



**INTELLIGENT
ENERGY**

E U R O P E

FOR A SUSTAINABLE FUTURE



Boosting the Energy Services Market in Europe

**Conclusions - IEE workshop
Brussels, 23 February 2011**

*Experiences &
recommendations
from IEE
projects*



Table of Contents

1. Summary	3
2. The Intelligent Energy Europe Programme and its focus on energy services	5
3. Increasing trust and transparency in the ESCO market.....	6
Certification and quality labels	6
Information, qualification and capacity building	7
4. Experiences with existing tools, guidance, harmonised procedures and model contracts...	7
Model contracts	7
Missing actors and tools.....	9
5. Access to financial resources and energy services for small consumers	9
6. Public sector: overcoming the legal barriers	11
7. Energy services market and national energy saving obligation schemes.....	13
8. Establishing synergies between IEE projects in the field of energy services	14

1. Summary

Since 2004, 17 projects supported under the **Intelligent Energy Europe** (IEE) Programme have been active in supporting the development of the energy services¹ market in Europe.

In order to establish synergies between the on-going projects and feed back information to the European Commission on the main project's findings and latest market developments, a specific workshop was organised by the EACI on Wednesday 23 February 2011.

Overall, the following ideas have emerged from the discussions:

- ▶ In order to boost the less developed markets and increase trust, **labels and certificates** for the services provided could be developed at a national or regional level.
- ▶ **Government framework** could increase transparency and credibility of the market. This could be done by providing for instance lists or registers of energy services offered, performing random quality checks and putting forward financial support.
- ▶ The involvement of independent 3rd party organisations acting as **market facilitators** and as **project facilitators** between potential customers and suppliers is key for boosting the market. These actors are lacking in most Member States and would deserve better support and financing.
- ▶ There is a need to further develop **model contracts** and to create national or regional "**public knowledge centres**" in order to ease access to information.
- ▶ There is a need for establishing a **clear EU common framework** based on unambiguous definitions and minimum standards for energy services.
- ▶ A wide range of instruments can be implemented by the Member States in order to **ease the access to financing for ESCOs** (e.g. guarantee funds, low interests loans using revolving funds). Such instruments could also be supported by an EU wide scheme.
- ▶ There is a need to **develop new business models customised for households and small and medium enterprises**. Member States and the EU have a role to play in **encouraging innovation and creativity** especially among small and medium energy services companies as they are in a good position to deal with such a scattered demand.
- ▶ In order to boost the energy services market in the **public sector**, Member States should:
 - Lead the way and accelerate their market growth by establishing ambitious energy reduction **targets** in the public sector;
 - Adapt their **budgeting and accounting rules** to stimulate investments in energy saving measures;
 - Incorporate **least life-cycle cost** and **energy efficiency criteria** into their decision making process and remove any legal uncertainty and confusion in **public tendering procedures** with regard to energy services and energy

performance contracting. The EU should also put more emphasis on those public procurement barriers.

- ▶ Member States should adapt their legislation and set up schemes for the **recovery of energy savings from tenants** to boost the energy services market in the public and private **residential sector**.
- ▶ Despite their positive impact on the implementation of energy saving measures, based on the current experiences, White Certificate Schemes cannot be considered to be a "silver bullet" for the development of the energy services market.

The participants considered this workshop as a great opportunity for facilitating cooperation and sharing experiences. They appreciated the feedback provided by the EACI based on their overall perspective on on-going and past projects.

Although projects are dealing with similar problems, there has been in general much convergence in the recommendations made. Thanks to the quality of the discussions and to the experiences and know-how of the participants, this workshop has elicited useful information and recommendations.

The following experts participated in this workshop:

- Edel Giltenane, Codema
- Jan W. Bleyl, Grazer Energieagentur, IEA DSM Task XVI "Competitive Energy Services" Operating Agent
- Christophe Milin, ICE - International Conseil Energie
- Françoise Refabert, Vesta conseil finance
- Michael ten Donkelaar, ENVIROS
- Prof. Dr. Wolfgang Irrek, Ruhr West University of Applied Sciences
- Maike Bunse, Wuppertal Institute for Climate, Environment, Energy
- Maurizio Malè, CRACA
- Susanne Berger, Berliner Energieagentur GmbH
- Johan Coolen, Factor4

2. The Intelligent Energy Europe Programme and its focus on energy services

The development of the **energy services¹ market** in Europe is seriously hindered by a certain number of **barriers** such as the lack of awareness, the lack of trust towards the supply side, the lack of harmonized procedures, the difficulty to access financing or the inadequacy of some public procurement and budgeting rules.

Since 2004, the **Intelligent Energy Europe (IEE)** Programme has been active in addressing those specific barriers and in supporting the development of a flourishing energy services market in Europe. In total, **17 projects** have been funded in this field, involving more than **175 partners** from **25 Member States** such as ESCOs, energy agencies, public authorities, universities or business associations. Through their activities, they succeeded in moving the market forward by transferring best practices, by developing model contracts, procurement guidelines and measurement protocols, by raising awareness and confidence, by supporting the development of new business models and pilot projects, by analysing the market barriers and opportunities and by providing direct training and capacity building. Most market actors have been able to gain benefits from these various projects whether they supply, purchase or finance energy services.

In general, the IEE projects funded in this field have been promoting a certain type of energy service called **Energy Performance Contracting (EPC)** where the investments in energy efficiency are paid for in relation to a contractually agreed level of energy efficiency improvement. Projects such as Eurocontract have for instance contributed to the market development of EPC by elaborating documents and guides, looking at innovative financing, quality standards, or the link between White Certificates and EPC. Other projects were also focused on developing **energy services to foster specific energy efficient solutions**. The projects Esoli, E-street and Butk have for instance helped municipalities switch to energy efficient lighting technologies in the frame of innovative energy services contract. Finally, although most of the IEE projects in that field have been targeting the **public sector**, others have been dedicated to the needs of the **small and medium enterprises** such as EFFI and Prometheus and some others have been fostering the use of energy services in the **residential sector** such as Bio-Sol-Esco, ECOLISH or FRESH.

In order to establish synergies between these projects and feed back information to the European Commission on the main project's findings and latest market developments, a specific workshop was organised by the EACI on Wednesday 23 February 2011. This specific workshop gathered contractors from the six following ongoing projects: Prometheus (IEE/08/718), FRESH (IEE/08/668), Permanent (IEE/08/657), EESI (IEE/08/581), ChangeBest (IEE/08/434) and Minus 3% (IEE/07/526). This document presents the main conclusions of this workshop.

¹ According to the Directive (2006/32/EC) energy services are the physical benefit, utility or good derived from a combination of energy with energy efficient technology and/or with action, which may include the operations, maintenance and control necessary to deliver the service, which is delivered on the basis of a contract and in normal circumstances has proven to lead to verifiable and measurable or estimable energy efficiency improvement and/or primary energy savings

3. Increasing trust and transparency in the ESCO market

The first discussion with the project's experts and coordinators was focused on how to increase trust and transparency in the European energy services market. This discussion is closely related to article 8 of the ESD directive (2006/32/EC) which stipulates that Member States shall ensure where they deem it necessary the availability of appropriate qualification, accreditation and/or certification schemes for providers of energy services.

Certification and quality labels

In order to acquire broad customer confidence, energy services and their suppliers need to demonstrate a constant good quality. Generally, this can be achieved via the certification of providers of energy services or via the establishment of quality standards for the services provided².

A label or a certificate is a sign which distinguishes certain products or services of one company from similar products or services of other companies. In general, labels influence clients to pay attention to products with certain features and shall ease the selection process for the client. Although labels are frequently used for products, there are only a few labels that certify services³.

However, some successful certification procedures already exist in some countries like in Austria where the **Thermoprofit® scheme** acts as a quality label linked to a series of standards to be met by the ESCOs and their projects. The idea behind Thermoprofit® is to create a brand in order to boost energy services via the creation of a network of competent suppliers, the development of quality standards for the energy services provided, the support from the Graz Energy Agency and some marketing activities. The certification process requires in this case around 40 hours of work for the ESCO, it costs from 1000 to 8000€ depending on the ESCO activities and the evaluation process is done within 2 months. Certification procedures also exist in the US (e.g. NAESCO certification) and some other Member States have established standards that set out specific ESCO requirements for their market (e.g. UNI CEI 11352 standard in Italy).

According to most of the participants, the certification of ESCOs is quite desirable from the point of view of clients. It can build confidence, it can ease the procurement process and even for ESCOs, it can be a great marketing tool.

However, ESCOs are not always keen on certification especially in the well developed market like in Germany. In those markets, companies are indeed concerned about being forced into one scheme as such a system would eventually reduce their market freedom and potential capacity to innovate. In Czech Republic, ESCOs would for instance be more interested in a better definition of EPC. This view was in general shared by many of the participants who observed that the term EPC is often misused. This is why, they generally consider **more important to certify the services rather than the suppliers themselves**.

The cost and complexity of certification is also an issue to consider as some market actors may not be prepared to pay for such a scheme. Certification procedures can also be a barrier if they are too complex and too demanding, especially for small companies.

² Eurocontract, WP4, http://www.iee-library.eu/images/all_ieelibrary_docs/eurocontract_esco_certification_en.pdf

³ Eurocontract – Quality assuring instruments for energy services - http://www.european-energy-service-initiative.net/fileadmin/user_upload/bea/Documents/Contractual_Issues/Quality_Assuring_Instruments_Manual.pdf

In general, the participant insisted on the fact that any certification schemes should be backed by **independent organizations** (e.g. public organisation, chamber of commerce) and that consumers' feedback should be taken into consideration.

While discussing the potential role of the EU in such certification schemes, the participants stressed the difficulty of harmonising the currently very diverse markets without risking to only agree on the "lowest common denominator". The overall impression from the discussion is that labels and certificates should rather be **developed, as a first step, on a national or regional level.**

In addition, they believe that **national governments could take other measures** to increase the transparency and visibility of the market such as providing for instance **lists** or registers of energy services offered, performing random quality checks and putting forward financial support.

Information, qualification and capacity building

According to the Eurocontract project focused on EPC, energy services providers often have problems with their external communications as it is difficult to translate a complex, individual service package into simple advertising language³. This communication barrier was frequently highlighted during the discussion as it tends to decrease trust in energy services and especially in the EPC market. One way of overcoming this barrier is to involve 3rd party organisations acting as **market facilitators**. A federation of ESCOs and energy agencies are well placed for playing this role. In Germany for instance, the Berlin Energy Agency has successfully established an Energy Saving Partnership with the state of Berlin in order to help them develop more than 25 EPC contracts to improve the energy efficiency of 1,400 buildings. In Italy, the environmental associations are also acting as facilitators.

In addition to this general lack of information, there is also a deficit in technical and economic know-how from potential clients which can deter them from signing energy performance contracts. In order to increase this level of knowledge, the participants stressed the importance of providing **training with concrete case studies**. These training programmes can typically be provided by the 3rd party organisations acting as facilitators. Field-level **pilot projects** are also considered important as they stimulate the market by increasing awareness and trust in ESCOs among other potential clients. For instance, the FRESH project proposes to open the way and demonstrate that energy performance contracts (EPC) can be used in social housing for low energy refurbishment on a large scale basis. Demonstration projects are also considered key to identify the constraining and facilitating factors in need of scaling-up.

4. Experiences with existing tools, guidance, harmonised procedures and model contracts

This second discussion was about reviewing the existing tools, guidance, procedures and model contracts that are available to support the supply and the offer side.

Model contracts

In general, the participants emphasized the **need for model contracts and models for procurement** in order to better align the processes for project development and project procurement at a national and regional level. Model contracts can also act as quality assurance

instruments since reliable and tested procedures can prevent ESCOs from making individual errors and can bring security to their customers.

Several model contracts for EPC services **have already been developed** and promoted across Europe. The EESI project aims for instance to make a strong contribution to the further establishment of standardised EPC models based on the resources developed in earlier European projects such as Eurocontract. According to this later project, a standardized EPC contract should for instance include the energy saving guarantee, the definition of the comfort standards, the structure and the quality of products and services that will be provided, requirement for regular reporting as well as a clear reference to a Measurement & Verification (M&V) plan. Usually, existing model contracts are not followed literally but more used as a sound contractual framework for developing customised contracts (e.g. in Czech Republic).

However, the participants also stressed the fact that although some model contracts do exist, they are **not always readily accessible, not available in all countries and often not adapted to the rapidly changing EPC-market and ESCOs' needs**.

There is therefore a need to further develop model contracts and to create "**public knowledge centres**" where stakeholders would be able to access such information. This recommendation is closely related to the article 9 of the ESD directive which already stipulates that Member States shall make model contracts available for existing and potential purchasers of energy services. The participants also highlighted the need to establish different contracts for different business models and for different clients (e.g. public, private sector). Model contracts should also be kept simple and flexible enough to respond to the real market needs (e.g. needs for more comfort, security, automation, facility management).

Considering the great differences among the national and regional markets in the EU, the participants generally considered it unrealistic to have one single pan-European standard model process. However, they expressed the **need for establishing an EU common framework based on clear definitions and minimum standards for energy services**.

Although the ESD directive and the recent standards EN 15900:2010 on Energy Efficiency Services provide some definitions and requirements, the participants considered them as perfectible and not sufficient.

According to the IEA DSM Task XVI on "Competitive Energy Services", most existing "Energy contracting" definitions fall short with regard to important real project features such as outsourcing of risks to the ESCOs, guarantees for outcome and "all inclusive" costs of the measures implemented, modularity of the service package or optimisation according to project cycle cost. These features constitute important quality attributes of real ESCO products as opposed to simple energy services and in general, the two basic business models (Energy supply contracting & Energy performance contracting) are not distinguished well enough.⁴

At the national level, some guidance and standards exist but only in few countries. In Germany for instance, the German norm DIN 8930-5 "Contracting" (2003) defines several alternative contracting schemes, the basic terms, service components, pricing for services, application areas and the legal background. However, the quality and suitability of those national standards are often controversial.

⁴ What is Energy Contracting? IEA DSM Task XVI in cooperation with EESI – discussion paper- 2011, Jan W. Bleyl, Androschin, Reinhard Ungerböck, Grazer Energieagentur GmbH, January 2011

Missing actors and tools

When discussing about the missing supporting tools and actors, most participants highlighted the **lack of independent project facilitators** as being a major barrier for the market development. The role of independent project facilitators as mediators between ESCOs and their clients has indeed proved to be of great value and the participants generally admitted that **more active players are required and that they deserve better support and financing**⁵. The FRESH project even suggested the creation of third party financing operators (TPFO) that could assess the feasibility of an EPC, structure the financing, bear the risk of the contract and outsource the operational components to relevant market actors: construction companies, operators. TPFO could be endowed with the legal, financial and technical resources necessary to the implementation of the EPCs. This new entity could reduce transaction costs and facilitate the access for SME to EPC subcontracting.⁶

Regarding tools, the participants highlighted the need to set up databases for making all existing tools readily available in specific public knowledge centres as it was initiated in the Eurocontract project. In the field of measurement and verification, they acknowledged the IPMVP⁷ protocol has being a good standard approach for measuring savings and for creating transparency. However, some of them also stressed the fact that this protocol is often too complex and not well understood by non-expert stakeholders. This is why, for instance, the Permanent project aims to adapt the IPMVP protocol to the national context of five new Member States and to educate energy end users, financiers as well as energy services suppliers. The IPMVP protocol is also generally considered difficult to use in the residential sector.

On another topic, some of the participants also advocated the need for tools to cluster small enterprises in order to help them access the energy services market.

5. Access to financial resources and energy services for small consumers

The first part of this discussion was focussed on the measures and instruments that could provide a better access to financial resources for energy services companies.

According to the participants' experiences, the ease of **access to financial resources varies** a lot among Member States. Whereas in Germany and Austria ESCOs secure financing relatively easily, in many other country it is a problem. One of the difficulties comes from the fact that energy savings are generally not considered as a secure source of income by the banking and financial sector. **Banks often require traditional guarantees** to cover all the debt⁶ but there is often little or no collateral value attached to energy efficiency (EE) equipments. In general, banks tend to ignore the value that lies in the certainty of future cash flow generated by project installation and transparent documentation of actual savings⁸. In fact, banks usually perceive ESCOs investments as any other investment and they expect thereof high profitability and solid guarantees. According to the participants, the factors determining the ESCO's ability to secure financing are the following: the ESCO **reputation**,

⁵ J Bleyl – ESCo Market Development- Lessons to be learned from Germany/ Europe, 8th JRC Energy Efficiency WS, Sept 2010

⁶ Energy retrofitting of social housing through EPC's: A feedback from the FRESH project, Christophe Milin, Adrien Bullier, January 2011

⁷ IPMVP: International Performance Measurement and Verification Protocol

⁸ Permanent project – Summary of country reports - <http://files.permanent-project.eu/200000623-d2d8fd3d2e/COUNTRY%20REPORTS%20SUMMARY.pdf>

its **size**, the **profitability** of the project and the stage of development of the **market**. Considering these factors, full refurbishments projects with long pay-back periods can be difficult to finance. The situation became even worse after the financial crisis when banks turned out to be more risk-averse.

However, some of the participants tended to consider financing as not necessarily being the core business of ESCOs. According to them, ESCOs should focus on their technical, economic and organizational competences and serve as finance vehicle not necessarily as financiers. In addition, some participants highlighted the need to **change the usual market belief** that costs of investment should always be exclusively paid back from the energy savings. For instance, energy savings can hardly be the only source of financing when buildings are being comprehensively refurbished.

In order to promote the access of ESCOs to financing, the participants proposed a wide range of instruments. According to the FRESH project, there is a need to **mobilise low-cost financing** that could be based on subsidised loans such as those granted by KfW, Caisse des Dépôts et Consignations, EIB or EBRD, or based on investment funds with reduced yield but higher environmental benefit or emission of bonds. Based on the Czech experience, ESCOs could also first get a **loan from a semi public risk capital joint venture** and transfer the debt to the client or the bank once the sustainability of the cash flow has been successfully demonstrated. **Guarantee programmes** could also be settled to expand access to debt and reduce the problem of collateral. According to the ChangeBest project, **revolving funds** could be used to finance projects carried out by ESCO through third party financing⁹. A good example of the latter is the revolving fund Salix in the UK which delivers interest free funding to accelerate investment in energy efficiency technologies across the UK public sector. Other innovative financing options were also discussed such as **forfeiting** which allows ESCOs to benefit from lower interest rate in case the client's creditworthiness is more attractive for the financial institution or in case the project cash flow serve as main collateral.

Regarding the role of the EU, most of the participants stressed the fact that the EU could help the Member States set up the above mentioned instruments. Guarantee or revolving funds could for instance originate from **an EU wide fund** involving the local financial institutions in contact with the market stakeholders. In addition, the EU could further promote the use of **structural funds** for the financing of EE measures, especially for large buildings refurbishments where investments are hardly recovered by the savings on the energy bill.

During the discussion, some participants also acknowledged the importance of setting up subsidies in order to **financially support part of the technical assistance work** that is in general needed to prepare, implement and finance energy service contracts (e.g. technical audits, role of market facilitators). Some participants explained their interest in the existing ELENA facility as well as their belief in similar facilities for smaller projects (e.g. the new IEE funding priority on Mobilising Local Energy Investment).

The second part of the discussion was more focused on how small consumers (e.g. households, small and medium enterprises) could also benefit from the energy services market.

According to the participants, the market for energy services in the **residential sector** is still in its initial phase although **savings are estimated to be very important** in this sector (potential EU market of nearly 1.5 billion € per year according to the ChangeBest project).

⁹ ChangeBest, Task 5.1 Preliminary conclusions and recommendations, February 2011, task leader: Seven

The most important barriers in this sector are the **large transaction costs** when compared to the potential savings of a single project as well as the savings partition between tenants and landlords (**split incentives**).

One way of reducing the transaction costs is to promote **project bundling** where individual projects are aggregated into larger projects that better suit ESCOs' current business models. Grouping projects together allows also a better mitigation of risks on a portfolio basis. According to the participants, experiments to aggregate demand have been tested in the past, albeit not very successfully. Although federating a group of interested potential customers is in general possible, it is much more challenging to reach a joint agreement for actually implementing an action. The difficulty in the residential sector also lies in the fact that householders are generally only prepared to refurbish their dwellings at specific time of their lives considering the disturbances that refurbishment works can cause.

The lack of stability in the residential sector is also a major obstacle for companies willing to propose long-term contracts. One way of overcoming this barrier is to **link the energy service contract to the building/property** rather than to the client. For instance, in the "Pays As You Save (PAYS)" model tested in the UK, the obligation to repay the up-front costs is linked to the property and collected by the local authority through e.g. the Council Tax system. Such systems are promising but there is a lack of pilot sites available at the EU level.

In general, the participants stressed the **urgent need to develop new business models** customised for these specific market segments (e.g. households, SMEs). The traditional EPC model needs to be simplified in order to make it accessible for a wider audience. One solution could be to replace the exact measurement and verification of the savings achieved by quality assurance and simplified verification procedures (Integrated Energy Contracting)¹⁰. It was also mentioned that Energy Performance Certificates for buildings could play a better role in the energy services market (e.g. an energy services company could for instance guarantee a "B" label after the refurbishment of a house). In order to foster the development of this market segment, the EU has a role to play in **encouraging innovation and creativity** especially among small and medium energy services companies as they are in a good position to deal with such a scattered demand.

6. Public sector: overcoming the legal barriers

Although the public sector is one of the most important sectors for energy services, some important legal barriers related, for example, to procurement and budgeting rules, are hampering the implementation of new projects. In this fourth discussion, the participants discussed about their thoughts on how to overcome these barriers.

According to the participants, a major barrier is the **absence of consistent tendering processes** despite the existence of a European legislative framework on public procurement as well as the lack of consistency in the **accounting rules**. In Germany for instance, there are different practices for tendering and for recording energy performance contracting in the books. This is why in some federal states, the development of EPC is hindered by strict credit limits for municipalities although this is not a problem in other parts of the country. The diversity of procedures at the EU level reduces as well the potential for exchanging best practices and know-how among Member States. In addition, the **complexity of these**

¹⁰ Integrated Energy Contracting (IEC) A new ESCo Model to Combine Energy Efficiency and (Renewable) Supply in large Buildings and Industry – Discussion paper - IEA DSM Task XVI "competitive Energy services" – Jan W.Bleyl-Androschin, Grazer Energieagentur GmbH, October 2009

procedures is an additional hassle for public authorities and ESCOs as they require a lot of efforts and expertise to be brought to fruition. In order to avoid the complex procedures for contracting with external companies/ESCOs, the development of Public Internal performance Contracting (PICO) was mentioned by some participants as an interesting alternative to standard EPC for public authorities. In this case, one unit of a public authority, e.g. the technical department of a municipality, delivers the financial and technical energy efficiency service to another unit of the same public administration, and the remuneration takes place through cross payments of budgets, according to the saved energy costs, between these two organisational units.¹¹

Public procurement rules are also **not always adapted to long-term energy services contracts**. In Italy for instance (FRESH project), the law limits the duration of EPC to 12 years with a possible extension to 15 years excluding thus energy efficiency measures with a long pay-back time. According to the Bio-Sol-Esco project, unstable and not well defined regulatory frameworks as well as unfavourable procurement procedures are also contributing to slowing the initialisation of market growth in the Baltic countries. In Poland, public procurement procedures hamper also the selection of best bids and are not suitable for long-term contracts¹².

The rules for **financial management and budgeting** are also hindering the development of the market in some Member States. This happens when traditional budgeting rules prevent public authorities from spending their saved energy costs for other expenses. Although it is difficult to change those internal budgeting rules, some countries have implemented innovative mechanisms such as in Hungary where local governments that have a contract with an ESCO can 'freeze' the energy costs in their budget.

In the field of social housing, the major barrier is the problem of **split incentives**. In France for instance, rents for social housing are capped and cannot be raised after retrofitting. Only a part of the energy savings can be recouped from tenants as the new "Loi Molle" allows the social housing operators to charge a flat amount representing 50% of energy savings for a maximum period of 15 years. In general, the recovery of energy savings from tenants is a major issue in the building sector. Except for a few countries (e.g. Sweden), regulations prohibit any attempt to do so and the exceptions introduced in the French and Italian regulations still present important weaknesses. According to the FRESH project, recovering energy savings from tenants is an issue to be tackled even if it raises many political questions, especially in the social housing sector⁶. Another important obstacle to the refurbishment of condominiums is the need to obtain agreement of all owners prior to investment decisions. This is for instance a major issue in Bulgaria.

According to the participants, another type of barrier is present in the **tax system**. For instance, if social housing operators in France want to implement an EPC with an ESCO financing, they would need to implement a public private partnership procedure which would entail an additional cost of up to 39%: VAT would indeed rise from 5.5% to 19.6% and the social housing company would not be able to deduct 25% of the investment costs from their local taxes as they are normally entitled to do. Another problem also arises with the obligation of paying the VAT related to the up-front investments in one go at the beginning of the project.

¹¹ PICOLight SAVE project, 2003-2005

¹² Biosolesco – synthesis report on ESCo definitions, approaches, drivers, success factors and hurdles – January 2010 <http://www.biosolesco.org/download/Bio-Sol-ESCO%20D2.2.%20Synthesis%20report.pdf>

Based on these discussions and on the recommendations from the ChangeBest project, the participants advised the **European Commission to be clearer and put more emphasis on those specific barriers in the public sector**. Member States should be urged to:

- lead the way by establishing ambitious energy reduction **targets** in their public sector;
- adapt their **budgeting and accounting rules** to stimulate investments in energy saving measures;
- incorporate **least life-cycle cost** and **energy efficiency criteria** into their decision making process and remove any legal uncertainty and confusion in **public tendering procedures** with regard to energy services and energy performance contracting.

In addition Member States should adapt their legislation and set up schemes for the **recovery of energy savings from tenants in both the public and private residential sector**.

7. Energy services market and national energy saving obligation schemes

Some Member States such as France, UK or Italy have implemented an energy saving obligation scheme. These schemes are generally based on mandated energy saving obligations for e.g. energy companies with the flexibility to trade these obligations. This discussion was about the effectiveness of such schemes to boost the energy services market.

According to the participants' experiences, national energy saving obligation schemes could well act as a good stimulus for the energy services market but so far, the existing schemes have not yet provided a clear demonstration of that.

According to the Eurocontract and the ChangeBest project, White Certificate schemes can be of advantage to ESCOs as an additional source of revenue if they have the right to claim the certificates produced within their projects (such as in Italy for instance, as opposed to France). However, in most cases, the existing schemes exclude an important share of energy services suppliers.

For promoting EPC within White Certificate schemes, the Eurocontract project recommends to:¹³

- Award extra certificates to standard eligible measures implemented in the frame of EPC contracts. The bonus calculation could take particular account of the level of guarantee and the duration of the contract.
- Award certificates to EPC projects including non-standard measures based on the level of additional guaranteed energy savings.

The participants also stressed the fact that the current White Certificates schemes often lead to "cherry picking" i.e. prioritising measures with the higher returns on investments, and therefore limiting the full degree of possible energy savings.

¹³ Eurocontract – White Certificates for EPC http://www.european-energy-service-initiative.net/fileadmin/user_upload/bea/Documents/Contractual_Issues/white_certificates_epc_manual.pdf

Although White Certificate Schemes were not considered by the participants as a "silver bullet" for the development of the energy services market, many of them acknowledged their positive effect as well as their capacity to boost the implementation of energy saving measures. However, experiences from other countries have shown that other type of schemes can also be effective in triggering energy savings (e.g. energy fund, tax reduction).

8. Establishing synergies between IEE projects in the field of energy services

Finally, the last discussion was about the possible synergies and cooperation between ongoing IEE projects in the field of energy services.

There is in general much scope for cooperation between the following ongoing IEE projects in that field:

Project	Full name
BIO-SOL-ESCO	Expanding biomass and solar heating in public and private buildings via the energy services approach
Minus 3%	Shining Examples for the Implementation of the Energy End-use Efficiency & Energy Services Directive
PERMANENT	Performance Risk Management for Energy efficiency projects through Training: enhancing the credibility
PROMETHEUS	PRoviding users with Organised and Monitored Energy services by Transparent and High-value EU Smes
FRESH	Social Housing comprehEnsive Refurbishment through energy Performance contrActing
EESI	European Energy Service Initiative
ChangeBest	Promoting the development of an energy efficiency service (EES) market
ESOLI	Energy Saving Outdoor Lighting
SMARTREGIONS	Promoting best practices of innovative smart metering services to European regions

The map hereunder shows for instance the possible geographic synergies between projects. In countries where there are more than 5 ongoing projects as in Bulgaria or Austria, the potential for collaboration between the projects' national teams is obvious.

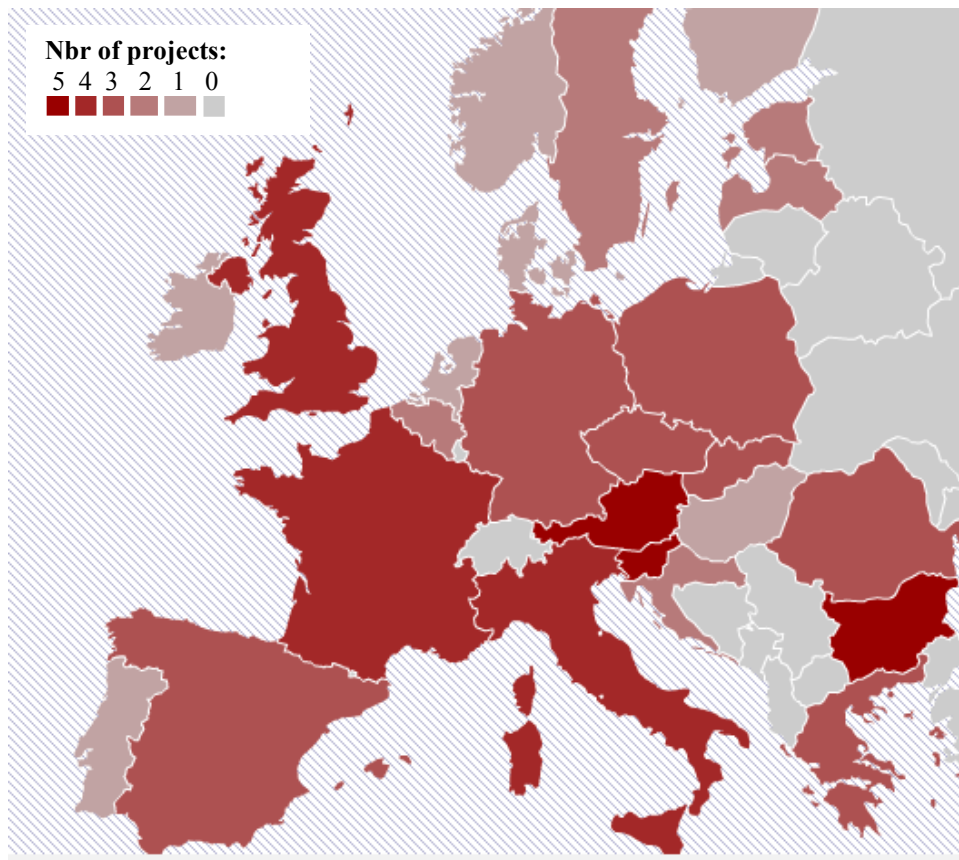


Figure 1: Geographical coverage of ongoing IEE projects in the field of energy services

During the workshop, the participants worked together in order to define future cooperation, especially for their communication and dissemination activities. Possible synergies have been identified with regard to their newsletters, national as well as European meetings.

EDITORIAL INFORMATION

This report has been prepared by the Executive Agency for Competitiveness and Innovation of the European Commission (EACI). It presents the findings of a workshop held within the framework of the Intelligent Energy Europe programme (IEE) with participants from some of its projects.



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For more information on the Intelligent Energy Europe projects whose teams were invited to participate to this workshop, you can visit the projects' websites:

Minus 3% - Shining public sector examples for the implementation of the Energy End-use Efficiency & Energy Services Directive (www.minus3.org)

PROMETHEUS- Providing users with organised and monitored energy services by Transparent and High-value EU SMEs (www.prometheus-iee.eu)

FRESH- Building sector Social Housing comprehensive refurbishment through energy performance contracting (www.fresh-project.eu)

EESI- Public sector European Energy Service Initiative (www.european-energy-service-initiative.net)

ChangeBest- Promoting the development of an energy efficiency service (EES) market (www.changebest.eu)

PERMANENT- Performance risk management for energy efficiency projects through Training (www.permanent-project.eu)

More details on the **IEE programme** are available on www.ec.europa.eu/intelligentenergy

More information on the projects funded by the program can be found in the on-line project database (www.ec.europa.eu/energy/intelligent/projects).

Useful tools and guidebooks resulting from IEE and other projects can be also downloaded from the Intelligent Energy e-library (<http://www.iee-library.eu>)

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