COMMISSION DECISION

of 10.12.2013

authorising the use of reimbursement on the basis of unit costs for energy efficiency measures in buildings under the Energy Challenge actions of the Horizon 2020 Framework Programme
COMMISSION DECISION

of 10.12.2013

authorising the use of reimbursement on the basis of unit costs for energy efficiency measures in buildings under the Energy Challenge actions of the Horizon 2020 Framework Programme

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Regulation of the European Parliament and of the Council establishing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020), and in particular Article 5(2)(c) thereof,


Having regard to Regulation (EC, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union\(^2\), and in particular Article 124 thereof,

Whereas:

(1) Article 182 of Commission Delegated Regulation (EU) No 1268/2012\(^3\) contains detailed rules regarding lump sums, unit costs and flat-rate financing.

(2) Simplification as a central aim of the Horizon 2020 Framework Programme needs to be fully reflected in its design, rules, financial management and implementation.

(3) Simpler funding rules reduce the administrative costs for participation and contribute to the prevention and reduction of financial errors. In this respect, the use of unit costs is necessary to simplify the calculation of grant amounts, to significantly decrease the workload of both the beneficiaries and the Commission as well as to accelerate payment procedures.

(4) It is necessary to use Union funding to promote innovative energy efficient activities in buildings going beyond the national energy targets.

(5) The use of unit costs should therefore be authorised for actions on energy efficiency measures in buildings under the Energy Challenge of the Horizon 2020 Framework Programme,

\(^1\) OJ L 347, 201.12.2013, p.1


HAS DECIDED AS FOLLOWS:

Article 1
The use of grants for reimbursement of eligible costs declared by beneficiaries on the basis of unit costs is authorised for the actions on energy efficiency measures in buildings under the Energy Challenge actions of the Horizon 2020 Framework Programme, for the reasons and under the conditions set out in the Annex.

Article 2

Done at Brussels,

For the Commission

Member of the Commission
ANNEX

1. Forms of grants and categories of costs covered

The grants for the Energy challenge actions within the Horizon 2020 Framework Programme shall take the form of reimbursement of eligible costs for the demonstration of additional energy efficiency measures in buildings declared by beneficiaries on the basis of unit costs.

The following shall be considered “additional energy efficiency measures”:

(a) for new buildings: those measures which are implemented to make the building more energy efficient than would have been required under the applicable national legislation;

(b) for refurbished buildings: those measures which are implemented to make the building more energy efficient than would have been required under the applicable national legislation or than would have been the case for the refurbishment of such a building using current practices if there is no national regulation applicable.

The categories of eligible costs covered by the unit costs are the following:

– Costs of purchasing equipment, infrastructures and other assets directly necessary for the demonstration of additional energy efficiency measures in buildings (e.g. costs of purchasing elements to build or refurbish buildings such as new isolation, new ventilation system, windows, doors, heating elements, system controlling the system);

– Costs of subcontracting the works necessary for the demonstration of additional energy efficiency measures in buildings.

Indirect costs for the demonstration of additional energy efficiency measures in buildings are not eligible (the 25% flat-rate financing shall not apply to the eligible costs declared on the basis of unit costs for additional energy efficiency measures in buildings). Fluids are not eligible either.

Other categories of eligible costs shall be reimbursed on the basis of eligible costs actually incurred or, for direct personnel costs, on the basis of unit costs or, for indirect costs, flat-rate financing.

The amounts of the unit costs to be declared by the beneficiaries shall be calculated in accordance with the method described in Section 3.

2. Justification

2.1. Nature of the supported actions

Substantial energy savings in buildings can derive from simultaneous interventions on all the building components where energy can be saved. National regulations on buildings define the minimum specifications these components must meet.

Demonstration projects including energy efficient buildings, in order to be eligible for Community funding, must adopt measures going beyond the national regulations or beyond the market practice if there is no national regulation applicable (e.g. for refurbishment of buildings).

Community funding has to be based on those costs directly related to “additional energy efficiency measures”.

Innovation is a prerequisite for Horizon 2020 projects. The innovation in buildings may be linked either to the integration of the different technologies, components or systems and/or to the improvements in the individual technologies which are to be demonstrated in the projects.

The difficulty of using actual cost

The following aspects make it practically impossible to determine the eligible costs on the basis of actual costs per construction item:

(a) one and the same building components may function differently, depending on the way it is incorporated and interacts with other components in the building; most of the time innovation is not linked to a single specific building component but to the interacting effects of design, installation and management of all those building components, including non-technological measures. Consequently, energy efficiency in buildings is not related to the actual cost of individual building components but to the way these components are used in a given context;

(b) a critical mass of interventions in buildings is often necessary (e.g. the Horizon 2020 Smart Cities and Communities projects) for the full-size demonstration that has an impact and is visible at a European level; in a Smart Cities and Communities project, a large number of buildings, forming a district or a whole city containing a high number of flats/offices, is affected in each one of the communities participating in the projects; in such situations the control of the performance has to be established with the help of global certification (based on surface built and building specifications);

(c) not all demonstration buildings, even in the same community, have the same characteristics, or are built or refurbished using the same specifications; in combination with the large number of buildings involved, it is practically impossible to audit and verify specific components of each building separately;

(d) there are constraints set by the accounting systems of the beneficiaries which do not allow differentiation between innovative elements and regular building costs. Instead the buildings are depreciated as one entity over several decades.

Conversely, statistical data (reference study period: 30 years, dated 2013, sources: DFIU, EE, ÖÖW) are available on the price to be paid for the refurbishment of a building to save 1 kWh, which is the standard output of the actions to be supported under the Energy Challenge within the Horizon 2020 Framework Programme (for the means of verification of the outputs, see Section 2.2).

2.2. Risks of irregularities and fraud and costs of control

The unit cost in building-related research projects has been used by the Commission in the Sixth and Seventh framework programmes (Concerto projects, in parts of the Public Private Partnership for Energy Efficient Buildings projects and the Smart Cities and Communities projects).

Past experience shows that this significantly simplifies the management of the projects for contractors and the carrying out of controls.

The specifications per type demonstration building are set out in the technical annex of the grant agreements (Annex 1). For the calculation of the Union contributions, the periodic reports are a prerequisite for any payment based on unit costs. Those reports shall be accompanied by 'handover certificate' certifying the actual specifications of the buildings constructed or refurbished, their surface area and address. The certificate is signed by a competent person from the consortium.
Given the specificity of the buildings where many of its components are hidden (e.g. insulation materials) and given the large building numbers and surface areas concerned in the demonstration projects, extensive technical audits on site would prove very costly and practically impossible.

The use of unit cost in this type of projects has a small extra cost, mainly related to the preparation of the 'handover certificates' by the contractors and their checking against the specifications provided by the Commission.

3. Method to determine the amounts

The unit cost applicable to the demonstration of actions involving energy efficient buildings related projects under Horizon 2020 shall:

- apply per m² of eligible conditioned gross floor area (excluding parts of the buildings which are not affected by the measures, e.g. garages);
- be calculated according to the following formula:

\[ \text{EUR} \{ \frac{\text{standard cost in EUR to save 1 kWh} \times \text{estimated total kWh saved per m² per year} \times \text{standard payback period in years}}{\text{surface area of the building}} \} \]

with:

- the standard cost to save 1 kWh being EUR 0.1, in accordance with the statistical data (reference study period: 30 years, dated 10.2013, sources: DFIU, EE, ÖÖW);
- the estimated total kWh saved per m² per year being determined at proposal level, using the model table established by the Commission and supported by detailed information on the interventions to be made to the building envelope. It shall be determined with reference to the estimated value of the energy which the additional energy efficiency measures will save. The estimated value of the energy saved shall be determined on the basis of the estimated reduction in the overall energy demand of the building, calculated on the basis of the “additional energy efficiency proposed measures” over a period of a maximum of 10 years. The above estimated value of the energy saved due to the “additional energy efficiency measures” shall be divided by the surface area of the building;
- the standard payback period for the investment (eligible costs) related to energy efficient measures being 10 years. According to statistical information on the payback periods of building projects supported by the Commission, the average payback period is 30 years. However, the use of a standard period of 10 years enables to cover most of the buildings and limits the risks that the grant exceeds the net costs of investment over the standard payback period.

The amount of the unit cost per eligible m² for the demonstration of additional energy efficiency measures in buildings under Horizon 2020 shall thus be:

EUR \{ \text{estimated total kWh saved per m² per year} \}

This amount per eligible m² shall apply for the full duration of Horizon 2020, unless it does not prove appropriate anymore. In such a case, it will be adjusted by a new Commission decision.

4. No-profit and co-financing principles and absence of double financing

The methodology described in Section 3 complies with the principles of no-profit, co-financing and absence of double funding as required by the Financial Regulation.
The implementation of additional energy efficiency measures in buildings is not expected to generate revenue (only to save costs) or to be specifically funded by third donors. In addition, the unit cost should not exceed – on average - the actual eligible costs as its calculation is based on the low range for averages obtained statistically.

The co-financing principle will be complied with by application of the reimbursement rate applicable to Energy Challenge actions, as well as the ineligibility of certain cost items (e.g. costs of fluids, indirect costs for the demonstration of the energy efficiency measures in buildings).

Double funding is avoided by the specification/identification of eligible costs detailed in Section 1. Compliance with the specification method of eligible costs is checked through controls, during the proposal evaluation phase as well as through ex-post controls on the existence of other Union funding sources specifically covering the demonstration of the same additional energy efficiency measures in buildings.