



Summary report on EPC facilitation Project Partner: Energap

Starting point & project objectives

EPC is already a proven financial mechanism to finance different sustainable energy projects to achieve better energy efficiency and, therefore, get energy and financial savings. Financial savings can be treated as a new financial source to finance projects. In some parts of the EU, like Germany and Austria, such a model is already accepted and used in the public and private sectors. However, in many countries like Slovenia, Croatia, Poland and Spain, the model is not widely used. This is due to some already known reasons but also due to reasons that remain unknown.

The goal of the Streetlight-EPC project was to implement EPC projects to clear all needed steps in the process and highlight potential difficult points that can stop project implementation. Based on the experience of the expert partner ESV and some best practices in Germany, it was known that even quite easy EPC projects, such as a street lighting refurbishment, are difficult to implement without at least some help from a facilitation service.

A main aim of the project was to support the establishment of EPC markets in the participating regions through a regional EPC facilitation services provided by the regional partners. The development of the EPC facilitation service was meant to be based on the new knowledge gained through an internal learning process, the use of the tools developed in the project and proactive solicitation and support of the two main target groups: municipalities/operators of street lighting and ESCOs/SMEs interested in becoming ESCOs. The initial idea was to find potential partners and initiate cooperation between them. During the implementation of the projects, it was found that matchmaking is insufficient since different regions have different levels of knowledge and experience in implementing EPC projects. Some countries also face barriers arising from their historical development or remaining from the socialist era.

In the establishment and the operation of the facilitation services, the project partners benefited from the work carried out in the EESI2020 project as well as some of the work carried out in Transparence (REGEA and ESCAN were partners in these projects and able to ensure an effective cooperation).

A key element of Streetlight-EPC was to ensure that the EPC facilitation service could be sustained beyond the project period. In order to do this, the regional project partners entered into a dialogue with respective national, regional and local bodies but also banks and other European programmes. The participating regional energy agencies perceived



the inclusion of the EPC facilitation service into the regular work programme of their agency as an interesting opportunity.

Main activities

Supporting at least 30 projects on day-to-day basis showed that increasing the market uptake of EPC is possible, but would be very difficult to achieve without regional facilitation services.

During the project implementation the facilitation services was provided by regional energy agencies (ESV, REGEA, ECCB, BAPE, CKEA, ESS, ENERGAP) or similar bodies (MACEF, ESCAN). Facilitation work was also performed by FEDARENE as an international organisation. FEDARENE focussed on information and promotion activities across the EU.

The EPC facilitation services were developed through an internal learning process, internal helpdesk, the development of tools and methods, supportive materials from other EU projects and best practices from across the EU. In August 2015, during the Streetlight-EPC project lifetime, Eurostat published information about the treatment of EPC in relation to public debt. Project partner FEDARENE organised a special meeting with Eurostat to clarify some points that were crucial for all partners. A good knowledge base and continuous learning process are essential for facilitation services. EPC processes depend on the current legal, financial and technical environments that each project is subject to at the time of development and implementation. Facilitation services should be arranged at regional or national levels since the service must be familiar with the legal and financial conditions set by the regional or national governments.

A core activity was the facilitation services supporting both supply and demand of EPC services. In some regions it included only public and private partners, but in some cases, as in Slovenia, Croatia and Spain, the dialogue with banks and other financial institutions was also needed. Within the work with financial institutions, their requirements were studied to understand the logic of financing. They look at the EPC projects as a long term investments, therefore the EPC project should clearly state the financial indicators or calculations linked to technical aspects. The facilitator should be aware of this to inform ESCOs or private partners to prepare such data.

The basic to all facilitation services are common information and promotion activities via websites, different events, supporting material to raise awareness and knowledge about EPC. The next step is the support. Partners developed different levels of support for target groups. There are three levels of support:

- **1st level:** match demand and supply side: a public partner willing to implement energy efficient projects and potentially one or more ESCOs providing the services. Especially for smaller projects, there is a threat that ESCO is not interested at first sight because the saving potentials are not easily visible. Also public partners are not always aware of all savings that a project can achieve. Facilitator can highlight the crucial points. In such cases, both partners are usually already familiar with EPC model.
- **2nd level:** basic procedural steps: if potential partners have already found each other they need information on how to proceed. It includes information about public procurement steps, model contracts or basic content of the contracts, potential financial sources for ESCOs, etc.
- **3rd level:** working hand in hand through the whole process of EPC project preparation and implementation: either the public partner or the ESCO (and for ESCO-to-be companies) does not know the EPC model or have very little information about it. They have limited knowledge about how long term agreements will work in future. This was often the case in initial EPC markets where there were not many implemented cases, for smaller municipalities with not enough knowledge or staff, for very new ESCOs or ESCOs to-be companies. They needed day to day information and help through all procedures of EPC (according to private public partnerships (PPP) legislation). Some ESCOs were not able to talk to the banks due to the lack of knowledge on both sides (for example some banks were not familiar that PPP procedures can take up to 8 months).

According to the different levels of support needed the facilitator sometime needs some external help of the experts. Each facilitation services should be aware which support they can offer. Otherwise some external costs, not only staff costs, can occur.

The facilitator has to have some communication skill. Depending on the country or on the municipality, in some cases the top down approach to initiate EPC is needed. Experience from the Streetlight-EPC project has shown that new EU countries are still working in a way that top down approach can be more efficient. In small municipalities (like in Slovenia) the mayor should be aware or understand EPC. Due to the legislation, they have to inform and get approval from the municipal council. In such a way, decisions about EPC become a part of the political decision. In countries like Austria, Sweden and Spain, EPC is seen as a part of the project solution, is discussed mainly at the operative level and is less dependent on political decision-makers. In such cases, a bottom up approach to initiate the EPC is needed, especially when utilities or external partners run the energy efficiency projects.

Lessons learnt

Key lessons learnt from the activities of the Streetlight-EPC project are that facilitation services:

- are a source of knowledge and key element in fostering EPC market development even in regions where EPC is already used (for involving the public sector, ESCOs, banks, etc.);
- can be very beneficial where market actors show little interest in EPC (i.e. by providing information, initiating first small projects, raising the interest of municipalities, discovering hidden opportunities, bundling projects, making links between customers, finding ways to increase the economic feasibility of projects);
- help prepare better documentation and ensure a smoother process through the use of different tools, contractual models, technical calculations, etc.;
- can help increase trust by offering answers when the public sector, ESCOs or banks have questions regarding roles, financing or technical calculations;
- can be the link between the local, regional and national levels (i.e. regulations, associations, examples);
- require a lot of specific knowledge and experience (on legal, technical and financial aspects).

Sustaining the facilitation service: business models

All regional partners plan on continuing to offer some form of EPC facilitation service after the Streetlight-EPC project period. Due to partners' different organisational structures, each will adapt their facilitation service to best fit into their structure and portfolio of activities. Nevertheless, core structural business models for sustaining the facilitation service should include:

1. The facilitation work:

The main business is working with customers to implement the projects: public sector, ESCOs and banks, using tools and mechanisms developed within the Streetlight-EPC project and other EU, national or regional projects (quick-checks, guidelines, model contracts etc.). It is important to build the network of all stakeholders to get information and initiate an exchange of experience, also regarding errors to learn from.

2. Continuous improvement of knowledge:

During the Streetlight-EPC project implementation, there were a lot of activities to raise the knowledge about legal, financial and technical aspects of EPC not only for street lighting but also for other EPC applications (indoor lighting, buildings, heating systems). It is crucial that facilitation services have very deep and updated knowledge. Therefore, all partners will work to be up-to-date with new knowledge, implemented projects, experience from

other regions or countries. Partners will stay in contact in the future and they will be able to share some information. They will make contacts with different EU projects and initiatives in the field of energy efficiency and EPC.

3. *Communication and information activities:*

They are very important for two reasons: the customers should know that facilitation services exist and that they can get a help if needed. The second point is that information and experience from other implemented projects should be promoted because many customers are looking for them and see them as proof that EPC works. All partners will have the information about the facilitation on their web pages and social media. Some will even have a special web page dedicated to EPC. They will organise different events to teach about EPC and promote it.

4. *Financing the service:*

Different models will be used to finance the facilitation services. Public agency will be mainly financed through public budgets. Some of them will get some finances out of the EPC agreement as they will serve as an intermediate body between ESCO and public sector (checking the savings, monitoring the technical fulfilment of the obligations), some of them will be paid by the customers. Finances needed within the facilitation service include mainly staff and administrative costs and external cost for some communication and information activities. Sometimes extra cost for external expertise can occur (legal, technical or financial advice or help).

Key recommendations

Recommendations for potential facilitators

The facilitation service is an important service with a lot of knowledge and should be trust worthy and recognised as so. The following points should be taken into account to become a good facilitator:

- prepare a good business model based on the status of the EPC market in the region,
- build a network of different target groups to share the experience,
- upgrade the knowledge and experience, start with one real project to be involved in all steps and get the view of all involved partners,
- promote the EPC and best practices from your region and wider,
- promote the facilitation service as an added value to speed up the implementation of EPC
- organise information and educational activities for different target groups as a permanent task,
- be a link between customers, ESCOs and financial bodies from the start and within the implementation of the project if needed,

- it is not easy to become and sustain the facilitation service but is an added value to the company and personal knowledge and experience that can be used also in other project implementation.

Recommendations for the municipalities

Energy efficiency and other sustainable energy projects are not only the obligation to fulfil the EU, national and regional strategies but also bring money savings and better working and living conditions. There were already some difficulties in achieving the 2020 targets but it will be even more difficult to have savings in the next 10 and 15 years. Energy efficiency projects include deep technical and financial knowledge to be implemented and to achieve a long-term maximal savings. Sometimes it goes beyond the capabilities of the municipal administration. EPC and ESCOs are in the first line very good technical service to public sector. They work to maximise the savings in the most optimal way, it includes usually the best available technologies. Some open questions and barriers exist and should be overcome to be successful. But with the help of the facilitator it is easier to explain and understand. EPC are long-term projects that can change during the years but good agreement can deal with it. Some experiences show that EPC projects can save the financial sources to be used for other important projects where EPC is not possible to perform. According to the experience gained in the Streetlight-EPC project, it is recommendable for municipalities to start with the EPC projects and:

- find information and get knowledge about EPC,
- ask other public partners and find best practices about it,
- find the facilitator in their region,
- when developing energy efficient projects inside the municipality, discuss about the possibilities and advantages of EPC, search for ESCOs on the market, adopt some internal procedures or roles to check EPC potentials,
- use different easy-to-use tools such as quick-checks to find the potential for EPC faster and easier,
- some countries (like in Slovenia) have a lot of official (prepared by the Ministries) supportive materials for EPC procedures like EPC Guidelines for public sector where all relevant information regarding legal and budgetary aspect are described,
- start with smaller and manageable projects or bundle smaller projects together,
- there are financial sources at regional, national or EU level to support EPC (regional programme in Upper Austria, Structural funds in Poland and Slovenia, ELENA and other EU initiatives,..),
- join some EU project or EU organisation or initiative (like FEDARENE, Covenant of Mayors, EnergieCity,..) to get the knowledge and learn from others' experience.

Recommendations for potential ESCOs

In some countries, ESCOs are well developed and organised and are able to perform good EPC projects. Due to the nature of their business, they do not have always enough knowledge, time or capacity to support effectively the public partner. On the other hand, public partners do not always trust the ESCO. In such cases, the facilitator can help a lot. However, on the ground, many EPC potential projects exist. Bigger and more experienced ESCOs usually search for bigger projects and smaller one are left out. According to the experience of Streetlight-EPC, there is still a lot of potential for new ESCOs. It is not easy to become an ESCO. To be a successful ESCO, the following points should be taken into account:

- ESCOs have to understand how EPC works,
- ESCOs have to be knowledgeable in the technologies, planning, building and running them at optimal cost. It means all aspect of performances: efficiency, guaranties, lifetimes, operating and maintaining costs, environmental impacts,
- to be a good financial manager and able to deal with banks and other financial institutions,
- to have basic knowledge about PPP procedures when working with the public sector and basic knowledge about contractual issues,
- to promote their services and get good references, build trust among their customers,
- to cooperate with other ESCOs or similar companies or associations to share knowledge and experience.

Recommendations for regional/national and EU level

EPC facilitation services are needed for the implementation of sustainable energy projects and should be:

1. long term and continuous, even if the market is already mature. Some experiences show that in more developed EPC markets, some smaller projects can be missed or left out. It is maybe not a big problem at the moment, but it will become more evident in next years when everyone will have to find all saving potentials to save another 20 % of the energy
2. established at the regional or national level but have also some EU level contact point. At regional and national levels, all specific circumstances are known and more understandable, many customers also have a bigger trust or have less language barriers to get a good information. But all these points should have some central EU level points with the latest information about EPC developments, strategies or roles, tools, projects etc. It could serve as a long term internal helpdesk.
3. promoted continuously at all levels, especially strongly from EU level.

4. partly co-financed in different forms to initiate EPC projects or linked with some financing possibilities (from EU level or Structural funds, through projects, similar to ELENA but also for smaller projects, partly obligatory when using Structural funds as in Slovenia).

In conclusion, we can say that EPC market is growing. In some regions, this is taking place faster than in others and in some regions, the EPC market is still in a very early stage of development. Nevertheless, all market need some help to implement successful projects. Implemented projects, use as showcase examples, are the best promotion for EPC. With facilitation services and good support from all administrative and political levels, EPC can become not only a good solution for energy efficiency projects in the public and private sectors, but can also achieve maximal, optimal and long term energy and financial savings.