The impact of Energy Performance Contracts on government accounts

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Overview on the "institutional" framework

- Eurostat, a General Directorate of the EU Commission
- Directorate D, responsible for the data assessment and the methodology of the "Excessive Deficit Procedure" statistics since the Maastricht Treaty in 1992
- Unit D1, responsible for methodological issues
- Accounting framework based on concepts and classifications of the national accounts (currently "ESA 2010")
- Eurostat's specific provisions for the government accounts in this context (not public sector larger than government sector)
- Material: general or particular decisions, "guidance notes", "Manual on Government Deficit and Debt", advices at request (generally published), mission findings
- Any decision, guidance note, change in MGDD under a procedure with different steps implying statisticians in Member States

The statistical treatment of "Public-Private Partnerships”

- First Decision in 2004 and MGDD dedicated chapter (regularly completed)
- LT contracts with initial capital expenditure
- Distinction from concessions based on partner's revenue
- Assessment focusing on risks (construction, availability, demand) (not on opportunity of PPPs)
- Legal owner versus economic owner
- Importance of penalties in case of defaulting performance
- Sector classification of partner in some cases
- Financing and guarantees (rule of 50%)
- Early termination, amendments, "Force majeure" coverage
- Issue: "off" or "on" gov. balance sheet = gov. expenditure spread or recorded mostly at inception (with imputed debt)

The case of the Energy Performance Contracts

- Initial question to Eurostat: are they PPPs?
- Distinction: separable "energy system" and works on building structures
- Eurostat rule of "50%": new capex out of final value in case of refurbishment/modernisation
- If yes, all other methodological provisions to be strictly met
- Payment mechanism in EPCs assimilated to unitary payment
- An issue: exact identification of the ESCO's performance as basic requirement of link between payments and performance
- Eurostat aware that, in many cases, EPCs not fit with PPPs definition and methodological provisions

EPCs as operating leases?

- Traditionally described in national accounts
- Legal owner and economic owner similar (Esco)
- But only for elements of the "energy system"
- Esco as lessor more than just equipment supplier (maintenance)
- First condition: replacement commitment by Esco if needed
- Second condition: no obligation or option for government to acquire the equipment at the end of the contract
- Third condition: contract term below expected lifetime of the equipment (or most part in value)
- In this case, government expenditure spread through the regular payments (rentals) – no immediate impact on debt

Thank you for your attention!

For any further questions:

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