

Actions undertaken to promote EPC

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Plan of the presentation

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3. The main problems of the Polish ESCOs
4. Promotion of EPC in the field of Transparence project:
 - a. Code of conduct
 - b. Seminars and workshops
5. Polish ESCO Club
6. PESCO project – why does it not work?

Definition of EPC in the New Energy Efficiency Directive

- EPC:

“a contractual arrangement between the beneficiary and the provider (ESCO – Energy Saving Company) of an energy efficiency improvement measure, verified and monitored during the whole term of the contract, where investments (work, supply or service) in that measure are paid for in relation to a contractually agreed level of energy efficiency improvement or other agreed energy performance criterion, such as financial savings”

The main problems of the Polish ESCOs

- ✓ lack of:
 - ✓ consistent interpretations as to whether EPCs ought to be classified into the category of debt liabilities included in the national public debt, or not (to be classified as off-balance sheet finance for the public partner (not as a national public debt))
 - ✓ confidence in the system
 - ✓ standard documents and procedures
 - ✓ critical scale of projects interesting for banking system
 - ✓ liquidity and long term credits

Bottlenecks in the financing of ESCO

- Problems with long-term commitments for energy saving
- ESCO can and want to invest but commercial banks provide short-term loans on the balance of ESCO
- Commercial banks do not provide long-term debt secured income from energy savings
- ESCO usually have too little capital to achieve greater portfolio of projects
- There isn't off-balance sheet sources of long-term re-financing agreements and release EPC to incur new short loans



EPC promotion in the field of Transparensense project



Transparensense project:

- Intelligent Energy Europe (IEE)
- main aims:
 - increase the transparency and trustworthiness of EPC markets throughout Europe by:
 - creating EPC codes of conduct
 - prepare training programmes
 - support transfer of know-how and experience across the countries
 - Promoting the establishment of ESCO associations and networking
- 20 partners covering mature and beginner EPC markets
- a great potential to develop and increase the European EPC market

Transparensence main steps

- Training concepts, general and national training modules tailored to the particular stage of the EPC market development will be used in 77 trainings delivered for ESCOs.
- In total 3 workshops and 3 national position papers to promote ESCO associations in countries with no ESCO association, but in which a significant number of ESCOs are interested in its establishment (Slovenia, Sweden and Netherlands).
- Creating European and 20 national Codes of Conduct defining quality principles for EPC markets, including harmonised national EPC procedures.
- Testing and providing feedback on the developed Codes of Conduct by implementing 25 pilot projects that should also lead to highly replicable best practice examples.



Transparensen project actions already undertaken



- Preparation of the **Code of conduct** which sets point of reference for fair and good quality EPC business
- **Trainings and workshops** for existing and new EPC suppliers

Trainings, seminars and workshops

- 3rd December 2013 - the first training in Poland

Presented modules:

- I. Basic information about EPC contracts;
- II. The process of applying EPC - from project identification to the public procurement procedures;
- III. The process of applying EPC – from the contract to the guaranteed savings;
- IV. Financing EPC;
- V. Strategies for the EPC market promotion and development.

Conclusions of the training:

- need of trainings in Poland
- interest in the implementation of the EPC



Transparensense project Code of Conduct



- European Code of Conduct
- National Code of Conduct in the participating countries.

The idea of Code of Conduct:

- Fundamental principles for EPC
- Compliance with the Codes of Conduct = guarantee of the quality of EPC

ESCO Club

ESCO Club it is an informal platform:

- to promote ESCO on the market of municipalities and of business in Poland,
- to communicate with decision makers,
- for knowledge exchange in the subject of third party financing,
- for presentation examples of energy saving projects,
- to open the market for private energy saving services in the public sector.

PESCO project

- PESCO was an output to the need for supporting the development of the ESCO market in Poland.
- The primary objective was to mitigate and eliminate problems related to the provision of the ESCO market liquidity through refinancing ESCO receivables
- Market recognition allows for building up a pipeline of projects
- Three groups of financial instruments considered by PESCO

PESCO project Products

- **Refinancing ESCO liabilities**
- **Loans**
- **Equity investments**

PESCO project – why does it not work?

1. The Minister of Finance and Main Statistical Office of Poland do not recognize EPC as safe and sound for municipal debt, fully in line with its own decrees and not with Eurostat definition of public debt (that would not have an impact on public debt and does not create economic effects similar to loans),
2. The banking sector needs to see a pipeline of projects to open a special product for ESCO but without the special financing line it is difficult to build a big scale of pipeline (squaring the circle),
3. The European Union de minimis "state aid" regulation allows for aid of up to €200,000 to be provided from public funds to any business enterprise over a rolling three-year period (legal problem with financing ESCO project by National Fund for Environmental Protection and Water Management)



Thank you for your attention

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