The Clean Energy for all Europeans package and the Energy Performance Contracting market

Streetlight EPC project, webinar
3 February 2017, Brussels
Barriers to the EPC market development

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CLEAN ENERGY FOR ALL EUROPEANS
Energy Performance Contracting benefits

- **Guaranteed Energy Savings**: The Energy Service Company (ESCO) contractually guarantees that energy and operating cost savings are achieved.

- **Risk Management**: The ESCO assumes most of the related financial and technical risks in implementing energy saving measures.

- **Project Management**: The entire project is delivered by a single supplier (ESCO).

- **Financing**: All saving measures are financed from the resulting savings with no additional costs to the building manager.

- **Supplier & Customer Relation**: The supplier and the customer share the same motivation which is to ensure the optimal extent of investment with the highest possible savings.

Source: CODEMA, EESI
A policy framework already supporting the development of Energy Performance Contracts

EED Directive 2012/27/EU

**Article 18**
- Model contracts
- Info on financial instruments
- ESP list/interface
- Quality labels
- Points of contact for final customers
- Removal of barriers impeding EPC uptake
- Independent mechanism to handle complaints
- Market intermediaries
- Etc.

**Article 5**
- Promotion of use of energy services in the public sector (central government renovations)

**Article 7**
- Actors such as ESCOs can contribute towards meeting the end-use target imposed on the energy companies

**Article 19**
- Public purchasing, annual budgeting and accounting to ensure public bodies can use EPCs and TPF

**Article 8**
- Boost for the uptake of energy audits

...but also...
And many other measures

- JRC ESCO report
- H2020, the EU programme for research and innovation
- EU Project Development Assistance Facilities
- EFSI – European Fund for Strategic Investment
- ESIF - European Structural and Investment Funds
- EEEF: European Energy Efficiency Fund
Clean Energy for all Europeans package - WHAT ARE OUR GOALS?

- Creating jobs & growth
- Bringing down greenhouse gas emissions
- Securing energy supply

- Demonstrating global leadership in renewables
- Delivering a fair deal for consumers

Putting energy efficiency first
WHAT PIECES OF LEGISLATION ON ENERGY EFFICIENCY?

- Ecodesign Working Plan 2016-2019
Proposed Energy Efficiency measures with an impact on the EPC market

Energy Efficiency Directive

The 30% Energy Efficiency Target by 2030

- Give investors the security that it is worth investing in energy efficiency

Art 7 EED: Extending existing energy saving obligations beyond 2020 (1.5%/year)

- Attracting private investment for energy efficiency renovations
Towards 2030 - Focus on buildings for good reasons

**FACTS**

- 75% of the housing stock is energy inefficient, missing the benefits of increased renovation.
- Renovation rates are too low and renovation depth is too shallow.
- Need to accelerate and finance building renovation investments.
- The potential of smart technologies for building energy efficiency is huge.
- The building sector can support the electrification of the Transport sector, increasing its energy efficiency.
Proposed Energy Efficiency measures with an impact on the EPC market

Smart

- To encourage the use of **ICT and smart technologies** ensuring buildings operate efficiently:
  - By introducing **building automation and control systems** as an alternative to physical inspections;
  - By encouraging the roll out of the required **infrastructure for e-mobility** (with focus on **large commercial buildings** and excluding public buildings and SMEs);
  - By introducing a **smartness indicator** to assess the technological readiness of the building to interact with the occupants, the grid, while managing itself efficiently
## THE "SMART FINANCE FOR SMART BUILDINGS" INITIATIVE

### MAJOR GOALS

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<th>More effective use of public funds</th>
<th>Assistance and aggregation</th>
<th>De-risking</th>
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<td>• Deploying <strong>Financial Instruments</strong> and flexible energy efficiency and renewable financing platforms</td>
<td>• Supporting the project pipeline at EU and local level</td>
<td>• Understanding the risks and benefits for financiers and investors</td>
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<tr>
<td>• Building on EFSI II blending with ESIF funds</td>
<td>• <strong>Project Development Assistance</strong> facilities</td>
<td>• The De-risking Energy Efficiency Platform</td>
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<td>• &quot;One-stop-shops&quot;</td>
<td>• Commonly accepted underwriting framework</td>
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Pillar I: More effective use of public funds

✅ Favour public investments in energy efficiency:

- Analysing the impact of public accounting rules on the market for energy performance contracting (task force)
- Update of the Eurostat guidance before late spring 2017, as appropriate
Pillar II: Aggregation and Assistance

Reinforce EU Project Development Assistance (PDA)

Investable and aggregated projects

Encourage local/regional one-stop-shops

Project Promoters (e.g. cities)

Technical skills

Financial skills

Legal skills

PDA provides access to:

Contact

Audit

Decision

Financing solution

Work supervision

Energy Performance tracking
Pillar III: De-risking

Energy efficiency financing, a win/win situation also for financiers and investors:

- More reliable cash flows
- Increased asset value
- Risk reduction
- Increased business opportunities
- Refinancing opportunities

DEEP DE-RISKING ENERGY EFFICIENCY PLATFORM

open source database to disclose real performance data of real investments projects

A consensual framework for the underwriting of investments for energy efficiency
DEEP is the largest, pan-European, open source evidence base for energy efficiency project investments in Europe: >7,000 projects already!
CLEAN ENERGY FOR ALL EUROPEANS

DEEP will bring to financiers, investors and project developers:

- A better **understanding of the business case** behind energy efficiency investments
- A **better risks assessment** through high quality and credible data framework
- A tool to **benchmark projects** or portfolios of projects
Thank you!

Timothée Noël
Policy Officer – Energy Efficiency Unit
DG ENER, European Commission


#EnergyUnion