

CA Joint Workshop Building public body competence for Energy Performance Contracting

Polish model of comprehensive support for public entities in the process of preparing, concluding and monitoring EPC contracts

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Krajowa Agencja
Poszanowania Energii S.A.



CONCERTED ACTION
ENERGY EFFICIENCY
DIRECTIVE

Agenda

1. Elements of the support system for public entities in EPC/ESCO projects
2. EPC Facilitator - consulting model designed to support public entities
3. Facilitator role in the public EPC process from idea to completion of the contract with the ESCO

Abbreviations used

Facilitator EPC – consulting co. dedicated to public EPC

MKiŚ – Ministry of Climate and Environment

MFiPR – Ministry of Funds and Regional Policy

NFOŚiGW – National Fund for Environmental Protection and Water Management

ESCO – Energy Saving Company



Stakeholders and elements of the support system for public entities in EPC/ESCO projects in Polish conditions

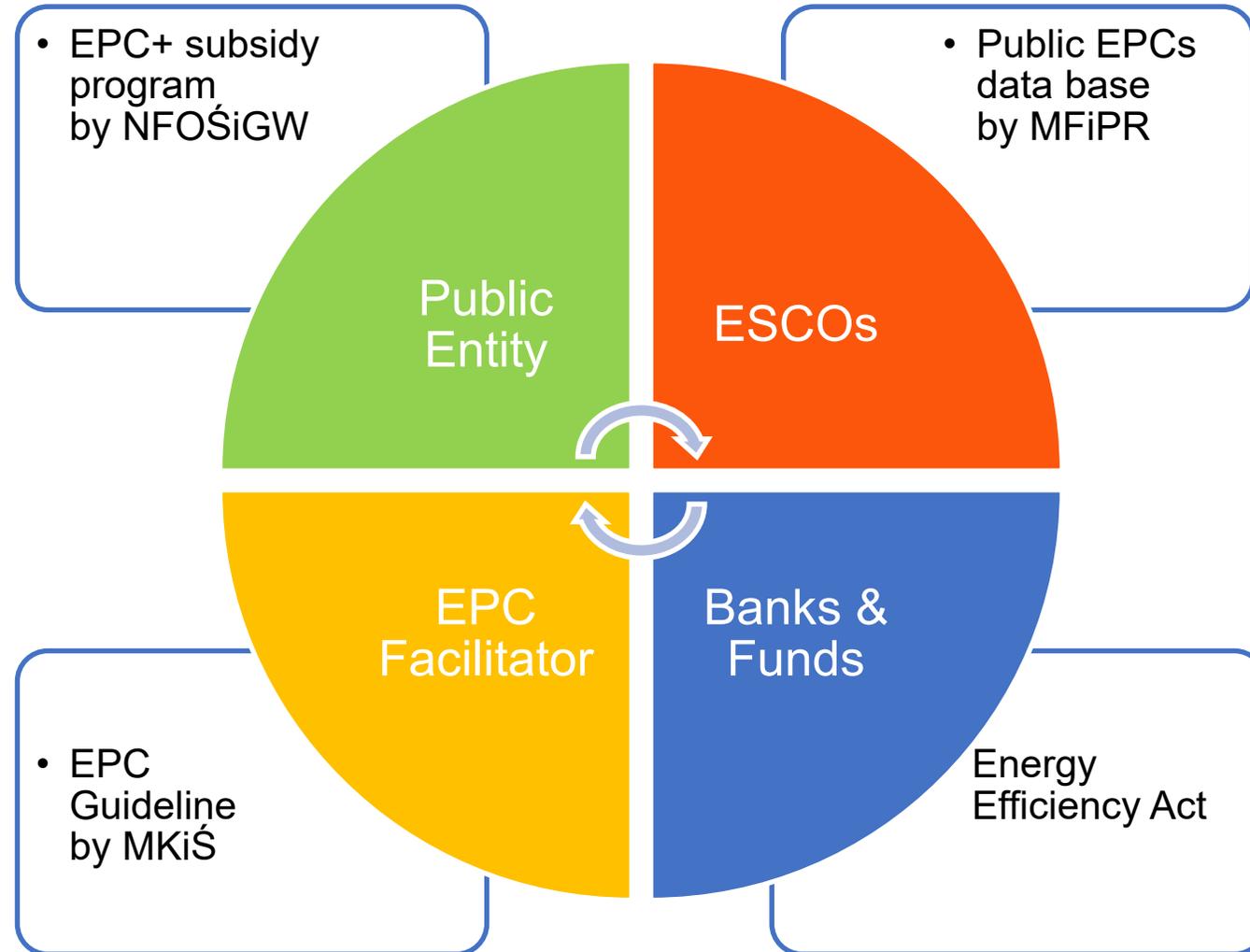
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Elements of the support system for public entities in EPC/ESCO projects

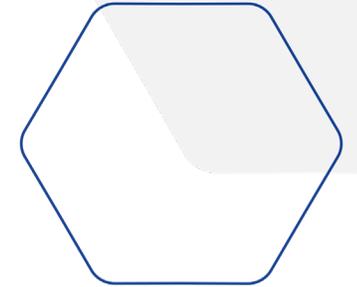
Law on Energy Efficiency and Risk Regulation for EPC

Article 7. 1. A public sector entity may implement and finance a project or projects

of the same type to improve energy efficiency on the basis of an energy efficiency contract.

2. The energy efficiency contract shall specify in particular:

- 1) The energy savings that can be achieved as a result of the implementation of a project or projects of the same type to improve energy efficiency with an energy efficiency improvement measure;
- 2) The method of determining the remuneration, the amount of which depends on the energy savings achieved as a result of the implementation of the projects referred to in item 1.
- 3) Obligations under an energy efficiency improvement contract shall not affect the level of the state public debt and the deficit of the public finance sector, where the energy consumption service provider bears the majority of the construction risk and the risk of achieving the guaranteed level of average annual energy savings, taking into account the impact on the said risks of factors such as guarantees and financing by the energy consumption service provider and the allocation of assets at the end of the contract term.



Elements of the support system for public entities in EPC/ESCO projects

EPC+/NFOŚiGW program - supplementary grant for EPC projects

.KAPE and NFOŚiGW, as partners in the FinEERGo-Dom (Horizon 2020) program, have developed rules to the priority program Renovation with Guaranteed Savings EPC Plus, which supports the financial neutrality of EPC projects.

The beneficiary receives up to 30% of the subsidy by meeting the requirements for the amount of energy savings and the technical scope of building retrofits. In addition, it must conclude an EPC contract with the ESCO, including a guarantee of the effect and linking the remuneration to the results obtained.

In the pilot, we have gained a lot of experience, which will be used in the main phase of the EPC+ program, with a grant amount of more than about 22 MEUR. Assuming a subsidy of 30%, this will allow us to conclude financially neutral EPC contracts for about MEUR 75.



Elements of the support system for public entities in EPC/ESCO projects

Guidelines for EPC projects/ Ministry of Climate and Environment

"Guidelines for EPC Energy Performance Contracting" is a comprehensive manual/guide that explains how to carry out EPC projects in the public sector at each stage of project implementation. The guidelines include, as well:

- ready-to-sign EPC contract templates for 3 types of projects: thermal modernization, street lighting and energy management
- and
- contractual clauses for large projects (above PLN 25 million) and hybrid projects.

"Guidelines for EPC energy efficiency contracts," along with ready-to-use contract templates can be found in the Public Information Bulletin and on the website of the Ministry of Climate and Environment:

www.gov.pl/web/klimat/efektywnosc-energetyczna



Elements of the support system for public entities in EPC/ESCO projects

Database of public EPC projects since 2010

The database presents the PPP contracts identified by the Ministry of Funds and Regional Policy, including EPCs.

The database of concluded agreements allows filtering and generation of reports according to available criteria, such as location, sector, implementation status, remuneration model, as well as the legal basis for the selection of the private partner, among others.

Projects have been verified in terms of terminated or unrealized agreements.

Current base as of June 30, 2023

<https://www.ppp.gov.pl/baza-zawartych-umow-ppp/>



EPC Facilitator: consulting model designed to support public entities

EPC project facilitation requires interdisciplinary training and experience in the various fields of EE and RE technologies, life cycle cost evaluation, procurement of comprehensive services, contract design and not the least communication skills to facilitate between the different parties involved.

EPC Facilitator is dedicated to the elaboration of EPC projects

Source:

https://userstcp.org/wp-content/uploads/2019/11/Facilitators_Task16_Discussion-paper_incl.-national-subchapter_140505.pdf



Facylitator EPC – first EPC Facilitator in Poland

<https://kape.gov.pl/facylitator-epc>

The combined teams of KAPE S.A. and Cieślak Law Firm have created Poland's first integrated energy performance contract consulting scope, called EPC Facilitator.



Facilitator role in the public EPC process from idea to completion of the contract with the ESCO– **EPC Facilitator's tasks**

1. Preparation of the EPC project

- inventory of the building stock to be upgraded to the extent necessary for the EPC project,
- energy analysis (including energy audit),
- functional and utility program,
- legal analysis,
- financial analysis,
- risk analysis,
- preliminary market consultations,
- additional necessary analysis and expertise.



Facilitator role in the public EPC process from idea to completion of the contract with the ESCO– **EPC Facilitator's tasks, cont.**

2. ESCO selection procedure

- estimation of the value of the project,
- preparation and announcement of the EPC proceeding through competitive dialogue, in accordance with the Public Procurement Law
- selection of the so-called shortlisted ESCO with whom negotiations will be conducted,
- preparation and participation in negotiations,
- development of complete tender documentation,
- evaluation of ESCO bids,
- preparation of the EPC contract for conclusion.



Facilitator role in the public EPC process from idea to completion of the contract with the ESCO– **EPC Facilitator's tasks cont.**

3. Management of the EPC contract

- technical and legal supervision of the proper execution of projects and implementation of the energy management system (at the stage of investment implementation),
- supervision and verification of proper reporting of savings (at the stage of obtaining guaranteed savings)

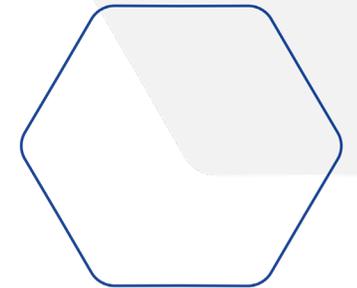


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Reasons for the attractiveness of the EPC/ESCO model for Polish public entities

The public administration sector will have to reduce its final energy consumption emissions by 1.9% each year.

At least 3% of public buildings will be renovated each year, with the goal of making them near-zero energy or zero-emission buildings.

(EED Directive)



Reasons for the attractiveness of the EPC/ESCO model for Polish public entities, cont.

- EPC projects implemented by ESCO, is **the only sure way to achieve the planned energy effect**, strongly supporting the fulfillment of the requirements for annual reduction of energy consumption by public entities
- **The guarantee of savings**, especially when combined with a grant for EPC projects, gives the public entity **the opportunity to achieve financial neutrality of the project** - without the need to commit its own funds
- Spreading **payments in installments** over the life of the project **allows them to be offset against ongoing savings**
- The EPC process, based on the EPC Guidelines, the Energy Efficiency Law and the Public Procurement Law, and conducted jointly with the EPC Facilitator, is transparent and technically and legally secure, providing the opportunity to organize large-scale and high-value projects
- **The EPC contract does not increase public debt** - more on the next slide

The course of the public EPC process from idea to completion of the contract with the ESCO in Polish conditions – time schedule

Time required to conclude an EPC contract with an ESCO in Poland:

- 3 months from signing the agreement with the consultant to qualifying companies for negotiations,
- 3 months for negotiations (dozens of facilities, large value, financing),
- 1 month for development of documents - invitation to tender,
- 3 months time to prepare and submit bids,
- 1 month for selection of ESCO and signing of contract.

Time to implement improvements - investment stage is 1 - 2 years

Period of energy management and guarantee of the effect - service stage is 10 - 15 years

