



Newsletter Transparense

No 3, March 2015

Putting the European Code of Conduct for Energy Performance Contracting into practice

In this newsletter we present how the European Code of Conduct for Energy Performance Contracting, which is a set of values and principles that are considered fundamental for the successful implementation of EPC projects in Europe, can be put into practice and present signatories across Europe. Furthermore the European ESCO associations European Federation of Intelligent Energy Efficiency Services (EFIEES) and the European Association of Energy Service Companies (eu.Esco) present their views on the current and future EPC market and the added value of becoming a signatory of the code.

The European Code of Conduct for Energy Performance Contracting (hereafter "the Code") is a set of values and principles that are considered fundamental for the successful, professional and transparent implementation of Energy Performance Contracting ("EPC") projects in European countries. The Code, which was launched during the autumn 2014, is a voluntary commitment and is not legally binding.

Principles

The EPC Code of Conduct consists of a set of nine guiding principles on EPC project implementation to support the high quality and transparency of European EPC markets. In short the principles can be summarized as follows:

1. The EPC provider delivers economically efficient savings
2. The EPC provider takes over the performance risks
3. Savings are guaranteed by the EPC provider and determined by M&V
4. The EPC provider supports long-term use of energy management
5. The relationship between the EPC provider and the Client is long-term, fair and transparent
6. All steps in the process of the EPC project are conducted lawfully and with integrity
7. The EPC provider supports the client financing EPC projects
8. The EPC provider ensures qualified staff for EPC project implementation
9. The EPC provider focuses on high quality and care in all phases of project implementation

For the whole wording of the principles please download the European Code of Conduct for EPC from www.transparense.eu.

How to use the EPC Code of Conduct

- The Code can function as a EPC quality indicator and a checklist for clients on what they should expect and require from EPC providers and which principles they themselves should adhere to in order to achieve expected energy savings and related benefits.
- The Code can be used a marketing tool to clearly communicate that EPC represents a fair energy service business model
- The Code can provide important inspiration for EPC guidelines and model contracts.

The Code is supported by the European Commission

"The European Code of Conduct for Energy Performance Contracting defines common values and approaches for EPC providers and clients on a voluntary basis. It was designed in cooperation with relevant stakeholders and endorsed by the European Association of Energy Service Companies (eu.Esco) and the European Federation of Intelligent Energy Efficiency Services (EFIEES). Against this background, it has the potential to further enhance transparency and market confidence in EPC as an important means to tackle the energy efficiency challenge."

Björn Zapfel, EC, EASME



Newsletter Transparensense

No 3, March 2015

Signatories across Europe

The newly launched European Code of Conduct for Energy Performance Contracting already has a significant number of signatories across Europe and is being put into practice.

Italy



In Italy ESCo Primiero, a supplier of EPC services, has integrated the code in the design phase of EPC contract and have actively involved the end-users. Luigi Boso, President of ESCo Primiero, believes that "this is a fundamental aspect for the success of the initiative and significant for the customer, who is personally involved in the principles of responsibility. It is also significant for the quality and reliability, with a guarantee of transparency and clarity in the different aspects that are innate in the initiative."

Luigi Boso, President of ESCo Primiero

Austria



DECA – the association of Energy Service Providers and Contracting Austria – signed the Code of Conduct in September 2014. According to their chairman Heinz Mihatsch endorsement of the Code is of high interest to the Austrian energy efficiency association, its members and the market "as it represents a strong commitment to the core values of energy performance contracting". The successful introduction of the Code is also in line with DECA and e7 Energie Markt Analyse strategic work on finalizing traceable and transparent quality criteria. "The application of these criteria represents a unique selling proposition for the provider and offer the client with essential information."

Heinz Mihatsch, Chairman DECA

Germany



The working group for EPC in the German ESCO association VfW e.V. became signatory of the code 26th November 2014. VfW is the leading representation of interests for Contracting and Energy Services and is actively supporting the objectives of the new German National Action Plan for Energy Efficiency (NAPE). This underlines the growing importance of energy service models and the further market development for Energy Performance Contracting.

VfW e.V.

Portugal



In Portugal the signatory process is a success story – so far nine companies have signed the Code and it is currently being integrated in one EPC contract. Luís Hagatong, Schneider Electric Portugal, state that "the European Code of Conduct for Energy Performance Contracting reflects the commitment of the signatories to develop a professional and credible work, in a collaborative, transparent and clear perspective in order to develop a sustainable energy service market with high quality standards."

Luís Hagatong, Energy Efficiency Manager Schneider Electric Portugal

Sweden



In Sweden a number of major ESCOs have become signatories of the code and the ESCO association EEF has accepted to be national administrators of the code. According to Lotta Bångens, EEF, "The Code of Conduct is a good initiative and a first step towards a greater transparency is welcomed by clients. This is consistent with other work within EEF. Requirements, which everyone understands, follow-ups and transparency, are good for the energy efficiency market."

Lotta Bångens, EEF

Become a signatory?

If you are interested in becoming a signatory of the European Code of Conduct for EPC please read the instructions on the Transparensense website <http://www.transparensense.eu/eu/epc-code-of-conduct/application>





Newsletter Transparensence

No 3, March 2015

“This is a positive sign towards the market and a resilient foundation for long-term business development”

Dr. Peter Hug, Managing Director for the European Association of Energy Service Companies (eu.Esco) presents his views on the EPC market and the European Code of Conduct for Energy Performance Contracting.



What are the main barriers/challenges on the current market for EPC in Europe?

– Performance contracting has been in place in Europe since the early eighties. However, the market remains underdeveloped despite increasing and volatile energy prices, federal and state energy savings mandates, the continued lack of capital and maintenance budget, and growing awareness of the need for large-scale action to limit greenhouse gas emissions. Several factors, respectively key barriers, are holding back the growth of the EPC market and have to be addressed and subsequently removed to boost the EPC market in Europe:

- Although, EU funded initiatives are active in this direction, there is still a lack of awareness, information and trust in both the private and public sectors of most European Member States.
- The low level of market development is also provoked by the lack of specific policies and government-backed support mechanisms designed to promote performance contracting respectively the intention to remove any impediments which hinder the rapid and fruitful implementation of the business model.
- Uncertainty and confusion has been caused by a lack of homogeneous service descriptions and definitions of EPC contract scopes as well as different implementation process sequences in the EU Member States. This creates confusion and prevents the development of best practice examples, harmonised framework for procedures through the entire project life cycle and economies of scale.
- One of the biggest disadvantages and contradictions is the limitation of public sector companies – existing within some European Member States – to leverage financing based on future energy savings.

How can the European Code of Conduct for EPC support the EPC market?

– It supports our work in respect to the positioning of all companies, committed to Code of Conduct, as diligent, prudent and reliable partner towards potential customers. This is a positive sign towards the market and a resilient foundation for long-term business development, which is

extremely important in times of economic and financial insecurity. The Code of Conduct helps to overcome most of the above mentioned obstacles, however more actions should focus on mitigating the lack of awareness, information and trust, which if removed could help to initiate a stronger market pull if EPC providers are able to provide policymakers and the private sector with a more in-depth understanding of energy efficiency in buildings. A positive effect is that EPC providers who become signatories will cause a significant ramp-up in energy efficiency activities occurring at local, regional, and federal levels and - hopefully – will spill out in the private sector. This will generate business for players in the EPC market place independently of their size.

From your point of view, what is the added value of becoming a signatory of the European Code of Conduct for EPC?

– Using so far gained experience for building a successful, professional and transparent implementation of EPC projects on this common foundation of EPC values and principles will allow EPC providers to speak with one voice which we call the “magic phrase”. EPC providers` services include a variety of activities, such as energy analysis and audits, energy management, project design and implementation, maintenance and operation, monitoring and evaluation of savings, property management, and energy equipment supply up to financing models.

What do you think the market for EPC in Europe will look like in five years?

– The Code of Conduct itself is important to give us a common guideline for high quality business practices and should be our communication basis to encourage public officials and customers to think first about the multiple benefits of energy efficiency when they are making energy resource procurement or energy policy choices. Tailwind will come if we succeed to achieve a sustainable reinforcement of government-backed support mechanisms. Nevertheless, at the end of the day it’s the business case that counts the most. It is essential to have a clear positioning of the values and benefits towards our stakeholders (public and private), otherwise our entire EPC business model will not reach a higher level and remain at current levels.



Newsletter TransparensE

No 3, March 2015

“The main role of the European EPC Code of Conduct is to bring confidence to the EPC market”

Ms. Valérie Plainemaison, Secretary General for the European Federation of Intelligent Energy Efficiency Services (EFIEES), presents her views on the EPC market and the European Code of Conduct for Energy Performance Contracting.



What are the main barriers/challenges on the current market for EPC in Europe?

– The market of EPC as well as the energy-efficiency services market in general faces several regulatory and non-regulatory barriers in Europe, depending on Member States. A list of the main non-regulatory barriers involve: lack of awareness and information; lack of knowledge of public purchasers on energy-efficiency actions that may be complex in nature and lack of targeted financing instruments such as guarantees and low-interest loans (long-term) enabling affordable financing. Among the regulatory barriers, the most important obstacles are: rules on public procurement (split tenders hindering overall contracts), heat pricing regulation which does not enhance energy-efficiency actions in some Member States and rules on VAT discriminatory to energy-efficiency services favouring equipment-only purchase in some MS. Split incentives between owners and tenants or among owners is another essential barrier which is linked to both regulatory and non-regulatory aspects.

“The main role of the European EPC Code of Conduct is to bring confidence to the EPC market in the EU taking into account its variety across Member State.”

– The European Commission is empowered by the Energy Efficiency Directive (2012/27/EU) to require Member States to take appropriate measures to remove regulatory and non-regulatory barriers to energy-efficiency services. It is fundamental that Member States identify existing barriers and propose measures to address them and that the European Commission takes action to assess this process, possibly by developing an "Energy Efficiency Barriers and

Solutions Rating" presenting problems and measures in different Member States.

How can the European Code of Conduct for EPC support the EPC market?

– The main role of the European EPC Code of Conduct is to bring confidence to the EPC market in the EU taking into account its variety across Member State. The European Code of Conduct has a potential to overcome capacity building, information and awareness issues, which is extremely important for the further development of the EPC market in Europe.

From your point of view, what is the added value of becoming a signatory of the European Code of Conduct for EPC?

–The European Code of Conduct reflects the values and principles which our members consider essential to the development of high-quality energy-efficiency services markets in Europe. Becoming a signatory of the European Code of Conduct for EPC is a confirmation of our commitment to further support the growth of the energy-efficiency services market in Europe.

What do you think the market for EPC in Europe will look like in five years?

– It is difficult to predict the future in general, but EU energy efficiency policy has the potential to transform the energy market into one which focuses on the delivery of energy services – i.e. the useful outcome of using energy – rather than purely on the delivery of energy itself. Companies and business models which are organised in this way already exist, but so far market conditions and the legislative framework are not as supportive or effective as they could be. The European Code of Conduct for EPC may be a great tool to raise awareness on energy-efficiency services as a successful and consumer-friendly business model within the market actors and policy makers.

Newsletter Transparensence

No 3, March 2015

Q & A about the Code of Conduct

Q: What are the clients' benefits of using the EPC Code of Conduct?

A: The benefits of using the EPC Code of Conduct underpin the provision of guaranteed energy savings, transferred project risk, energy management and specialist skills and knowledge needed for financially viable energy efficiency improvement projects.

Q: Why is the Code of Conduct relevant for Energy Performance Contracting?

A: The EPC method has different forms in different countries and occasionally the EPC projects tend to pay lower attention to the core EPC features, such as the contractual energy saving guarantees. The EPC Code of Conduct therefore represents general rules and guidelines for EPC market players, especially for EPC providers, setting up quality level for EPC projects.

Q: What does the EPC Code of Conduct mean for EPC providers?

A: Through their activities, the EPC providers follow two main goals: to provide energy services (EPC) and to gain profits while doing so. The EPC Code of Conduct defines the basic principles of behaviour and conduct that will ensure that the goal of attaining profit will not overrule the goal of providing high quality services. Nevertheless, the Code of Conduct is not a

law and therefore it is mainly up to the EPC market players to use the Code of Conduct to their benefit.

Q: Does the EPC Code of Conduct represent just another obligation for EPC providers?

A: Code of Conduct is a voluntary agreement with a basic set of rules to implement successful EPC projects. It does not impose any new obligations, which would not be applied anyway within a good quality service. On the contrary, ESCO can benefit from this tool when used in marketing activities. By subscribing to and especially following the rules and principles of the EPC Code of Conduct, the EPC providers show to their clients that they offer high-quality services.

Q: Is the EPC Code of Conduct relevant to the EPC customers and EPC facilitators representing the customers?

A: On one hand, the EPC customers and facilitators may use the EPC Code of Conduct as a point of reference as to what to expect and require from EPC providers during the EPC tender procedure, when installing the energy efficiency measures and especially during monitoring and verification of energy savings. On the other hand, the EPC Code of Conduct represents a challenge for clients and facilitators to be good, reliable partners towards the EPC providers.

Events

The Transparensence project started in April 2013 and will finish this September 2015. Now we are planning for the final conference, which will be held within EU Sustainable energy week which will take place 15–19 of June in Brussels.

Anatoliki in Greece recently held its first business facilitation seminar. It became a great success with around 90 attendances including one member of the Greek parliament, municipal actors, ESCO/EPC providers and numerous of engineering consulting firms.

News

ESCO Europe 2015 conference

First results of the European Code of Conduct for EPC implementation have been presented at ESCO Europe 2015 Conference on 20th of January in Milano by the project co-ordinator Jana Szomolanyiova and Vladimir Sochor (SEVEn). The presentation can be downloaded at the www.transparensence.eu.

European CombinES project

European CombinES project focused on combining EPC with subsidised building envelope renovation published its final results. From the project website www.combines-ce.eu you can download the brochure presenting so called "CombinES Comprehensive Renovation", where the building envelope part of the renovation is subsidised and the technology part of the renovation is implemented with the intervention of an energy service company (ESCO) by applying the Energy Performance Contracting (EPC) model. It also includes a number of best practice examples.

Project website:

www.transparensence.eu

Project co-ordinator

SEVEn, The Energy Efficiency Center

Americka 17, 120 00 Prague, Czech Republic

Jana Szomolanyiova - jana.szomolanyiova@svn.cz

Newsletter editor

IVL Swedish Environmental Research Institute

P.O. Box 21060, SE-100 31 Stockholm, Sweden

Project partners



Co-funded by the Intelligent Energy Europe Programme of the European Union

The sole responsibility for the content of this publication lies with the authors. It does not necessarily reflect the opinion of the European Union. Neither the EACI nor the European Commission are responsible for any use that may be made of the information contained therein.