ESCO&PUBLIC SECTOR - CHALLENGES AND OPPORTUNITIES
Public-Private Partnership challenges

- Lack of knowledge of the possibilities of financing through ESCO/PPP model
- Fear of PPP procedure
- Lack of human resources
- Long decisionmaking process
- Underestimation of savings potential
- Overestimation of savings potential!
- Lack of political will
- Fear of intransparency and cooperation with private sector

- Baseline definition
- Development of the appropriate, sustainable technical solution
  - Balancing between the technology and economy!!!

- Warranty/guarantee by the public partner
- Low electricity prices
- Low gas and coal prices
- Project financing of ESCO projects by commercial banks
Public-Private Partnership of EPC by Municipality of Ljubljana, SLO

BASIC INFORMATION:

• Municipality announced public tender for Public-Private partnership for Implementation of Energy Performance Contracting with an Aim of Energy Retrofitting of Public Buildings Owned by The City of Ljubljana

• Public tender includes 106 buildings (primary schools, libraries, kindergartens, cultural facilities, health centers,…)

• Predicted duration of partnership is 15 years

• All project development services for this tender have been co-funded by Technical Assistance facility ELENA from European Investment Bank (EIB) – started in 2013

• Total project development cost 1.5 mil EUR, ELENA contribution 1.3 mil EUR

• Initially total expected investment to be mobilized 50 mil EUR; so far 12 mil EUR

• Estimated results: 79 NGWh and emission reduction of 24.500 t CO2 per year
Public-Private Partnership of EPC by Municipality of Ljubljana

- The concession grantor is implementing the competitive dialogue in three phases

**QUALIFICATION**
- quick energy audits
- assessment of energy savings
- estimation of investment
- non-bidding offer

Till April 7th

**DIALOGUE**
- review of non-bidding offer with Municipality of Ljubljana
- technical corrections for buildings and measures

Aprox. till late summer

**SUBMISSION OF THE FINAL BID**
- contract signing
- Application for the Ministry of infrastructure’s subvention

Till end of 2016

POTENTIAL DIFFICULTIES

- not enough savings from measures to cover investment (min. required IRR 8%)
- energy baseline consumption
Public-Private Partnership of ESC by Municipality of Pirot, Serbia

BASIC INFORMATION:
• 4 primary schools owned by Municipality which use fuel oil for heat production - 115 EUR/MWh
• In 2014 GGE initiated PPP/ESC project with the aim to install biomass (woodchips – 25 EUR/MWh) boilers and deliver heat to schools for the period of 10 years
• The project would benefit the budget of the Municipality with the savings of cca 20%

STATUS:
• After 2 years, in May 2016 the public procurement had been announced as the first PPP/ESC project in Serbia

RESULT:
• Failed!

REASONS: Let’s go back to the beginning of the presentation...
• Technical solution vs economy
• Political will
• Underestimation/overestimation of the expected results
• Overlooking that the private partner also has his P in the PPP
Recommendations

- Wide energy efficiency and ESCO campaign
- Introduction of permanent training of key actors (decision makers in the public sector, officials in the public sector, project developers…)
- Implementation of technical assistance programme
- Design of ESCO demonstration projects for pools of public buildings to provide market development on the demand side
- Systematic preparation and implementation of ESCO projects in public sector
- Education and operation of competent and neutral ESCO project developers should be supported to speed up project preparation and underpin EE market development
- Development of innovative financing schemes targeting small and medium (potential) ESCO companies
- Work with local financing institutions to develop pilot ESCO project and finance them
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