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European Cooperation regarding energy-performance contracting

EU-Project “EnPC-INTRANS” - The advantages of Energy Performance Contracting in comparison to the owner-directed way

Energy Performance Contracting (EPC) is a form of ‘creative financing’ for capital improvement which allows the funding of energy upgrades from cost reductions. Under an EPC-arrangement an external expert referred to as an Energy Service Company (ESCO) implements a project to deliver energy efficiency, or a renewable energy project. The ESCO uses the stream of income from the energy and maintenance cost savings, e.g. cost differences between fossil and renewable energy such as biomass, or the renewable energy produced (e.g. solar cells), to repay the complete costs of the project, including the costs of the investment. Essentially the ESCO will not receive its full payment unless the project delivers energy savings as expected.

The approach is based on the transfer of technical and economical risks from the client to the ESCO based on performance guarantees given by the ESCO. In EPC, ESCO remuneration is based on demonstrated performance; a measure of performance is the level of energy savings or energy service. EPC is a means to deliver infrastructure improvements to facilities that lack energy engineering skills, manpower or management time, capital funding, understanding of risk, or technology information. Cash-poor, yet creditworthy customers are therefore good potential clients for EPC.

The use of EPC is growing in Europe with a number of public sector organisations having already successfully implemented projects and more planning to undertake them. EPCs have been delivered across a wide range of types of building and different sectors including local authorities, and the results were very encouraging. For example, in German EPC projects up to 50% energy savings were achieved.

In comparison, refurbishments by the owner directed way don’t often take into account optimisations during the operation time, the life-cycle costs of technical equipment or the reduction of interfaces between planning engineers and the technical staff of the public entities. Therefore, often the accountabilities aren’t clear. There aren’t incentives to save energy and additional costs within the implementation period.

Furthermore, the energy saving guarantee is a very useful mechanism within the EPC model and a measurable service which isn’t applied in traditional refurbishment procedures. Because the public entities have to focus on their core business, EPC is an economic approach to link advantages for the public principal and the ESCO. For example, if municipalities receive soft loans or grants, they can partially finance the project and improve the contract duration.



Mostly, ESCOs use building automation systems and energy management systems. Thus, the public entities receive a detailed overview about savings and costs. Additionally, the technical employees of public entities are trained by the ESCOs and can use the knowledge within and after the EPC project.

EnPC-INTRANS- Capacity Building on Energy Performance Contracting in European Markets in Transition - is a project developed by the partners on the basis of international, interdisciplinary and inter-sectorial cooperation and exchange of concepts, ideas and experience. The resulting training concepts and tools will be implemented and demonstrated in the partner countries of Croatia, Germany, Greece, Latvia, Romania, Serbia, Slovakia, Slovenia and the Ukraine, and presented for further dissemination and replication to experts and stakeholders in all EU28 member states.

EnPC-INTRANS is expected to have an optimum large-scale impact on sustainable capacity development of the demand side for the development and use of EnPC/ESCO models for the financing of EE investments in public buildings and services in Europe.

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What does Energy-Performance-Contracting (EPC) mean?

Energy-Performance-Contracting is an efficient instrument for the refurbishment of public buildings despite limited municipal budgets. ESCOs finance the refurbishment measures and guarantee long-term energy savings. All costs are refinanced by the energy savings over a fixed period of time. By EPC public entities receive efficient technical devices in their buildings and profit from the ESCOs' regular support. All financial risks are carried by the ESCO: the investment risk, the operation risk of the technical equipment and the energy savings risk. Experience shows, that energy saving goals will often be achieved or outperformed.

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