

# **Development perspective for rural areas through the promotion of Renewable Energy Systems – Successful case study in Banska Bystrica, Slovakia**

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## **1. Case study from Banska Bystrica, Slovakia**

Currently, natural gas serves as a major source of energy for heating in Slovakia. Recent subsidies have resulted in the connection of more than 70 % of municipalities to gas, leaving most of the country dependent on the import of gas while the rest uses mostly coke, coal and electricity. Growing prices of these commodities along to growing greenhouse emissions caused by burning of fossil fuels underline the need to replace them by cheaper, environmentally friendly and locally available Renewable Energy Sources. If used wisely, wooden biomass seems to be the right option for rural Slovakia.

This is why FoE-CEPA has decided to assist rural municipalities in Central Slovakia by the development of a cluster project in order to turn their obsolete fossil-fuel-based systems to heating facilities with modern systems using local resources. The project builds on the assumption that sustainable development should enhance economic self-sufficiency of local communities through the local use of their potential.

The project is designed to install efficient wood-chip-based boilers with a total output of 4.4 MW heating 42 local schools, health and cultural centres, offices and other public facilities in nine villages located around the city of Banska Bystrica. In addition, heating distribution systems will be modernised. The fuel will be produced locally in order to prevent the outflow of funds from the region. Most of it will come from waste wood produced in local saw-mills, the rest will derive from local logging residues, following strict ecological principles. Wood-chips will be stored and dried in four central facilities and then distributed to 17 renewed boiler rooms. A survey on the biomass potential in the region proved an available surplus of wood waste in comparison to the project needs.

It is worth to note, that on one hand chronic shortages of funds often prevent villages in this deprived region from maintaining and operating their facilities and related services mainly during winter seasons. Decline of services, subsequently force people with higher level of education to leave the region for better living. On the other hand, the decline of local economy further nurtures the region's „hunger“ for investments without any limits including activities that may undermine the still great potential for its sound development in future. Therefore, the project design takes into account these broader development aspects.

Since 2003, FoE-CEPA has helped municipalities preparing projects, raised funds for analyses, identified proper financing schemes, and coordinated regional partnerships.

After setting-up the association of villages in April 2005, public procurement was successfully completed and the winning bidder delivered a complete technical project design including feasibility study and ensured building permit for all facilities. Last December, the 4 MEUR application was submitted to ERDF through the measure on air protection under the Operational Programme Basic Infrastructure administered by the Ministry of Environment (MoE).

It was planned to put the project in operation in autumn 2006. However, because the project evaluation at the MoE was postponed due to unknown reasons it will not be possible to meet this deadline. In contrast, several other energy projects which were submitted later to the same authority under the same call for proposals were evaluated much sooner and already received support. In mid-May, the project finally got an approval but the applicant was informed that due to a lack of finances allocated for the respective measure the project was shifted into the project pipeline, and "waits" for funds. However, no re-allocations of funds related to the respective measure is planned in the current programming period.

The pilot project was also planned to test opportunities for broader introduction of diversified Renewable Energy actions to other rural regions with similar conditions and needs, therefore, may easily end up unrealised in a drawer of public officials.

## 2. IEE project "Energy 4 Cohesion"

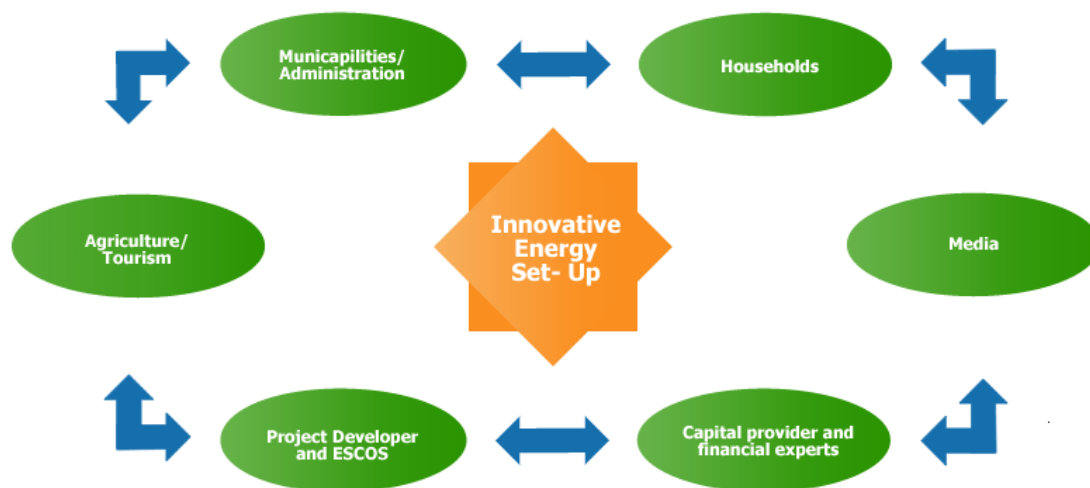


**Main objectives.** In the near future, initiatives as the above described can be promoted by the outcomes of the IEE project "Energy 4 Cohesion". This project will prepare a knowledge base for the implementation of Renewable Energy (RE) actions in less developed rural regions of Europe (duration: 01/2006 – 06/2008). The project's focus is on dimensioning the RE actions for being relevant to receive financial support from Structural and Cohesion Funds during the funding period from 2007-2013. Thus, the results shall facilitate the decisions of project developers, financial investors, policy makers and local stakeholders in order to support RE projects in rural regions, such as the initiative started in Banska Bystrica. The project will demonstrate best practice in eight selected target regions (in Poland, Estonia, Lithuania, Latvia, Czech Republic, Slovakia, Italy, Greece) by the design of comprehensive Master Plans. Their aim is to facilitate the implementation of RE actions in the selected regions by the identification of best funding mechanisms and suitable cooperation schemes.

**Target groups.** The "Energy 4 Cohesion Actor Cycle" (Figure 1) shows that a large group of actors has to be brought together for successful implementations of decentralised RE actions in rural areas. Consequently the project follows a combined Top-Down and Bottom-Up approach. During the Top-Down phase European Cohesion Policies shall become accessible for RE actions in remote and underdeveloped areas, e.g. by raising the awareness for the RE development potential among policy makers. In parallel the Bottom-Up approach supports concrete project implementations on-site by the creation of best practice and a knowledge basis for efficient and profound energy planning actions.

In particular, the project will address:

- Policy frameworks related to the European Cohesion programmes (working to create suitable legislative and business conditions for projects)
- Pilot actions in eight selected target regions
- Financing, funding and cooperation schemes (to establish the prerequisites for projects in the target areas)
- Training and capacity building



**Figure 1:** "Energy 4 Cohesion Actor Cycle"

**Target Regions.** The selected target regions are:

Zlin Region (Czech Republic), Limbazi Region (Latvia), Velky Krtis (Slovakia), Kaunas Region (Lithuania), Poviát Nowa Sol (Poland), Prefecture of Evros (Greece), Saaremaa Island (Estonia), Alta Locride (Italy)

**Work Programme.** As a first step, the Structural and Cohesion Fund Programmes for the development of marginalized regions in Central, Eastern and Southern Europe will be studied. A survey of the relevant European Cohesion Policies will be undertaken, and their suitability will be assessed with regard to decentralised energy actions for the development of marginalized regions. Action Plans for the promotion of small scale energy actions in the rural areas of Europe will then be developed, recommending measures to be taken on European, national and regional levels.

During the second step pilot actions in the eight selected rural target regions of Eastern and Southern Europe are planned. These regions are characterised by a large potential for the development of innovative and renewable energy actions. The outcome will include eight Master Plans, one for each region, covering the design, performance and planning of decentralised energy actions. A particular focus of the plans will be their suitability for funding in the frame of the new European Cohesion Policy.

Experience in other regions shows that the implementation of RE actions can bring economic and environmental benefits to remote rural areas of Europe. However, a key barrier to the implementation of decentralised energy actions is the lack of suitable funding sources, often caused by the small size of projects. Hence, the project will provide support to local energy and development agencies in the design of tailor-made funding concepts in the framework of the European Cohesion Policies. Private investments will also be promoted and facilitated through an Investment Forum.

In addition, an intense series of training and awareness raising actions will be implemented comprising ten seminars, each with a different focus. Eight of the seminars will take place in the target region countries, one special seminar on media work will be held in Hungary and the final project seminar will be in Brussels. These seminars will address project developers, representatives from municipalities, politicians, utilities, energy stakeholders and Energy Service Companies.

During the project, dissemination activities will promote the results of all of the above activities, particularly the work on European Cohesion Policies, the pilot actions and the innovative funding schemes. All of these elements will be promoted through a dissemination campaign (project homepage, newsletters, presentations, publications etc.).

More details can be found on the project website <http://www.e4c.org/>