



## D6.4 Market plan

United Kingdom



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### **Transparensense project**

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[www.transparensense.eu](http://www.transparensense.eu)

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## 1 Summary

This report aims at providing a plan to support the development of the EPC market in the United Kingdom. The report focuses on actions needed to overcome market barriers identified in another work package of the Transparensense project. Those barriers have been analysed and described in 20 country reports and one EU report on identified barriers and success factors for EPC project implementation.

Section 4 presents the UK EPC market (size of the market, recent changes, legislative background, etc.). It also lists the main barriers faced by the UK EPC market as identified by previous work from the Transparensense project. Finally, it describes the main stakeholders operating in the EPC market in the UK, classifying them by level of interest and level of power.

Section 5, finally, presents an action plan for the development of the EPC market. Based on the findings of Section 4, it presents 9 suggested actions. For each action, a short description, the stakeholders involved and a potential timeframe are listed, along with the barrier(s) that it may help solving.

## 2 Introduction: Transparensense and EPC Code of Conduct

The Transparensense project is financed by Intelligent Energy Europe, and has the main aim to increase the transparency and trustworthiness of EPC markets throughout Europe. With its twenty partners covering both mature and beginner EPC markets, the project has a great potential to develop and increase the European EPC market and thereby achieve substantial energy efficiency improvement.

The core action of the Transparensense project is to develop a European Code of Conduct for Energy Performance Contracting (EPC), which will be implemented in all the twenty participating countries. The Code of Conduct can be used by ESCOs, EPC clients and EPC facilitators. It identifies a set of EPC values (ethics) and principles of conduct (behaviour) to increase the transparency of the EPC markets and ensure the high quality of the energy services provided. The EPC Code of Conduct is a voluntary commitment and is not legally binding. Its ethics regime is integrity based and unenforceable. However, acts in violation of the EPC Code of Conduct may cause damage to the ESCOs' and clients' or facilitators' good name and may lead to corrective legal or disciplinary actions if initiated by the aggrieved party on the side of the ESCO or the customer.

The EPC Code of Conduct represents fundamental mechanism for ensuring EPC professionalism. It is also an indicator of the quality requirements for new ESCOs entering the EPC market. Last but not least, the EPC Code of Conduct is a quality indicator for clients: what they should expect and require from suppliers of energy efficiency services and at the same time which principles they themselves should adhere to so that the EPC project is implemented to the satisfaction of all parties involved.

The Transparensense project started in April 2013 and will be completed in September 2015. The project brings together 20 European partners: Czech Republic (co-ordinator), United Kingdom, Slovenia, Germany, Sweden, Belgium, Austria, Bulgaria, Italy, Lithuania, Netherlands, Poland, Portugal, Slovakia, Spain, Greece, Hungary, Latvia, Denmark and Norway. The project has a budget of million 2.1 million € and is financed by Intelligent Energy Europe with co-funding from the project partners. For more information, please visit [www.transparensense.eu](http://www.transparensense.eu).

### 3 Aims of the market plan

The aim of the market plan is to provide recommendations for action to support the progress of the EPC market and to promote the EPC code of conduct developed in the Transparensense project. The market plan also provides answers to Frequently Asked Questions (FAQs) regarding Energy Performance Contracting and the use of the Code of Conduct. The aim of the FAQs is to serve for ESCOs to help them in dialogue and promotion of EPC and Codes of Conduct to customers. Further information about Transparensense and Energy Performance Contracting can be found at the project website: [www.transparensense.eu](http://www.transparensense.eu).

The main target group of the market plan is European ESCOs. However, the ESCOs may use the market plan in different ways depending on e.g. market maturity. Consequently, there may be several secondary target groups of the market plan. The market plan includes a stakeholder analysis to identify those secondary target groups.

### 4 Market overview

In this section the EPC market in the United Kingdom is summarised based on previous analyses in the Transparensense project (D2.4). The analysis includes information on status of implementation of the EPC Code of Conduct, a summary of main barriers for EPC implementation and a stakeholder analysis that builds on previous work in the Transparensense project (D6.11).

The EPC market in the United Kingdom can be considered well developed, in the sense that the EPC as a business model has been alive for decades, even though it was previously referred to as Contract Energy Management (CEM).

However, the model, although mature, is not necessarily widespread in the UK. There are still major barriers against its further development and customers are still reluctant to see it as a win-win type of contract. As the JRC-IE report from 2010 states, only 5-6 companies were identified as ESCOs offering EPCs in 2009. Moreover, the market was qualified as showing “no significant growth”. At that time, the majority of the ESCOs active on the market were large international manufacturers or energy service and supplies companies. The remaining was made up of mid to small size organisations as well as Facilities Management and utilities companies, the latter having entered the market in the years preceding the report. EPCs were also mainly being applied to industrial sites, hospitals and universities.

Since then, the market has grown: as shown by the D2-04 national report for the United Kingdom, 50% of the ESCOs respondents for the Transparense survey believe that the market for EPCs in the UK had seen “slight growth”. The remaining respondents believe that the market has either seen major growth (40%) or remained stable (10%). Half of the ESCO organisations surveyed confirmed that their EPC orders were increasing (“slightly” or “significantly”); 40% indicated that their orders remained constant and only 10% mentioned a slight decreasing trend in their orders. The totality of banks and finance houses surveyed agreed that the number of organisations applying for finance with them for an EPC project was slightly increasing. This shows that the market is expanding. That trend is confirmed by another question: when asked for the approximate number of active EPC suppliers in the UK, 70% of the respondents answered somewhere between 5 and 30. The remaining 30% believed it was rather above 30. This is a long way away from the 5-6 identified in 2010.

The market volume has not been estimated by experts recently, and the market potential is put at around €1 billion for the non-domestic sector.

The building types at which EPCs were being carried out also appear slightly more varied than they were in 2010, which can be seen as another testimony of the expansion of the EPC contract. In terms of the sector from which their clients come from, it is very much an equal divide between private and public organisations for the ESCO respondents.

In terms of legislative background, support from the government to the EPC industry has historically been weak. The UK has a strong history of economic liberalism, and interventionism from the Government has rarely been the preferred route. As a result, the EPC industry has largely been left on its own and had to rely on its own initiative(s) to grow and become successful. Recently however, several pieces of legislation have been passed to

promote energy-efficiency improvements, in the midst of the climate change debates of the last 15 years or so: the Carbon Reduction Commitment or CRC Energy Efficiency Scheme, Enhanced Capital Allowance (ECA), the Green Deal. Several financing options are also available through public-private partnerships.

The Code of Conduct developed by the Transparensense project has been mentioned to several key actors within the industry. The UK version of the Code of Conduct is publicised and implemented in partnership with the Energy Managers Associations (EMA), which has also pushed the EPC agenda as part of a wider strategy to increase knowledge and quality of successful energy management in the UK. The EnPC Guidance working group in particular is helping define the EPC sector in the UK. All the major ESCOs are members of the EMA. The application of the Code of Conduct (EnPC Guidance) is a major task for the next year in the UK.

### 4.1 Summary of EPC market barriers

The table below summarises the most important barriers hindering the development of the EPC market (based on the Transparensense report D2-04 for the United Kingdom).

**Table 1. Summary of EPC market barriers**

	Short description of barrier	Comments
Barrier 1	Complexity of the concept/of contracts /lack of information	Limited knowledge among potential clients on EPC. Unclear contracts may cause problems regarding responsibilities and Measurement and Verification of agreed savings.
Barrier 2	Lack of customer demand	Demand remains at a low level despite recent efforts to increase it.
Barrier 3	Lack of trust in the ESCO industry	The client is to some extent dependent on the ESCO: s and this may lead to caution to embark on EPC projects.
Barrier 4	Financial crisis	The financial crisis has relegated energy efficiency at the lower end of many potential customer's priorities list, particularly in the public sector.
Barrier 5	Raising affordable finance	Obtaining finance at a reasonable cost is difficult for a lot of potential

	customers.
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## 4.2 Stakeholder analysis

An analysis has been performed regarding the main stakeholders for the UK EPC market identified in Transparensense D6-11. A stakeholder group is defined as being able to affect or potentially be affected by an organisation, project, development etc. An assessment of the level of power and interest for each stakeholder group has been made. Each stakeholder groups' power and interest have been scored with the numbers 1-5 (1=very low, 2=low, 3=neither high nor low, 4=high, 5=very high).

The stakeholder groups have been prioritised in order of importance, by considering both the power and the interest of each stakeholder group. Based on the scoring of level of power and level of interest the stakeholders are considered to belong to one of the following groups;

Key players (KP): High power (level of power >3-5), high interest (level of interest >3-5)

Meet their needs (MTN): High power (level of power >3-5), low interest (level of interest 1-3)

Show consideration (SC): Low power (level of power 1-3), high interest (level of interest >3-5)

Least important (LI): Low power (level of power 1-3), low interest (level of interest 1-3)

The results are presented in Table 2.

**Table 2 Analysis of stakeholder groups in the UK EPC market**

Stakeholder group	Number of stakeholders	Level of power (1-5)*	Level of interest (1-5)*	Power/interest group (KP, MTN, SC or LI)**
UK Associations (of ESCOs or Energy Services/Technology) – ESTA / EMA	2	5	5	KP
ESCOs (general sense)	100	3	3	KP
ESCOs delivering EPCs	30	4	4	KP



EPC Finance houses and banks	15	5	3	KP
Energy Supply Companies	27	3	1	MTN
Consultants / EPC facilitators	100	4	4	KP
EPC Customers / End-clients	Unlimited	3	3	KP
Central Government	N/A	5	3	KP
Local Authorities (City / County / District Councils) with experience of EPC	100	3	3	KP
Local Authorities (City / County / District Councils) without experience of EPC	350	3	2	MTN
Public Sector organisations (schools, universities, police, NHS, ...)	1000+	2	3	SC
General Public	N/A	1	1	LI

The table above, based on level of power and level of interest, identifies that key players for the UK EPC market are: UK Associations, ESCOs (with and without experience of EPCs), banks, EPC facilitators, central government and local authorities, and end clients. Efforts should be focused on this group of primary stakeholders in order to strengthen the EPC market in the UK.

The “Meet their needs” group shows stakeholders with high power but low interest for EPC. The aim is to increase their interest in EPC.

The other two groups only include a minority of stakeholders, however it will still be important to somehow ensure that their knowledge on EPC is increased, particularly as they are all potential end clients.

## 5 Action plan for EPC market development

This section builds on the stakeholder analysis and identified market barriers and includes an action plan for overcoming the market barriers. The action plan is summarised in the table below.

**Table 3. Overview of actions to overcome market barriers.**

	Action associated with barrier no (see Table above)	What should be done and how	Who should act	When should actions be taken	Comments
Action 1	2	A long-term, coherent governmental policy programme	Central Government	ASAP	This is essential for the sector as a whole. The impetus has to come from the government.
Action 2	2,3,4	Government leading by example and generalising the use of EPC for public buildings	Central Government Local Authorities Public Organisations	ASAP	By its visibility, government can lead on the EPC front.
Action 3	1,2,3	Government publishing best practice and guidance documents on EPCs as well as a registrar of EPC providers	Central Government ESCO Associations ESCOs	ASAP	Best practice document are known to be considered more relevant when they come from central government departments.
Action 4	1,2,3	Organisation of a high number of workshops and seminars on EPCs	Central Government ESCO Associations ESCOs Customers with exp. EPC facilitators	Continuously	Information and networking is a key to reach decision makers and potential clients
Action 5	1,2,3	Training sessions on EPCs to develop networking and knowledge transfer	Central Government ESCO Associations ESCOs Customers with exp.	Continuously	EPC professionals need to both be trained and be

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			EPC facilitators		able to share their know-how to industry newcomers
Action 6	1,2,3	Promote and advertise the Code of Conduct currently developed by Transparensense	Transparensense ESCOs ESCO Associations	According to Transparensense process	Compliance with the EPC Code of Conduct serves as a guarantee of the quality of EPC projects implemented.
Action 7	1,3	Promote the use of sound and rigorous M&V techniques	Central Government ESCO Associations ESCOs EPC facilitators	ASAP	Rigorous use of M&V is crucial for credibility of the EPC model
Action 8	4,5	Ensure that EPC stakeholders take better advantage of the funding schemes available to them	Banks/Financiers Central Government ESCO Associations ESCOs EPC facilitators	ASAP	Better visibility is needed for all the funding schemes available.
Action 9	4,5	Create a new asset class specifically for EPC or energy-efficiency projects	Banks/Financiers Central Government ESCO Associations ESCOs EPC facilitators	ASAP	This may be the most difficult suggestion to achieve but could help the market tremendously.