

Incentive Guidelines

Energy Efficiency Measures for the Hospitality Sector.

Soft loans for hotels; guesthouses; hostels; farmhouses; snack bars and restaurants.

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1. Introduction

1.1 Scope

Investments in energy saving solutions and renewable energy sources by undertakings active in the hospitality sector help promote environmental sustainability and pro-environmental models. Such investments will help hospitality business reduce their dependency on fossil fuels, reduce costs and attract more environmentally conscious customers. Furthermore, any savings achieved can be redirected to improve competitiveness by developing new markets, products, services, and address other business growth requirements.

This incentive supports hotels; guesthouses; hostels; farmhouses; snack bars and restaurants to implement energy saving solutions and to invest in solutions for the generation of energy from renewable non-fossil energy sources. Such investments should increase energy efficiency and reduce the enterprise's carbon footprint.

1.2 Duration of the incentive

This incentive guideline will remain effective until 31st December 2013.

Malta Enterprise may review, update and amend this Incentive Guideline.

1.3 Legal Basis

Malta Enterprise is authorised to issue and publish the official *Incentive Guidelines* in terms of Article 8(3)(a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta.

The Assistance to Hotels and Restaurants (Energy Efficiency Measures) Regulations, 2010, published under the Malta Enterprise Act, provide the legal basis of this scheme.

1.4 Designated Authority

This incentive is administered by Malta Enterprise.

2. Eligibility

2.1 Eligible Enterprises

Undertakings operating with a valid license issued by the Malta Tourism Authority which carry out an eligible energy saving project are eligible for this incentive. Applicants must be operators of any of the following properties:

- a. hotels;
- b. guesthouses;
- c. hostels;
- d. farmhouses;
- e. snack bars or
- f. restaurants.

2.2 Exclusions

- a. Public entities defined as: "Ministries, Departments, Entities, Authorities, Public Commissions Public Sector Foundations and similar organisations that carry out a public or regulatory function which does not involve the carrying out of an economic activity, whether or not such organisations are established by law" and Commercial undertakings in which Government has a direct or indirect holding of more than 25% are not eligible.
- b. Assistance under the scheme cannot be granted to undertakings in difficulty as defined under the applicable State Aid Regulations (vide Section 6).
- c. Persons or undertakings engaged in activities specifically excluded under the applicable State Aid Regulations (vide Section 6) are not eligible for this incentive.
- d. Persons or undertakings that have not honoured/rectified any obligations or conditions set by Malta Enterprise with respect to previously granted support.
- e. Persons or undertakings that are defaulting on Value Added Tax (VAT), Income Tax, National Insurance, and rent payment to government.
- f. This incentive is not intended for voluntary organisations.

3. Incentive Description

3.1 Details of Incentive

Projects supported under this incentive must result in a reduction of the dependency on fossil fuels and a reduction of the carbon footprint arising from the operation of a licensed hotel, guesthouse, hostel, farmhouse, snack bar or restaurant. This must be achieved through the implementation of a holistic investment programme for the conservation of energy and the generation of energy from renewable non-fossil energy sources as determined by an Energy Review Audit by an *Energy Business Advisor* appointed by Malta Enterprise.

3.2 Applicable aid intensity and eligible costs.

Malta Enterprise may approve a loan of up to **€400,000** covering up to **80%** of the total eligible project costs. The loan period shall be limited to five **years** and the applicable interest rate will be 1.5% over the *discount rate* charged by local commercial banks. Approved projects may also be granted a moratorium covering the initial 12 months from the first withdrawal.

3.2.1 Aid Intensity

The aid intensity is calculated as 13% of the Soft Loan Amount¹.

Example: In relation to a loan of €400,000 the value of aid would be calculated as follows:

$$\text{Value of aid} = 13\% \times \text{€}400,000 = \text{€} 52,000.00$$

¹ Under de minimis regulations a guarantee of €1,500,000 is considered to have grant value €200,000. The gross grant equivalent is the corresponding proportion as set by this condition which is calculated as 13% of the total amount guaranteed.

3.2.2 Eligible Costs

a. Energy Saving Measures

Costs incurred for the procurement and installation of the solutions listed below that lead to energy saving and are more energy efficient when compared to existing solutions at the supported premises may be funded through an approved loan:

- i. Energy saving lighting systems (including energy saving lighting which such lighting is required as part of a holistic plan);
- ii. Thermal insulation;
- iii. Combined Heat and Power (CHP)² solutions;
- iv. Double-glazed windows and doors;
- v. Electrical equipment and air-conditioning systems;
- vi. Building Management Systems (BMS) and similar solutions that monitor and record energy usage and tie in air handling units, heat, ventilation, air conditioning and lighting to prevent conditioning space when it is not necessary.

b. Cleaner Fuels Utilisation

A loan approved through this incentive may be utilised to fund the procurement and installation of the energy generating equipment which uses:

- i. bio-fuels;
- ii. cleaner and more efficient fuels than those used in existing solutions at the supported premises.

c. Alternative Energy Sources

Cost incurred for the procurement and installation of the following solutions for exploiting renewable energy sources may be funded through an approved loan:

- i. Heating/cooling solutions that exploit solar energy;
- ii. Heating/cooling solutions that exploit geothermal sources;
- iii. Energy generating from wind;
- iv. Energy generating from solar energy.

² Combined Heat & Power systems are those which produce electric power on-site by harnessing "waste" thermal energy produced in the conventional power-generation process to satisfy space and water heating loads [adapted and sourced from the definition by Zogg, R., Roth, K., & Brodrick, J. used in their article entitled "Using CHP Systems in Commercial Buildings" published in "The HVAC & R Industry" (ASHRAE Newsletter); 2005].

3.2.3 Additional conditions related to project costs

The following additional provisions shall apply to any costs that are supported through this incentive:

- a. All equipment purchased must be new.
- b. All costs must be subcontracted and procured at market prices and rates.
- c. The replacement of existing solutions is considered eligible as long as it meets the objectives of reducing the dependency of fossil based fuels and reduces the carbon footprint of the applicant.
- d. Costs incurred for the removal of existing equipment will only be considered eligible if they are subcontracted to the supplier providing the new solution as part of an integral project.
- e. Installation costs may only be covered if they are subcontracted to the supplier providing the solution or equipment as an integral project
- f. All funding will be based on reimbursement of eligible costs and on costs incurred by the applicant after the aid has been granted.
- g. Only the cost items listed in the Eligible Costs Section are eligible under this incentive. The following cost items are ineligible and cannot be covered even if linked to an eligible project cost item:
 - i. Investments in second hand equipment;
 - ii. Costs for or related civil engineering and infrastructural works;
 - iii. The acquisition of land and buildings;
 - iv. Wages and operating expenses;
 - v. Cost items assisted even partly, through other incentives administered by the corporation or by any other entity in Malta.

3.2.4 Provisions on approved loans

- a. The Corporation may require that the repayment of the principal as well as the payment of interest are secured by a General Hypothec over all the assets, present and future, of the enterprise receiving the loan. The ranking of the soft loan shall be specified in the Letter of Approval issued by the Corporation.
- b. The repayment of the soft loan and of the interest thereon shall be made within a period and at instalments as will be specified in the Letter of Approval issued by the Corporation. However such period shall in no case exceed five years from the date of the first withdrawal of the loan.

- c. Funds from the loan may only be withdrawn if an actual expenditure equivalent to percentage of the total value of cost items that is not covered by loan, has been paid prior to or simultaneously with the utilisation of the loan.

Example: If the loan is approved to cover 60% of the project then a withdrawal will only be accepted if the remaining 40% have been paid prior to or simultaneously with the withdrawal.

- d. Any part of a loan that has not yet been advanced, without prejudice to any other remedy, may be withheld by Malta Enterprise if –

- i. any sum of money, whether principal or interest due in respect of any loan under this article, remains unpaid;
- ii. any prior funds on loan have not been utilised for the purpose for which they were granted or have not been spent in a careful, timely and economical manner;
- iii. the enterprise has gone into liquidation or has become insolvent or has assigned property for the benefit of creditors;
- iv. there has been a breach or non-observance of any condition attached to the soft loan awarded under this incentive.

- e. Without prejudice to any other remedy Malta Enterprise may withhold any part of a loan that has not yet been advanced and request the repayment of any advanced amounts if:

- i. the applicant is found to be in breach of these Incentive Guidelines;
- ii. it transpires that the applicant has implemented the project without having obtained the necessary permits³;
- iii. the project has not been implemented within **12 months** from the date of issue of the *relevant approval documents* by Malta Enterprise.

³ Permits may be required from various sources such as MEPA (Malta Environment and Planning Authority) and MRA (Malta Resources Authority).

4. Application Process⁴

Applications may be posted, or delivered by hand to Malta Enterprise. The application should include all the required forms both in hard copy (printed and not hand written) and soft copy (word and excel versions of templates provided). Any additional annexes may be attached to the printed version.

Applicants are required to submit the official application form which can be downloaded from the incentives website <http://incentives.maltaenterprise.com/hospitality> by not later than 31st December 2012.

The application should include a Review Energy Audit Report which should be conducted by a Malta Enterprise appointed advisor, for which a separate application is required.

4.1 Energy Audits

All requests for energy audits will be serviced on a first come first served basis. The review energy audit will provide an overview of the potential cost savings that would arise through the implementation of the supported eligible costs identified in this incentive. This service will be provided in line with the conditions set under the Business Advisory Services Scheme (Assistance for the engagement of advisors). Through the Business Advisory Scheme Malta Enterprise may also provide an advisor to conduct an in depth energy audit which may be partly subsidised.

Note: This Review Energy Audit Report is mandatory for the application to be considered eligible.

4.2 Support in Compiling Application Forms

It is recommended that potential applicants contact Malta Enterprise prior to submitting their application. Malta Enterprise staff will support interested applicants to understand the objectives of the incentive; explain details relevant to the scheme and address any problems they might encounter when completing their application. Malta Enterprise may be contacted on 2542 2020 or by email on info@maltaenterprise.com.

⁴ Malta Enterprise provides advisory services and support to help enterprises develop their business. These are support services and do not guarantee that the applicant will be successful when an application for aid is evaluated.

5. Evaluation and Assignment of Aid

5.1 Eligibility Criteria

Malta Enterprise will review the applications submitted for eligibility so as to confirm that:

- a) the applicant is eligible for this scheme in terms of these guidelines;
- b) the project is in line with the scope of this incentive.

Applications that do not conform to one or more of the above conditions will be rejected.

5.2 Project Evaluation

The application will be evaluated on the following parameters:

a. The Project Results

Evaluators will consider the expected revenue generation and cost savings that will be achieved through the implementation of the project and the expected life time of the implemented solutions.

b. Financial Risk Appraisal

Applications will be assessed on a number of criteria related to the applicants' financials and past performance. These will include:

- i. The requested percentage of soft loan in relation to the project value.
- ii. The company's dependence on third party finance and the profitability and liquidity of the applicant.
- iii. The value of the project in relation to the financial resources of the applicant.

5.3 Project Approval

If after evaluating a project Malta Enterprise considers the issuing a soft loan in favour of the applicant to be an acceptable risk, the soft loan will be approved. The percentage of the project covered by the soft loan will be determined through the evaluation process in relation to the financial risks entailed.

5.4 Notification of results

Successful applicants will be notified in writing of the outcome of their application. Once a project is approved a Letter of Approval will be issued. The Letter of Approval will list the general details, terms and conditions of the aid being approved.

6. State Aid Rules and Obligations

6.1 Applicable State Aid

This Incentive Guideline is in line with Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, Official Journal L379 of 28.12.2006.

[http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_379/l_37920061228en00050010.pdf]

In terms of this State Aid regulation, an enterprise may receive a total amount of aid up to €200,000 over a rolling three fiscal year period. This maximum threshold covers all *de minimis* aid granted to the applicant including that received from any entity other than Malta Enterprise.

Any beneficiary will have to refund with interest any *de minimis* aid in excess of the above threshold.

6.2 Firms in Difficulty

Firms in difficulty defined in terms of Community Guidelines on State aid for rescuing and restructuring firms in difficulty, Official Journal C244, 01.10.2004, are excluded from benefiting from assistance under this incentive.⁵

6.3 Cumulation

In terms of the *de minimis* regulation quoted above, assistance shall not be cumulated with State Aid in respect of the same eligible costs if such cumulation would result in an aid intensity exceeding that fixed in the specific circumstances of each case by a block exemption regulation or decision adopted by the European Commission.

⁵ [http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52004XC1001\(01\):EN:HTML](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52004XC1001(01):EN:HTML)

7. Contact Details

Further information on the incentive, as well as information and guidance on the filling in of the application may be obtained by contacting Malta Enterprise during office hours.

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