



Press Information 2/2015

Velenje, 18th of August 2015

European Cooperation regarding energy-performance contracting

EU-Project “EnPC-INTRANS” - Job creation with energy performance contracting

July marked the first anniversary of the European Codes of Conduct for Energy Performance Contracting (EPC) release that was intended to foster successful, professional and transparent implementation of EPC projects in Europe. It outlines relevant values and principles and serves as a quality indicator for clients looking for optimal energy service providers at the same time. Since its inception, more than 160 signatories from 21 countries have joined the initiative hoping to support a renewed growth in energy efficiency that could stimulate the much-needed growth of the European Economy.

Since 2009, most economies of developed nations around the globe have struggled to generate and sustain job growth. Despite the tightening of the labor market in recent years trailing the slow but stable economic recovery, unemployment remains at high levels, particularly among highly educated and young job seekers. Facing the growing tensions between generations and classes, fueled by an unprecedented rise in income inequality, policymakers covet sustainable solutions to mitigate brain drain, impoverishment, and social exclusion by creating permanent employment opportunities.

Primarily the implementation of energy efficiency projects, either through upgrades in technical equipment, refurbishment of buildings thermal envelopes, awareness raising/promotional/skill development or any type of comparable measures, foster the direct creation of jobs as the projects are carried out and secondly, the saved costs on energy are eligible to be retained and reinvested in the advancement of the same project or in the broader economy. Additionally, a pervasive implementation of energy efficiency projects further encourages and strengthens a wider variety of products and services (for e.g. energy management services, energy auditing, information and communication technology for personal energy accounting, energy saving appliances and lighting systems, etc.), supplied by enterprises present in the region, nation or anywhere in the EU.

Albeit investment in energy efficiency is often shrugged off as not offering an attractive investment value in terms of risk to reward quota, numerous real-life studies have refuted these false notions. Such was the case of the study carried out by the Jülich Research Centre for the German KfW Development Bank, which showed that employing people on building refurbishment could result in immediate benefits for the greater economy. The study concluded that every Euro invested in building refurbishment programs returned a four to five-fold capital return in terms of life-cycle impact, bringing in a total of 340.000 newly created local jobs. According to another study “Renovation Tracks for Europe up to 2050: Building renovation in Europe – what are the choices?”, published by Ecofys in June 2012, building stock renovation is the most cost-effective way to reduce greenhouse-gas emissions, reduce energy dependency and revitalize the European economies at the same time. Specifically three potential scenarios of future renovations were examined, developed on the Ecofys Built Environment Analysis Model (BEAM), indicative of the renovation speed, the quantity of energy efficiency improvement and use of renewable energy. It was concluded that the implementation of the “deep renovation” scenario (moderate yearly retrofit rate of 2.3% with high energy efficiency ambition), would foster the largest energy consumption reduction, GHG savings and economic output (compared to shallow renovation with low and high use of renewable energy sources). While the cost for implementing all three scenarios were estimated to be roughly equal (from 8.2 to 8.8 trillion €), deep renovation was identified as offering the most promising outcome. It was concluded



that adopting this model could bring about a 80 % reduction of energy required for space heating and hot water preparation, meet the CO₂ emission target (a 93% reduction) and perhaps even more importantly, create jobs for highly educated and skilled workers in the tune of 1.4 million additional jobs till 2050 (almost twice as much compared to shallow renovation), building on the assumption that each million € of investments creates 1 year of full employment for 17 workers. On another note, according to the EU's energy efficiency review, meeting a 40 % energy efficiency target in 2030 would stimulate annual economic growth of 4 %, provide roughly a 3.15% increase of jobs and reduce fossil fuel imports up to 505 billion € every year.

Based on these numbers, it comes as no surprise that perhaps the biggest obstacle, preventing the widespread uptake of energy efficiency investments amongst private investors, public authorities as well as ordinary citizens are “high” start-up costs, relatively long payback periods of such investments and the un-willingness of creditors to support such activities. Additional factors that hamper these types of investments are the lack of awareness amongst key players and general public, measures focused on the supply side, difficulties associated with procurement procedures (maximum energy savings vs. minimum up-front cost), selective financing and lack of policy incentives, non-binding targets, discouraging investment taxation as well as stiff accounting and budgetary rules. The introduction of innovative Energy Performance Contracting financing models addresses many issues outlined above, making them an essential mechanism to realize as much of the projected energy saving goals as possible.

EnPC-INTRANS will attempt to secure the described benefits by fostering the involvement of the private sector in energy efficiency investments within the publicly owned building stock. This will be achieved by implementing large-scale capacity building for local public authorities and private companies (particularly small and medium sized enterprises or SMEs), building upon successful business models utilized in divergent cultural and socio-economic environments across the partner countries.

Primarily, EnPC-INTRANS will strive to foster job growth by preparing the ground for investment, through the means of:

- stakeholder consultations (organization and conduction of consultations including at least 250 relevant stakeholders and experts from the public sector, ESCOs and other private companies, most importantly SMEs, acquiring their feedback on policy, administrative and other related issues, also including the training needs assessment)
- raising awareness, know-how and providing skill sets for the implementation, dissemination, replication of capacity building and qualifying measures to at least 50 trainers across the partner countries
- Acquiring participation of at least 1000 local stakeholders, key actors and community representatives in the “Road show” events
- Training at least 2000 experts and local decision makers on technical, legal and financial issues associated with EPC implementation, derived from best practice examples of business models proven as most effective.

The combined efforts of EnPC-INTRANS will attract a cumulative 60 million € in sustainable energy investments, triggering from 60 to 90 GWh of primary energy savings each year. The fostered investment could provide a significant amount of green jobs (according to the reviewed studies) while simultaneously strengthening social cohesion, mitigating climate change and facilitating a more secure and independent energy supply for the EU.

“What we need to do is really improve energy efficiency standards, develop in full scale renewable and alternative energy and use the one resource we have in abundance, our creativity.” - [Lois Capps](#)

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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 of scarce 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 saving risk. Experiences show, that energy saving goals will often be achieved or outperformed.

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