

SEVEN, The Energy Efficiency Center
Americka 17, Prague, Czech Republic
Prague, 16th December 2014

COMBINES PROJECT
CENTRAL EUROPE PROGRAMME/4CE499P3

POLICY RECOMMENDATIONS & CONCLUSIONS OF THE NEW SUBSIDY PROGRAMME MODEL

Task 6.2.2: Transnational Conclusions

This document has been conducted within the framework of the European Union project “CombinES” supported by the program Central Europe programme.

Authors:

Jana Szomolányiová

Vladimír Sochor

SEVEn - The Energy Efficiency Center

Americká 579/17, 120 00 Prague

Czech Republic

www.svn.cz

with the contribution of

the CombinES Project Consortium:

Hana Záborská, EAV – Energetická agentura Vysociny (CZ) – Project Lead Partner

www.eav.cz

Jana Szomolányiová, Vladimír Sochor, Juraj Krivosik, Petr Zahradník, Miroslav Honzík, Zdeněk Nemeček, SEVEn (CZ)

www.svn.cz

Anton Wetzel, Kerstin Busch, Laurenz Hermann, Christoph Blaschke, BEA (DE)

www.berliner-e-agentur.de

Giulio Cattarin, Lorenzo Pagliano, Andrea Roscetti, Politecnico di Milano (IT)

www.eerg.polimi.it

Jan Twardowski, Szymon Liszka, Michał Pyka, FEWE (PL)

www.office.fewe.pl

Marcel Lauko, Roman Caban, ECB (SK)

www.ecb.sk

Miha Tomsic, ZRMK (SI)

www.gi-zrmk.si

DEFINITIONS AND GLOSSARY

Term	Definition
CombinES Comprehensive Renovation	is a special case of Comprehensive Renovation, where the building envelope part of the renovation is subsidized and the technology part of the renovation is implemented with the intervention of an energy service company (ESCO) through the Energy Performance Contracting model (EPC)
Comprehensive Renovation	means co-ordinated implementation of both building envelope (including building envelope insulation and substitution of fixtures) and technology ones (including interventions on heating, cooling, domestic hot water (DHW) and ventilation systems
CPR Regulation 1303/2013	Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013, laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006
energy efficiency (EE)*	means the ratio of output of performance, service, goods or energy, to input of energy
Energy Efficiency Directive (EED)	Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC
energy efficiency improvement*	means increase in energy efficiency as a result of technological, behavioural and/or economic changes
energy management system*	means a set of interrelated or interacting elements of a plan which sets an energy efficiency objective and a strategy to achieve that objective
energy performance contracting* (EPC)	means a contractual arrangement between the beneficiary and the provider 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

energy savings*	means an amount of saved energy determined by measuring and/or estimating consumption before and after implementation of an energy efficiency improvement measure, whilst ensuring normalisation for external conditions that affect energy consumption
energy service* (ES)	the physical benefit, utility or good derived from a combination of energy with energy-efficient technology 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 result in verifiable and measurable or estimable energy efficiency improvement or primary energy savings
energy service provider* /energy service company (ESCO)	means a natural or legal person who delivers energy services or other energy efficiency improvement measures in a final customer's facility or premises
energy*	means all forms of energy products, combustible fuels, heat, renewable energy, electricity, or any other form of energy, as defined in Article 2(d) of Regulation (EC) No 1099/2008 of the European Parliament and of the Council of 22 October 2008 on energy statistics
EPC provider	means an energy service provider who delivers energy services in the form of Energy Performance Contracting
ESI Funds	European Structural and Investment Funds
PPP	Public - Private Partnership
The International Performance Measurement and Verification Protocol (IPMVP)	is the widely referenced framework for "measuring" energy or water savings and is available at www.evo-world.org

Notes:

*Definitions according to the Energy Efficiency Directive

1. CONCLUSIONS AND POLICY RECOMMENDATIONS

This report presents the **CombinES Comprehensive Renovation model** with specified characteristics in the area of procedures, procurement, support programme conditions, the EPC business model and legislation changes.

The recommended Main CombinES model is built **on two separate procurement processes**, one dedicated to building envelope measures and the other to technology measures and EPC. The CombinES Comprehensive Renovation model implemented in two separate procurements does not require the EPC model to be overhauled. Some changes, however, could improve the quality of the implementation and overall results. It is recommended that the EPC provider **guarantees the whole amount of energy savings**, i.e. energy savings both from the implementation of technology measures and from building envelope measures. The advantage of this is that one party would be responsible for the total energy savings from Comprehensive Renovation, which can be measured. If the EPC provider only guarantees energy savings from technology measures, these cannot be measured but only assessed with calculations.

To be able to apply the CombinES Comprehensive Renovation model, programmes providing financial support for building envelope measures and allowing for combinations with EPC projects must be available. The report suggests conditions of the support programmes and changes to the national legislation in order to allow for the broader uptake of CombinES Comprehensive Renovation.

In addition to formulating the main recommended CombinES Comprehensive Renovation model, the report also presents variants of the model and their advantages and disadvantages. These entail mainly the option of a single procurement and the option that the EPC provider contractually guarantees only the savings from the EPC project. The main model can also be used to further study possible modifications to be adjusted to the national conditions and to the conditions which will develop over time.

In the Czech Republic, a number of best practice examples prove the viability of the presented CombinES Comprehensive Renovation model. However, in other Central European countries (Italy, Slovenia and Poland), this instrument has so far practically not been used. More widespread implementation of this model throughout Central Europe would help achieve goals and reach targets in the field of energy efficiency.

Under the current situation, experts in the Czech Republic and Slovenia prefer the implementation of CombinES Comprehensive Renovation within two procurement approaches. In Slovenia, however, the question is whether current ESCOs have the capacity to become engaged in such large projects.

In Germany, Italy, Poland and Slovakia, it is proposed to implement CombinES Comprehensive Renovation via a single procurement. The main reason is to simplify the necessary interfaces and the role of the client, who will not need to coordinate two different suppliers and processes. In Slovakia, the advantage is seen in the straightforward takeover of responsibility for overall energy savings by the consortium winning the tender. In Germany and Poland, the concept of guaranteeing overall savings should be specified in more detail in order to avoid potential risks.

The success of the model depends not only on its viability, but on the overall situation on the EPC market in a particular country. In all the EU countries there are many barriers to large-scale EPC model implementation that need to be tackled by policy makers and market players in line with the requirements of the Energy Efficiency Directive (EED). Some of the EU-wide barriers on EPC markets could be eased on the level of EU legislation. In all the Member States there is a barrier of EPC accounting to public debt, which is hindering its use in the public sector. Moreover, reflecting the definitions of EPC and energy services according to the EED to the Common Procurement Vocabulary¹ would allow the increase of international competition on the markets.

The EPC market might need to attain a more advanced stage of development before the recommended features of the main CombinES Comprehensive Renovation model can be applied. Thus the choice of model variants needs to be tailored and adjusted to the situation in a particular market. In some CombinES partner countries (the Czech Republic and Germany), the EPC market is well developed, while in Slovakia it is quickly developing. In other countries (Italy, Poland and Slovenia), the markets are in their infancy, with a lack of good practice examples and numerous barriers, especially in the financial sector, and lack of support in legislation. In these countries, initiatives to support the EPC market might be needed before CombinES Comprehensive Renovation can be effectively implemented. These initiatives need to be comprehensive and need to increase the ability of the public sector to enter EPC projects from the legal point of view as well as increase the financial capabilities of ESCOs (attractiveness to banks).

On 19 November 2013, the EU announced² that at least 20% of the new 2014 – 2020 budget would be dedicated towards climate-related projects and policies. The 20% commitment could yield as much as EUR 180 billion in climate finance in all major spending areas, including structural funds. The Cohesion Policy 2014 – 2020 will invest a minimum share of each region's ERDF allocation in measures supporting the shift to a low-carbon economy: 20% in more developed regions, 15% in transition regions, and 12% in less-developed regions.

The European Commission has adopted a "Partnership Agreement" with each of the six countries involved in this study, defining investment strategies for the optimal use of European Structural and Investment (ESI) Funds for the next seven years.

Considering the rules of the ESI Funds, CombinES Comprehensive Renovation is applicable for funding under the Operational Programmes of the Member States. They state³ that in the area of energy efficiency in buildings, a combination of market-based instruments for measures with a shorter payback time and grants for capital intensive measures with a longer payback time should be supported, aiming at "deep renovation" going beyond minimum energy performance requirements to capture all possible energy savings. Thus the current finalisation of the programmes co-financed from ESI Funds in the partner countries provides a great opportunity for adjusting the

¹ For more information on CPV see http://europa.eu/legislation_summaries/internal_market/businesses/public_procurement/l22008_en.htm

² An EU budget for low-carbon growth, European Commission Press Release, Press release, Warsaw, 19 November 2013, available from http://ec.europa.eu/clima/policies/budget/docs/pr_2013_11_19_en.pdf

³ European Commission (2014): Draft Thematic Guidance Fiche for Desk Officers: Energy Efficiency Investments, Version 2 - 06/02/2014, available from http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_fiche_energy_efficiency.pdf

programme conditions to support CombinES Comprehensive Renovations and thus optimise the energy savings from the allocated public funds.

In all the partner countries, the presented CombinES Comprehensive Renovation model and its country specific modifications have been discussed with the ESI Funds Managing Authorities who are directly involved in the design, implementation and promotion of support instruments established under ESI Funds. Although today the eligibility of the CombinES approach in ESI funds would not be possible in all programmes, the proposed solution was welcomed in all the partner countries and possible adjustments have been discussed.

Further steps need to be taken to design concrete rules of the support programmes in line with the recommendations given in the chapter 6 of the 6.3.1 report. These will vary from country to country, depending on the national circumstances, and the design of the schemes will have to be tailor-made on this basis. This includes both the support programme conditions as well as the concrete design of the features of the CombinES Comprehensive Renovation model.

Apart from funding from ESI Funds, there might be national support schemes favouring the use of CombinES Comprehensive Renovation. These may contribute to fulfilment of the requirements by the EED. According to EU and national targets, 3% of public building stock will be renovated each year. This obligation itself calls for a different, more elaborate approach to renovation and its financing. CombinES Comprehensive Renovation may be used to achieve the energy efficiency obligation and alternative policies according to Article 7 of the EED.

2. REFERENCES

- Advanced EPC Model (2012): http://www.european-energy-service-initiative.net/uploads/media/WP2_D25_advanced_EPC_plus_BEA_German_03.pdf
- Bevan Brittan (2014): Bevan Brittan byte size procurement update 4: Competitive procedures where negotiation is permitted, available at: www.bevanbrittan.com/articles/Pages/ProcurementByte4-Competitiveprocedureswherenegotiationispermitted.aspx
- Björkqvist, O., Wene, C. (1993): A study of transaction costs for energy investments in the residential sector. Proceedings of the 1993 Summer Study. The European Council for an Energy Efficient Economy (ECEEE), Stockholm, s. 23 – 30
- Busch K. (2014): WP5 National Report of CombinES project for Germany: Combining existing subsidy schemes with the EPC, CombinES project – Central Europe Programme/4CE499P3, BEA, Berlin
- Cattarin G., Pagliano L., Roscetti A. (2013): Overview of the existing subsidy schemes & subsidised EPC projects, WP4 Transnational report of CombinES project, Milano
- Cattarin G., Pagliano L., Roscetti A. (2014): Combining existing subsidy schemes with the EPC, WP5 National Report for Italy of CombinES project, Milano
- Cattarin G., Pagliano P., Roscetti A. (2014): WP5 National Report of CombinES project for Italy: Combining existing subsidy schemes with the EPC, CombinES project – Central Europe Programme/4CE499P3, Milano
- Davis Langdon Management Consulting (2007): Life cycle costing (LCC) as a contribution to sustainable construction: a common methodology, London
- Decree on Green Public Procurement (2012), Ljubljana
- Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC Text with EEA relevance
- Easton Consultants, S. F. M. C. (1999): Energy Service Companies. A Market Research Study. Prepared for Energy Center of Winsconsin: 64. Dostupné z www.ecw.org/ecwresults/181-1.pdf (září 2012)
- EU Data Base on Energy Saving Potentials, available from <http://www.eepotential.eu/potentials.php>
- European Commission (2013): An EU budget for low-carbon growth, Press release, Warsaw, 19 November 2013, available from http://ec.europa.eu/clima/policies/budget/docs/pr_2013_11_19_en.pdf
- European Commission (2014): Draft Thematic Guidance Fiche for Desk Officers: Energy Efficiency Investments, Version 2 - 06/02/2014, available from http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_fiche_energy_efficiency.pdf
- Eurostat (2013): Final energy consumption, 2000-2010
- Fraunhofer Institute (2012): Concrete Paths of the European Union to the 2°C Scenario: Achieving the Climate Protection Targets of the EU by 2050 through Structural Change, Energy Savings and

Energy Efficiency Technologies, Accompanying scientific report – Contribution of energy efficiency measures to climate protection within the European union until 2050

Fraunhofer Institute et al. (2008), Study on the Energy Savings Potential in EU Member States, Candidate Countries and EEA Countries, Final Report for the European Commission DG-TREN, EC Service Contract N° TREN/D1/239-2006/S07.66640

Glušič A., Tomšič M. (2013): Overview of the existing subsidy schemes & subsidised EPC projects, WP4 National report for Slovenia, CombinES project – Central Europe Programme/4CE499P3, ZRMK, Ljubljana

Hermann L., Blaschke Ch. (2014): New model combining a subsidy programme with EPC to finance energy efficiency projects, WP6 - National Report for Germany, CombinES project – Central Europe Programme/4CE499P3, BEA, Berlin

KfW ECONOMIC RESEARCH: EnEV (2014): Schlüssel zum Erfolg ist der Bestand – neun Millionen Sanierungsfälle warten. Dr. Marianne Strunz, Prof. Dr. Rainer Durth, Dr. Sascha Wolff, Volkswirtschaft Kompakt, Nr. 47, 29.04.2014

KfW Merkblatt (2014): Bauen, Wohnen, Energiesparen, April 2014, available from http://www.lbs-foerderkompass.de/merkblatt-kredit.html?file=tl_files/kfw/pdf/merkblaetter/2014/6000003070_M_151_152_EES.pdf

Lauko M. (2013): Overview of the Existing Subsidy Schemes & Subsidised EPC Projects, WP4 - National Report for the Slovak Republic, CombinES project – Central Europe Programme/4CE499P3, Bratislava

Lauko M. (2014): Combining existing subsidy schemes with the EPC, WP5 - National Report for the Slovak Republic, CombinES project – Central Europe Programme/4CE499P3, Bratislava

Lauko M. (2014): New model combining a subsidy programme with EPC to finance energy efficiency projects, WP6 - National Report for the Slovak Republic, CombinES project – Central Europe Programme/4CE499P3, Bratislava

Liszka S., Pyka M. (2013): Efektywniej o efektywności, handbook issued by Institute for Sustainable Development, FEWE, Warsaw, available from www.koalicjaklimatyczna.org/theme/UploadFiles/przewodnik_eed_net.pdf

Michaelowa, A., Jotzo, F. (2005): Transaction costs, institutional rigidities and the size of the clean development mechanism. Energy Policy, roč. 33, s. 511–523

Ministry of Environment of the Czech Republic (2007): Operational Programme Environment 2007 – 2013 - Implementation document

Ministry of Environment of the Czech Republic (2007): The Operational Programme Environment (2007-2013), available from www.opzp.cz

Ministry of Industry and Trade of the Czech Republic (2007): Operational Programme Enterprise and Innovation 2007-2013 - Implementation document

Ministry of Industry and Trade of the Czech Republic: Call for submission of projects within the OPEI ECO-ENERGY

Ministry of Industry and Trade of the Czech Republic: Operational Programme Enterprise and Innovation 2007-2013, available from www.mpo.cz/en/business-support/opei/

Mundaca, L. (2007): Transaction costs of energy efficiency policy instruments. In Proceedings of the ECEEE 2007 SUMMER STUDY - SAVING ENERGY – JUST DO IT!, editováno Attali, S. A Tillerson, K., ECEEE: Stockholm, s. 281 – 291

National Action Plan for Green Public Procurement 2009-2012 (2009), Ljubljana

National Report for the Republic of Poland WP5 CombinES Project Central Europe Programme/4CE499P3 15th April 2014 Katowice Authors: Jan Twardowski, Szymon Liszka, Michał Pyka, Łukasz Rajek; FEWE -Polish Foundation for Energy Efficiency

Operačný program Kvalita životného prostredia (2014); Ministerstvo životného prostredia Slovenskej republiky, Bratislava, Október 2014

Partnership Agreement – Poland (2014), Approved by the European Commission on 23rd May 2014 Project, available from

www.mir.gov.pl/aktualnosci/fundusze_europejskie/Documents/Umowa_Partnerstwa_21_05_2014.pdf

Partnerstwo publiczno-prywatne w nowym okresie programowania 2014-2020 (2013), Komentarz do przepisów Rozporządzenia Ogólnego na lata 2014-2020 w zakresie partnerstwa publiczno-prywatnego Departament Wsparcia Projektów Partnerstwa Publiczno-Prywatnego, Ministerstwo Infrastruktury i Rozwoju, XII'2013, available from

www.ppp.gov.pl/Aktualnosci/Documents/Komentarz_ppp_w_CPR_2.0_final.pdf

Polish Public Procurement Office - PPO Report (2012), available from www.uzp.gov.pl/cmsws/page/GetFile1.aspx?attid=6837

Portal on CSF in the Czech Republic, available from www.strukturalni-fondy.cz

Raport Rynku PPP (2013): Ocena obecnego stanu i perspektyw finansowego zaangażowania sektora prywatnego i publicznego w rozwój partnerstwa publiczno-prywatnego w Polsce Rynek partnerstwa publiczno-prywatnego 2009-30.IX.2013 r Fundacja Instytut Partnerstwa Publiczno-Prywatnego oraz Kancelaria Doradztwa Gospodarczego Cieślak i Kordasiewicz, available from www.mg.gov.pl/files/upload/19767/20131218_raport_Instytut_PPP.pdf

SEVEN (2011): Framework Conditions for Energy Performance Contracting, National Report – the Czech Republic, European Energy Service Initiative – EESI, IEE/08/581/SI2.528408, November 2009

Szomolányiová J. et al. (2014): WP5 National Report of CombinES project for the Czech Republic: Combining existing subsidy schemes with the EPC, CombinES project – Central Europe Programme/4CE499P3, SEVEN, Prague

Szomolányiová J., Sochor V. (2013): Overview EPC Market and Potential in the Czech Republic, WP3 National Report, CombinES project – Central Europe Programme/4CE499P3, SEVEN, Prague

Szomolányiová J., Sochor V. (2013): Overview EPC Market and Potential in the Czech Republic, WP3 National Report of CombinES project, SEVEN, Prague

Szomolányiová J., Sochor V. (2014): Final proposal of amendments to allow for combining existing subsidy schemes with the EPC, WP5 Task 5.1.3 Common solution, CombinES project – Central Europe Programme/4CE499P3, SEVEN, Prague

Szomolanyiova J., Sochor V., Nemec Z. (2013): Overview of the existing subsidy schemes & subsidised EPC projects in the Czech Republic, WP4 National report, CombinES project – Central Europe Programme/4CE499P3, SEVEN, Prague

Szomolanyiova J., Sochor V., Nemec Z. (2013): Overview of the existing subsidy schemes & subsidised EPC projects in the Czech Republic, WP4 National report of CombinES project, CombinES project – Central Europe Programme/4CE499P3, Prague

Tomšič M. (2013): Overview EPC Market and Potential, WP3 National report for Slovenia, CombinES project – Central Europe Programme/4CE499P3, ZRMK, Ljubljana

Tomšič M. (2014): Combining existing subsidy schemes with the EPC, WP5 National report for Slovenia, CombinES project – Central Europe Programme/4CE499P3, ZRMK, Ljubljana

Tomšič M. (2014): New model combining a subsidy programme with EPC to finance energy efficiency projects, WP6 - National Report for the Slovenia, CombinES project – Central Europe Programme/4CE499P3, ZRMK, Ljubljana

Twardovski J., Rajek L., Liszka S. (2013): Overview of the Existing Subsidy Schemes & Subsidised EPC Projects, WP4 - National Report for Poland, CombinES project – Central Europe Programme/4CE499P3, FEWE, Katowice

Twardowski J., Liszka S., Pyka M. (2014): Combining existing subsidy schemes with the EPC, WP5 National Report for Poland, CombinES project – Central Europe Programme/4CE499P3, FEWE, Katowice

Twardowski J., Liszka S., Pyka M. (2014): New model combining a support programme with EPC to finance energy efficiency projects, WP6 National Report for Poland, CombinES project – Central Europe Programme/4CE499P3, FEWE, Katowice

Valentová, M. (2013): Transakční náklady programů na podporu energetické efektivity, Disertační práce, Fakulta elektrotechnická, České vysoké učení technické

Valentová, M., Honzík, M. (2012): Transakční náklady programů na podporu energetické efektivity. SEVEN, Praha

Valentová, M., Szomolányiová, J. (2013): Country Report on Identified Barriers and Success Factors for EPC Project Implementation, Report under Transparens project, available from www.transparens.eu

Wetzel A. (2013): Overview EPC Market and Potential, WP3 Transnational Report, CombinES project – Central Europe Programme/4CE499P3, Berlin Energy Agency, Berlin

Zabot S. (2012): Il Problema di “agenzia” nell’utilizzo del modello ESCo, available from www.qualenergia.it