



Newsletter Transparensence

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Towards a transparent and trustworthy Energy Performance Contracting market in Europe

Transparensence, a new project funded by Intelligent Energy Europe (IEE), will support the development of a transparent and trustworthy Energy Performance Contracting (EPC) market in Europe by creating a European Code of Conduct to be implemented in all 20 participating countries. The main target groups are representatives of the supply side of EPC markets – existing and potential EPC providers (and where available, their representative associations), as well as policy makers, EPC facilitators and EPC clients.

Visit us on www.transparensence.eu

Hello, co-ordinator of the Transparensence project!

In order to gain an understanding of the aim and purpose of Transparensence, we have asked Jana Szomolányiová, co-ordinator of the project, to answer some questions about the project.

1. Why is the Transparensence project 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. There is a great potential for such 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. An initial Transparensence survey showed that major EPC barriers include confidence in the EPC providers, complexity of the EPC method and low demand on the client side. Thus, Transparensence aims to respond to these barriers and increase the transparency and trustworthiness of EPC markets as well as the quality of the services provided. We believe this will result in an evident increase in the number of implemented EPC projects.

2. How do you plan to achieve such aims?

In order to increase the quality and transparency of EPC services, we are preparing a European EPC Code of Conduct. If we succeed in getting the majority of the EPC providers to accept and adhere to the principles of fair and best practice in the business, we can expect the credibility of the market to build up over time as well as the demand for EPC projects.

Transparensence focuses on providing the supply side with international know-how and feedback from a number of trainings and workshops. Furthermore, the project will provide substantial information online, including training materials and data on the European EPC markets. Some of the most experienced European EPC experts will help implement pilot projects in the 20 participating countries.

3. What are the project's key success factors?

The key success factor is to involve EPC market players in the development of the Code of Conduct. It is crucial that EPC providers recognise that they will benefit from adhering to a set of rules for the EPC business as this will result in increased trust from clients and, consequently, an increase in demand.

Furthermore it is important that governments, being major potential EPC clients, take the opportunity to use EPC Code of Conduct to implement high quality EPC projects aiming to reduce energy consumption on their property. This will also help them to fulfil the requirements of the Energy Efficiency Directive in the area of energy services.

For companies or potential EPC clients interested in the project: Take a look at our website (www.transparensence.eu) and sign up for the newsletter, which will inform on planned Transparensence activities. By the end of November the results of the ESCO survey within 20 EU countries will be presented as well as the proposed Code of Conduct.

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Code of Conduct - ensuring quality, values and guidance

The key success factor of the TransparensE project is to involve EPC market players in the development of the EPC Code of Conduct.

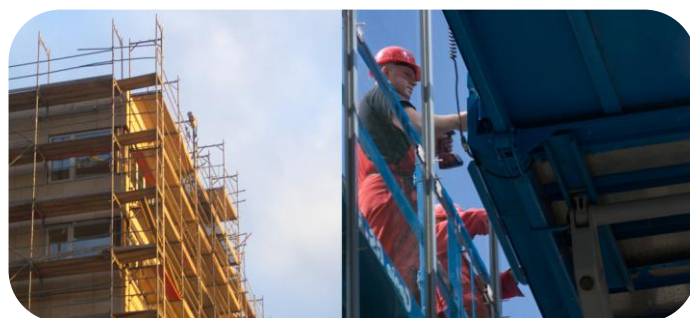
One objective of the TransparensE project, and probably the central one, is building trust in and elevating the quality of Energy Performance Contracting (EPC) by creating the European EPC Code of Conduct. Developing a Code of Conduct is an essential part of building a professional EPC community with shared values and a common purpose. The TransparensE project acts as a stakeholder forum which will agree on norms to guide professional behaviour of Energy Service Companies (ESCOs) and bring transparency into the EPC market. The Code of Conduct is also meant to influence other EPC actors beside ESCOs, such as clients and EPC project facilitators, providing information on EPC excellence standards to be met by ESCOs.

The Code of Conduct defines the basic values, principles, and guidelines in terms of ESCOs behaviour that are considered fundamental for safeguarding the quality of EPC service, maximising energy efficiency improvement measures' energy and cost savings and their sustainability. The EPC quality within the TransparensE project is a measure of how well the service level delivered by the ESCO matches clients expectations. The Code of Conduct is going to be based on the voluntary self-regulation of ESCOs, and will therefore not be legally binding.

The ESCOs and clients conduct their business within the framework of relevant laws, regulations and internal policies. However, these do not govern all behaviour inherent to the EPC. Therefore, the Code of Conduct will help ESCOs and clients to understand exactly what quality EPC stands for and how they can expect other actors to conduct themselves.

So far, the TransparensE project partners have identified core EPC values (ethics) and principles of conduct (behaviour) deriving from values. In order to provide additional relevant information and to improve the quality of the starting set of benchmarks for expected minimal ethical conditions and affirmative behaviour, this initial set of values and principles is now being tested by project partners at national level. As the Code of Conduct is going to be tested in the TransparensE EPC pilot projects, some major hints on how the Code of Conduct effectiveness is going to be evaluated were also prepared. By the end of 2013, code guidelines are going to be prepared enabling national steering committees and national EPC stakeholders to discuss the first draft of Code of Conduct. Plans for the implementation of Code of Conduct at national level are going to be prepared during the first half of 2014.

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Energy Performance Contracting - a powerful business model for energy efficiency improvement

Energy Performance Contracting (EPC) can provide substantial energy savings in the EU countries using the principle of repaying the investments directly from the saved energy costs. EPC allows facility owners and managers to upgrade ageing and inefficient assets while recovering capital required for the upgrade directly from the energy savings guaranteed by the ESCO. The ESCO takes the technical risk and guarantees the savings.

A typical EPC project is delivered by an Energy Service Company (ESCO) and includes the following elements:

- **Turnkey service** – The ESCO provides all of the services required to design and implement a comprehensive energy saving project at the customer facility, from initial energy audit through long-term Measurement and Verification (M&V).
- **Comprehensive measures** – The ESCO tailors a comprehensive set of measures to fit the needs of a particular facility.
- **Project savings guarantee** – The ESCO guarantees that the savings produced by the project will cover the project cost.
- **Project financing** – The ESCO may arrange for long-term project financing provided by a third-party financing company.

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The state of the European EPC industry: challenges and opportunities according to the Transparensense survey

To gain an understanding of the state of affairs of the EPC industry in Europe, a survey has been sent to ESCOs and banks/finance houses around Europe. Olivier Garnier, energy analyst at EEVS, summarises the situation and provides insight into the regulatory, structural and financial barriers faced by the industry.

The results of the Transparensense survey show that the EPC industry faces the same issues in most EU countries, mainly the complexity of the EPC concept, the lack of trust in the EPC industry, low customer demand and split incentives between landlord and tenants.

Regulatory barriers include ineffective regulation, lack of support from the government and uncertainty regarding subsidies and policies; while structural barriers concern such issues as lack of trust in the ESCO industry, the complex nature of the EPC concept as well as lack of information. Obtaining finance to fund an EPC project is, rather unsurprisingly, a major stumbling block for EPC providers and EPC customers across the EU. Furthermore, the financial crisis has made it more difficult to borrow money due to more stringent requirements from the finance houses. It is clear that finance houses and banks in the majority of the EU countries surveyed still 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 by a third of the respondents, indicating that increasing energy prices and the necessity to reduce costs can also be powerful forces driving the EPC agenda. Changing government policy and a growing customer demand are also viewed as potential drivers for a positive development for the EPC industry. Energy policies from individual European governments are mostly seen as ineffective. The dissatisfaction with specific EPC policies is even greater, with over 80% of ESCO respondents answering “no policies in place”, “very ineffective” or “ineffective”. General energy efficiency policies seem to be viewed in a slightly more favourable way, with almost 35% of ESCO respondents choosing to brand them “effective” or “very effective”.

The outlook for the EU EPC market taken as a whole is slightly more positive than it was a few years ago. Over half of the ESCO respondents have seen slight or major growth over the last 3 years. 31% believe that the market has stagnated, and only 12% are witnessing a slight or major decline.

The initial investment outlay from ESCOs for EPC projects is almost equally distributed from small projects (under 200 000€) to larger size projects (from 1 to 5 Million €). The provenance of the EPC providers’ customers is very balanced: 42% public and governmental sector, 37% private business sector and 38% a mixture of both. The building types in which EPCs are being implemented the most are predominantly public buildings (hospitals, schools, universities), as well as hotels, offices, and, maybe more surprisingly, industrial premises. Typical technologies chosen to feature in an EPC include lighting, building energy management systems, boiler upgrades and heating ventilation and air conditioning improvement.

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Upcoming activities

TransparensE to be presented at the European conference ESCO Europe 2014, January 22-23 in Barcelona

ESCO Europe 2014 will bring together Europe's ESCOs to discuss EPC business models and results at Europe's largest conference dedicated to energy performance contracting. Initial results from the TransparensE project will be presented by Jana Szomolányiová and Vladimír Sochor, SEVEN. For more information about the conference, please visit: <http://www.esco-europe.com/programme>.

EEVS to organise UK Training on EPCs

In 2014, EEVS will coordinate a series of UK training sessions under the TransparensE project. These sessions will aim to promote and enhance the use of EPC know-how in the country. Particular attention will be given to the EPC Code of Conduct developed by the TransparensE project. The first session will take place in January 2014.

Local news

UK Commercial Energy Efficiency – Report Launch

The Westminster Sustainable Business Forum and Carbon Connect held a joint panel debate in Parliament on Monday 2 December 2013 to launch their latest report into increasing take up of energy efficiency in the commercial sector: [‘Building Efficiency: Reducing energy demand in the commercial sector’](#). This report calls for greater investment in commercial sector energy efficiency to convert a threat to profitability into an opportunity for business. It makes recommendations to Government on how it can help stimulate the market.

EESI2020 – sister project of TransparensE

EESI 2020 – the “European Energy Service Initiative towards the EU 2020 energy saving targets” aims at fostering the use of Energy Performance Contracting (EPC) in major cities and metropolitan regions across Europe such as Antwerp, Barcelona, Berlin, Dublin, Graz, Prague, Oslo, Sofia or Zagreb. The project will address non-technological barriers and support the implementation of long-lasting local EPC programmes in the targeted municipalities or metropolitan regions. There will be a tight co-operation with the TransparensE project especially regarding helpdesk, trainings and pilot projects.

Project co-ordinator: Sabine Piller, Berlin Energy Agency.

Web page: <http://eesi2020.eu/>

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