**Fixed Rates to subsidize solar power plants in CAP farm investment projects**

**Short summary of the practice:**

In Lithuania, according to the Lithuanian 2023-2027 Agriculture Strategic plan, fixed rates (as one of a simplified costs options) are applied to subsidize solar power plants in CAP farm investment projects.

**Detailed information on the practice:**

**Problem and context:** The Lithuanian agricultural sector faces challenges related to rising energy prices and the effects of climate change. Traditional energy sources in rural areas are not only expensive, but also reduce sustainability. Many farmers have faced difficulties in installing solar power plants due to high installation costs and limited financing options. Therefore, a practice has been introduced whereby farmers who invest in solar power plants under their CAP farm investment projects get the subsidy based on the fixed rates per kW. Fixed rate is one of the instruments of Simplified Cost Options (SCO), promoted by European Commission. If SCO instrument is used, no commercial offers, invoices, public procurement documents and etc. are needed to be submitted with the subsidy claim. With this approach, the administrative burden is reduced significally. Also, fixed rates can be and are higher, than regular (co-financing) subsidy rates, also, each year there are adjustment based on market situation and technological achievements. They cover all the main stages of installing a solar power plant: from design to installation. This ensures that farmers receive fair support that is in line with market prices, thereby reducing the risk of errors in project financing and increasing the transparency of project implementation.

**Achievement and implementation of objectives:**

Practice is implemented under Lithuanian 2023-2027 Agriculture Strategic plan to fulfill Lithuania's obligations under the European Green Course and the European Union's Climate Strategy. In addition, it contributes to climate change mitigation goals and the renewal of the agricultural sector.

Fixed rates help farmers to estimate the possible costs of the project more easily and follow simple procedures of financing.

**Important participants and users:** The main participants were the Ministry of Agriculture of Lithuania, National (CAP) Paying Agency, independent consultants and the community of farmers themselves. These entities provided both financial support and practical assistance needed for the implementation of solar power projects. The beneficiaries were farmers, who were helped by this practice to reduce energy costs and contribute to the country's sustainability goals.

**Timescale (start/end date):**

2023-2027

**Resources needed:**

Policy changes were required to introduce Fixed rates instrument in CAP farm investment projects evaluation process. The calculation of fixed rate was done with the help of independent consultants through paid service.

**Evidence of success (results achieved):**

**This practice has achieved significant results:**

The practice achieved significant results. More than 1,000 solar power plants in agriculture have been installed in Lithuania, the total capacity of which exceeded 80 MW. This made it possible to reduce farmers' energy costs, and the share of renewable energy in agriculture increased to 17% (according to the data of the Ministry of the Environment of Lithuania). After implementing this practice, farmers saved more than 5 million. EUR per year for energy bills alone.

In addition, these projects contributed to Lithuania's obligations to reduce CO2 emissions in accordance with the goals of the European Green Deal and the climate change strategy.

**Potential for learning or transfer:**

This practice can be useful for other EU countries that seek to promote renewable energy sources in agriculture. Lithuania has successfully shared this experience with Latvia and Estonia, which have started to apply similar financing mechanisms and fixed rates, adapting to their local markets and climate conditions. The most successful aspects are clear funding parameters, strong cooperation with consultants and technical support for farmers, as well as flexibility to adapt to market changes.

**Key success factors:**

• Fixed rates ​​ fasten the evaluation process for both farmers and institutions.

• Significant reduction of administrative burden

• Clear and beneficial financing conditions.

**Links:**

* **Lietuvos žemės ūkio ministerija**: [www.zum.lt](https://www.zum.lt)
* **Kaimo plėtros programa 2014–2020 ir 2021–2027**: [www.nma.lt](https://www.nma.lt)
* **Europos Komisija – Kaimo plėtros fondo dokumentai**: [ec.europa.eu](https://ec.europa.eu)
* **Lietuvos aplinkos ministerija** – Metinės ataskaitos apie CO2 emisijas ir klimato kaitos strategijas: [am.lt](https://am.lt)