

Impact evaluation of Business Finland's energy subsidies

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Business Finland has granted approximately 158 million euros energy subsidies during 2018 and 2022. The purpose of subsidies is to enhance production of renewable energy, energy saving, energy efficiency and to help decarbonize society. Subsidies can be used to co-finance either direct investments or to co-finance organizational energy-evaluations. In the study the impact of these subsidies was analysed using survey, interview and benchmarking methods as well as by using registry analysis. The data, however, did not allow use of statistical impact evaluation methods. Therefore, the results must be taken as tentative.

Importance to Finland

Energy subsidies help to decarbonize Finnish society

Finnish government has committed to carbon neutrality 2035 target. Energy subsidies of Business Finland is one policy tool that should help Finnish society to achieve the target by promoting both the scale and the quality of renewable energy investments. This evaluation sheds light on what kinds of impacts energy subsidies have had.

Importance for the business

Energy subsidies have triggered energy-projects in business sector

According to interview and survey results energy subsidies have helped to install new renewable energy capacity and carry out energy-evaluations. In some cases, energy subsidies have helped to overcome technology risk that is present in new technology investments.

Role of Business Finland

Business Finland has performed well in managing subsidies

In general, the recipients of subsidies as well as interest groups have been satisfied with subsidy management by Business Finland. However, few development ideas were also received from interviewees that could make management better than what it currently is.

Results and impacts

Evaluation was set to answer the following questions

Question 1: What kinds of impacts Business Finland's energy subsidies have had on production and use of renewable energy?

According to evaluation material energy subsidies have helped recipients to install renewable energy capacity, such as solar energy systems and heat pumps. In some cases, investments would not have been carried out at all without subsidies, in some cases investment would had been delayed or carried out in smaller scale than with subsidy. While the scale of subsidized investments is small as compared to total energy

consumption in Finland, the evaluation material hints that energy subsidies have helped to start renewable energy market in Finland.

Question 2: What kinds of impacts Business Finland's energy subsidies have had on energy saving and on improving efficiency of energy production and efficiency of energy usage?

According to evaluation material energy subsidies have helped to save energy costs that have been high at times during the period of analysis. Majority of the projects have either reached the targeted impacts or will reach them within two years. Energy subsidies have also served as a motivation for energy-efficiency agreements that enhance energy saving. Examples from industry reveal that energy subsidies have helped companies to apply better and more energy efficient technology in their investment projects.

Question 3: Have Business Finland's energy subsidies had an impact on decarbonizing Finnish energy system? Is the magnitude of the scheme appropriate in relation to Finnish government's 2035 carbon neutrality target.

In summary the evaluation material shows that the impact of subsidized projects on CO₂ emissions is marginal. However, if the comparison is made to solar energy and biogas capacity, then the share of energy production triggered by energy subsidies is separable. Given the scarce resources the extent of energy subsidy scheme seems appropriate vis-à-vis carbon neutrality target of the Finnish government.

Question 4: How do Business Finland's energy subsidies compare to energy subsidies of benchmark countries?

Finnish energy subsidy scheme was benchmarked against those existing in Sweden and in Baltic countries. The analysis reveals that Estonia and Latvia have concentrated their subsidy management to one actor. This is likely to help manage and communicate subsidies in clear and consistent way. Another conclusion from benchmark analysis is that direct investment support for solar energy investments in Sweden seem to have come to an end.

Question 5: How does the management of subsidies and the division of work between Business Finland and the Ministry of Economic Affairs and Employment serves the purpose of energy grants?

The evaluation material indicates, by and large, that co-operation between Business Finland and the Ministry of Economic Affairs and Employment is satisfactory. For standard projects, subsidies are managed completely by Business Finland. However, in case of large scale and new technology projects the ministry has a will to participate in decision making. Whether this should be so in the future is worth analyzing. Maybe, for the sake of consistency and clarity, the subsidy management could be completely assigned to Business Finland.

Forward looking statement and recommendations

Recommendations

During the evaluation process the following ideas rose to further develop the Finnish energy subsidy scheme.

Recommendation 1: Making clear what is the relative importance of scale and quality targets of energy subsidies.

Differing views concerning the main emphasis of energy subsidies may lead to confusion about expected results. Therefore, one should make clear whether one targets high volumes using existing technology or lower volumes with new technologies (that might bring high volumes later-on).

Recommendation 2: Considering whether there is a possibility to increase the level of support for large companies' productive investments.

Large companies run larger projects that have larger impacts than smaller projects in small companies. Therefore, one should consider whether one could raise the level of support for large companies' productive investments to the same level than for smaller companies.

Recommendation 3: Considering whether Do No Significant Harm (DNSH) - evaluation should be part of the decision-making on energy subsidies.

New investments in renewable energy capacity should not make excessive harm to environment. Inclusion of DNSH-evaluations as part of the decision-making process on subsidies would provide a systematic way to consider investments' possible impacts on environment.

Recommendation 4: Considering whether there is a possibility to clarify the decision-making criteria for subsidies.

Within Business Finland's decision-making process on energy subsidies and more broadly among other organizations that grant energy subsidies there is variation about how to interpret the decision-making criteria. Improvements upon this would help applicants to have equal treatment in application processes.

Recommendation 5: Considering whether it is possible to create different application processes (and documents/requirements) for different kinds of projects.

According to applicants' feedback there are sometimes unnecessary stages/documents that need to be taken care of while applying for energy subsidy. One might want to consider, whether one could differentiate the process and associated stages/documents depending on size and purpose of the project.

Recommendation 6: Considering whether energy subsidy management could be assigned to only one actor in Finland.

According to insights from interviews the division of responsibility (the Ministry of Economic Affairs and Employment participates in large scale projects and new technology projects) might be somewhat arbitrary and may cause speculation. Therefore, assigning only one organization to carry out energy subsidy management could simplify the field in eyes of potential applicants. Insights from benchmark analysis supports this view.

Recommendation 7: Considering whether it is necessary to continue supporting solar energy investments.

A conclusion from benchmark analysis is that direct investment support for solar energy investments in Sweden seem to have come to an end. Based on this one should analyze the state of Finnish market and decide whether subsidies are needed from now-on.

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