Transparense project – uptake of European Code of Conduct for EPC

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Includes information provided by the Transparense national partners

April 28, 2015, Public workshop on innovative financing for energy efficiency and renewables

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Transparense project to increase transparency and trust in EPC markets

- Main goal is to increase the **transparency & trust in** EPC markets throughout Europe by:
  - EPC markets survey & analysis and results dissemination
  - **European Code of Conduct for EPC**
  - International transfer of know-how, capacity building
- Partners: 20 European countries
- Coordinator – SEVEn (CZ)
- Co-financed by Intelligent Energy Europe Programme (EASME)

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Overview of project goals and results achieved (1)

- Comprehensive **overview of EPC markets** across EU through 4 online databases on ESCOs, EPC models, financial models and EU and country-level policy initiatives and European and national market reports.
- **Capacity building, and knowledge transfer:**
  - training modules online
  - 50 trainings for ESCOs delivered and 30 planned
- **Promotion of establishement of ESCO associations.**
  - established in Slovakia (APES) and Sweden (EEF) in 2014
  - under development in Slovenia – advanced negotiation phase

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Overview of project goals and results achieved (2)

- **European EPC Code of Conduct defining quality principles** for EPC markets created to increase trust in EPC markets and applied in 20 partner countries.
- Testing Code of Conduct by implementing **pilot projects** as highly replicable best practice examples – at least **23 new projects** (+ min.7 projects identified by Transparense after procurement)
  - 9 projects with quantified results reaching targets of annual savings: 19 GWh of primary energy and 4kt $CO_{2\ eq.}$
- International **transfer of know-how, capacity building and disseminating of results.**

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Transparense EPC Market Survey
ESCOs and banks in 20 EU countries

- **EPC market survey 2013 – respondents**
  - the survey was sent and communicated to most major **EPC providers** across the 20 EU partner countries through direct meetings, phone conversations or emails
    - 141 responses obtained
  - a slightly different survey was sent to the major **banks and financiers** across the 20 EU countries
    - 42 responses obtained
- **New EPC market survey in May-June 2015**
  - questionnaire online for ESCOs
  - results in the databases
  - Major EPC providers from at least 20 countries

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Transparense EPC Market Survey Results online

- **4 online databases** providing the market players with a core level of market information to help improve transparency and to enable informed decision-making:
  - EPC models
  - financial models
  - policy initiatives
  - EPC providers
- **Reports on EPC market barriers and success factors and reports on recommendation for action**
  - national reports for 20 participating European countries
  - and EU summary report prepared (EEVS) are online

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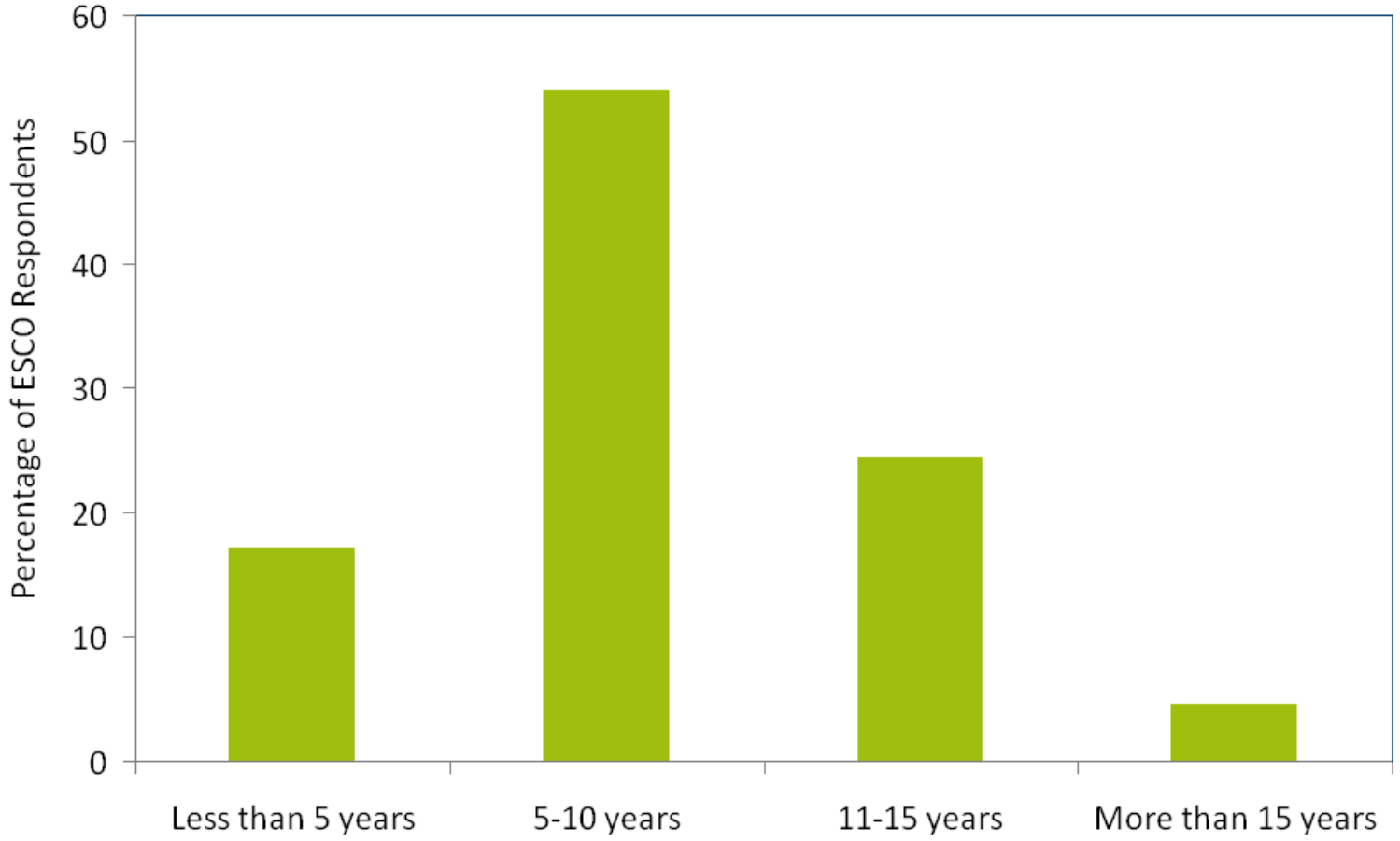
Online database - EPC models

Typical length of EPC projects (2013)



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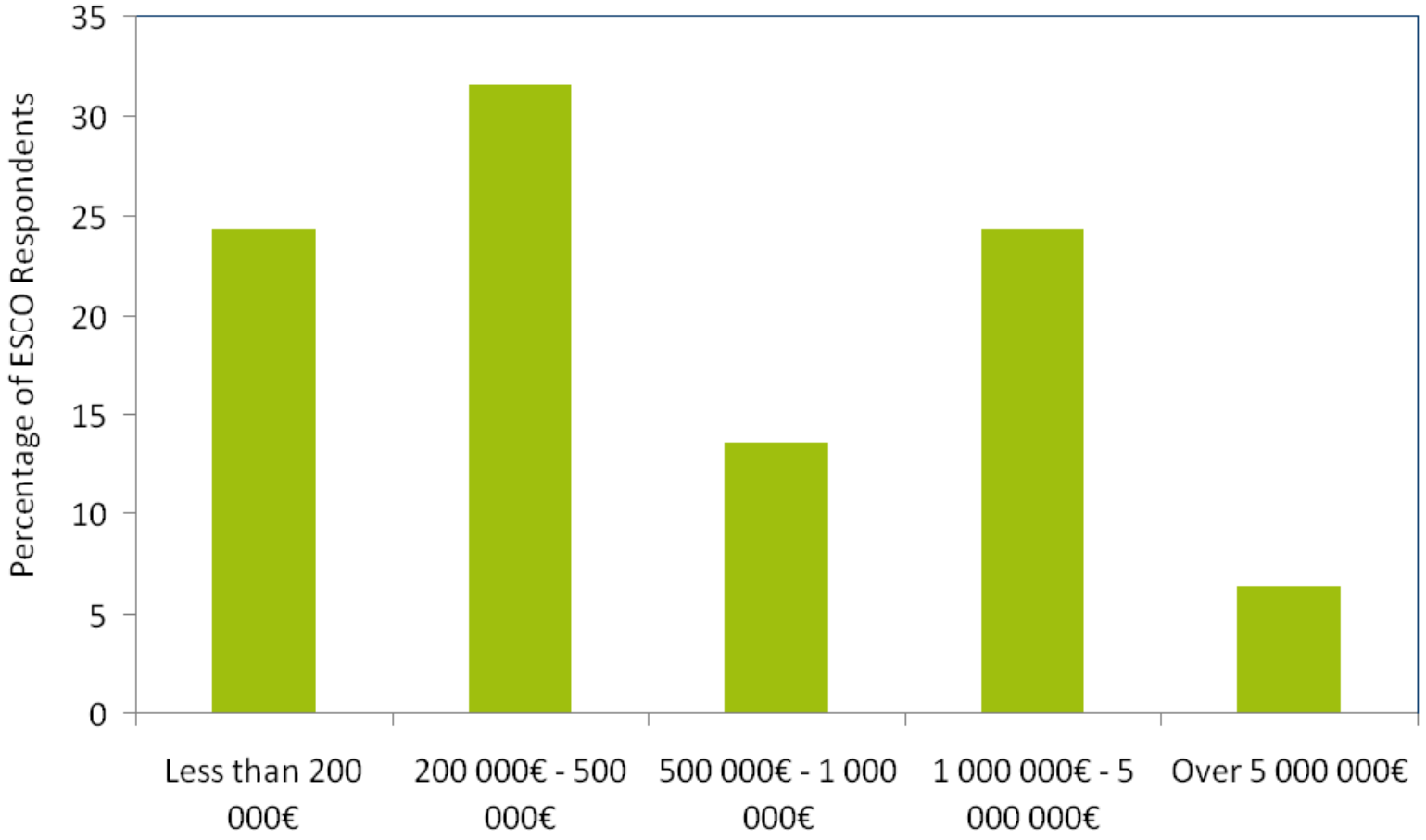
Online database - EPC models

Most common investment outlay for EPC projects



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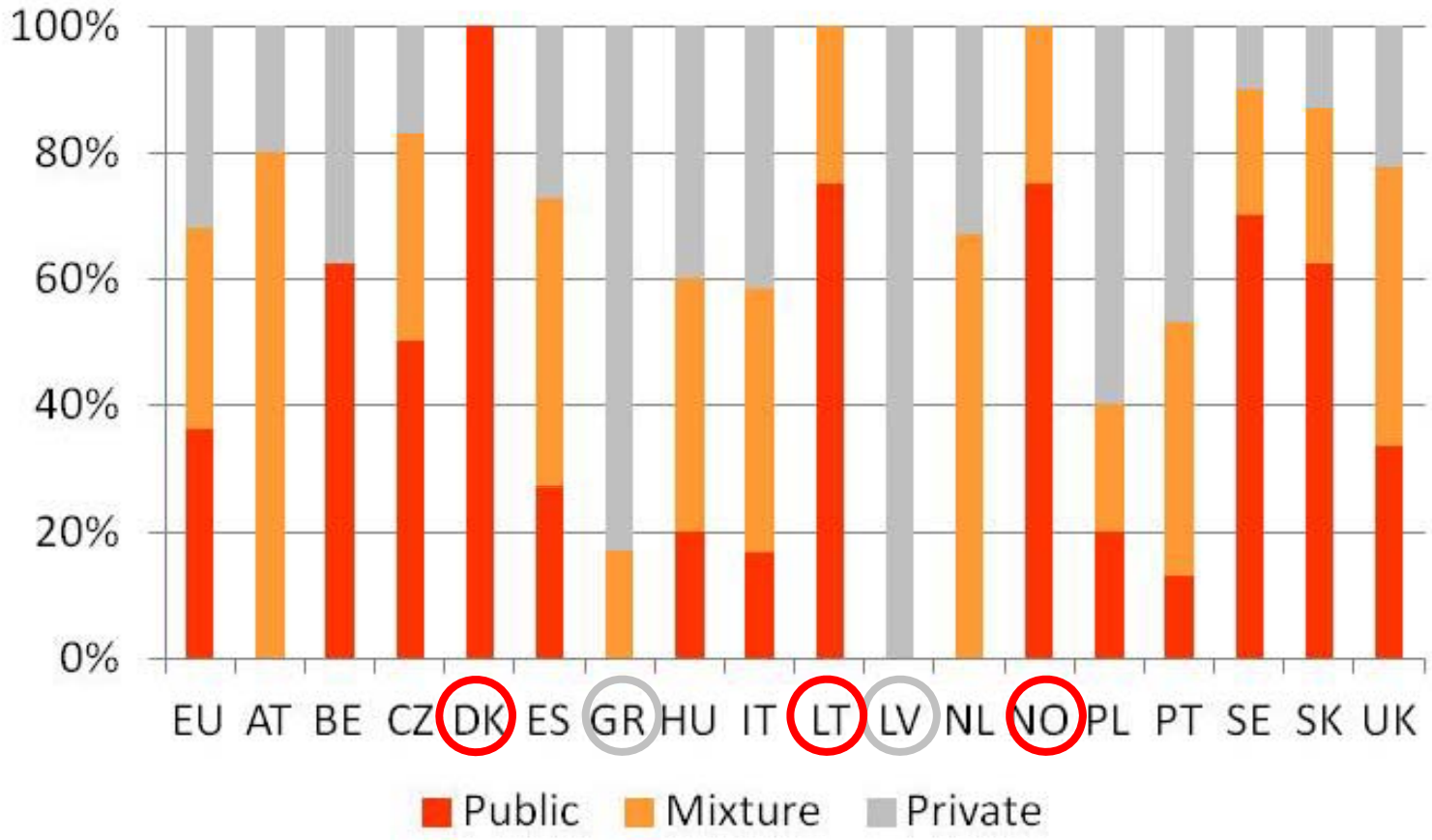
Online database - EPC models

Public ownership of buildings in EPC



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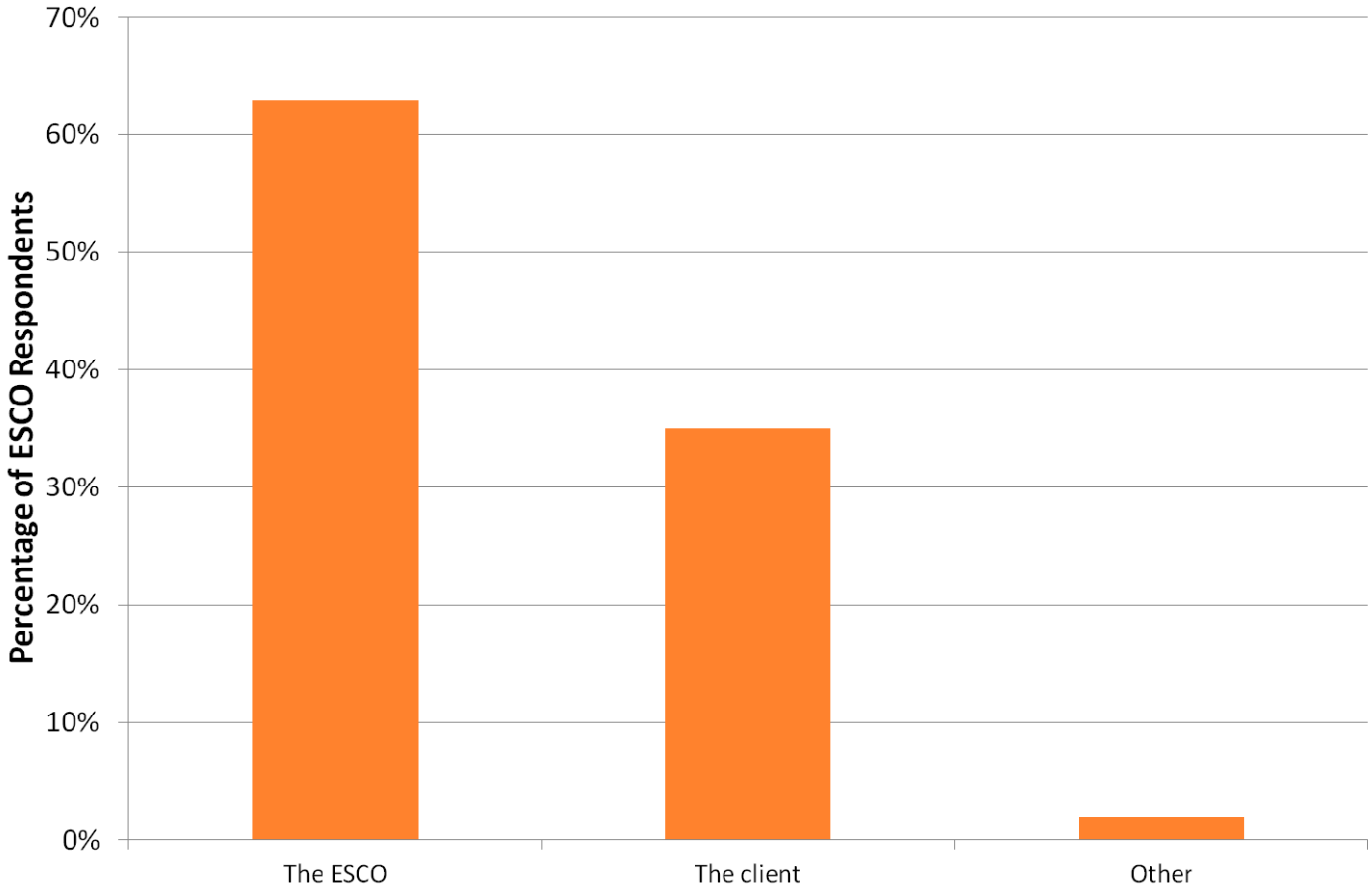
Online database - financing models

Risk bearer in the third party financing



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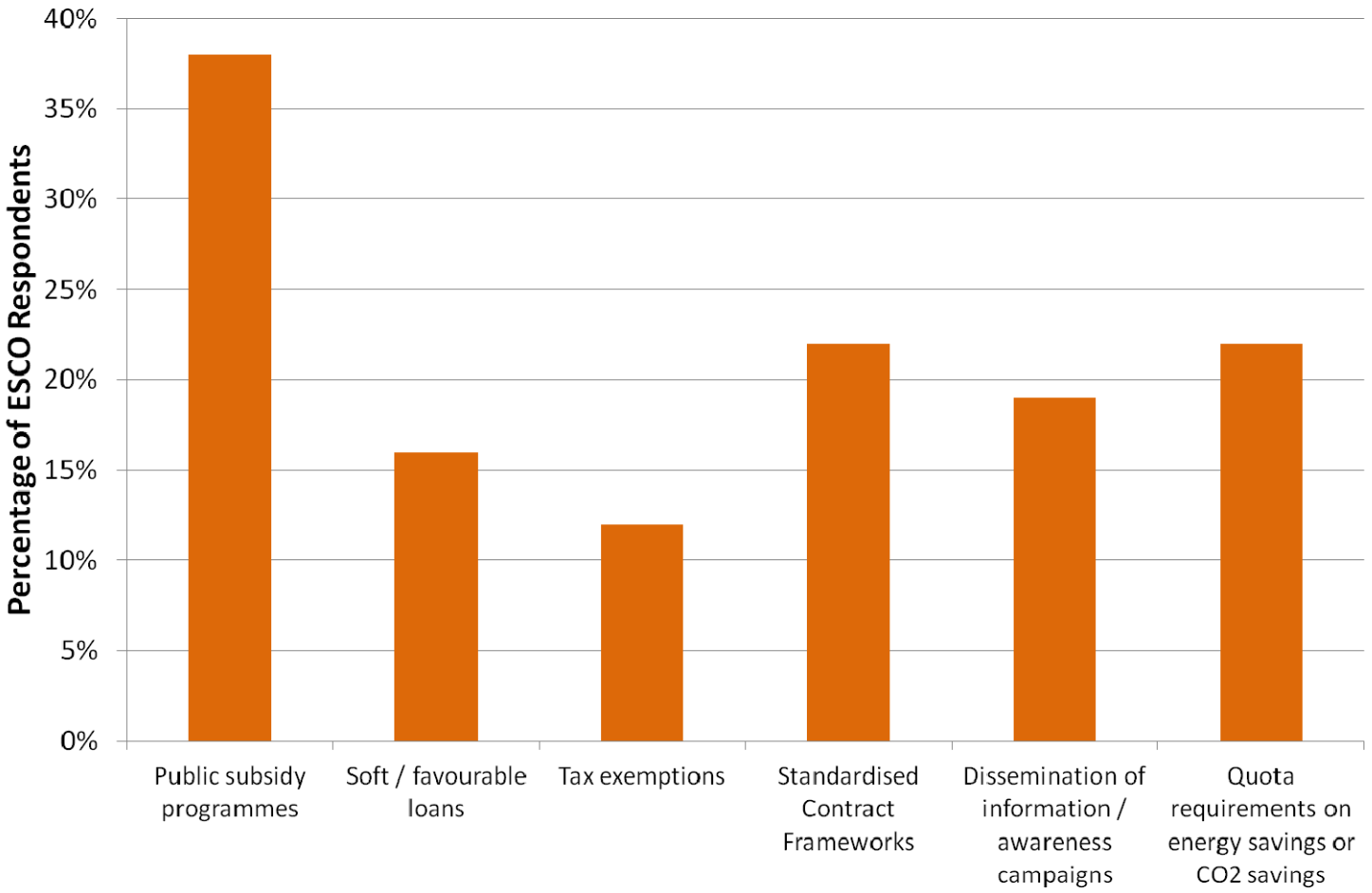
Online database – policy initiatives

Mechanisms to encourage the uptake of EPC



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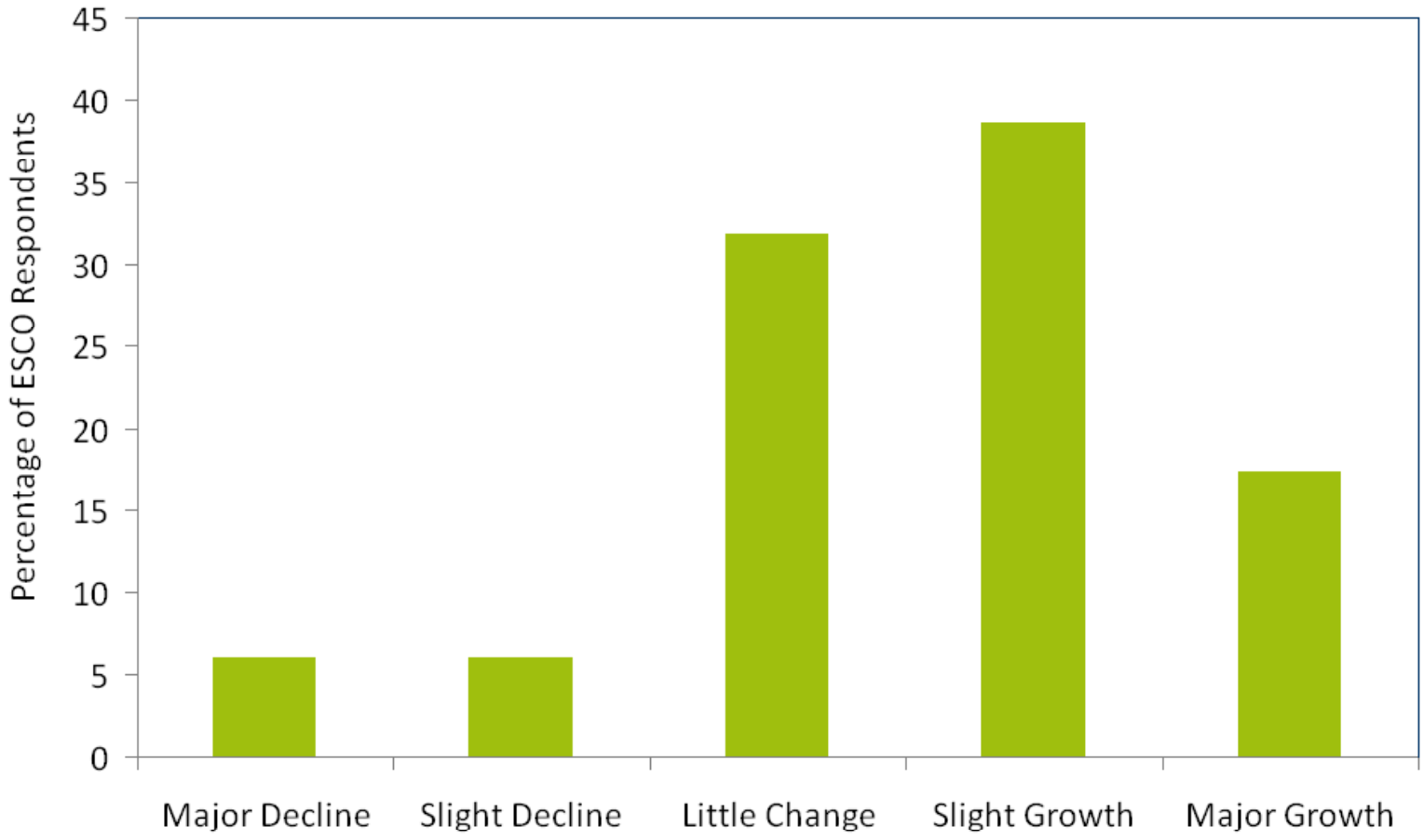
Online database – EPC market

EPC markets: evolution in 2011-2013



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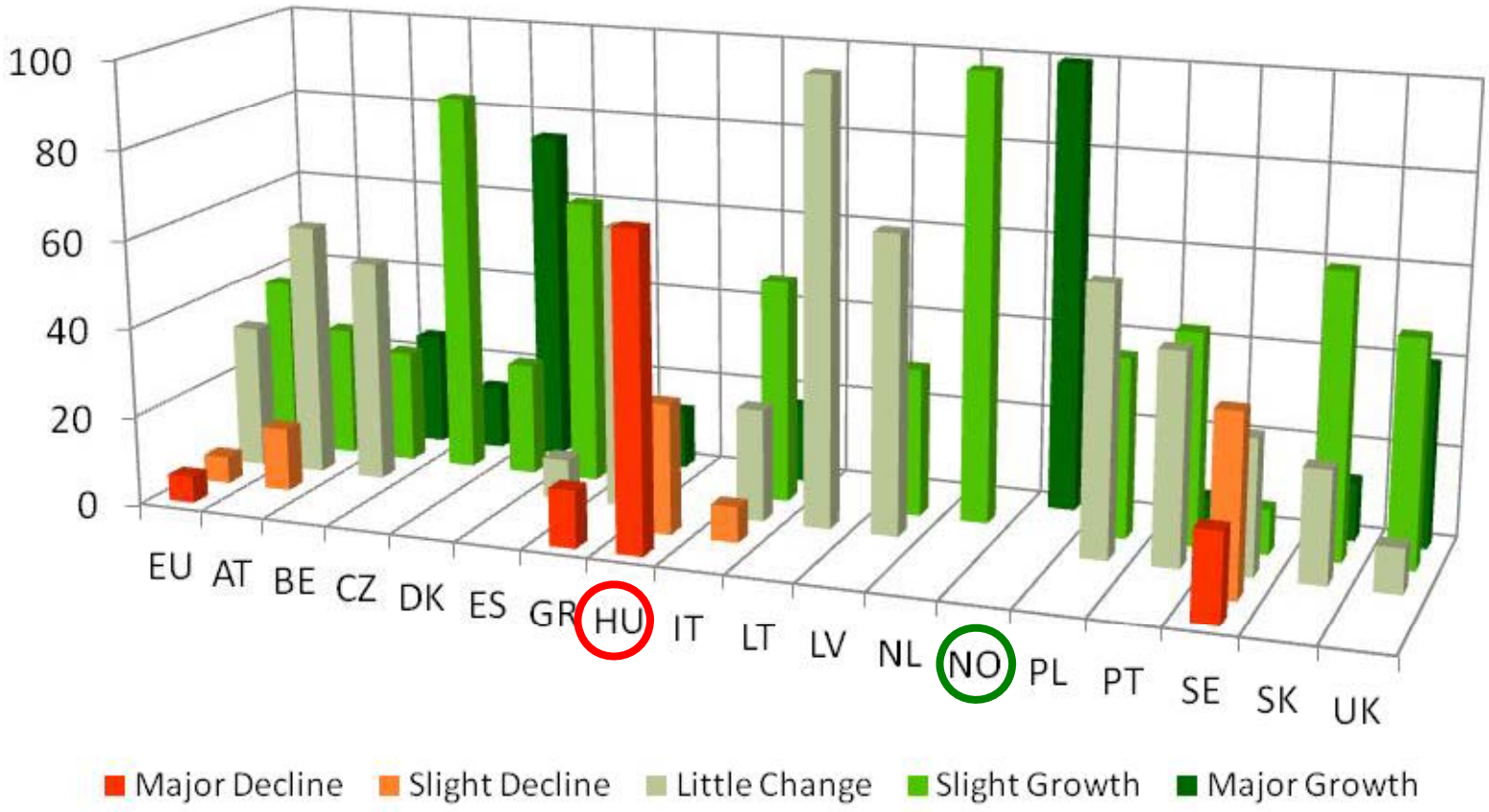
www.transparense.eu/eu/epc-databases

Online database – EPC market

EPC markets: evolution in 2011-2013



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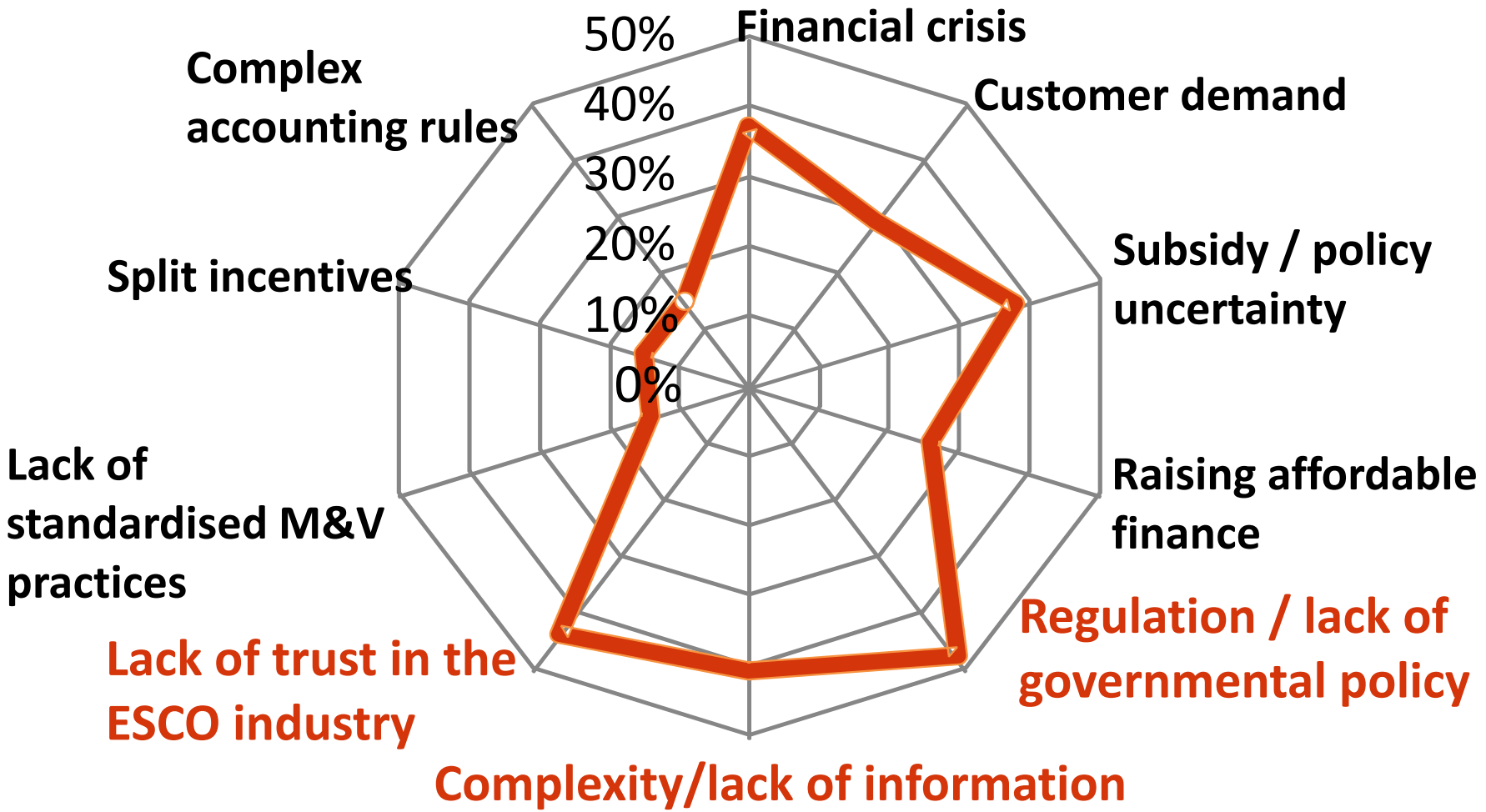
Transparense EPC Markets Survey
Main barriers seen by ESCOs



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European Code of Conduct for EPC discussed with stakeholders & finalised

- single common **European Code of Conduct for EPC** in 20 European countries to support transparent and trustworthy high quality EPC markets
- The Code defines the **basic values and principles** that are considered fundamental for the successful preparation and implementation of EPC projects within European countries
- Discussed with stakeholders:
  - European level: eu.ESCO, EFIEES, EASME (EC), SC members
  - National level (national workshops): ESCOs, ESCO associations, policy makers and other stakeholders from 20 countries
- Finalised in July and launched in Brussels in August 2014

European Code of Conduct for EPC
Basic values

Efficiency
Energy savings
Economic efficiency
Sustainability in time

Transparency
Integrity
Openness
Long-term approach
Transparency of all steps and financing arrangements
Clear, regular and honest communication

Professionalism
Expertise
High-quality service
Health and safety concerns
Good name in the sector and project
Reliability
Responsibility
Respect
Responsiveness
Objectivity

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European Code of Conduct for EPC
Nine principles

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 in financing of EPC project
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

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European Code of Conduct administered by National Code Administrators

- European Code Administrator appoints National Code Administrator in each country
- Simple signatory procedure:
  - Download signing form, sign and submit to the relevant National Code Administrator
  - National List of Signatories for each country online
- Code of Conduct is a **voluntary agreement**
- No quality control
- Signatory may use the signatory logo

EPC Signatory

EUROPEAN CODE OF CONDUCT FOR ENERGY PERFORMANCE CONTRACTING

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European Code of Conduct for EPC – Experience from implementation (1)

- Code welcomed by market players – general agreement with the Code of Conduct among the market players in 20 countries
- No. of signatories: 123
  - EPC providers: 79 (NL: 21, ES: 11)
  - Associations of EPC providers: 10
  - EPC facilitator & other: 34
- **In the beginners markets Code seen of the highest value**:

– „New ESCOs very interested to sign to increase their reliability, reputation and use it in the work with potential clients“ (LV)

– transfer of know-how from advanced markets

– Ministries plan to implement the Code in official model tender dossiers (BG, PL)

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European Code of Conduct for EPC – Experience from implementation (2)

- **EPC providers:**
  - Definition and harmonisation of EPC within Europe
  - Code helps to transfer know-how to clients and thus plays role of a marketing tool in selling EPC (e.g. in NL this supported acceptance of the Code by market players)
  - Some ESCOs motivated by access to the Code logo and increased visibility (list of signatories)
  - Referring to Code by ESCO within procurement process is seen as „unique selling proposition“ (AT)

European Code of Conduct for EPC – Experience from implementation (3)

- **EPC clients:**
  - Code is a guidance for client to distinguish good quality services
  - Code principles required by the client in tender dossier & contract (AT, BE, GR, NL, PT)
- **Associations of EPC providers:**
  - 10 signatories: AT, CZ, DE, ES (3), SK, UK (2), RO
  - support members to become the Code signatories (CZ, ES, NL, UK, SE)
  - serve as distribution channel (all signatory associations + associations in IT, PT)
  - National Code Administrators (currently in NL, SE)

European Code of Conduct for EPC – Experience from implementation (4)

- Code relates to **other initiatives and documents**:
  - quality assurance & certification schemes (AT, CZ)
  - national standard (NO)
  - document to explain the Code principles (SK)
- If already **pre-existing national Code of Conduct**
  - In GR the European Code is more comprehensive than the pre-existing Code of Conduct established by national legislation
  - the UK Code of Conduct still in development, so European Code gives a chance to ESCOs to sign and use the Code already now
  - European Code promoted as an European initiative

European Code of Conduct for EPC – Bottlenecks

- motivation to sign vary among ESCOs and countries
- Code is seen as **already in practice** (DE, DK, NO, SE) or ESCO association has already its own Code – claims no need for a new code of conduct on the market (PT)
- ESCOs prefer the Code is **signed by the ESCO associations** instead of individual signatures (e.g. to avoid demanding administrative procedure) (AT, CZ, DE, ES)
- Some well established ESCOs are reluctant to be on **the list next to the „no name“ ESCOs** (AT, BE, BG, ES, HU) - > call for a quality assurance schemes
- some beginners markets – few ESCOs to sign the Code (LT)

Practical use of Code of Conduct
Pilot projects

- Implementing Code of conduct in min. 23 new EPC project + min. 7 existing projects
- Different strategies of Code of conduct use in:

ESCO signed Code	Code included in tender dossier	Code included in contract
20	5	9

- Code is not legally binding but control mechanism can be created through inclusion in contracts – the best in model contracts
- Pilot projects both in private and public sector:

Type of client	Share
public	53%
private	40%
public private partnership	7%

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European Code of Conduct for EPC – Good practice example from Bulgaria

- Bulgarian partner BSERC collaborated with an EBRD project aiming to promote EPC to Bulgarian municipalities
  - **Code implemented in the developed comprehensive tender dossier** (requirements, evaluation criteria, draft contract, etc.) for EPC in buildings 10 municipalities supported to implement EPC, based on this tender dossier
- Strongly committed National Code Administrator - SEDA
  - Sustainable Energy Development Agency is the State Authority implementing energy efficiency policy in Bulgaria
  - Plans to develop and provide to public authorities an **EPC model contract** for building renovation, based on the EBRD contract with **Code already integrated**

European Code of Conduct for EPC – Good practice example from Netherlands

- 31 March 2015 Code of conduct presented by Dutch partner ECN during the National ESCO Conference in Amsterdam for an audience of 275 people
- Code was signed by 33 new stakeholders publicly at the stage:
  - 21 ESCO's active on the Dutch market
  - other signatories: EPC facilitators and clients
  - ASN Bank

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How to get involved?

- **Visit Transparense website: www.transparense.eu**
- **Visit our trainings and business facilitation seminars**
- **Participate in our EPC survey**
- **Visit final Transparense conference during EUSEW June 15-19**
- **Contact co-ordinator: SEVEn – The Energy Efficiency Center**
  Jana Szomolányiova, jana.szomolanyiova@svn.cz
  Americka 17, Prague, Czech Republic, www.svn.cz
- **Contact national partners: www.transparense.eu/eu/contacts/**

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National Partners

EEVS	EEVS Insight	United Kingdom
IJS	Jozef Stefan Institute	Slovenia
BEA	Berliner Energieagentur GmbH	Germany
IVL	IVL Swedish Environmental Research Institute Ltd.	Sweden
Factor4	Factor4	Belgium
e7	e7 Energie Markt Analyse GmbH	Austria
BSERC	Black Sea Energy Research Center	Bulgaria
DTTN	Trentino Technological Cluster S.c.ar.l.	Italy
LEI	Lithuanian Energy Institute	Lithuania
ECN	Energy research Centre of the Netherlands	Netherlands
KAPE	The Polish National Energy Conservation Agency	Poland
ISR-UC	ISR - University of Coimbra	Portugal
ECB	Energy Centre Bratislava	Slovakia
ESCAN	Escan s.l.	Spain
REACM	Anatoliki Development Agency of Eastern Thessaloniki's Local Authorities S.A	Greece
GDI	GreenDependent Institute Nonprofit Ltd	Hungary
Ekodoma	Ekodoma	Latvia
ECNet	Energy Consulting Network	Denmark
NEE	Norsk Enøk og Energi AS	Norway

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Backup

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Key elements of EPC model reflected in Code of Conduct principles (1)

1. The EPC provider delivers economically efficient savings

- The EPC provider aims at an economically **efficient combination of energy efficiency improvement measures**. This combination maximises the net present value of an EPC project for the Client defined as the sum of all the discounted costs and benefits (especially operational cost savings) associated with implementing the project.

2. The EPC provider takes over the performance risks

- The EPC provider assumes the **contractually agreed performance risks** of the project during the whole duration of the EPC contract (the "contract"). These include the risks of not achieving contractually agreed savings as described below as well as design risks, implementation risks and risks related to the operation of installed measures.

Key elements of EPC model reflected in Code of Conduct principles (2)

3. Savings are guaranteed by the EPC provider and determined by M&V

- **The EPC provider guarantees that the contractually agreed level of savings will be achieved**. If an EPC project fails to achieve performance specified in the contract, the EPC provider is obligated by the contract to **compensate savings shortfalls** that occurred over the life of the contract. The excess savings should be shared in a fair manner according to the methodology defined in the contract.
- Contractually agreed savings as well as **achieved savings are determined in a fair and transparent manner by Measurement and Verification** (M&V) using appropriate methodology (such as IPMVP) as defined in the contract. The contractually agreed savings are determined based on data provided by the Client and realistic assumptions. The achieved savings are calculated as the difference between energy consumption and/or related costs before and after the implementation of energy efficiency improvement measures.

Key elements of EPC model reflected in Code of Conduct principles (3)

4. The EPC provider supports long-term use of energy management

- The EPC provider actively supports the Client in the implementation of an energy management system during the contract period and eventually after the contract period by agreement. This helps sustain the benefits from the project even after the contract period.