



ENERGY EFFICIENCY MARKET ARCHITECTURE & POLICY FRAMEWORK: THE DUTCH CASE

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SUMMARY

This note gives an overview of the applicable regulatory forces, the market architecture, and policy framework related to the energy efficiency (EE) investments in the Netherlands.

The Netherlands shows to be a favourable climate for EE investments shown through the number of (national) schemes which are available to enhance the uptake of EE investments. The Dutch identified Triple-A projects are put central and the applicable laws, regulation and subsidy schemes that are available to them are matched, in this way giving a hands-on example of EE in the Dutch context that is to be followed by comparative EE undertakings.

KEYWORDS

Subsidy Schemes, Sustainability, Energy Efficiency, Investments, Incentives, Regulation, The Netherlands

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1 Introduction

Aim of this briefing note is to provide a brief overview of the applicable regulatory forces, the market architecture, and policy framework related to the energy efficiency (EE) projects that were explored and identified under the Triple-A project in the Netherlands.

Similar reports are prepared on a per country basis and aggregated in a European Synthesis Paper. The overview and recommendations presented in this report are the result of the research conducted to provide recommendations for policy frameworks and market architectures based on experiences gained from exploring and identifying Triple-A projects to be benchmarked by the Triple-A Tools¹, Database on Energy Efficiency Financing², and the project fiches that are made publicly available through the Triple-A website³.

Compared to other Triple-A country's, the Dutch government stimulates sustainable energy uptake and investments, and acts strongly towards the transition to a sustainable future. This is clearly reflected in the scope and number of sustainability schemes that are already available for Dutch businesses and citizens. Together, these schemes provide significant financial benefits and foster larger energy efficiency investments at an increased pace. These schemes are accompanied by increasingly stricter law- and regulations that, generally, go well and beyond EU regulation.

2 Monitoring & Regulation

Fossil fuels, especially natural gas, are less available in the Netherlands given current market forces and the government is emphasising on this matter by transitioning towards fossil fuel free housing at a rapid pace, while also setting strict rules to industrial consumption. The overall strategy⁴ is to transition to 100% sustainable energy in a step-by-step process by 2030, and 70% of all

electricity being generated in a sustainable way and in 2050 almost all the Dutch energy supply coming from sustainable sources and CO₂ neutral⁵.

It is important to stress that by no means is the current briefing not, nor pretends to be, a holistic overview of the Dutch situation regarding rules and regulations impacting or fostering energy efficiency investments in the Netherlands. Its scope is to reflect the applicable laws and relevant regulations concerning the Dutch Triple-A projects and lay out the basis for the policy framework.

2.1 The Energy efficiency notification obligation

Under the Dutch Environmental Management Activities Decree⁶, organisations that use 50,000 kWh of electricity or 25,000 m³ of natural gas (or an equivalent) or more per year are obliged to take energy-saving measures with a payback period of 5 years or less.

The Decree requires organisations in the Netherlands to save energy. The business community and the Dutch Government intend to accelerate EE through the notification obligation. The organisation had to report which EE measures they have taken by the 1st of July 2019, unless the organisation has an audit obligation under the Energy Efficiency Directive (EED) of the European Commission (EC). The Dutch government has issued a Recognised Energy Efficiency Measures List (EML) for 19 business sectors. This list contains energy efficiency measures that have a payback period of 5 years or less.

Monitoring and enforcement of this Decree happen, in principle, by the municipality in which the organisation is located. This task can, however, also be delegated to an environmental agency or the province. Organisations that do not report on time may be penalised financially in the form of a non-compliance penalty.

¹ <https://aaa-h2020.eu/tools>

² <https://database.aaa-h2020.eu/>

³ <https://aaa-h2020.eu/>

⁴ <https://www.rijksoverheid.nl/onderwerpen/klimaatverandering/klimaatbeleid>

⁵ https://energy.ec.europa.eu/system/files/2020-03/nl_final_necp_main_en_0.pdf

⁶ <https://www.government.nl/topics/environment/roles-and-responsibilities-of-central-government/environmental-management-act>

2.2 National Inventory Entity - NIE

The Netherlands has one National System for monitoring and reporting greenhouse gases for the United Nations Convention of Climate Change (UNFCCC), the Kyoto Protocol (KP), and the European Union (EU) monitoring obligations. The National System assures the quality of annual inventory reports to the UNFCCC and EU and ensures their suitability to demonstrate compliance with relevant requirements⁷.

The core of the National System is the PRTR and holds one national dataset for emissions inventories covering some 350 air, water, and soil pollutants and is coordinated by RIVM. The Dutch Enterprise Agency (RVO) maintains the National System in its role as National Inventory Entity (NIE).

The Netherlands National System encompasses the following four elements:

- Definition and allocation of the specific roles, responsibilities, and tasks, worked out in more detail in procedures and methodology reports
- Methodology reports describing methods for emission calculations (more on this below)
- Agreements on the basic institutional, legal, and organisational structure, including the 'single national entity' designation. These agreements have been laid down in contracts, legal arrangements, and covenants. This also includes a legal basis for the monitoring of greenhouse gases⁸.
- Quality control and assurance (QA/QC) system and programme, including quality objectives, a QA/QC plan. Part of the quality assurance consists of regular (peer) reviews and audits, implemented to assure quality and to comply with UNFCCC and EU requirements.

To this end, as of 2015 onwards, five methodology reports documented the methods for estimating GHG emissions (including the activity data and emission factors). These are:

- (1) Methodology report on the calculation of emissions to air from the sectors Energy, Industry and Waste (Triple-A Sectors: (2) *Industry*, (4) *District Energy Networks*).
- (2) Methods for calculating the emissions of transport in the Netherlands (Triple-A Sector: (3) *Transportation*).
- (3) Product usage by consumers, construction, and services (Triple-A Sector: (1) *Buildings*).
- (4) Methodology for estimating emissions from agriculture in the Netherlands.
- (5) Greenhouse gas reporting of the LULUCF sector in the Netherlands

All reports are updated annually where necessary and are published by the NIE as part of the Dutch National System. The methodology reports ensure that the greenhouse gas emissions are estimated according to the 2006 IPCC Guidelines, applicable KP Supplements and the UNFCCC and KP Reporting Guidelines, and the EU requirements. More information is available at the RVO (Rijksdienst voor Ondernemend Nederland), the Dutch NIE⁹.

3 Incentives & Schemes

A series of schemes fostering sustainable investments are available to the Dutch public and businesses. The most relevant to the identified Dutch cases are presented. The amount and scope of sustainability schemes available or currently planned is significant. Typically, these come in the form of tax cuts, subsidies, and government guarantees. In section 3.1 broadly applicable interventions are highlighted which apply to multiple (if not all) Triple-A sectors. Section 3.2 goes into schemes that are relevant to financial institutions and section 3.3 to the Triple-A sectors specifically¹⁰.

⁷ <https://english.rvo.nl/information/laws-regulations/national-inventory-entity/national-system>

⁸ <https://english.rvo.nl/information/laws-regulations/national-inventory-entity/national-system/legal-basis>

⁹ <https://english.rvo.nl/information/laws-regulations/national-inventory-entity/national-reports-unfccc>

¹⁰ For a more detailed description of each section refer to the Dutch Synthesis paper available at: <https://aaa-h2020.eu/results>

3.1 Subsidy scheme's fostering sustainable investments

3.1.1 Environmental investment deduction (MIA) & Arbitrary depreciation of sustainable investments (Vamil)

Through the MIA and Vamil schemes businesses can benefit from a tax deduction and/or arbitrary depreciation of their investments. Through the MIA, companies can deduct up to 36% of the investment costs for an environmentally friendly investment on top of their regular investment tax deductions, and with the Vamil, businesses can decide when to write off 75% of these costs. This provides owners with an advantage in liquidity and interest.¹¹

3.1.2 Energy Investment Allowance (EIA)

The Energy Investment Allowance (EIA) is a tax deduction for energy-efficient technologies and sustainable energy investments. The calculated average tax reduction is 11% plus the reduction of the overall energy bill resulting from the investment. The EIA is a scheme targeted at companies, not at private individuals, associations, or foundations. Businesses can receive a tax deduction on clearly defined investments (specific) and for tailor-made investments (generic) that result in substantial energy savings and can deduct 45.5% of the investment costs from the taxable profit. This is possible on top of their usual depreciation. These investments have to be described as "company resources" and should be listed in the "Energy List 2021"¹². Companies can also get a deduction for customised investments resulting in substantial energy savings but not on the Energy List. In this case, the investment must

meet the savings standard.

3.1.3 Subsidy Scheme for the Sustainability of SMEs (SVM)

Small and Medium sized enterprises (SMEs) can, through the Subsidy Scheme for the Sustainability of SMEs (SVM) (Subsidierегeling Verduuzaming MKB)¹³, get an allowance for hiring an energy specialist to help businesses save energy and become more sustainable. The energy advice given should provide more insight to further the sustainability of your company and/or fleet. Additionally, as part of the SVM, companies are also compensated for implementing some of the sustainability measures recommended by the expert.

3.1.4 Demonstration Energy- & climate Innovation (DEI+)

The overall goal of the DEI+¹⁴ is to support sustainable pilot projects and allow them to test new technology and improve it in a real-life environment. The projects must be innovative to be eligible for government support. The DEI+ is split into several themes detailed further in their related specific parts in section 3.3 of this paper. The DEI+ themes are: Natural gas-free homes, neighbourhoods, and buildings, Circular Economy, CCUS, Energy efficiency, Renewable energy, Flexibility of the energy system, Local infrastructure, and Other CO₂ reducing measures in the industry or electricity sector.

¹¹ <https://english.rvo.nl/subsidies-programmes/mia-and-vamil>

¹² <https://english.rvo.nl/sites/default/files/2021/04/EIA%20-%20Energylist%202021%20-%20English.pdf>

¹³ <https://www.rvo.nl/subsidie-en-financieringswijzer/svm>

¹⁴ <https://www.rvo.nl/subsidie-en-financieringswijzer/demonstratie-energie-en-klimaatinnovatie-dei>

3.2 Dutch subsidy schemes for financial institutions

3.2.1 Corporate Financing Guarantee (GO)

The Dutch government can help businesses get a loan through the Corporate Financing Guarantee (GO). This type of finance gives banks a state guarantee of 50% on medium-sized and large loans. In this way, the government aims to reduce the overall risk for the bank to provide financing to corporates. Through the GO scheme, credit continues to flow and keeps entrepreneurs in business.¹⁵

3.2.2 Growth Facility (Groeifaciliteit)

The Growth Facility scheme provides financial capital to high-risk investments for (rapid) company growth/expansion, takeovers, buy-outs, or reorganisations. Through this scheme, financial institutions receive a guarantee on subordinated loans and on shares of venture capital companies to support high risk, high reward entrepreneurship. Financiers receive up to a 50% guarantee on their capital investments.¹⁶

3.2.3 Green Funds Scheme (Regeling Groenprojecten)

Banks can offer loans with a reduced interest rate for sustainable “green” investments or savings by issuing a green statement. Through the Green Projects Scheme, the government encourages green investments in developments in environmental technology, the circular economy and sustainable and innovative (construction) projects. This requires cooperation between investors, banks, and project managers.

3.3 Triple-A Sector Specific

Sector-specific schemes and, where appropriate, regulatory interventions that affected or even heavily impacted the implementation of the Triple-A identified projects are provided. the Triple-A project defines five sectors in its outset: (1) *Buildings*, (2) *Industry*, (3) *Transportation*, (4) *District Energy Networks*, (5) *Outdoor Lighting*.

It is worth mentioning no sector-specific subsidy schemes or regulations concerning the “outdoor lighting” sector were identified through the research.

3.3.1 Buildings

There are many rules and regulations, or policy interventions, in the building sector impacting the renovation of old and construction of new buildings. A summary of the most impactful interventions related to the triple-A projects is provided in Table 1.

3.3.2 Industry

DEI+ Circular Economy & Energy Efficiency

As per the previous section’s DEI+ scheme, the “circular economy” & “Energy Efficiency” sub-themes are targeted at the industry sector supporting proposals for recycling & waste, re-use, and use of bio-based manufacturing.

Energy Investment Allowance for Industry

For industry-related investments, the Energy Investment Allowance (EIA) additionally offers opportunities for business assets specifically and are included on the Energy List. A distinction is made between the specific investments, typically included on the energy list; generic investments are investments across the industry’s specific value-chain.¹⁷

¹⁵ <https://english.rvo.nl/subsidies-programmes/corporate-financing-guarantee-go>

¹⁶ <https://www.rvo.nl/subsidie-en-financieringswijzer/groeifaciliteit>

¹⁷ <https://www.rvo.nl/subsidie-en-financieringswijzer/energie-investeringsaftrek/ondernemers/sectoren/industrie>

Table 1: Overview of policy interventions in the building sector

Title	Concerning	Description
Energy efficiency notification obligation	Existing	Companies and institutions are obliged to take energy-saving measures with a payback period of 5 years or less.
Energy Performance of Buildings Directive (EPBD III)	Existing & New construction	<p>A broad number of interventions primarily concerning:</p> <ul style="list-style-type: none"> - system requirements for technical building systems; - documenting the energy performance of technical building systems; - self-regulating equipment for controlling the temperature per room or zone; - charging infrastructure for electric cars; - inspections of heating and air-conditioning systems; - building automation and control systems.
Energy label C for offices	Existing	As of the 1st of January 2023, every office building must have at least energy label C. This means a primary fossil energy consumption of a maximum of 225 kWh per m ² per year. If the building does not meet the requirements, the building may no longer be used as an office.
Energy label utility buildings	Existing	<p>An energy label is mandatory for the sale, rental or delivery of non-residential buildings.</p> <p>In addition, it is mandatory to display the energy performance indicator (the label class) of a valid energy label when a building is offered for sale or rent through advertisements in commercial media.</p>
Energy performance requirements for conversion and renovation	Existing & New construction	The Building Decree sets requirements for: cultivation; renewal or replacement of insulation layers; dormer windows; major renovation and addition renovation with the adaptation of the technical building system (installation).
Energy performance - BENG	New construction	For all new construction, both residential and non-residential, the permit applications must meet the requirements for Nearly Zero Energy Buildings (NZEB) from the 1 st of January 2021. These requirements arise from the Energy Agreement for sustainable growth and the European Energy Performance of Buildings Directive (EPBD).
Environmental Performance of Buildings (MPG)	New construction	The Environmental Performance of Buildings (MPG) is mandatory with every application for an environmental permit. The MPG indicates the environmental impact of the materials used in a building. This concerns new office buildings (larger than 100 m ²) and new-build homes.

Circular Value Chain

Targeted at improving the overall value chain of industries is the circular value chain subsidy. SMEs currently developing a circular product, service, or a comprehensive business model can receive financial support for hiring a project manager and covering their own personal costs of up to a maximum of 50%.

Accelerated Climate Investments (VEKI)

Designed to combat the high-upfront cost of proven, CO₂ reducing, industry-specific technologies with payback periods longer than five years. Particularly large projects and process innovations are targeted.

3.3.3 Transportation

Both the EIA and the MIA/Vamil schemes provide a range of possibilities for energy efficiency investments in the transportation sector.

Subsidy Scheme for Emission-free Commercial Vehicles (SEBA)

Entrepreneurs/businesses that are in the process of buying or leasing a new, utterly emission-free company car can apply for the Subsidy Scheme for Emission-free Commercial Vehicles (SEBA). Eligibility for SEBA in an operational lease is available through the lease company by processing it in the operational lease contract to the end client. Up to € 5000 per company vehicle.

Energy Investment Allowance (EIA) Transport

The EIA also offers specific compensation for energy efficiency investments in the transport and mobility sector as per the other sectors mentioned.

3.3.4 District Energy Networks

Stimulation of sustainable energy production (SDE++)

The SDE++ is an expansion to the former Stimulation of sustainable energy production (SDE+) and is new in that the scheme stimulates sustainable energy production and CO₂ reduction. In this way, the government wants to ensure that the energy transition in the Netherlands remains feasible and affordable.

Renewable Energy Transition (HER+)

Renewable Energy Transition takes an innovative approach to energy investments by not looking at your typical output indicators (such as energy consumption reductions, cost reductions, or raw materials, amongst others) the HER+ looks specifically at CO₂ reduction.

System solutions for large-scale renewable electricity generation (MOOI-SIGOHE)

Businesses working on systemic innovation that integrate large-scale renewable electricity generation are eligible to receive the MOOI-SIGOHE subsidy, which supports sector-transcending system solutions targeting more significant partnerships. Innovations must include the generation of renewable energy and at least 1 of 3 other energy sectors: 1. transport and distribution, 2. Storage and conversion, 3. Consumption.

DEI+ renewable energy

As per the other DEI+ scheme sub-areas, a specific scheme is targeted at the renewable energy sector – for more information see section 3.1.4

EIA load balancing and the energy transition

The same applies to the EIA load balancing scheme targeting the energy transition. A subset with criteria targeting this sector is defined refer to Section 3.1.2.¹⁸

¹⁸ <https://www.rvo.nl/onderwerpen/duurzaam-ondernemen/duurzame-energie-opwekken/verduurzaming-warmtevoorziening/wet-en-regelgeving>

4 Conclusions

From this brief analysis into the policy and regulation framework present and the subsequent analysis of available incentives and subsidy schemes in the Netherlands conclusions are drawn related to the Dutch EE investment projects identified as Triple-A:

1. The Netherlands proves to have *a favourable climate for EE investments* shown by the large number of schemes available to enhance the uptake of EE investments.
2. The policy and regulation framework that is put in place *supports the introduction of EE measures* through the alleviation of market barriers with new regulation being put in place to reflect this.
3. Further, it aims to *smooth out the monitoring and reporting process* of EE investments through the single entity approach for national, EU, and global reporting of sustainability figures. Taking adequate steps to make this process *easier and more transparent*.

The Triple-A projects that were identified should act as a comparative starting point for similar EE projects in order to get a head start in the identification of related regulations and subsidy schemes that can enhance the adoption rate and overall financial viability of future investments.

Although not perfect, comparative to some of the Triple-A partner host countries, the Dutch EE investment climate is well developed and positioned to remain a front-runner with many incentives already in place and of significant scope, fitting the underlying goal of supporting, already from an early-stage onward, the uptake of EE measures in the Netherlands. A further comparison between the participating Triple-A countries is provided in the *European Synthesis paper*¹⁹.

¹⁹ <https://aaa-h2020.eu/results>

TRIPLE-A IN BRIEF

Triple-A -Enhancing at an Early Stage the Investment Value Chain of Energy Efficiency Projects - is an EU-funded research project under the Horizon 2020 programme, aiming to assist financial institutions increase their deployment of capital in energy efficiency, making investments more transparent.

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