

Incentive Guidelines

Investment Aid for High-Efficiency Cogeneration



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<http://support.maltaenterprise.com>

Malta Enterprise provides support to interested applicants to understand the objectives of the incentive, details relevant to the scheme and address any problems they might encounter when completing their application. Applicants may contact the Corporation by calling 144 or by email on info@businessfirst.com.mt

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1. Introduction

In collaboration with the Sustainable Energy and Water Conservation Unit (SEWCU), Malta Enterprise is assisting undertakings to invest in cogeneration equipment (ie energy efficient solutions that simultaneously generate thermal energy and electrical and/or mechanical energy). This assistance shall be provided in the form of a tax credit.

1.1 Duration of the Scheme

This aid scheme is applicable until 1st March 2019.

Malta Enterprise may periodically update and amend these Incentive Guidelines, in any case the applicable guidelines shall be those published when the request for assistance is received.

1.2 Legal Basis

Malta Enterprise Corporation may issue and publish updates to the official Incentive Guidelines covering this aid scheme in terms of Article 8 (3)(a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta.

Subsidiary legislation 463.13 to the Malta Enterprise Act, mentioned in the previous paragraph, forms the national legal basis of this aid scheme.

1.3 Designated Authority

This incentive is administered by Malta Enterprise (hereinafter referred to as 'the Corporation').

1.4 Budget

This scheme will have a budget of EUR 5 Million. Applications will be processed on a first come first served basis until the budget allocated for this measure is fully utilised.

Malta Enterprise may close the scheme when the budget has been fully allocated.

2. Definitions

2.1 Cogeneration

The simultaneous generation in one process of thermal energy and electrical and/or mechanical energy.

2.2 High-Efficiency Cogeneration

For the purpose of this Incentive Guidelines high-efficiency cogeneration shall fulfill the following criteria:

- a. Cogeneration production from cogeneration units shall provide a calculated primary energy savings rate (PESR) of at least 10% compared with the references for separate production of heat and electricity, as per Section 2.3.
- b. Production from small-scale and micro-cogeneration units providing primary energy savings may qualify as high-efficiency cogeneration.

2.3 Calculation of Primary Energy Savings Ratio

The amount of primary energy savings ratio provided by cogeneration production shall be calculated on the basis of the following formula:

$$PES = \left\{ 1 - \frac{1}{\frac{CHP(H_\eta)}{ref(H_\eta)} + \frac{CHP(E_\eta)}{ref(E_\eta)}} \right\} \times 100\%$$

Where:

PESR is primary energy savings ratio.

CHP H_η is the heat efficiency of the cogeneration production defined as annual useful heat output divided by the energy input in the form of fuel chemical energy used to produce the sum of useful heat output and electricity from cogeneration.

Useful Heat means heat produced in a cogeneration process to satisfy economically justifiable demand for heating or cooling¹.

Ref H_η is the efficiency reference value for separate heat production.

CHP E_η is the electrical efficiency of the cogeneration production defined as annual electricity from cogeneration divided by the energy input in the form of fuel chemical energy used to produce the sum of useful heat output and electricity from cogeneration. Where a cogeneration unit generates mechanical energy in addition to electrical energy, the annual electricity from cogeneration may be increased by an

¹ [Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directive 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC](#)

additional element representing the amount of electricity which is equivalent to that of mechanical energy. This additional element does not create a right to issue guarantees of origin in accordance with [Article 14 \(10\)](#).

Ref En is the efficiency reference value for separate electricity production

2.4 Small-scale Cogeneration Unit

For the purpose of these Incentive Guidelines, a *small-scale cogeneration unit* means a cogeneration unit with installed capacity below 1 MWe.

2.5 Micro-cogeneration Unit

For the purpose of these Incentive Guidelines, *micro-cogeneration unit* means a cogeneration unit with a maximum capacity below 50 kWe.

2.6 Efficiency Reference Values

The calculation of Primary Energy Savings ratio requires reference efficiencies for the separate generation of heat and electricity. As required by Annex II, of the Energy Efficiency Directive, the harmonised efficiency reference values “must be based on a well-documented analysis taking, inter alia, into account data from operational use under realistic, fuel mix and climate conditions as well as applied cogeneration technologies.”

For the purpose of these Incentive Guidelines, the efficiency reference values shall be defined as per [COMMISSION DELEGATED REGULATION \(EU\) .../... of 12.10.2015 reviewing harmonised efficiency reference values for separate production of electricity and heat in application of Directive 2012/27/EU of the European Parliament and of the Council and repealing Commission Implementing Decision 2011/877/EU](#).

2.7 Incentive Entitlement Certificate (IEC)

An Incentive Entitlement Certificate (IEC) means a certificate issued in terms of Part VI of the Malta Enterprise Act, outlining the support granted including relative terms and conditions.

3. Eligibility

This incentive is available to all undertakings, which at point of application satisfy all of the following criteria.

3.1 Legal Form

The applicant must be duly incorporated under the Company's Act, Chapter 386 of the Laws of Malta being a partnership en nom collectif, en commandite or a limited liability company.

3.2 Eligible Activities

All sectors are eligible unless excluded due to State Aid regulations as specified in Section 8.

3.3 Fiscal and Social Security Obligation

Applicants must not be defaulting on VAT, Income Tax, and Social Security.

3.4 State Aid

The applicant must adhere to the applicable State Aid regulations (vide Section 8).

4. The Incentive

4.1 What may be assisted

The Corporation may support the following investments:

1. New equipment to be fitted with an existing energy transformation equipment which would result in a high-efficiency cogeneration process.
2. New equipment which is classified as a high-efficiency cogeneration process.
3. Upgrade to an existing cogeneration process which would render it as a high-efficiency cogeneration process.
4. Upgrade to an existing high-efficiency cogeneration process which would improve the efficiency of the process.

4.2 Conditions for awarding assistance

With regards to new cogeneration equipment, the investment must provide overall primary energy savings when compared to a separate production of heat and electricity. Thus, the reference values for calculating the **Primary Energy Savings Ratio** should be based on the values provided by separate power and heat generation units.

Alternatively, the improvement of an existing cogeneration unit or conversion of an existing power generation unit into a cogeneration unit must result in primary energy savings when compared to the original situation. Thus, the reference values for calculating the **Primary Energy Savings Ratio** should be based on the values provided by the current power and heat generation units.

Eligible undertakings may only claim the tax credits if the Primary Energy Savings Ratio is greater than 10% unless the investment is classified as a small-scale (as defined in Section 2.4) or micro-cogeneration unit (as defined in Section 2.5) providing primary energy savings as defined in Section 2 of the Incentive Guidelines.

4.3 What are the eligible costs?

In relation to the new equipment:

1. For new equipment, the eligible cost shall be the extra investment costs for the equipment needed for the installation to operate as high-energy efficiency cogeneration equipment, when compared to conventional electricity or heating installations of the same capacity.

Or

2. For upgrades, the extra investment cost to upgrade the equipment to a higher efficiency when an existing installation already meets the high-efficiency threshold.

The costs not directly linked to the achievement of a higher level of energy efficiency shall not be eligible.

4.4 Minimum Investment

A minimum investment of €15,000 is required.

4.5 Form of Aid

The aid shall be granted in a form a tax credit.

4.6 Aid Intensity

According to the type of undertaking, the capping will not exceed the following percentages of the eligible costs.

Type of Undertaking	%
Small	65
Medium	55
Large	45

5. Application

5.1 When to apply

Applicants must submit their application form prior to incurring any expenditure. Beneficiaries would need to have the IEC issued by the Corporation prior to buying any equipment.

5.2 Application process

Applicants should submit a complete Application Form to the Corporation. The official documentation may be downloaded from the Corporation's website.

6. Adjudication

Applications will be processed in line with the criteria explained below:

6.1. Verification of Activity

In order to verify the activity of the applicant, the Corporation will use the official NACE classification attributed to the applicant by the National Statistics Office (NSO), based on NACE Rev. 2.0².

6.2 Verification of Investment

As part of the application, the applicant will be required to provide a full list of items (including the specifications) being purchased and evidence of the extra investment costs:

1. incurred for the equipment needed for the installation to operate as high-energy efficiency cogeneration equipment, when compared to conventional electricity or heating installations of the same capacity;

OR
2. required to upgrade an existing set-up to a higher efficiency co-generation unit;

OR
3. required for an existing installation already meeting the high-efficiency threshold to be upgraded to provide higher efficiency.

The costs would need to be verified by a warranted engineer who would also be required to calculate and verify the Primary Energy Savings Ratio as established within Section 2 of the Incentive Guidelines.

6.3 Requests for additional information

During the application process the Corporation or SEWCU may request further information and clarifications beyond the information requested in the application so as to determine whether the support should be awarded.

6.4 Adjudication process

The Corporation, together with SEWCU, shall determine whether the application meets the necessary requirements established within the Incentive Guidelines, and issue an IEC to this effect.

² [Nace Rev 2: Statistical classification of economic activities in the European Community](#)

The Corporation may withhold all or part of the assistance if the undertaking (at group level) is subject to an outstanding recovery in respect to any other incentive awarded by the Corporation.

7. Claims

7.1 Claim Submission

In relation to the approved investment, the undertaking would only be eligible to claim cost items identified and approved at application stage. Each cost must be confirmed through the submission of a claim form including copies of the following documentation certified as true copies by a Certified Public Accountant (CPA):

- i. A copy of the Tax Invoice (as specified in the 12th Schedule of the VAT Act Chapter 406 of the Laws of Malta) and an associated receipt.

OR
- i. A copy of the Tax Invoice (as specified in the 12th Schedule of the VAT Act Chapter 406 of the Laws of Malta) marked as paid by the supplier.

OR
- ii. A copy of the Fiscal Receipt (as specified in the 13th Schedule of Chapter 406 of the VAT Act).

7.2 Claim Processing

When processing claims the Corporation may:

- i. Conduct on site verification to confirm that the equipment is being used in accordance to these Incentive Guidelines and to the IEC issued by the Corporation.
- ii. Request further information and clarifications beyond the information requested in the application so as to determine whether the support should be awarded.

7.3 Revocation and suspension of aid

The assistance may be revoked or suspended if the beneficiary does not adhere to the conditions established in these Incentive Guidelines and to the IEC. Furthermore, the Corporation may withhold all or part of the assistance if the undertaking (at group level) is subject to a recovery in respect to any other incentive awarded by the Corporation.

7.4 Utilisation of Tax Credits

No tax credit shall be due to an undertaking for a year of assessment unless the beneficiary:

- a. Claims the tax credit in the appropriate section of a tax return submitted by electronic means.
- b. Submits an annual Investment-Assessment Report which must be certified by a warranted engineer and verified by SEWCU. The Investment-Assessment Report may be downloaded from the Corporation's website.

- c. Any amount not absorbed by the tax payable for that year of assessment may be carried forward to be allowed as a tax credit for the subsequent years of assessment. In this respect any Tax Credits not utilised shall be accumulated with any other tax credits awarded to the undertaking under the provision of the *Investment Aid (July 2014) Regulations*, as subsidiary legislation 463.10 to the *Malta Enterprise Act, Chapter 463 of the Laws of Malta*.

8. State Aid Rules and Obligations

8.1 Applicable State Aid

The terms and conditions set out in these guidelines are in line with Article 40 of the Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty³.

The incentive is not applicable to the following:

- a. Activities listed down in Article 1 (2), (3), (4) and (5) of Commission Regulation No 651/2014 of 17 June 2014.
- b. Undertakings in difficulty defined in terms of the Commission Regulation (EU) No 651/2014 of 17 June 2014. Such firms are excluded from benefiting from assistance under this incentive.

Furthermore assistance may not be granted if the aid is:

- i. related to export activities towards third countries or Member States, namely aid directly linked to quantities exported, to the establishment and operation of a distribution network or to the other current expenditure linked to export activity.
- ii. contingent upon the use of domestic in preference to imported goods.
- iii. in favour of a beneficiary which is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market should be excluded from the scope of this Regulation.

8.2 Rules on Cumulation of Aid

Rule on cumulation of aid shall be in line with Article 8 of the Commission Regulation (EU) No 651/2014 of 17th June 2014.

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651&from=EN>

9. Contact Details

Further information on the scheme, as well as information and guidance on the filling in of the application form may be obtained by contacting Business First during office hours.

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