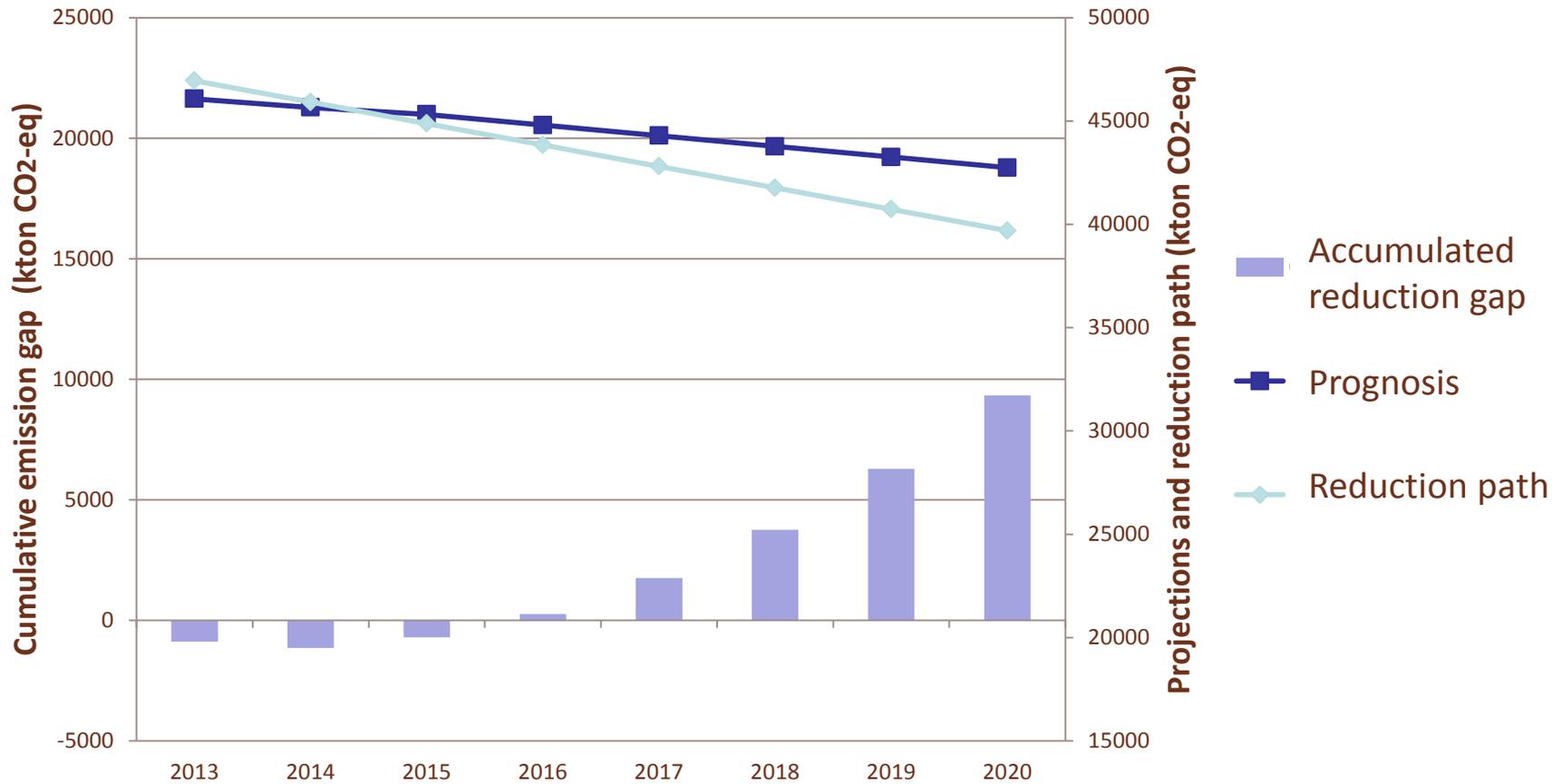
- Estimated BAU scenario: target not reached → reduction gap!
- First idea: work with sectorial emission budgets → no political support
- ⇒ only bottom up prognosis of sectorial BAU and additional measures
- Problem: very few additional measures proposed → reduction gap!
- ⇒ Co-financing possibility via Flemish Climate Fund announced for “best” new measures



Objectives:

- Move beyond BAU
- Integrate mitigation in all relevant policy domains

Projections and reduction path



3. Climate fund mitigation policies

I. Ex-ante evaluation

Cost efficiency

- Largest weight (75%)
- Fund cost efficiency = $\text{€}_{\text{climate fund}} / \text{ton CO}_2\text{-eq}$ (from 1.3 to 988 €/ton CO₂-eq)
- Social cost efficiency = (investment cost + operational cost + energy cost) / ton CO₂-eq (from < 0 to > 300 €/ton CO₂-eq)

Additionality

- Policy additionality: Is this measure not already planned regardless of co-funding? Does the measure complement existing policies?
- Target group additionality: Would the target group undertake the action without the proposed measure?

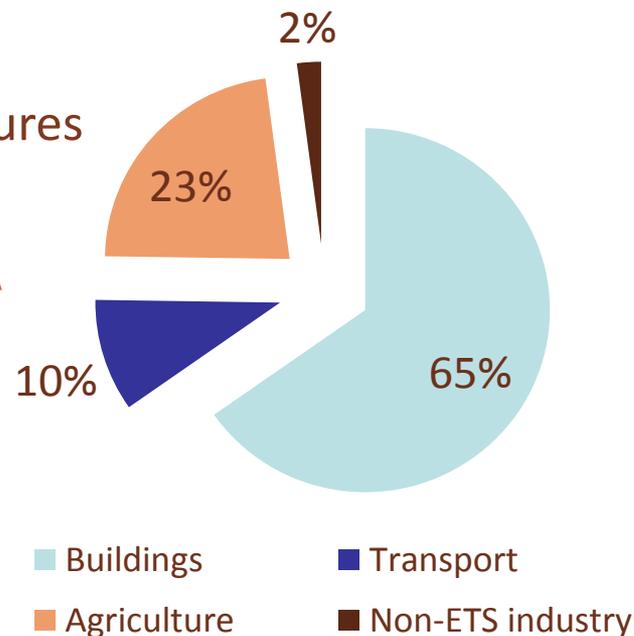
Other criteria

- Implementation trajectory, low carbon economy, renewable energy, sustainability (environment, economy, social)
- Criteria with lower weight

ranking	Candidate policy proposals	additionality	adaptability	implementability	sectoral impact	efficiency	low carbon	Renewable energy	Economy	Social	Environment	Weighted total
1.	subsidy for deep renovation to social housing companies	5,0	5,0	4,5	5,0	4,7	4,5	3,5	4,0	5,0	4,5	95%
2.	subsidy for wall and roof insulation to social housing companies	4,5	4,0	4,5	5,0	4,8	3,5	2,5	4,0	5,0	4,5	92%
3.	telemetry for electricity and gas metering in school buildings	5,0	4,0	5,0	5,0	4,9	3,0	3,0	4,0	3,0	3,0	90%
4.	investment grant pilot project heat recuperation for greenhouse	4,0	4,5	4,5	3,0	4,9	4,5	4,0	5,0	3,0	5,0	86%
5.	capital provision to social housing companies	2,5	4,0	4,5	5,0	4,3	4,0	2,0	4,0	5,0	4,5	86%
6.	demolition fund	4,0	4,5	2,0	4,0	4,8	4,0	4,0	4,0	2,5	4,5	85%
7.	renovation grant combined investment wall insulation and glazing	2,5	2,0	4,5	5,0	5,0	3,5	2,5	4,0	2,0	4,5	85%
8.	specialised energy consultants heritage buildings plus premium	5,0	4,0	3,0	4,0	4,8	3,5	2,5	3,5	2,5	4,5	84%
9.	specialised energy consultants heritage buildings	5,0	3,0	3,0	4,0	4,9	3,5	2,5	3,5	2,5	4,5	83%
10.	increased energy grants for SME's	2,5	2	4	5	4,9	2	2	3	2,5	5	82%
11.	investment support for small scale fermentation on farms	3,5	4,0	4,0	3,0	4,9	3,0	5,0	3,0	2,5	5,0	81%
12.	energy consultancy project for farmers	2,0	4,0	2,0	4,0	4,8	3,0	3,5	3,5	2,5	5,0	81%
13.	demolition premium (75% of demolition costs)	3,5	3	4	4	4,6	4	4	4	2	4,5	81%
14.	energy consultants for tourist infrastructure	4,0	3,0	2,0	4,0	4,8	4,0	2,5	3,5	2,5	4,5	80%
15.	Additional consultant for Flanders Logistics	1,0	3,0	2,0	4,5	4,8	3,0	2,0	3,5	2,5	5,0	79%
16.	investment in shorepower infrastructure for inland navigation	2,5	3,0	4,0	3,0	4,9	4,0	3,0	5,0	2,5	3,5	78%
17.	sectoral energy guidance and advise for SME's	3,0	2,0	2,0	4,0	4,9	3,0	2,0	3,5	2,5	5,0	78%
18.	investment in quay walls	0,0	3,0	2,5	4,0	4,8	3,5	2,0	4,0	2,5	3,5	76%
19.	subsidy for charging infrastructure for electric vehicles on parking	5,0	2,5	4,0	2,0	4,8	5,0	3,5	5,0	2,5	3,5	75%
20.	pilot project biogas busses	4,5	4,0	3,5	2,5	4,2	4,0	4,0	4,5	2,5	4,0	75%
21.	grants for electric/hybrid cars	5,0	4,5	4,5	2,0	4,2	5,0	3,5	5,0	2,0	3,0	74%
22.	grants for deep renovation with heat pumps	4,0	2,5	4,5	1,5	4,4	5,0	5,0	5,0	1,0	4,5	70%
23.	bike lanes network	3,0	3,5	3,5	2,0	3,4	5,0	2,5	5,0	3,5	4,5	66%
24.	modulation of car taxation in favour of electric/hybrid cars	5,0	2,0	4,0	2,0	3,7	5,0	3,5	5,0	2,0	3,0	65%
25.	Deep renovation of government building	2,0	3,0	5,0	0,0	4,0	5,0	5,0	5,0	3,0	4,5	63%
26.	LNG infrastructure for inland navigation	2,5	2,0	1,0	0,0	3,9	3,0	1,0	4,5	2,5	3,5	52%
27.	grants for energy renovation heritage buildings	3,0	2,0	2,0	4,0	0,3	3,0	2,5	3,5	2,5	4,5	41%
28.	Deep renovation of a school building	4,0	5,0	5,0	0,0	0,3	5,0	5,0	5,0	3,0	4,5	39%
29.	New school building with higher energy performance	3,5	4,0	5,0	1,0	0,1	5,0	5,0	5,0	3,0	4,5	38%
30.	Hybrid hydrogen busses	4,5	4,0	4,5	0,0	0,0	5,0	3,5	5,0	2,5	3,5	32%
31.	Dynamic traffic management	0,0	1,0	4,0	0,0	0,0	2,5	0,0	3,0	2,5	3,0	16%

II. Selected policies for funding

- 34 new measures proposed by the different ministries
- After ex-ante evaluation and subsequent political discussion:
 - 14 measures selected
 - 20M€ divided over the selected measures



II. Selected policies for funding

1. Buildings

→ Most cost efficient reduction potential, largest budget

- Grants for deep renovation:
 - Subsidy for deep renovation for Social Housing Companies (7,9M€)
 - Increased renovation grant for combined investment in wall insulation and glazing (3,7M€)
- Specialized energy advise for:
 - Heritage buildings (350.000€)
 - Tourist infrastructure (450.000€)
- Telemetry (electricity, gas and water) in school buildings (25.000€)
- Increased energy efficiency grants for SMEs

2. Non-ETS industry

- Intensive sectorial energy guidance and advice for SMEs

3. Transport

- Additional Flanders Logistics consultant for SMEs (750.000€)
- Subsidy for charging infrastructure for electric vehicles on carpool parkings (500.000€)
- Shorepower infrastructure for inland navigation (100.000€)
- Subsidy for CO₂-low busses (600.000€): biogas not economically feasible → hybrid/electric?

4. Agriculture

- Energy consultancy project for farmers (400.000€)
- Investment support for small scale fermentation (pocket digestion) on farms (2.250.000€)
- Investment grant for pilot project low value residual heat from waste incinerator for greenhouse cluster (1.900.000€)



III. Expected results

- So far: half of the selected policies implemented.
- If all measures realised as planned: 4,5 Mton CO₂-eq reduction over the lifetime of the investments, for 20M€.
 - Note: total non-ETS emissions Flanders in 2012 = 49.9 Mton CO₂-eq
- Demonstrates that there are cost efficient abatement policies available in Flanders.
- Hopefully encourages policy domains to:
 - Find more possibilities for integration,
 - Maintain measures structurally afterwards.
- Useful experience to develop improved financing mechanism for the next phase of the climate fund.



4. Next phase: threats, opportunities and trade-offs

Threats:

- Perhaps no money left for internal measures:
 - Eurostat rules on accountability limit spending of cash auction revenues
 - Decision to finance total cost of indirect carbon leakage compensation via climate fund
- Policy makers could feel the existence of the climate fund is sufficient, whereas structural large budget shifts are needed to make 2030 and 2050 climate goals feasible.

Opportunities:

- Use Climate Fund as search engine and leverage for new policy measures.

4. Next phase: threats, opportunities and trade-offs



Trade-offs for future framework:

- Efficiency ↔ additionality: very efficient measures would perhaps be undertaken anyway
- Efficiency ↔ long term climate goals: e.g. heat pumps not efficient now but needed to reach 2030 and 2050 goals
- Stimulate other policy domains ↔ stimulate directly initiatives of private sector, NGOs and local authorities
- Finance many small measures ↔ finance a single large project with less burden
- Political freedom to select and decide ↔ objective framework for selection of measures and budget allocation
- Public money ↔ ETS money via domestic offsetting (art. 24 bis) or carbon credits for voluntary offsets



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- Website English summary of the Flemish Climate Policy Plan 2013-2020
<http://www.lne.be/en/about/publications/flemish-climate-policy-plan-2013-2020-summary.pdf>