PRESS RELEASE

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Saving energy costs without capital costs

Energy Performance Contracting (EPC) – an unexploited possibility

Energy Performance Contracting (EPC) has the potential to provide substantial energy savings by enabling public building owners to finance the upgrading of ageing and inefficient facilities. The basic principle is that energy efficiency improvement investments are financed directly from saved energy costs. But while the EPC business model makes these investments *much more feasible*, the number and size of projects is still limited. The EU project Transparense, aiming at supporting the development of the EPC market, has found that lack of trust in the industry, the complexity of the EPC concept, regulatory barriers and lack of governmental support are key reasons.

What is Energy Performance Contracting (EPC) and why is it important?

Energy Performance Contracting (EPC) is an energy service allowing the client to save energy without capital costs as the investments are being repaid directly from the saved energy costs. The key advantage of the EPC method is that technical and financial risks are taken over by the Energy Services Providers (ESCOs) as energy savings are guaranteed by ESCOs who till compensate financially for any shortfalls in the contracted savings.

There is a great potential for EPC projects within the EU, but most of it is not utilised. This is a paradox in the time of financial crisis when organisations - especially in the public sector - lack the necessary capital to renovate their buildings.

EPC has not reached its full potential

An initial Transparense survey has shown that there is a lack of transparency within the energy efficiency markets in Europe and as well as poor knowledge and understanding of EPC and its potential energy saving benefits. The EPC concept is complex and the industry faces a distinct trust issue and low customer demand. Furthermore, energy policies from individual European governments are seen as ineffective, particularly with regards to specific EPC policies. Regulatory barriers include ineffective regulation, lack of support from the government and uncertainty regarding subsidies and policies.

Obtaining finance to fund an EPC project is a major stumbling block for EPC clients across many (though not all) of the European countries. Finance houses and banks struggle to provide adequate finance for EPC projects due to a lack of knowledge on the characteristics of such projects. Interestingly enough, the financial crisis is also viewed as a driver of the EPC market due to increasing energy prices and the necessity to reduce costs.

For more information download the national and European report at http://www.transparense.eu/eu/epc-databases/reports and view the EPC databases which are already online in their first version.

The Transparense project – achieving transparency to the EPC market

Transparense is funded by the Intelligent Energy Europe Programme of the European Commission and aims at supporting the development of a trustworthy EPC market by creating a European Code of Conduct and national implementation strategies. Main target groups are existing and potential EPC providers and their clients.

"The Codes of Conduct will efficiently address the issue of lack of transparency on the market and aims to improve the understanding, awareness and quality of EPC" says Jana Szomolányiová, coordinator of the Transparense project. "We are developing policy recommendation on how to remove these barriers, thus supporting the implementation of the EU Energy Efficiency Directive which requires the member states to remove existing implementation barriers and to support EPC development."

The project also encompasses training programmes and knowledge transfer from EPC experienced to beginner countries. It brings together 20 European partners and has a budget of million 2.1 million €.

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