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Energy Performance Contracts in the public sector

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What is an Energy Performance Contract (EPC)?



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- Energy Performance Contract (EPC) is a way to finance energy efficiency investments from cost reductions.
- Under an EPC arrangement an external organisation (ESCO) implements a project to deliver energy efficiency and uses the stream of income from the cost savings to repay the costs of the project.



EPC in the Energy Efficiency Directive



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- According to EED Art. 18 MS shall support the energy services market.
- One area that is mentioned specifically is that MS shall support the public sector in taking up energy service offers, in particular for building refurbishment.



Why could EPC be suitable for the public sector?



- The public sector is a key energy consumer in Europe and represents more than 10% of the overall EU building stock. Public buildings and other installations such as streetlighting represent a significant, largely untapped potential for energy savings.
- Very often public buildings also need maintenance, refurbishment and have a low efficiency.
- The public sector proceeds slowly in improving energy efficiency due to barriers such as limited financial resources and/or limited creditworthiness, limited human resources in numbers and in profession, split incentives, etc.
- The sector is an excellent target for EPC, because EPC pulls in private funds for financing a public project, which may be a cheaper solution than in-house project management
- EPC involves the transfer of technical and often financial risk, offering a professional project management service, due to which the in-house maintenance is able to focus on core activities. *Source: JRC*

Are there barriers to EPC in the public sector?



- Numerous barriers exist, and have been identified on a country-by-country basis by the JRC.
- Barriers include, but are not limited to, lack of trust, lack of understanding, complex procurement, lack of model contracts, low energy prices, negative experiences (projects that failed), small market
- Too small projects and lack of awareness among politicians have also been identified as barriers.
- One specific barrier has been that off balance sheets investments were not allowed according to Eurostat guidelines, these guidelines have now been updated and MS are in the process of adapting to the new guidelines (this will be discussed at the CA EED Plenary Meeting later this week)

Questionnaire results



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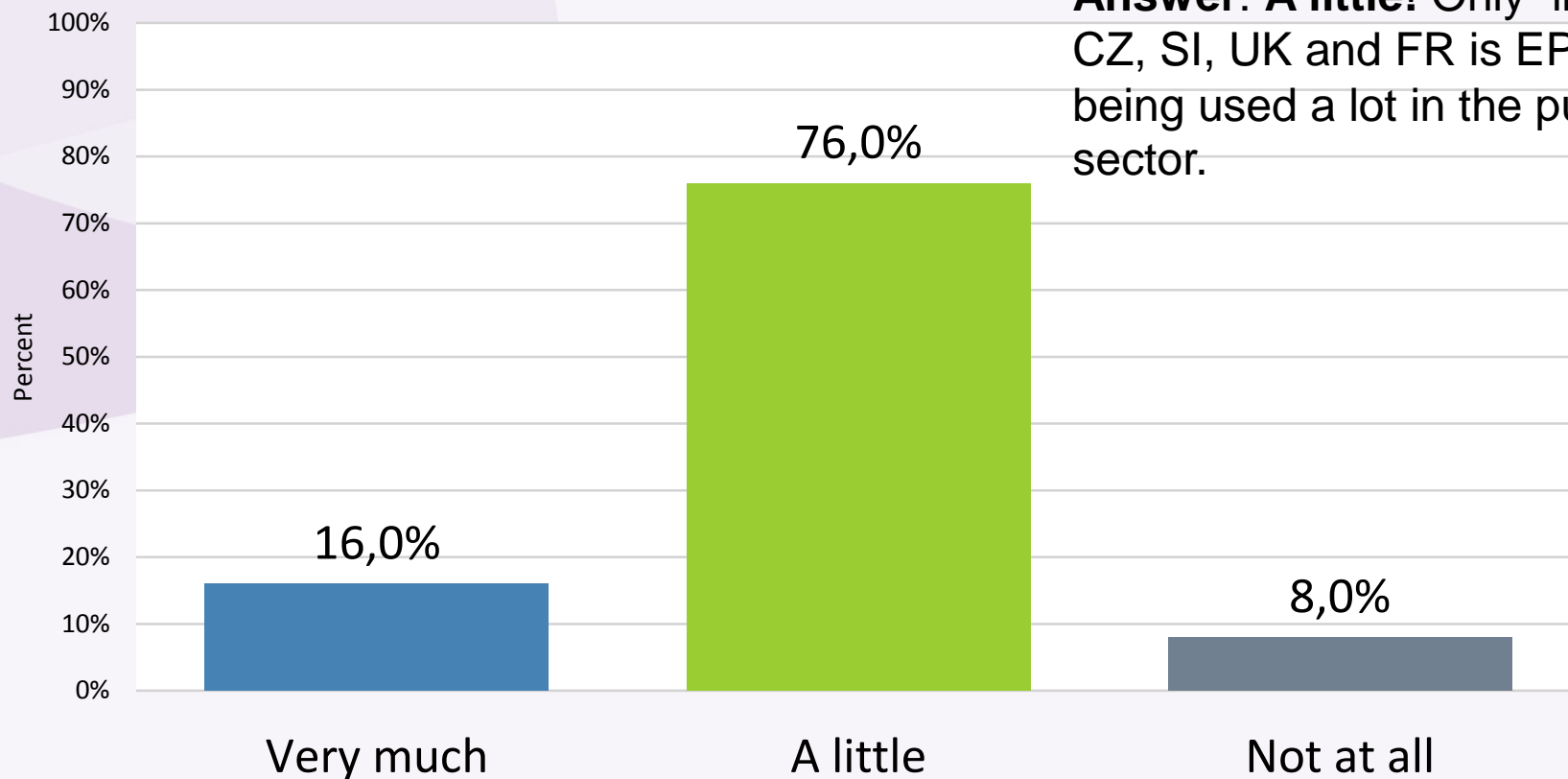
- A questionnaire was sent to MS in January 2018
- 25 MS replied to the questionnaire
- The main results are presented on the following slides



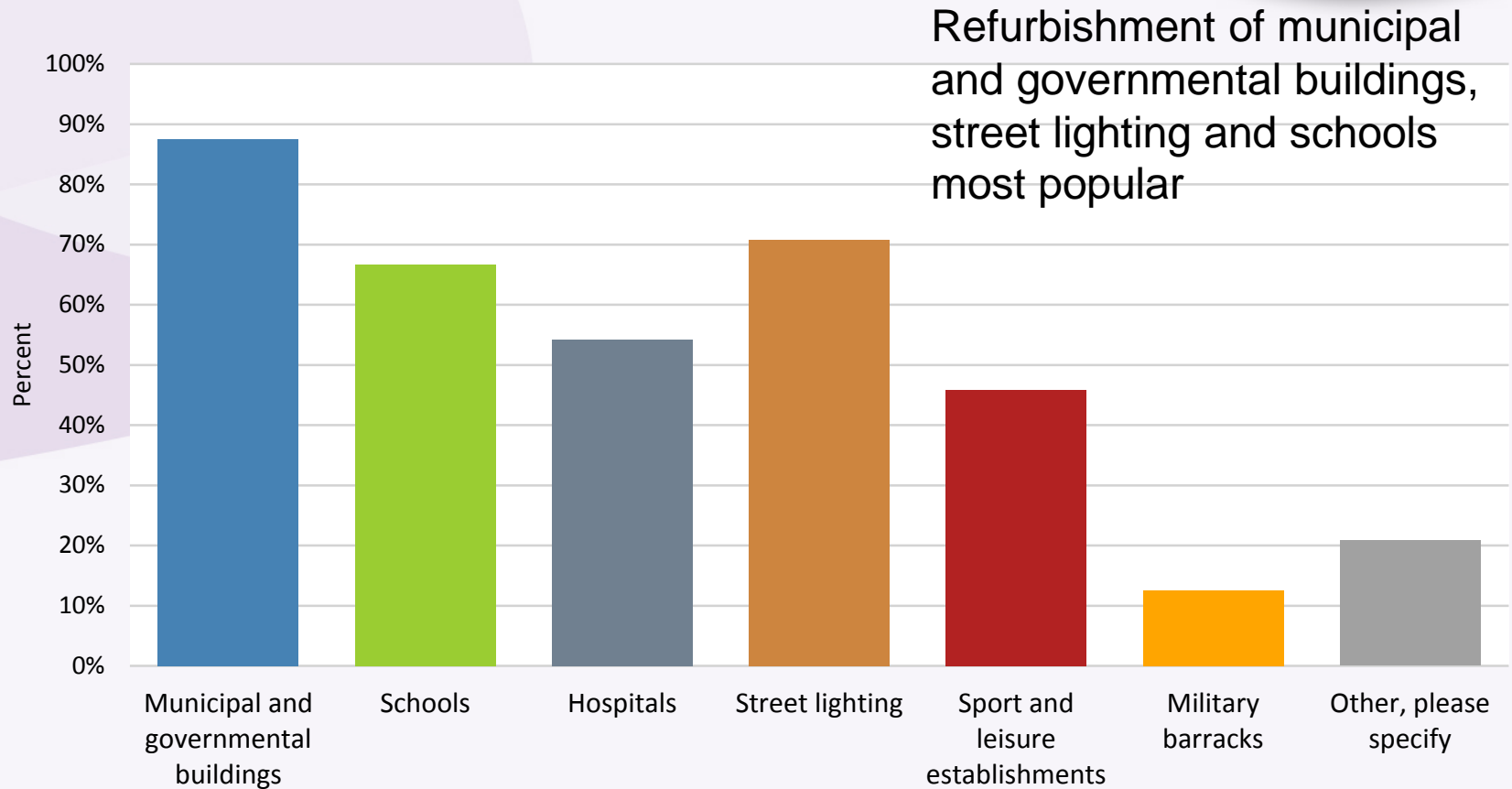
To what extent does the public sector use EPC in your country?



Answer: A little! Only in CZ, SI, UK and FR is EPC being used a lot in the public sector.



For which areas are EPCs in the public sector used in your MS?



EPC support tools



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- Are there any official standardised documents related to EPC (standard contract, tender procedures)?
Answer: Yes! 72%
- Are you aware of the updated Eurostat guidelines for EPC accounting?
Answer: Yes! More than 90%
- Do you have EPC market facilitators operating in your MS?
Answer: Yes, 15 MS among 25 respondents have EPC market facilitators
- Is there a national observatory body/unit on EPC in your country?
Answer: Yes, 9 MS have their own observatory



Ways to overcome barriers for EPC in the public sector



- Despite the barriers, there are many good examples of successful EPC projects across Europe to learn from.
- A Practitioners guide on how to apply the updated Eurostat guidelines will soon be published.
- Model contracts are under development in many MS.
- EPC observatories are being established in several MS.
- EPC facilitators are available in several MS, i.e DE
- Small projects can be aggregated to be large enough for an EPC.
- Additional benefits such as reduced maintenance costs, better indoor climate etc in addition to energy savings, reduced operating costs and CO₂-reduction should be highlighted
- Several EU-projects are on-going that aims at facilitating the uptake of EPC through various tools.

EU projects supporting EPC



- EnPC-Intrans – How to apply EPC in public buildings www.enpc-intrans.eu
- GuarantEE – working towards developing innovative business and financing models for performance based ESCO projects www.guarantee-project.eu
- L-CIF – developed an off balance sheet solution for public schools www.mlei.co.uk
- MARTE – promote local investment into energy efficiency in the healthcare sector www.marteproject.eu/en
- Streetlight EPC – main aim to create demand and supply for EPC projects www.streetlight-epc.eu
- Transparens – help increase transparency and trustworthiness of Energy Performance Contracting www.transparens.eu
- 2020Together – respond to the needs of municipalities to overcome economic-financial concerns at the local level



- JRC report – Practices and opportunities for Energy Performance Contracting in the public sector in EU Member States (2017) – <http://publications.jrc.ec.europa.eu/repository/bitstream/JRC106625/kjna28602enn.pdf>

Thank you for your attention



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