European Regional Development Fund ERDF: eligibility of energy efficiency and renewable energy investments in housing

2008/0245(COD) - 06/05/2009 - Final act

PURPOSE: to increase support for investments improving the energy efficiency of the buildings, including the housing sector.

LEGISLATIVE ACT: Regulation (EC) No 397/2009 of the European Parliament and of the Council amending Regulation (EC) No 1080/2006 on the European Regional Development Fund as regards the eligibility of energy efficiency and renewable energy investments in housing.

CONTENT: following a first reading agreement with the European Parliament, the Council adopted a regulation making energy efficiency improvements and renewable energy schemes eligible for support from the European Regional Development Fund (ERDF) in all Member States. The Regulation, which forms a part of the European Economic Recovery Plan, provides easier access to grants co-financed by the ERDF. The main objective of the Regulation is to increase the share of energy-efficiency investment and to simplify the management, administration and control of ERDF operations by simplifying the justification of indirect costs (i.e. costs which are not directly linked to the project, but which are necessary for its implementation such as phone or electricity costs) and reducing the workload and number of supporting documents required to justify expenditure.

The Regulation provides that expenditure on energy efficiency improvements and on the use of renewable energy in existing housing is eligible, **up to 4% of the total ERDF allocation** (i.e. overall up to EUR 8.0 billion). Previously, the ERDF supported interventions in the housing sector, including energy efficiency, only for the 12 Member States that acceded to the EU on or after 1 May 2004, up to a level of 2% of the total ERDF allocation.

In accordance with the recommendations of the European Court of Auditors, the Regulation extends the scope of Regulation (EC) No 1080/2006 (the ERDF Regulation) to **three additional forms of eligible costs**:

- indirect costs, declared on a flat-rate basis, of up to 20% of the direct costs of an operation;
- flat-rate costs calculated by the application of standard scales of unit cost as defined by Member States;
- lump sums to cover all or part of the costs of an operation, within a limit of EUR 50 000.

These options may be combined only where each of them covers a different category of eligible costs or where they are used for different projects within the same operation. The costs must be established in advance on the basis of a fair, equitable and verifiable calculation.

Previously, the reimbursement of ERDF expenditure was based on the "real cost" principle. This meant that EUR 1 of grant must correspond to at least EUR 1 of justified paid expenditure. The justification of expenditure was based on invoices and other accounting documents showing what has actually been done, which could amount to hundreds of documents. Furthermore, all supporting documents had to be kept available for three years after the closure of the programme.

The new rules concerning the facilitating of the access to grants co-financed by the ERDF will apply retroactively from 1 August 2006, while energy efficiency improvements and renewable energy investments in housing shall apply from 10/06/2009.

ENTRY INTO FORCE: 10/06/2009. However, Article 1(3) (see above on eligible expenditure in the case of grants) shall apply with effect from 1 August 2006.