

Energy Performance Contracting

Eurocontract: Guaranteed Energy Performance

Standardised Energy Services for Europe's Buildings

Since the beginning of January 2005, the Berlin Energy Agency cooperates with 10 partners from Austria, France, Finland, Greece, Italy, Norway, Sweden and the United Kingdom to implement the project Eurocontract. The aim of Eurocontract is to contribute substantially to market development for energy services in Europe by further developing and promoting the model of Energy Performance Contracting.

Not only since the enlargement of the European Union it is undisputed that the potential to increase energy efficiency and to reduce costs and emissions in the building sector is enormous. European buildings consume far more energy than is technically and economically feasible. A large part of this savings potential can already be achieved by using »best available technology«. However, market development needs certain framework conditions fulfilled: competition among energy service providers and an increased procedural transparency, political backing and neutral market mediators.

The instrument of Energy Performance Contracting (EPC) has shown its capability to have energy efficiency technology installed in existing buildings, especially where no or few building shell refurbishment measures are needed. The market for such energy services in Europe currently presents itself as very heterogeneous with an estimated potential volume of €5-15 billion. In most European countries, however, its size is nowhere near its estimated volume.

Over the coming years, sizeable investments will be necessary to tap the existing savings and CO₂ reduction potential among buildings. EPC is a useful instrument for achieving this. Looking at the development to date, a market could develop where political support for the use of the

instrument of EPC is given, where independent experts for project development and the management of tender procedures are available. The availability of model contracts and the existence of competent energy service providers are further important elements. Standardisation of contracts and procedures facilitates risk management and helps to ensure a good level of quality as well as a transparent tender process. For both the client and the energy service provider, a relevant reduction in transaction costs can thus be achieved.

This would be even truer, were those standards applied throughout Europe. In the European Commission's draft for a directive on end-use energy efficiency and energy services that is currently being discussed, this idea is taken up. The draft asks to »remove or amend national legislation or regulations that impede or restrict the use of financial instruments and contracts for energy savings in the market for energy services, such as third-party financing and energy performance

contracting«¹. For this, model contracts shall be provided by the member states.

The Berlin Energy Agency successfully develops energy performance contracting in Berlin and beyond. To date, 17 building pools comprising over 1,500 buildings have been improved in the frame of the Berlin EPC scheme »Energy Saving Partnerships«. Energy service companies have invested more than €32 million in the buildings, guaranteeing an average of 25 % cost reduction. Further relevant EPC activities are also taking place in Austria.

Successful Export

Already in 1999 the Berlin Energy Agency started to transfer the model of the Berlin Energy Saving Partnerships to other countries: based on the Berlin scheme, a local partner is qualified, a model contract and project development standard from the baseline calculation to the evaluation of bids is developed, adapted to national laws and regulations; pilot projects are initiated. In the year 2001, a first contract was signed in the Slovenian municipality of Kranj.

Clearcontract: Clearinghouse for Energy Contracting

With these experiences, the model project »clearcontract« was developed (www.clearcontract.net). In the framework of this project, supported by the European Commission and the German Environment Ministry, during 2003 and 2004 model documents were developed for 8 Central and Eastern European (CEE) countries and local partners were qualified. Over 30 projects could be initiated through clearcontract.

¹ Proposal for a Directive on energy end-use and energy services COM (2003) 739 final, Art. 9.

Berlin Energy Savings Partnerships

The Berlin Energy Savings Partnerships work because

- they guarantee savings by contract,
- they reduce energy consumption in large building complexes or a building pool through investments by the contractor,
- they refinance the investment through the savings in energy,
- they allow the building owner to participate in the saved costs immediately,
- independent experts for project development and management of the tender procedure,
- standard documents for transparent procedures

The clearcontract network offers contractors access to information on projects, to building owners in CEE, and know-how on the development and implementation of EPC projects. For financial institutions, it offers know-how for risk assessment for energy efficiency projects.

One of the challenges for project development in CEE often is data availability and the state of the building shell. Here, neutral experts have the job of preparing a well-founded contractual basis for project implementation. The project once more showed the importance of continuous political backing for project implementation (from choice of buildings to signing the contract). The initiated projects also showed that it is possible to successfully implement EPC in CEE based on standardised and yet adapted procedures and contracts.

Eurocontract: Guaranteed Energy Performance

Since the beginning of January 2005, the Berlin Energy Agency cooperates with 10 partners from Austria, France, Finland, Greece, Italy, Norway, Sweden and the United Kingdom to implement the project »Eurocontract«. The Berlin Energy Agency, which initiated and coordinates Eurocontract, included the results and experiences gained under clearcontract in the project preparation. The aim of Eurocontract is to contribute substantially to market development for energy services in Europe by further developing and promoting the model of Energy Performance Contracting. The project thus also contributes to the goals of European Commission directives and initiatives on energy efficiency in buildings and energy services.

Germany and Austria undoubtedly are precursors of market development for energy services for energy

Eurocontract

Eurocontract offers:

- European dialogue and platform on energy services
- model contracts and tender documents
- pilot projects
- quality standards for energy services
- opening up market development in the real estate sector
- integration of energy services and facility management
- guiding principles for ESCO certification
- increased acceptance for new financing schemes for energy services



Figure 1. The aim of Eurocontract is to contribute substantially to market development for energy services in Europe

efficiency. While here EPC is part of the standard set of instruments for energy management in buildings, other countries are still at an early stage of market development in this direction. This offers some countries the chance to profit from the experiences made in others; an opportunity used through Eurocontract.

Eurocontract offers a European platform on energy services. Standardisation of contract models and tender processes is further developed under the project. Quality criteria for energy services as well as new developments for energy contracting and financing approaches are under discussion. Active involvement of all market actors – energy service companies, building owners as well as financial institutions – is an important aspect for success.

The project works both on a national and on an international level. Model documents will be adapted to country-specific framework conditions in all participating countries. Over the project's lifetime around 10 calls for tenders can be expected.

International project work focuses on the one hand on opening up new market segments for EPC. This includes interfaces between EPC and facility management or the private real estate sector as a new building segment for EPC projects. On the other hand, quality standards for energy services and guiding principles for certification of energy services will be developed.

The involvement of the financial sector is another important aspect of the project: energy service companies work on finding new forms of

financing for EPC projects to counter potential liquidity issues at the beginning of the main phase of a contract. Forfeiting and leasing options are being discussed, but need to suit all parties to a contract. Therefore energy service companies are invited to participate in the dialog on these issues!

European Energy Service Initiative

Parallel to the project, a Europe-wide campaign for energy services will be started. This European Energy Service Initiative is a means to increase awareness on the options and opportunities of energy services, especially for energy efficiency, by showing its successes to motivate others to follow. Under the high patronage of the German Federal Minister for the Environment, Nature Conservation and Nuclear Safety, *Jürgen Trittin*, and with support of the EU Commissioner for Energy, *Andris Piebalgs*, the three-year campaign will give energy services a face and make them more tangible through its activities. Furthermore, outstanding efforts and achievements for the development and success of energy services for energy efficiency in Europe are honoured with the European Energy Service Award. The award is offered in three categories. The first winner is announced at the official launch of the campaign on May 13th in Berlin. ■

www.eurocontract.net

www.energy-service-initiative.net

Clearcontract

Project example in Czech Republic: train station Ostrava

- pool: 24 buildings
- baseline: 940,000 €/a
- investments: 1.4 million €
- guaranteed savings: 181,000 €/a
- contract duration: 10 years