



# European Code of Conduct for Energy Performance Contracting

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## Transparensense project

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[www.transparensense.eu](http://www.transparensense.eu)

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## Authors

Damir Staničić  
**Jozef Stefan Institute,**  
**Energy Efficiency Centre**  
Slovenia  
[damir.stanicic@ijs.si](mailto:damir.stanicic@ijs.si) | [www.rcp.ijs.si/ceu](http://www.rcp.ijs.si/ceu)

Jana Szomolányiová  
Michaela Valentová  
Vladimír Sochor  
Jaroslav Maroušek  
**SEVEn, The Energy Efficiency Center**  
Czech Republic  
[code@svn.cz](mailto:code@svn.cz) | [www.svn.cz](http://www.svn.cz)

## Endorsement

The **European Association of Energy Service Companies (eu.ESCO)** and **European Federation of Intelligent Energy Efficiency Services (EFIEES)** endorse the European Code of Conduct for EPC and support its use when implementing EPC projects.

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## Disclaimer

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# European Code of Conduct for Energy Performance Contracting



## 1 INTRODUCTION

The **European Code of Conduct for Energy Performance Contracting** (the "EPC Code of Conduct") is a set of values and principles that are considered fundamental for the successful, professional and transparent implementation of Energy Performance Contracting ("EPC") projects in European countries.

The EPC Code of Conduct defines the principles of the behaviour primarily of the **EPC providers**. At the same time, the EPC Code of Conduct is an EPC quality indicator for **Clients** on what they should expect and require from EPC providers and which principles they themselves should adhere to in order to achieve expected energy savings and related benefits.

The EPC Code of Conduct is a voluntary commitment and is not legally binding. The key message of the Code of Conduct is that EPC represents a fair energy service business model.

According to the Energy Efficiency Directive 2012/27/EU (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."* EPC projects may also include additional services related to efficient energy supply.

Within this text, EPC provider means an energy service provider<sup>1</sup> who delivers energy service<sup>2</sup> in the form of EPC. Client means any natural or legal person to whom an EPC provider delivers energy service in the form of EPC.

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<sup>1</sup>EED defines "energy service provider" as an natural or legal person who delivers energy services or other energy efficiency improvement measures to a final customer's facility or premises. "Energy service company" (ESCO) is a synonym of "energy service provider".

<sup>2</sup> EED defines "energy service" as "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".

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## 2 VALUES

The EPC Code of Conduct reflects the values shared among European EPC providers, which makes EPC a remarkable approach to energy efficiency. These values illustrate the effective, professional and transparent approach to managing EPC projects in terms of:

- |                        |   |
|------------------------|---|
| <b>Efficiency</b>      | Energy savings<br>Economic efficiency<br>Sustainability in time   |
| <b>Professionalism</b> | Expertise<br>High-quality service<br>Health and safety concerns<br>Good name in the sector and project<br>Reliability<br>Responsibility<br>Respect<br>Responsiveness<br>Objectivity |
| <b>Transparency</b>    | Integrity<br>Openness<br>Long-term approach<br>Transparency of all steps and financing arrangements<br>Clear, regular and honest communication                                      |

### **3 PRINCIPLES**

The EPC Code of Conduct consists of a set of nine guiding principles on EPC projects implementation to support the high quality and transparency of European EPC markets.

The principles use the term "savings", which means energy savings and/or related financial savings<sup>3</sup>.

#### **1. The EPC provider delivers economically efficient savings**

The EPC provider aims at an economically efficient combination of energy efficiency improvement measures. This combination maximises the net present value of an EPC project for the Client defined as the sum of all the discounted costs and benefits (especially operational cost savings) associated with implementing the project.

#### **2. The EPC provider takes over the performance risks**

The EPC provider assumes the contractually agreed performance risks of the project during the whole duration of the EPC contract (the "contract"). These include the risks of not achieving contractually agreed savings as described below as well as design risks, implementation risks and risks related to the operation of installed measures.

#### **3. Savings are guaranteed by the EPC provider and determined by M&V**

The EPC provider guarantees that the contractually agreed level of savings will be achieved. If an EPC project fails to achieve performance specified in the contract, the EPC provider is obligated by the contract to compensate savings shortfalls that occurred over the life of the contract. The excess savings should be shared in a fair manner according to the methodology defined in the contract.

Contractually agreed savings as well as achieved savings are determined in a fair and transparent manner by Measurement and Verification (M&V) using appropriate methodology (such as IPMVP) as defined in the contract. The contractually agreed savings are determined based on data provided by the Client and realistic assumptions. The achieved savings are calculated as the difference between energy consumption

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<sup>3</sup> The financial savings include reduction in costs of energy provision and can also include reduction in other operational costs, such as costs of maintenance and workforce.

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and/or related costs before and after the implementation of energy efficiency improvement measures.

### **4. The EPC provider supports long-term use of energy management**

The EPC provider actively supports the Client in the implementation of an energy management system during the contract period and eventually after the contract period by agreement. This helps sustain the benefits from the project even after the contract period.

### **5. The relationship between the EPC provider and the Client is long-term, fair and transparent**

The EPC provider works closely with the Client as partners with the common objective of achieving the contractually agreed level of savings. The EPC provider strives to keep its relationship long-term, fair and transparent.

Both the EPC provider and the Client provide access to their project-relevant information in a clear manner and both fulfil their obligations according to the contract terms. For instance, the EPC provider is committed to informing the Client about the results of measurement and verification of the savings, while the Client is committed to informing the EPC provider about any changes in the use and operation of its facilities during the contract duration that could affect energy demand.

### **6. All steps in the process of the EPC project are conducted lawfully and with integrity**

The EPC provider and the Client comply with all laws and regulations that apply to the EPC project in the country in which it is implemented. The EPC provider and the Client avoid conflicts of interest and have a zero-tolerance policy to corruption and self-dealing.

### **7. The EPC provider supports the Client in financing of EPC project**

The EPC provider supports the Client in finding the most suitable solution providing for project financing taking into account the relevant conditions of both parties. The capital to finance the EPC project can either be supplied out of the Client's own funds, by the EPC provider or by a third party. Provision of financing by the EPC provider is an option, not a necessary part of the EPC project.

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### **8. The EPC provider ensures qualified staff for EPC project implementation**

The EPC provider maintains a qualified staff in order to provide the right technical, commercial, legal and financial know-how and skills. It ensures that its experts have the adequate qualifications and capacities related to the preparation and implementation of the EPC project. Less experience on the Client's side can be balanced by a specialised advisory company (such as an EPC facilitator) that will steer it toward the correct implementation and procurement of the EPC project.

### **9. The EPC provider focuses on high quality and care in all phases of project implementation**

The EPC provider uses well-designed procedures, high-quality and reliable equipment and products, and works with reliable sub-suppliers. It adheres to the principles of ethical business conduct, meets its obligations towards sub-suppliers, and conducts itself responsibly with respect to the Client and its representatives.

## Definitions and glossary

Term	Definition
<b>Client</b>	means any natural or legal person to whom an EPC provider delivers energy service in the form of EPC
<b>Energy Efficiency Directive (EED)</b>	means Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency
<b>energy efficiency improvement*</b>	means increase in energy efficiency as a result of technological, behavioural and/or economic changes
<b>energy efficiency*</b>	means the ratio of output of performance, service, goods or energy, to input of energy
<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
<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
<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
<b>energy service*</b>	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



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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

### **energy service provider\***

means a natural or legal person who delivers energy services or other energy efficiency improvement measures in a final customer's facility or premises

### **energy\***

means all forms of energy products, combustible fuels, heat, renewable energy, electricity, or any other form of energy, as defined in Article 2(d) of Regulation (EC) No 1099/2008 of the European Parliament and of the Council of 22 October 2008 on energy statistics

### **EPC provider**

means an energy service provider who delivers energy services in the form of Energy Performance Contracting

### **savings**

means energy savings and/or related financial savings; the financial savings include the costs of energy provision and can also include other operational costs, such as the costs of maintenance and workforce

### **The International Performance Measurement and Verification Protocol (IPMVP)**

is the widely referenced framework for "measuring" energy or water savings and is available at [www.evo-world.org](http://www.evo-world.org)

Notes:

\*Definitions according to the Energy Efficiency Directive