



## D2.5 Country Report on Recommendations for Action for Development of EPC Markets

**CZECH REPUBLIC**



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### Abbreviations

APES – The Association of Energy Services Providers (Asociace poskytovatelů energetických služeb)

EED – Energy Efficiency Directive, that is Directive 2012/27/EU of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC

NEEAP – National Energy Efficiency Action Plan

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### 1 Summary

The present report aims at providing recommendations for action for the successful development of the Energy Performance Contracting (EPC) market in the Czech Republic.

The report builds on the data and information gathered by two other similar projects, the European Energy Service Initiative<sup>1</sup> (EESI) and the ChangeBest project<sup>2</sup>. It is also intended as a continuation on the work of the European Commission's Joint Research Centre – Institute for Energy, and more particularly on its 2010 Status Report on Energy Service Companies Market in Europe<sup>3</sup>.

The key recommendations that aim to help boosting EPC market in the Czech Republic and maintaining the high quality of EPC projects are to:

- Include EPC in strategic documents of the Czech Republic (such as Energy policy and NEEAP);
- implement the requirements of the Energy Efficiency Directive;
- remove existing legislative barriers to EPC implementation in the buildings owned by the government (so called “organizational units of state”);
- increase transparency of the EPC market through provision of the market rules (Code of Conduct), clear guidelines on EPC implementation in the public buildings in compliance with legislation and regulation, preparation and promotion of standard documents and certification;
- build trust in EPC projects among clients through promotion, information and high quality projects;
- ease the preparation of EPC projects and support combination of technology measures (realised through EPC) with subsidized construction measures.

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<sup>1</sup> <http://www.european-energy-service-initiative.net/eu/toolbox/national-reports.html>

<sup>2</sup> [http://www.changebest.eu/index.php?option=com\\_content&view=article&id=43&Itemid=10&lang=en](http://www.changebest.eu/index.php?option=com_content&view=article&id=43&Itemid=10&lang=en)

<sup>3</sup> <http://publications.jrc.ec.europa.eu/repository/bitstream/111111111/15108/1/jrc59863%20real%20final%20esco%20report%202010.pdf>

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## 2 Introduction

### 2.1 Methodology

The contents of this report are based on two main sources:

- the results of a nation-wide EPC survey which was sent to the country's main actors within the EPC market
- the market knowledge of the authors, as well as research from local / national literature (publications and studies, legislation documents, official statistics and databases)

The first step in collecting the data used in this document was to distribute a survey focused on Energy Performance Contracting (EPC) to the country's most relevant energy services companies, organisations and finance houses. The survey contained questions around four main areas: existing ESCOs and national EPC market; EPC models, financing models and policy initiatives. The answers were then analysed and the results were presented in a previous report in aggregated form (Transparensense National Report on identified barriers and success factors for EPC project implementation).

This report goes one step further and makes a series of recommendations tailored for the Czech Republic's national EPC market. These recommendations are based on the information gathered from the respondents to the surveys (in written form or in conversations), as well as on the authors' knowledge of the national market and of any relevant literature / research piece.

This report aims at showcasing the successful experiences for EPC providers in the Czech Republic and separating what has been proven to enhance the EPC offering from what constitutes potential barriers. The recommendations contained in this report have been made in order to tackle the issues highlighted in the previous Transparensense report (Transparensense National Report on identified barriers and success factors for EPC project implementation). The authors believe that EPC providers / customers and the EPC industry as a whole will benefit from replicating the success factors observed within the national market. These recommendations should be seen as "best practice" guidelines and disseminated within the Czech Republic in order to improve the quality of the EPC market.

The following institutions and organizations are the **key stakeholders** that will be targeted to discuss the relevant points of these recommendations:

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- Ministry of Industry and Trade of the Czech Republic (Energy savings unit of the Energy department)
- Ministry of Finance of the Czech Republic
- Ministry of Regional Development of the Czech Republic
- Banks
- Association of Energy Services Providers
- EPC market facilitators
- ESCOs

### 2.2 What is Energy Performance Contracting

Energy performance contracting (EPC) is when an energy service company (ESCO) is engaged to improve the energy efficiency of a facility, with the guaranteed energy savings paying for the capital investment required to implement improvements. Under a performance contract for energy saving, the ESCO examines a facility, evaluates the level of energy savings that could be achieved, and then offers to implement the project and guarantee those savings over an agreed term.

A typical EPC project is delivered by an Energy Service Company (ESCO) and consists of the following elements:

- **Turnkey Service** – The ESCO provides all of the services required to design and implement a comprehensive project at the customer facility, from the initial energy audit through long-term Measurement and Verification (M&V) of project savings.
- **Comprehensive Measures** – The ESCO tailors a comprehensive set of measures to fit the needs of a particular facility, include energy efficiency and in addition, can include renewables, distributed generation and water conservation.
- **Project financing** – The ESCO arranges for long-term project financing that is provided by a third-party financing company, typically in the form of a bank loan.
- **Project Savings Guarantee** – The ESCO provides a guarantee that the savings produced by the project will be sufficient to cover the cost of project financing for the life of the project.

Energy Performance Contracting allows facility owners and managers to upgrade ageing and inefficient assets while recovering capital required for the upgrade directly from the energy savings guaranteed by the ESCO. The ESCO takes the technical risk and guarantees the savings.

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The ESCO is usually paid a management fee out of these savings (if there are no savings, there is no payment) and is usually obligated to repay savings shortfalls over the life of the contract. At the end of the specific contract period the full benefits of the cost savings revert to the facility owner.

The methodology of Energy Performance Contracting differs from traditional contracting, which is invariably price-driven. Performance contracting is results-driven: ensuring quality of performance. ESCOs search for efficiencies and performance reliability to deliver contractual guarantees.

### 2.3 Definition of EPC and EPC provider

While there is a vast number of definitions of EPC within Europe, within Transparensense project we use the EU wide definition provided by the Energy Efficiency Directive<sup>4</sup> (EED):

“**energy performance contracting**’ means a contractual arrangement between the beneficiary and the provider of an energy efficiency improvement measure, verified and monitored during the whole term of the contract, where investments (work, supply or service) in that measure are paid for in relation to a contractually agreed level of energy efficiency improvement or other agreed energy performance criterion, such as financial savings;”.

At the same time, within Transparensense project, the focus will be given to the EPC projects, where the above mentioned “contractually agreed level of energy efficiency improvement” is **guaranteed** by the EPC provider<sup>5</sup>. This is in line with the EED, as in its Annex XIII, guaranteed savings<sup>6</sup> are listed among the minimum items to be included in energy performance contracts with the public sector or in the associated tender specifications. Moreover, in the article 18 of EED, Member States are required to promote the energy services market and access for SMEs to this market by, inter alia, disseminating clear and easily accessible information on available energy service contracts and clauses that should be included in such contracts to **guarantee energy savings** and final customers’ rights.

Further, within the Transparensense, we define the companies providing EPC as follows:

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<sup>4</sup> Directive 2012/27/EU of the European Parliament and of the Council on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC was approved on 25 October 2012.

<sup>5</sup> Guarantee of energy efficiency improvement is defined by EN 15900:2010 as “commitment of the service provider to achieve a quantified energy efficiency improvement”.

<sup>6</sup> Annex XIII of the EED lists the minimum item as: „Guaranteed savings to be achieved by implementing the measures of the contract.“

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“ **EPC provider**’ means a natural or legal person who delivers energy services in the form of Energy Performance Contracting (EPC) in a final customer’s facility or premises”

Such definition respects the fact that EPC is only one type of energy services, and is in line with the definition of the energy services provider specified in the EED (for its definition see the glossary at the end of the report). Within the Transparensense texts, we use the commonly used term “ESCO” as equivalent of the energy service provider.

### 3 EPC Code of Conduct

An important step towards a transparent and trustworthy EPC market is the acceptance and widespread usage of the EPC Code of Conduct. Such a Code is being developed under the Transparensense project and will be publically discussed with all interested parties to reflect their needs and concerns.

The Code of Conduct is a set of principles describing best practice from EPC providers (primarily) and customers (secondly) in the preparation and implementation of EPC projects in order for them to succeed, maximizing the energy and cost saving resulting from the EPC. The Code is a voluntary commitment and it is not synonymous with any legal obligation. However, acts in violation of the EPC Code of Conduct may cause damage to the EPC providers’ and/or the customers’ good name. It is also an indicator of the quality requirements for new EPC providers entering the EPC market. The EPC Code of Conduct is an in-depth view of what EPC providers and customers believe the EPC excellence is, and it paints a picture of how customers and EPC providers can expect to be treated as a result.

By adhering to the EPC core values of the Code of Conduct, EPC providers and customers develop solid foundations for working partnerships based on trust and confidence. They are expected to utilise the Code in order to further develop energy efficiency services to meet their goals and expectations.

The EPC Code of Conduct aims to improve understanding and awareness of the EPC and raise EPC quality requirements by setting best practice commitments and proposing standards to be met by the EPC providers, in line with other initiatives. The Code encourages the development of voluntary quality labels and tools for certified energy savings, and ultimately further develops energy efficiency policy. As a result, the EPC market as a whole (level of demand + quality of offer) in the Czech Republic would benefit from adherence to the Code of Conduct.

## 4 Governmental strategy to boost the EPC market

### 4.1 EPC as governmental priority

- So far, EPC (and energy services in general) have been neglected in the energy related strategic and legislative documents of the Czech Republic. The Updated State Energy Policy of the Czech Republic neglects energy services as a whole and so does the Second National Energy Efficiency Action Plan of the Czech Republic (Valentová and Szomolányiová 2013).
- Since 2012, EPC has become one of the priorities of the State programme for support of energy savings and renewable energy sources EFEKT administered by the Ministry of Industry and Trade. Under the programme, feasibility studies for EPC are supported. The programme also supports introduction of energy management in municipalities, indirectly supporting EPC as well.
- This **support**, so far only on a ministerial level, should be upgraded to **strategic, whole government, level**.
  - EPC should be stated as a **clear governmental priority** in the next version of the **Energy policy** (planned for 2014)
  - EPC support should be also clearly declared in the **Third National Energy Efficiency Action Plan** of the Czech Republic, to be prepared in 2014. The third NEEAP should define clear, specific measures that will help developing the EPC market.
  - The EPC method can be considered as an anti-crisis measure as it both supports the employment and saves direct investment costs. Therefore, it should become one of the **instruments of the economic growth strategy**.

### 4.2 Energy Efficiency Directive implementation

- It is expected that implementation of the new Energy Efficiency Directive will further enhance the development of EPC market; however, implementation of the Directive has not started yet in the Czech Republic.
- One of the main tasks related to EPC in the Czech Republic will be to implement art. 5 (“Exemplary role of public bodies’ buildings”), art. 18 (Energy Services) and art. 19 (“Other measures to promote energy efficiency”) of the Directive. Specifically, **administrative and accounting barriers for state owned buildings should be**

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**removed**; consensus on the method to do this should be sought for with the Ministry of Finance. For more details, see also chapter 5.1.2..

### 4.3 National EPC Action Plan

There should be a governmental decree establishing the EPC Action plan, its rules, time schedule and financial framework. It should include the following measures:

- EPC project implementation:
  - In the first period, it will include support to implementation of EPC projects at the selected governmental buildings.
  - In the second period, also the buildings owned by the municipalities and regions should be included in such support.

#### 4.3.1 Governmental buildings

- In 2007 a system of monitoring of governmental buildings was launched (SEI 2011). Each ministerial resort is obliged to select buildings and facilities that are important to them and therefore have to be taken care of. Therefore, a database of buildings with significant potential for savings is being developed, even though the ministries differ in the speed and thoroughness of the monitoring and delivery of data.
- In the first period, using such database, **property owned by the Government should be systematically checked for suitability for EPC** and concrete time schedule with implementation of EPC in these buildings should be developed. Implementation of EPC in these buildings should be supported by a financial framework, thus a special item from the governmental budget should be allocated for the EPC Action Plan.
- To systematically monitor governmental buildings, the central registry of governmental buildings could be used.

#### 4.3.2 Buildings owned by municipalities and regions

- Within the second period, the National EPC action plan should include the municipalities and regions. To finance the preliminary analysis special programme<sup>7</sup> can be used, while to provide capital to cover the investment costs, a special EPC revolving fund could be considered. To finance such fund the gains from emission allowances could be used.

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<sup>7</sup> Introductory assessment of the suitability of buildings for EPC is supported by the EFEKT programme of the Ministry of industry and Trade – see chapter 7.1.1.

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### 4.4 Bulk of measures to create rules for EPC implementation and approval in the public sector

Transparense Country Report on Identified Barriers and Success Factors for EPC Project Implementation (Valentova and Szomolanyiova 2013) and Report of ChangeBest project (Sochor and Szomolányiová 2009) highlight the unclear legislation and regulation which discourage the public institutions to implement EPC project.

- Thus EPC implementation should be supported by defining the rules and playing field in the public sector, i.e. project registration and approval, project accounting etc. (for more details see chapter 5.)
- A clear strategy should be prepared appointing the responsible parties, time schedule for full removal of the key barriers to the EPC implementation (for more see chapter 5).

## 5 Removal of legislative and administrative barriers

### 5.1 Regulatory framework and standardization

- Implementation of the Energy Efficiency Directive should be given a priority, namely the articles directly relevant to EPC (art. 5, art. 18, art. 19).

Work on the implementation of the article 18 of the EED was supported by the Ministry of Industry and Trade and the Ministry planned to have it ready by the beginning of 2014.

- The EPC market in the Czech Republic has been growing steadily in the past years, and the growing demand attracts new companies to the market. However, to maintain the high quality of EPC projects, formalization and standardization of the sector has been one of the key topics lately.

To this end, the Association of Energy Services providers (APES) was founded in 2011. Furthermore, new standard EPC documents (EPC contract and its annexes) were published, building on the experience and knowledge gained through years. Code of Conduct for EPC market was also adopted and a database of successful EPC projects is being built up. (All of these actions support implementation of the EED requirements.)

Currently, work on certification of EPC procedures and/or energy services companies is under progress and discussed with the Ministry of Industry and Trade.

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### **The certification should provide guidance for customers in the growing EPC market.**

Certified companies will be required to adhere to defined procedures and to strive for high quality of EPC projects. Therefore, the clients should be able to rely on the quality of EPC services offered by the certified companies.

On the EU level, the Czech government should try to deal with the interference between the Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (Fiscal Directive) and the Energy Efficiency Directive. As to the Fiscal Directive, any form of obligation, including EPC, is considered as an increase in public debt. However, in case of EPC, the indebtedness is outweighed by future benefits and moreover, the risks are carried by the ESCO. Therefore, the European rules should be reformulated in such a way, that **EPC projects should be taken off balance sheet and not considered as contributing to public debt.** (On the contrary, EPC projects actually help decreasing the debt through decreasing operational costs of the public bodies.)

Until this barrier is removed at the EU level, the EPC should be highly supported within the public institutions regardless adding up to the calculated (but not real) public debt as the contribution of the EPC projects adds up only for negligible share to the public debt, such as only 0.01% in 2012<sup>8</sup>.

- **Guidance on preparation and implementation of EPC** projects was developed in 2011. However, it should be **updated** in order to reflect the newest developments – to drive clients in public sector safely through individual steps of EPC project implementation.
- Clear **renovation programme for public buildings** should be prepared<sup>9</sup>. Currently, the government has not a clear standpoint on which buildings will be used in the long term. Therefore, clear overview of the buildings, that are to be used by individual resorts and that are suitable for complete renovation (with the use of EPC), should be prepared. (see also chapter 4).

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<sup>8</sup> It was 8.5 mil. EUR in 2012 as estimated in Overview of the EPC potential and market conducted by Szomolanyiova and Sochor (2013) within the CombinES project while the public debt constituted about 66 milliard EUR in the same year according to the statistics of the Ministry of Finance (as 1s of January 2013).

<sup>9</sup> It is one of the requirements of the Resolution of the Government of the Czech Republic dated 19 October 2011, which stipulated, among others, drafting of a model EPC contract and a programme for renovation of public buildings

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### 5.2 Organisation units of the state

- **EPC method should be made available to buildings managed by organizational units of the state.**

In contrast to the allowance organizations, organizational units of the state (financed directly through budget), which represent a large part of public sector buildings<sup>10</sup>, “are not allowed to receive or provide loans” (pursuant to Section 49 of Act no. 218/2000). It means that to date it has not been possible to finance EPC projects within organisational units of the state by way of a supplier credit. Furthermore, the standpoint of the Ministry of Finance towards Energy Performance Contracting has been negative stating that EPC is a form of “secret credit financing”. Therefore, EPC has been practically unavailable for these buildings (see more in Valentová and Szomolányiová 2013).

- The negative standpoint of the Ministry of Finance seems to stem mainly from lack of trust in the EPC method related to the little experience with EPC projects. (The same came up currently with the Ministry of Health of the Czech Republic, which became rather skeptical about the sale of claims by ESCOs to banks and therefore have been hindering the (many) EPC projects prepared in their sector. The Ministry fears that the hospitals may lack finances for their operation and become unable to repay the loan from EPC. The banks would then turn to the founder of the hospitals - the Ministry. The Ministry is trying therefore to come up with their own versions of the contract, putting the EPC projects at risk).

Therefore, ESCOs, EPC facilitators as well as Ministry of Industry and Trade should continue to **explain the benefits of EPC and to bring further good practice examples in order to increase trust towards this method.**

- The clear position of the government to support EPC and appropriate action need to be taken to alleviate such barriers on different levels of decision making in line with the **requirements of the EED** (namely article 19, which states that “Member States shall evaluate and if necessary take appropriate measures to remove regulatory and non-regulatory barriers to energy efficiency, without prejudice to the basic principles of the property and tenancy law of the Member State”, among others “legal and regulatory provisions, and administrative practices, regarding public purchasing and annual budgeting and accounting”). Therefore, not dealing with them could lead to infringement proceedings.

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<sup>10</sup> For example all ministries and their buildings, judiciary, police, etc.

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- **Proposal of amendments to the Act No. 218/2000** should be prepared, to enable use of EPC among organizational units of the state, and discussed with the Ministry of Finance and other stakeholders.

## 6 Information dissemination, education and networking

One of the key barriers to EPC development in the Czech Republic (as mentioned in chapter 5 and as reported by respondents in the Transparensense EPC Survey) is the complexity of the whole EPC process and lack of information on EPC, resulting in low trust in the ESCO industry in general on the client side<sup>11</sup>.

Therefore, **continuous promotional and information activities** are needed as an important support.

The promotional and informational activities should entail diversified:

- means of communication;
- focus;
- target audience.

### 6.1 Promotional activities focused on target groups

#### 6.1.1 Policy makers

- Policy makers are an important target group that should provide regulatory framework for EPC market development (see also chapter 4).
- The key message that should be passed on are both advantages and potential of EPC projects for public and private sector as well as the obligations stemming from the Energy Efficiency Directive that the Czech Republic has to comply with.
- The main means of communication should be seminars, discussion round tables and position papers.

#### 6.1.2 Public organizations

Main target groups among public organisations are the municipalities, regions and national governmental organizations, such as Financial Administration, Supreme Audit Office, internal auditors at ministries and other organisations.

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<sup>11</sup> By potential customers, but also by other stakeholders, such as ministries – see chapter 5.

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- The aim is to build trust in EPC method among these organizations, who are mostly potential clients to EPC or are important persons for permitting and authorizing the EPC projects. Therefore the focus of the information activities should be the core principles and benefits of EPC projects, practical information on implementation of EPC projects (how to organize tenders, how to finance the projects, etc.) and good practice examples.
- The main means of communication have proven to be discussion seminars, conferences, good practice examples and brochures.

### 6.1.3 ESCOs and EPC facilitators

- The EPC market is growing steadily. Therefore, new ESCOs and EPC facilitators are coming to the market. In order to maintain high quality of EPC projects (and not to undermine the fragile trust of customers), specialized trainings and seminars on EPC should be carried out for this target group.
- The trainings should be focused on practical implementation of EPC from the point of view of ESCOs as well as clients.

### 6.1.4 Banks

- Banks are important actors providing loans to ESCOs for their projects and are buying claims from them. To support increase in the number of institutions providing such financial services, the information on EPC projects and its financial needs should be strengthened through seminars, brochures and direct meetings.

### 6.1.5 Other stakeholders

Other stakeholders who can be approached are the environmental NGOs, media, experts and general public.

- Awareness on EPC method in general should be strengthened through attendance on conferences on related topics, presence in media, popular videos, presence at competitions, etc.

## 6.2 Examples of promotional activities in 2012 – 2013

### 6.2.1 The Ministry of the Environment and the State Environmental Fund

The Ministry of the Environment and the State Environmental Fund have supported an information project on EPC, ended in 2012, under which number of seminars and

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conferences were organized and attended by hundreds of stakeholders. Several brochures and position papers were published with audience of thousands of people.

### 6.2.2 The Ministry of Industry and Trade

The Ministry of Industry and Trade has supported a number of promotional activities in 2013 under its programme EFEKT, for instance:

- Training on implementation of EPC for ESCOs in October 2013 in Prague organized within the Transparense project.
- Working seminar for public administration on EPC and support and development of energy reconstruction projects in state-owned buildings in October 2013 in Prague (organized by APES - The Association of Energy Services Providers).
- Expert energy efficiency seminar organized within a conference of the Union of Towns and Municipalities of the Czech Republic in November 2013 in Prague.
- International conference on EPC as a perspective sources of energy savings in November 2013 in Prague (organized by APES and EESI 2020 project).

### 6.2.3 International initiatives

EPC market in the Czech Republic has been supported by a number of international initiatives, in particular, projects financed by the European Commission (Transparense, EESI2020 following former projects such as ChangeBest, EESI, Eurocontract, ClearContract, EU Benef, CF-SEP, and other ones). Those projects support transparency of the EPC market, serve to disseminate information and know-how about energy services, draft of sample contracts and help remove barriers to the implementation of EPC projects and.

## 7 Financial instruments to support EPC

### 7.1 Subsidies for EPC preparatory phase

Ministry of Industry and Trade included among its supported activities under the EFEKT programme the preparatory phase of EPC projects, in the form of executing an introductory assessment of the suitability of the selected facilities for the EPC method. Such studies have been supported by the EFEKT programme since 2012 and will be supported also in 2014.

The support is aimed at public organizations (municipalities or organizations 100% owned by municipalities). In the past years, dozens of studies were supported leading to several EPC projects.

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- EPC project as such is a business model that does not need public financial support; however, the **initial phases of selecting which buildings are suitable for EPC should be supported** from state programmes as these represent upfront transaction costs for the potential clients and may prevent them from entering the EPC project.
- By subsidising only a very small part of the total costs of EPC projects (it was only around 3000 EUR per project within EFEKT programme until now) allows the supported project to prove commercial viability of the EPC method and thus by giving good examples promote EPC method among the potential clients. However, as interest in the programme on the side of the public institutions has been limited (18 supported applications in 2012) its use should be promoted together with an increase in the budget (1 mill. EUR for the whole programme in 2012) in the upcoming years to reflect the increase in demand.
- To **support the National EPC action plan**, the operators of governmental buildings appointed for EPC implementation should have access to a special budget to cover the preliminary phase of EPC projects implementation. This can be done through increase in budget of the EFEKT programme or creating a special programme as a part of operational programmes financed from the structural funds.

### 7.2 Combination of EPC with subsidies to construction measures

It is highly recommended to set up new operational programmes on energy efficiency in the new programming period 2014 – 2020 in a way that they support use of EPC.

The programmes should be designed in a way that they **support effective combination of technology measures** (realised through EPC) **and construction measures** (which tend to be supported through subsidy programmes) – the so called Combined Comprehensive Reconstruction.

- Such combination allows connecting public and private financial resources.
- EPC guarantees energy savings and energy management. Therefore, it ensures that the energy saving measures are installed properly and expected (promised) energy savings are attained – conversely to experience from previous programmes in which the savings were often not reached and therefore public money lost.
- More details on how to combine technology and construction measures and on benefits of such combination can be found at [www.combines.eu](http://www.combines.eu).

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### 7.3 Financing support to EPC process

We suggest exploring the possibility to financially **support EPC facilitation**<sup>12</sup>. EPC facilitation means support to EPC client from an external company (EPC facilitator) throughout the whole course of the EPC project, from feasibility study, through tender organization to measurement and evaluation.

EPC projects are complex and experienced EPC facilitator can guide the client safely through all the stages of the project, ensure good quality of the project and thus support the client gains the highest possible benefits from the project, such as higher cost savings or improved comfort and safety from the technological solution etc. However, clients may be reluctant to pay an external company to help them with EPC project implementation and therefore supporting EPC facilitator services could increase the number of implemented EPC projects and reduce the risk of badly organized projects.

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<sup>12</sup> Such recommendation builds on the successful example of the RE:FIT programme (UK, <http://www.refit.org.uk>), which supports EPC facilitation from a special energy efficiency fund through specially established Programme Delivery Unit.

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## Report on recommendations for action for development of EPC markets in the Czech Republic



### Definitions and glossary

Term	Definition
<b>energy efficiency (EE)</b>	means the ratio of output of performance, service, goods or energy, to input of energy (as defined by EED)
<b>energy efficiency improvement</b>	means increase in energy efficiency as a result of technological, behavioural and/or economic changes (as defined in EN 15900:2010)
<b>energy management system</b>	means a set of interrelated or interacting elements of a plan which sets an energy efficiency objective and a strategy to achieve that objective (as defined by EED)
<b>energy savings</b>	means an amount of saved energy determined by measuring and/or estimating consumption before and after implementation of an energy efficiency improvement measure, whilst ensuring normalisation for external conditions that affect energy consumption (as defined by EED)
<b>final energy consumption</b>	means all energy supplied to industry, transport, households, services and agriculture. It excludes deliveries to the energy transformation sector and the energy industries themselves (as defined by EED)
<b>guarantee of energy efficiency improvement</b>	means commitment of the service provider to achieve a quantified energy efficiency improvement (as defined in EN 15900:2010)
<b>energy performance contracting (EPC)</b>	means a contractual arrangement between the beneficiary and the provider of an energy efficiency improvement measure, verified and monitored during the whole term of the contract, where investments (work, supply or service) in that measure are paid for in relation to a contractually agreed level of energy efficiency improvement or other agreed energy performance criterion, such as financial savings (as defined by EED)
<b>EPC provider</b>	means a natural or legal person who delivers energy services in the form of Energy Performance Contracting (EPC) in a final customer's facility or premises
<b>energy service provider /energy service</b>	means a natural or legal person who delivers energy services or other energy efficiency improvement measures in a final customer's facility

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**company (ESCO)**

or premises (as defined by EED)

**energy service (ES)**

the physical benefit, utility or good derived from a combination of energy with energy-efficient technology or with action, which may include the operations, maintenance and control necessary to deliver the service, which is delivered on the basis of a contract and in normal circumstances has proven to result in verifiable and measurable or estimable energy efficiency improvement or primary energy savings (as defined by EED)