

Funding opportunities are not used enough

SYSTEMATIC FUNDING MANAGEMENT

The energy transition is intended to reduce dependence on fossil fuels and thus also on Russian imports. A particularly effective solution is the shifting of traffic to the energy-efficient rail, which is supported by the legislator with numerous funding programs. Nevertheless, only a fraction of these funds have been used in recent years – for very different reasons. A systematization of subsidy management can help companies to make the most of their opportunities.

The state demands and encourages

The environmental policy goals are ambitious: To combat climate change, Germany is to achieve climate neutrality by 2045. In addition, due to the Russian invasion of Ukraine, dependence on fossil fuels must be reduced as quickly and as much as possible. The transport sector in particular, as one of the largest energy consumers, can make a significant contribution here. The modal shift to rail can be seen as a particularly effective measure, as this represents the most environmentally friendly alternative in an inter-modal comparison for both passenger and freight transport.

In order to further strengthen the energy efficiency and thus the sustainability of rail transport, the state has launched an increasing number of subsidy programs. In the past few years, the “Guideline for promoting energy efficiency in electric rail transport” has been considered an attractive funding program. However, this program will now be discontinued on December 31, 2022 – one year earlier than planned. With the early cessation, long-term investment plans of many railway transport companies (RTC), which had already planned appropriate subsidies, are thwarted.

The Federal Government’s decision must be assessed against the background of short-term changes in the geostrategic framework and a re-prioritization of budget funds, as well as the criticisms of the funding program published in the comments of the

Federal Audit Office in 2021. It should not be forgotten that premature cessation also damages the funding landscape as a whole. Because many RTC that have already made the necessary investments and now have to manage them without subsidies will initially be more critical of new programs. The take-up of subsidies is already mediocre at best – although many programs are extremely attractive for most energy supply companies.

Subsidy pots are only incompletely exhausted

A look at two funding programs that are essential for the rail transport industry makes this contradiction clear:

- Since 2018, the previously mentioned “**Funding guideline for energy efficiency in electric rail transport**” has provided RTC with up to 100 million euros annually. After the program was discontinued early, applications were last possible on June 30, 2022. RTC with a German license were eligible to apply, provided they could demonstrate an improvement in specific energy consumption of at least 2.0 percent compared to the previous year. Funding was provided for “the increase in energy efficiency through the use of more efficient technologies and techniques and through better exploitation of operational optimization potential”. Despite this quite broadly defined subject of funding and an extremely attractive ►

funding rate of up to 50 percent of expenditure, only **just under EUR 134 million** of the theoretically available **EUR 300 million** was accessed in the funding years 2018-2020 (≅ 44.6 percent). The publication of the funding rate for applications for the funding year 2021 is imminent.

- The “**Funding guideline for alternative drives in rail transport**” aims to cushion additional costs for investments in modern alternatives to diesel vehicles (e.g. two-engine, battery or hydrogen vehicles). Depending on the size of the company, up to 60 percent of the additional expenses compared to a conventional vehicle are subsidised. And although such vehicles are currently on the wish list of many RUs, only **just under EUR 115 million** of the total available funding of **EUR 227 million** was paid out in the first call in 2021 (≅ 50.6 percent). On July 1st, 2022, the second call for funding guidelines for alternative drives was published – the funding volume is **141 million euros**.

“Too complex, not enough time”: Reasons for underutilization

Experience has shown that the hesitant exhaustion of funding can be attributed to a variety of reasons.

- **Low transparency and insufficient know-how:** Especially smaller companies without a dedicated agency for the acquisition of funding find it difficult to keep track of all potential programs. Even if sponsors and associations want to remedy this, we always ask w Everybody finds that incomplete knowledge about funding opportunities reduces the corresponding chances.
- **A lack of accuracy and limited planning:** In funding programs, the subject of the funding, the recipient of the grant and often other conditions are precisely defined as prerequisites for eligibility for funding. Due to such detailed regulations, the eligibility of a specific measure is not guaranteed. In addition, subsidies are often awarded in competition – they cannot therefore be fully planned.
- **Demanding verification:** Especially the verification of the “(special) funding requirements” in funding guidelines poses great challenges for

potential funding recipients. In our experience, this often affects the availability of source data that is not available in the required level of detail or quality. As a result, extensive processing work has to be carried out, which some companies shy away from.

- **Challenging formal funding conditions:** A large number of funding applications fail due to non-compliance with the formal funding conditions – in particular the requirements of public procurement law. These are described in the general ancillary provisions on project funding (ANBest-P) and specified in the sub-threshold procurement regulations (UVgO) and sector procurement regulations (SektVO). When it comes to subsidies from public funds, the legislator understandably attaches great importance to this.
- **Limited availability of resources:** The actual application for funding, with the preparation of project outlines and factual reports, the quantitative verification and the collection and filling of forms, requires considerable resources – usually in a limited time window. This presents many companies with a challenge that is difficult to master during ongoing operations due to capacity and experience.

With systematic funding management to success

Despite the existing challenges, companies should carefully examine and make optimal use of the funding opportunities available, especially in rail transport. A financial subsidy can lead to noticeable cost savings for larger projects and thus to real competitive advantages. At the same time, RUs with a (subsidized) modern fleet or more efficient processes are in a better position to meet the increasing customer demand for “green” transport solutions and to participate in sales growth.

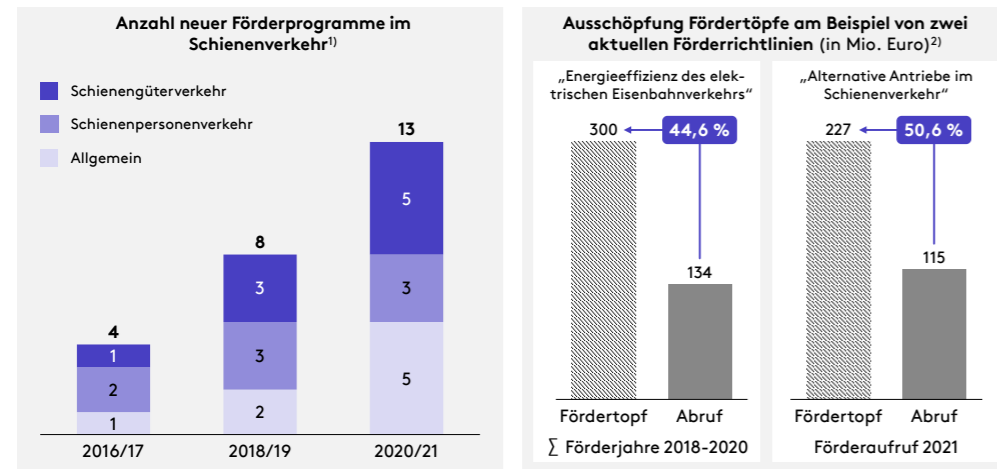
We recommend a systematic approach to this four key phases:

1) Identification & Selection

The search for suitable funding programs should always include comparing existing project ideas with the corresponding funding opportunities. If a promising project is identified, to query existing funding programs, e.g. B. the offer of the BMWK available ►

Die Anzahl an Förderprogrammen nimmt kontinuierlich zu – aber vorhandene Fördertöpfe werden nur unzureichend ausgeschöpft

ANZAHL UND INANSPRUCHNAHME FÖRDERPROGRAMME



1) Quelle: Förderdatenbank.de (BMWK), BLC-Analyse, Stand April 2022
 2) Quelle: Förderlandkarte des BMDV, BLC-Analyse, Stand April 2022

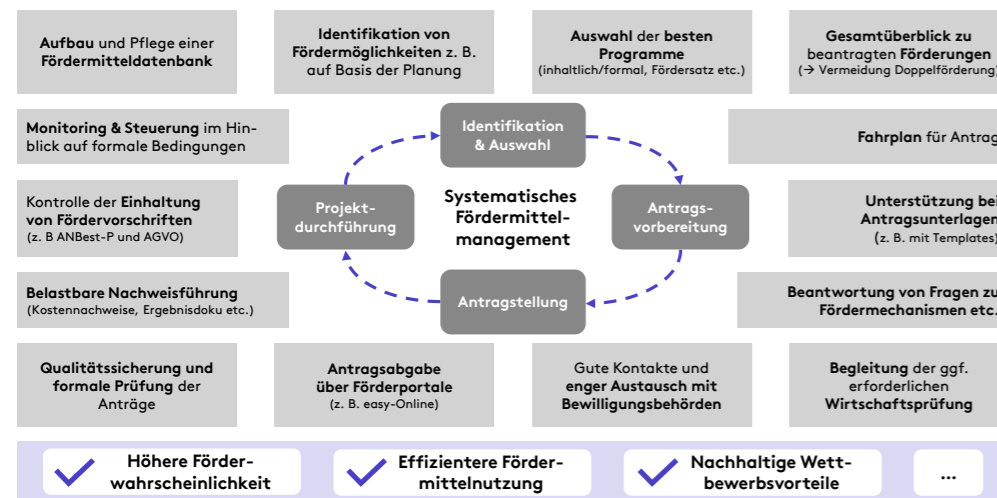
BLC

“Too complex, not enough time”:
Reasons for underutilization.

Graphics: BLC

Mit einem systematischen Vorgehen lassen sich Fördertöpfe gezielt identifizieren und besser ausschöpfen

AUFGABEN SYSTEMATISCHES FÖRDERMITTEL-MANAGEMENT



With systematic funding management there is a lot to consider.

Graphics: BLC

BLC

under www.foerderdatenbank.de can be used as a starting point. It lists European, national and regional funding programs based on keywords. It is not uncommon for a project to have several funding opportunities at the same time. Then the probability of funding, the expected funding rate and the effort involved in submitting the application should be used to select a specific program. In order to avoid double

funding, requested and approved funding should be recorded at a central point in the company.

2) Application preparation

The preparation of the application typically begins with the marking of a critical path up to the submission of the application in order to be able to counter potential resource bottlenecks at an early stage. ►

Even in this phase, application documents can be viewed, templates filled out and the collection of required documents initiated (e.g. annual financial statements, bank information or certificates from the tax office). Questions about the funding program should also be sent to the funding provider at an early stage in order to avoid misunderstandings and unnecessary work.

3) Application

When the application is actually submitted, some of the required evidence (e.g. the determination of CO₂ savings through the use of alternative drives) must be certified by auditors. Experience has shown that their early commissioning and intensive project preparation and support pay off. Data should be reliably checked at least randomly before it is handed over to the auditors in order to avoid unpleasant surprises in the course of the actual check. Even if the actual application is submitted digitally, certain documents still have to be submitted in physical form – postal times and the time required for large-volume print jobs must be taken into account. Overall, we often observe a clear underestimation of the time required for a funding application.

4) Project implementation

Depending on the funding program, submitting the application is not enough. In most cases, interim reports in the form of evidence of use (factual reports, numerical evidence, lists of receipts, etc.) and a final report must be submitted at regular intervals in order to maintain the entitlement to funding. At the same time, when commissioning external service providers, attention must be paid to compliance with public procurement law according to ANBest-P.

In our experience, many funding applications fail due to improper awarding and corresponding gaps in documentation. If compliance with key figures can be (continuously) proven, a corresponding monitoring should also be set up in good time for control purposes and anchored accordingly in the company.

Win-win-win situation for companies, the state and the environment

By systematically dealing with the topic of funding management, funding opportunities can be identified at an early stage, the probability of a commitment can be increased and existing funding pots can be used more consistently. The associated cost savings pay off in the long term for companies and lead to real competitive advantages.

Sensibly designed support programs can also be a worthwhile investment for the state – their incentive effect can even achieve indirect effects beyond direct subsidies. When designing support programs, however, lessons should be learned from the mistakes of the past and the basis for an incentive-compatible and permanently reliable support framework should be created.

Last but not least, *the environment* also benefits from effective funding programs, because without financial support, rail will not achieve the goals set by the federal government for passenger or freight transport (doubling the number of passengers or 25 percent share by 2030). In this way, the turnaround in traffic can be accelerated in a targeted manner through suitable funding programs in combination with systematic funding management.

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