

TRANSPARENSE

Improving the Transparency of EPC Markets Across Europe

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SEVEn, Czech Republic

ESCO Europe 2014, Barcelona, Spain



TRANSPARENSE

Project Summary



- coordinator – SEVEn (Czech Republic)
- 20 partners from **20 EU member states**
- April 2013 – September 2015
- Main goal of Transparense project is to increase the **transparency and trustworthiness of EPC markets** throughout Europe by developing EPC code of conduct and supporting transfer of know-how and experience across the countries.



- **Energy Efficiency Directive 2012/27/EU (EED) defines energy performance contracting as:**
 - “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”

- **Guaranteed savings are key characteristics of EPC also according to the EED :**
 - **Annex XIII** specifies that „**Guaranteed savings** to be achieved by implementing the measures of the contract.“ **are listed among the minimum items to be included in energy performance contracts with the public sector** or in the associated tender specifications
 - **Art. 18** specifies, that Member States shall promote the energy services market and access for SMEs to this market, inter alia, by 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

TRANSPARENSE EPC Market Survey

ESCOs and banks in 20 EU countries



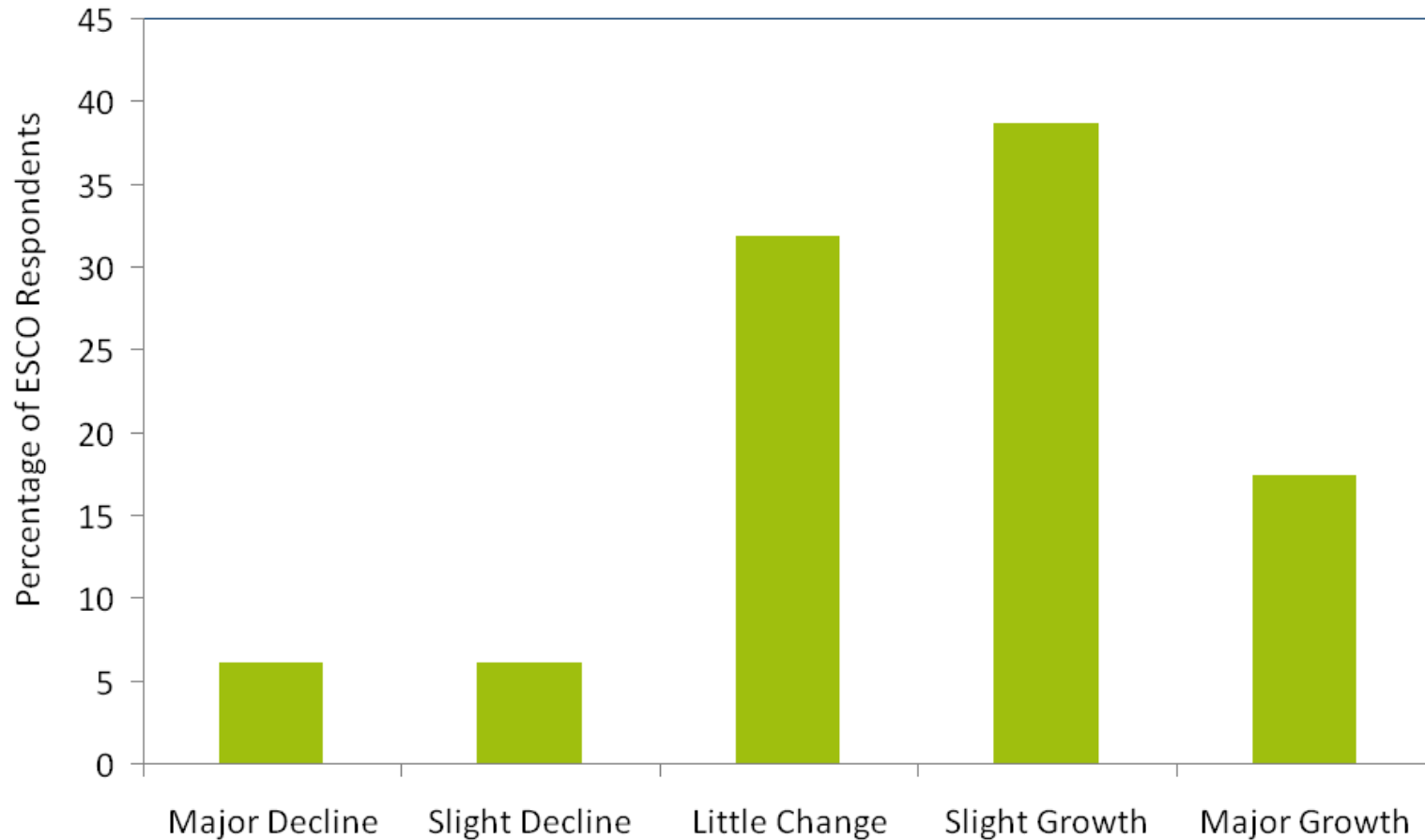
■ Survey respondents

- The survey was sent and communicated to most major **EPC providers** across the 20 EU countries involved in the Transparense project, through direct meetings, phone conversations or emails.
 - 141 responses obtained
- A slightly different survey was sent to the major **banks and financiers** across the 20 EU countries.
 - 42 responses obtained



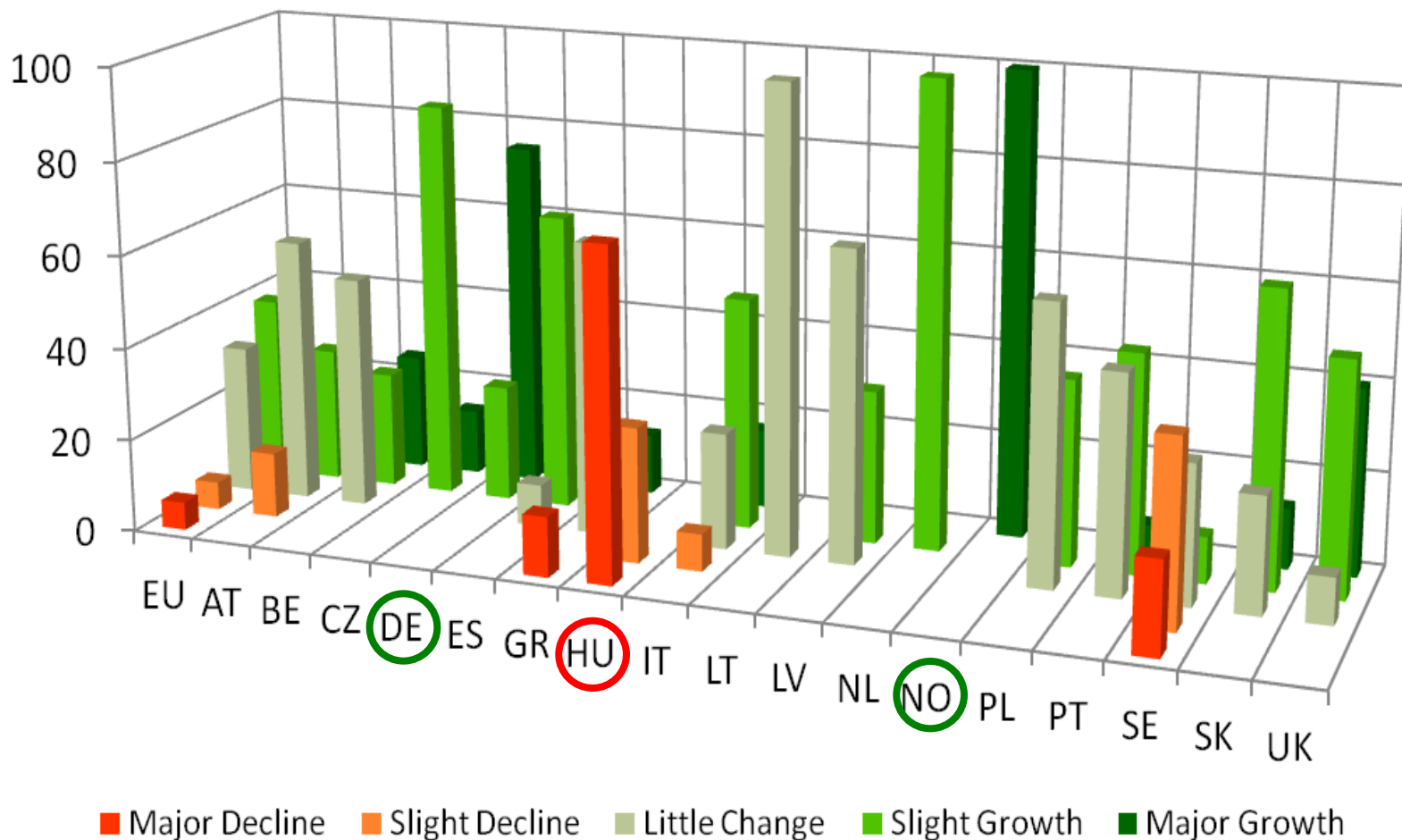
TRANSPARENSE EPC Market Survey

EPC Market: evolution over the last 3 Years



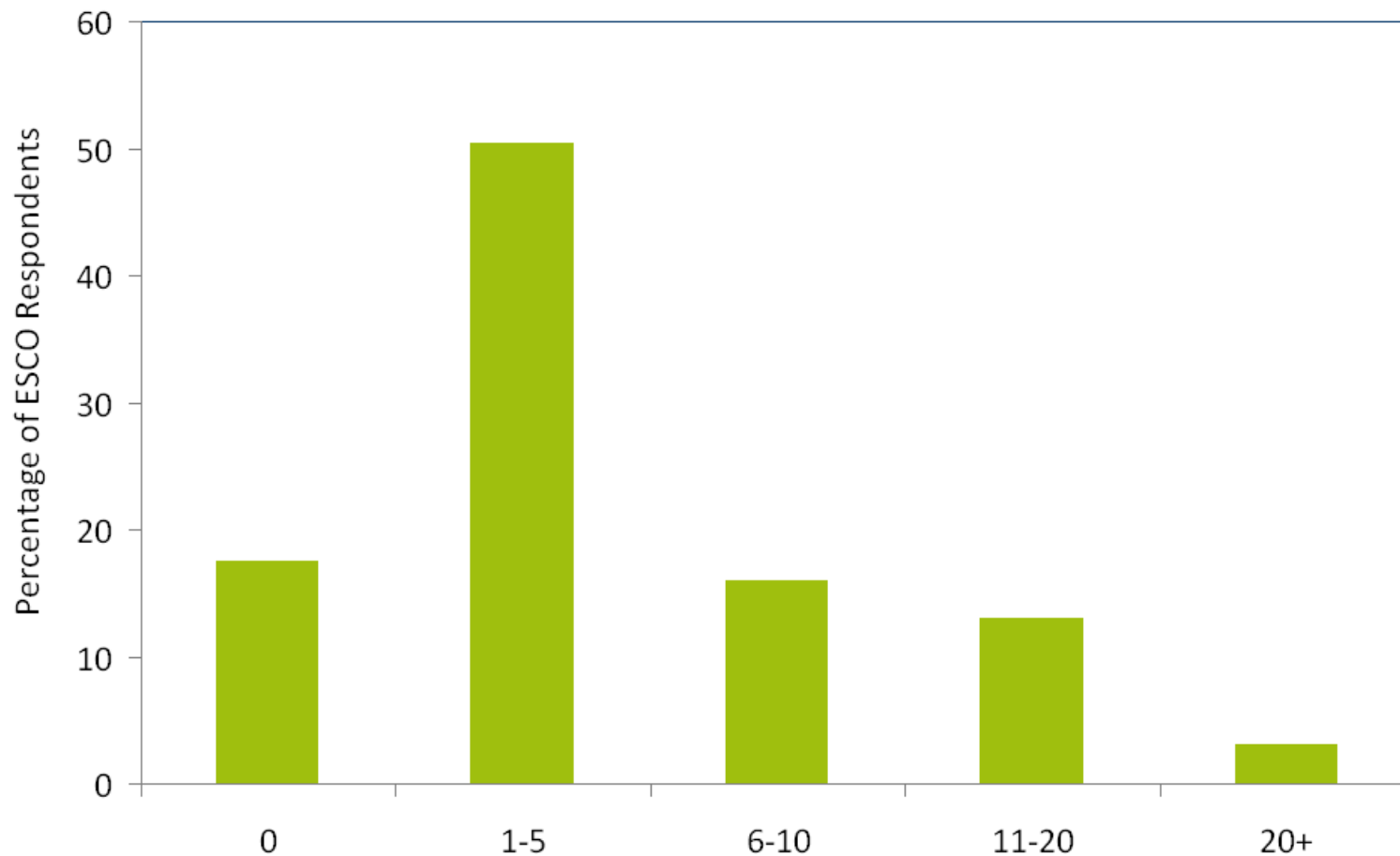
TRANSPARENSE EPC Market Survey

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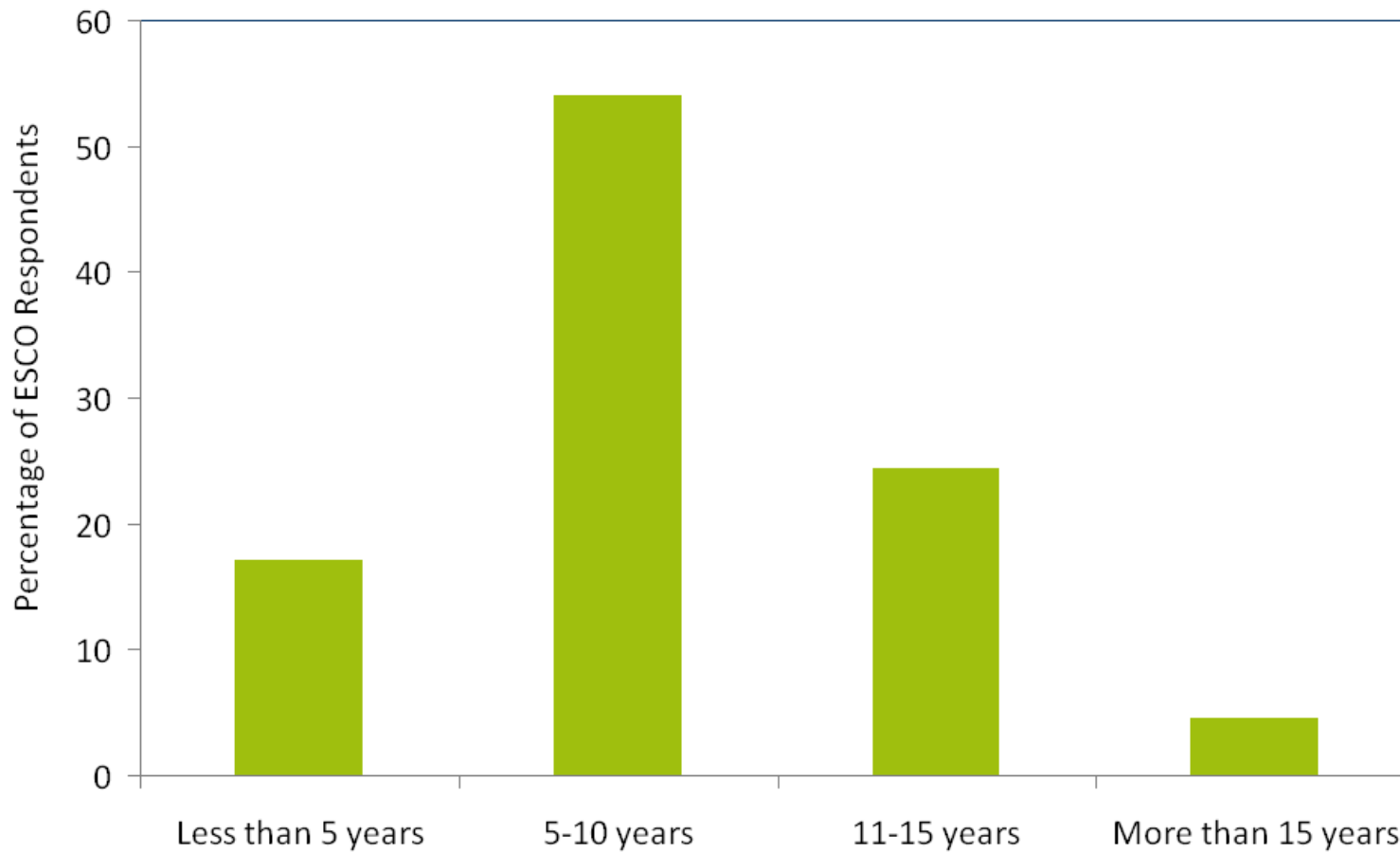
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Av. Number of EPCs Started by an ESCO in the last 2 years



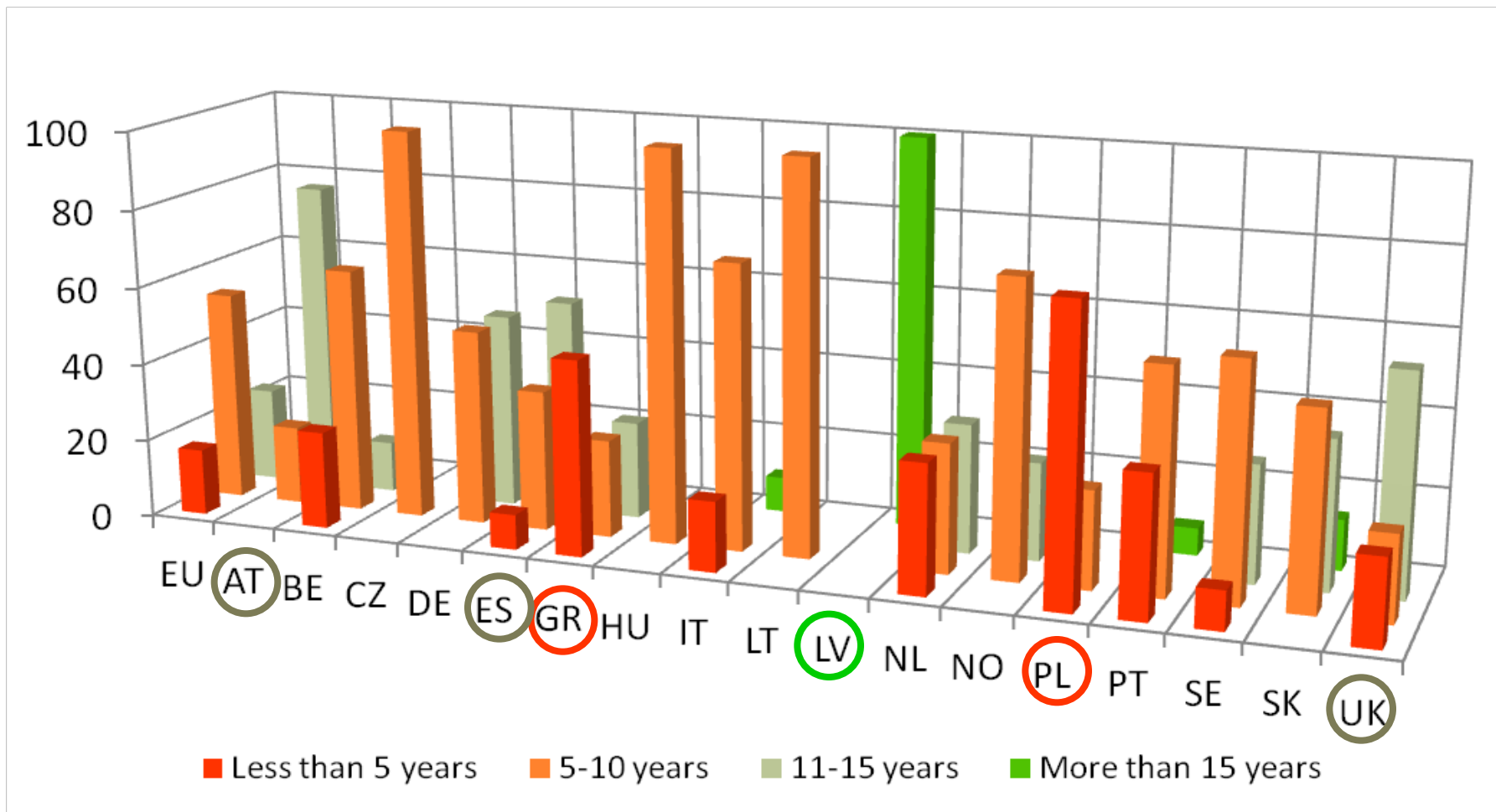
TRANSPARENSE EPC Market Survey

Typical Length of EPC Projects



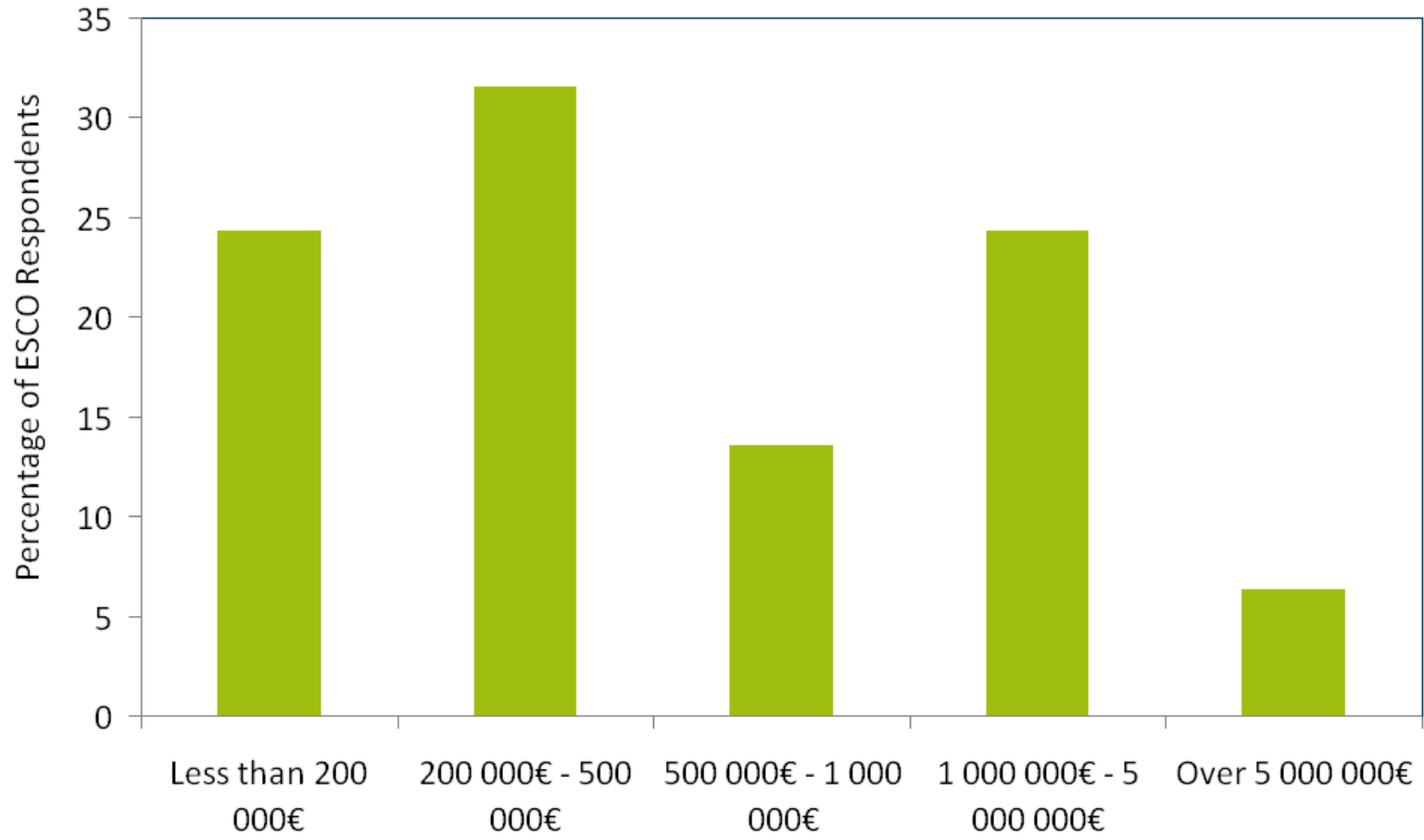
TRANSPARENSE EPC Market Survey

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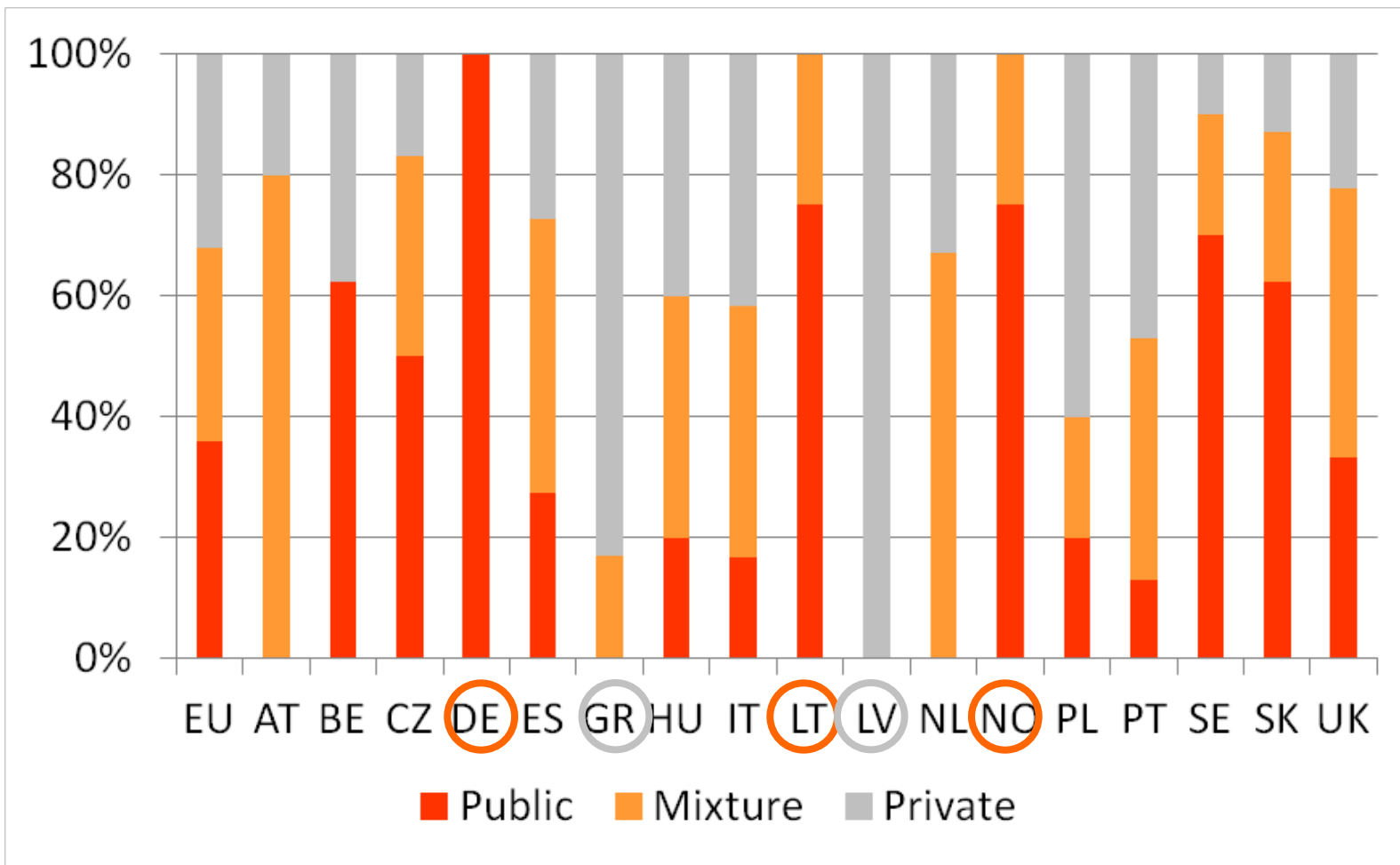
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Most Common Investment Outlay for EPC Projects



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Public ownership of buildings in EPC



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Collected data online



- **4 online databases** providing the market players with a core level of market information to help improve transparency and to enable informed decision-making:
 - types of EPC models
 - types of financial models
 - policy initiatives
 - existing ESCOs and ESCO associations
- Currently under construction
- Visit <http://www.transparense.eu/eu/epc-databases>



TRANSPARENSE EPC Market Survey

Reports based on the survey



- **Overview of EPC market barriers and success factors**
 - 20 national reports prepared by national partners and EU summary report prepared by EEVS already online
- **Recommendations for action** for ESCO & policy makers to remove barriers
 - half of the national reports already online
 - EU summary report will be online mid February
 - recommendations will be presented and discussed at national workshops & national Steering Committee meetings



TRANSPARENSE EPC Code of Conduct

Guiding principles for EPC business



- Creation and market adoption of one common **European EPC Code of Conduct** in 20 EU countries
- code of conduct consists in **set of guiding principles** to ensure a transparent and trustworthy high quality EPC markets
- key message:
 - **EPC represents a fair business on energy efficiency**



TRANSPARENSE EPC Code of Conduct

To increase transparency and quality of EPC



- **1st step ongoing:** discussions at European level
 - European ESCO associations (eu.ESCO, EFIEES)
 - Representative of EU Commission
 - EMA, IEA DSM Task 16, EIB
 - more discussions will follow
- **2nd step planned:** national level
 - discussed at 2 national Steering Committee meetings
 - 2 national workshops
 - tested in Transparense and EESI2020 pilot projects – are the principles useful, comprehensive and written clearly?
 - explained in Transparense trainings in detail



TRANSPARENSE EPC Code of Conduct

Principles



1. EPC projects are **economically efficient**
2. EPC provider takes over **technical and commercial risks**
3. **Savings** are **fully guaranteed** by EPC provider
4. ESCO supports long-term use of **energy management**
5. The relationship between the client and the ESCO is long-term, fair and equal
6. All steps in the process of EPC projects are transparent
7. Support in financing of EPC projects
8. EPC projects require qualified staff
9. The ESCO focuses on high quality and care in all steps of project implementation



TRANSPARENSE EPC Code of Conduct

Principles



1. EPC projects are economically efficient

- Within the EPC projects the ESCO **aims to economically efficient combination** of the **energy efficiency measures**. That is such combination of the measures that **maximises the net present value of the project** under condition that all the requirements set by the client are fully respected.
- The net present value of the project are future cost savings less the total project costs (including costs of equipment installed, financial services, M&V).



TRANSPARENSE EPC Code of Conduct

Principles



2. EPC provider takes over technical and commercial risks

- EPC provider bears **commercial risk**
- as well as **risks of technical implementation** and **operation**
- and **guarantees the outcome** and all inclusive cost of the services for the duration of the contract.



TRANSPARENSE EPC Code of Conduct

Principles



3. Savings are fully guaranteed by EPC provider

The EPC provider **guarantees the achievement of the contracted level of savings of energy and/or related costs**. The ESCO is obligated by the contract to repay savings shortfalls over the life of the contract. At the end of the specific contract period the full benefits of savings revert to the facility owner.

- The client is committed to inform the ESCO about any change in the operation of its facilities during the contract duration.
- The **contractually agreed quantified energy efficiency improvement should be defined** in a fair and transparent manner based on realistic assumptions and appropriate methodology defined in the contract.



TRANSPARENSE EPC Code of Conduct

Principles



4. ESCO supports long-term use of energy management

- The ESCO together with the client actively **motivate employees** and work continuously with them over the contract term in a way that **energy management** is actively performed during the contract period and after the contract period by agreement.
- This supports the energy and cost savings to sustain after the contract period.



Would you like to be involved?

1. Visit Transparense website: www.transparense.eu
2. Sign up for the **newsletter**
3. Visit our **workshops and trainings**
4. **Contact directly:**
 - Transparense co-ordinator - SEVEn
jana.szomolanyiova@svn.cz
vladimir.sochor@svn.cz
 - or your national partner: www.transparense.eu

BACKUP

TRANSPARENSE EPC Code of Conduct

Principles



5. The relationship between the client and the ESCO is long-term, fair and equal
- The EPC provider and the client **work together very closely and as partners**. They both provide access to their information which is relevant to the project in a non-distortive manner. They do not hide such information to the other party. Both EPC provider and client fulfill their **obligations according to the contract terms**.
 - This supports achieving the **common interest** of the client and of the EPC provider: to implement an economically efficient combination of measures, to attain an agreed level of energy savings. and to preserve long-term co-operative relationship.



TRANSPARENSE EPC Code of Conduct

Principles



6. All steps in the process of EPC projects are transparent

- The client and the EPC provider comply with all laws and regulations that apply to the EPC project in the country in which the project is implemented,
- they avoid conflict of interests
- and apply a zero tolerance policy against corruption and self-dealing.



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Principles



7. Support in financing of EPC projects

- The EPC provider supports the client **to arrange project financing and limit its capital cost and credit risk**, either providing own financing or helping the client to borrow funds from 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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Principles



8. EPC projects require qualified staff

- The EPC provider maintains a qualified staff in order to ensure **qualified engineering evaluation, design, and implementation of energy efficiency improvement measures.**
- Matters related to EPC projects are resolved for both the client and the EPC provider only by experts who specialize in the EPC method.
- EPC provider ensures that the experts working for them have the adequate qualifications and capacities related to the implementation of the EPC projects.
- The client can use a specialized advisory company (EPC facilitator) that will steer the correct implementation of the EPC project on his side.



TRANSPARENSE EPC Code of Conduct

Principles



9. The EPC provider focuses on high quality and care in all steps of project implementation
 - The EPC provider uses **certified procedures, high-quality and reliable equipment and products**, and cooperates with **reliable sub-suppliers**.
 - EPC provider adheres to the principles of ethical business conduct, meets its obligations towards sub-suppliers and conducts itself responsibly with respect to client and its representatives.

