PDAs BETWEEN OPPORTUNITIES AND BARRIERS: “ENERSHIFT”

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WHO WE ARE: IRE SpA is a public equivalent body located in Genoa (IT) founded in 2014 by Liguria Region (Law nr. 6/2011) by merging the three companies (eg. the former regional energy agency ARE Liguria)

MAIN AIM: Aims of IRE are urban regeneration, infrastructures development and the implementation of energy policies in Liguria

WHAT WE DO: The Energy department of IRE deals with:
- energy plans, energy balances, energy audits to support policy making
- innovative energy financing programmes and investments aggregation (ELENA and PDA)
- Covenant of Mayors and smart city
- elaboration of feasibility studies and business plans for small RES
- management of the energy certification of buildings process (regulation, software, checks, training)
- purchase of gas and electricity on the market for public bodies
- vocational training as well as information and communication on energy matters
- European projects.
THE PROJECT

- **FUNDING**
  H2020 CSA under the call 2015 «EE20 PDA»

- **MAIN AIM**
  Implementation of energy retrofitting interventions in public social housing buildings for € 15 mio through E.P.C.

- **BENEFICIARIES**
  Over 3000 families living in 76 SHO’s buildings, with central heating, located in 14 municipalities of Liguria

- **PROJECT BUDGET**
  1.000.000 € ab. (leverage 1:15)

- **DURATION**
  February 2016 - January 2020 (12 months extension)
Total social housing apartments in Liguria: nr 20,000 scattered among many blocks

No property: Tenants pay a rent and fuel to SHOs (no property) but the contract is normally very long.

Construction characteristics: built 70s-80s, cavity or prefab walls, single glass metal windows, few have central oversized heating (many have stand alone heating); low renovation rate (low operation budget)

Average monthly costs: rental fee: € 100 – energy costs higher than rental fee

Default rate: 11% (rental fee and/or energy)

Need to proceed with retrofitting interventions to save energy (and money) as well as to increase homes’ comfort, without own investment, with limited energy efficiency skills
THE PLANNED RESULTS

PRIMARY ENERGY SAVING
14,5 GWh/y

R.E.S. PRODUCTION
1 GWh/y

CO2 SAVING
Ab. 3500 tCO2

ENERGY SAVING
Ab. 50%
## PROJECT ACTIVITIES

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TIPS: PREPARATION PHASE 1/2

- **AWARENESS RAISING PROCESS**: the average public sector has no specific competence on energy efficiency nor on projects aggregation, innovative public procurement and financing schemes. Plan well ahead the beginning of the talking with public institutions (elected, procurers and technicians), simplyfing the concepts and consider repeating again and again. Local entities have more urgent stuff to do!

- **FORMAL COMMITMENT**: ask local entities to provide you with a formal act committing to the investment programme – some of them might leave the investment programme if new appealing opportunities come in between proposal phase and project phase.

- **GOOD BASELINE**: data collection is absolutely key, but in the public sector is very complicated and slow. Plan a considerable amount of time (and patience) for that for both prep and impl; consider making estimates (to be explained) where data are not available.
TIPS: PREPARATION PHASE 2/2

- **LEVERAGE**: try to have a leverage higher than 1:15 due to a risk of losing investments during implementation phase for many unexpected reasons.

- **MARKET PREPARATION**: where the financial solution is not mature yet, plan activities aiming at market players involvement to make sure that the tender won’t go desert.

- **INNOVATION**: think out of the box, i.e. Not only in terms of aggregation or financial solutions, can be kind of stakeholders involved.

- **LEGAL FRAMEWORK**: analyse it in advance, find an expert.
## WHERE WE ARE

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1° E.P.C. TENDER

Date of Publication (EU Official Journal): 14.08.2017
Deadline for the submission of the offers: 18.12.2017
Regulatory framework: Public Service Concession
Requested services: Energy saving, Energy management of buildings, Supply of energy for 67 building (43 thermal power plants)
Lots: The total value of the concessions is around €21 mil, including the energy supply, split up as follows:
- Lot n. 1 A.R.T.E. Genoa – ab. €17 mil
- Lot n. 2 A.R.T.E. La Spezia – ab €3 mil
- Lot n. 3 A.R.T.E. Savona + Imperia – ab. €1 mil
Minimum target: 45% energy saving
Contract duration:
- PHASE I: max 14 months for the implementation of the EE interventions
- PHASE II for the operation and maintenance of the plants: 12/13 years

OUTCOMES
Lot 1: 3 offers from big utilities
Lot 2 and 3: no offers

Designed to favour SMEs
Lot 1: N. 3 offers received from groupings of big companies.

The tender was won by IREN+ENGIE. Total value: ab € 16 mio

The foreseen saving is higher than the indicated target
2° EPC TENDER

**Lots 2 - 3: No offers received. WHY?**

- SME market UNREADY to meet the EPC terms at technical/financial level
- Difficulty to deal with the SMALL SIZE of the 2 LOTS

**Investigation through meetings with ESCOs**

**Launch of a NEW TENDER PROCEDURE with updated terms of reference**

- When: **early March 2018**
- Deadline: May 2018 (ab. 2 months)
- Framework: Public Service Concession
- Requested services: EPC for **23 buildings**

- **Joint lot amount:** ab € 4 mil
- **Minimum target is still 45% of energy savings**
- **More favorable conditions** to access supporting funds

**Outcome:** offers received

**Still in selection phase**
ERDF FUNDS TENDER

Availability of € 3.5 million ERDF
Not possible to use for a guarantee fund nor for paying the ESCos fees

- Date of Publication planned: 31.06.2018
- Deadline for the contract signature: 31.01.2019
- Regulatory framework: 4 Public Procurement tenders for works
- Requested services: Deep energy renovation for 9 buildings
- Lots amount: The total value of the works is € 5.000.000,00 (plus VAT), split up as follows:
  - Lot n. 1 A.R.T.E. Genoa: € 2 mil
  - Lot n. 2 A.R.T.E. La Spezia: € 1mil
  - Lot n. 3 A.R.T.E. Savona: € 1 mil
  - Lot n. 4 A.R.T.E. Imperia: € 1mil

Common elements with EPC tender:
- Energy audits
- Modeling of interventions, including estimated cost
**TIPS IMPLEMENTATION PHASE**

- **TIME FROM PROPOSAL TO IMPLEMENTATION:** 3 years from investment programme preparation to tender launch, and 2 years from tender launch to final contract signature, other 14 months for works implementation. Overall > 6 years. Must expect any kind of possible changes (legal framework, commitment, budget, staff, costs, etc.) - not always negative

- **INVOLVEMENT OF PUBLIC SECTOR:** continuous learning, possible problems with elections

- **DATA COLLECTION:** again long and difficult phase – take time to deliver the updated baseline

- **LEGAL FRAMEWORK:** a specialised legal expert is the key to the tender success

- **PUBLIC TENDERS:** are often complex and generate unexpected results

- **MARKET FEEDBACK UNPREDICTABLE**
If we want to promote EE in the public sector, technical assistance is still necessary, PDA or ELENA!

Legal framework in Italy still not flexible enough nor mature (procurement norms, financial combination of different sources not fully possible, energy efficiency of buildings norms)

The Italian ESCo market is growing but it is not homogeneous: you have both highly specialised SMEs as well as multiutility companies (energy supply attracts multiutility companies)

A pure EPC (where the target is a predefined minimum saving) can generate projects where interventions are not those you need

SMEs bankability: guarantees needed

ERDF combination and use
THANK YOU FOR YOUR ATTENTION

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