



Introduction to Energy Performance Contracting (EPC) and Energy Service Companies (ESCOs)

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Glossary



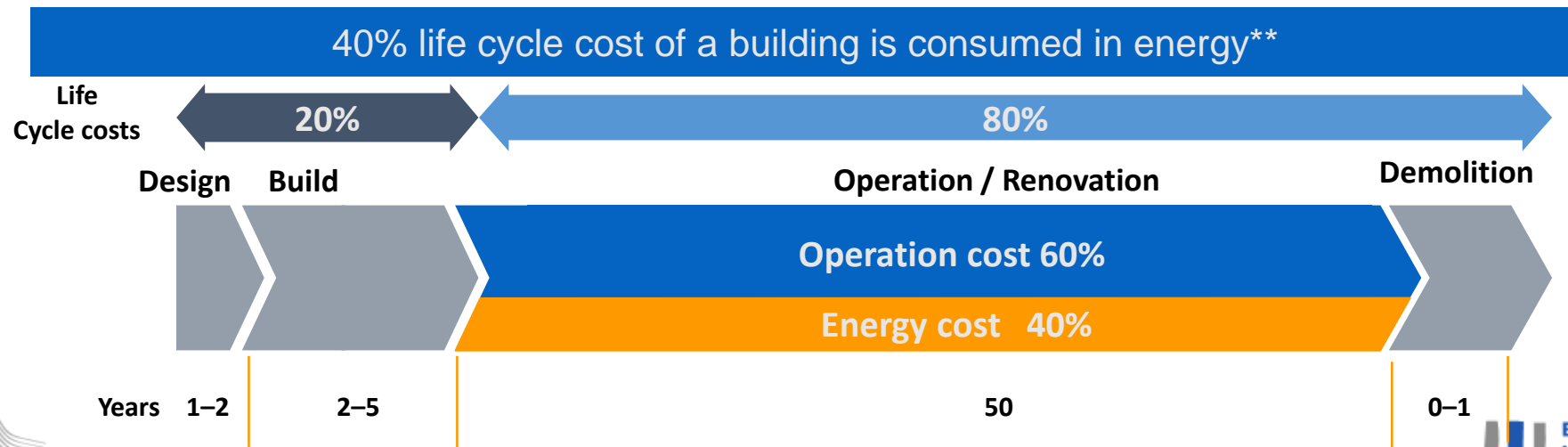
CAPEX	Capital expenditure
CBA	Cost Benefit Analysis
Due diligence	Research and analysis of a company in preparation for a business transaction
EPC	Energy Performance Contracting
ESCO	Energy Service Company
Forfaiting	Sales of future receivables
HVAC	Heating, Ventilation and Air Conditioning
NPV	Net present value
OPEX	Operational expenditure
Step-in rights	The right of a lender to replace the ESCO in the EPC contract



Energy consumption in buildings



- 40% of energy consumption and 36% of CO₂ emissions in the EU come from buildings
- About 35% of the EU's buildings are over 50 years old and 75% is energy *inefficient*,
- Renovation rates are low with only 0.4-1.2%
- **Life-cycle approach** can significantly reduce energy consumption and operating cost of a building



* Dena Congress, Berlin, 2008

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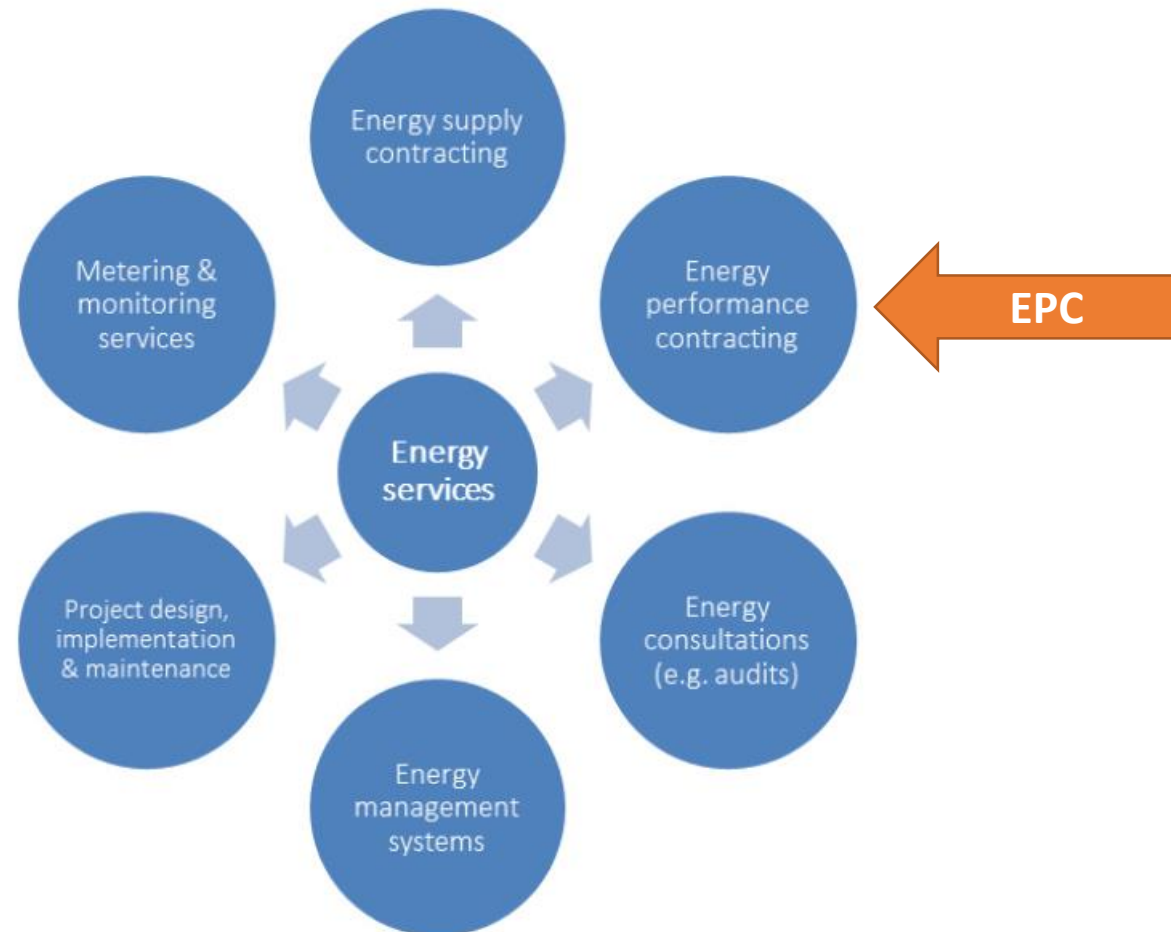
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Energy Service Companies (ESCOs)



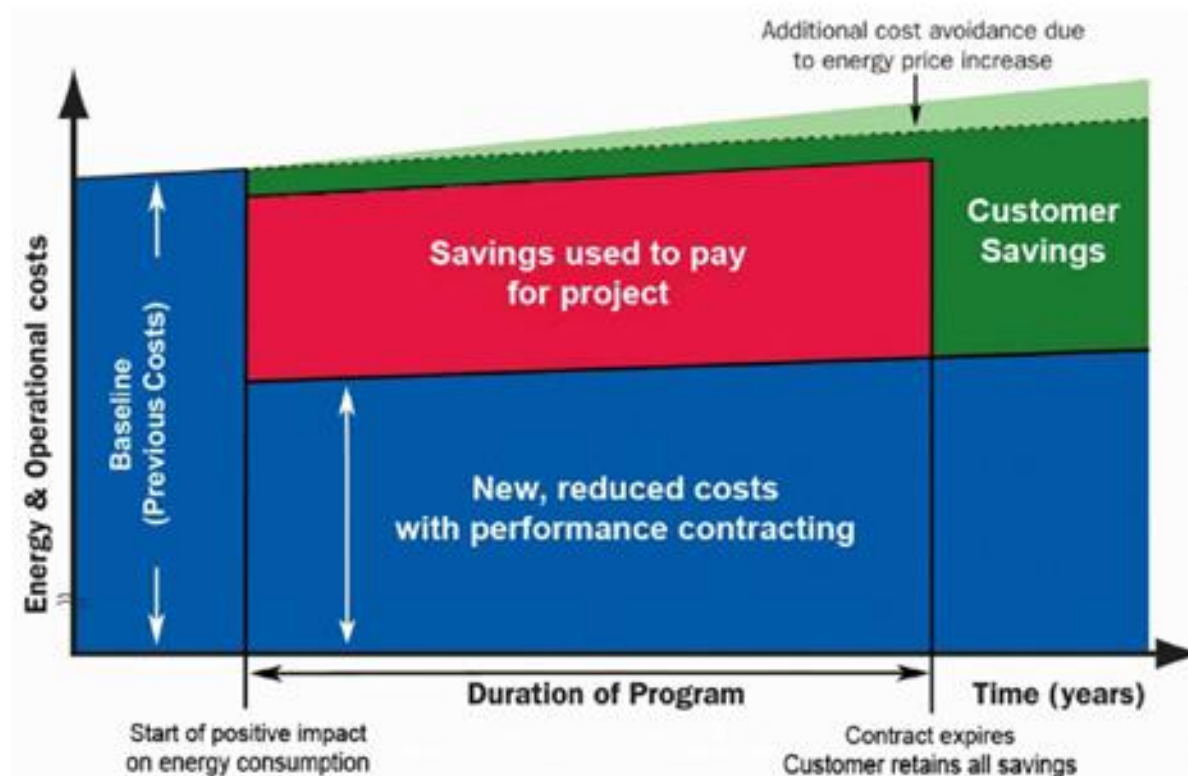
- **Energy services** – services provided by specialised companies (Energy Service Companies - **ESCOs**) to clients in form of outsourcing



What is EPC?



Energy Performance Contracting – energy efficiency investments in buildings and infrastructure are undertaken by specialised companies, **EPC providers**, with performance guarantee during the time of the contract. EPC providers are paid from achieved savings.



Advantages of EPC



- **Energy performance contracting** offers a number of advantages for clients:
 - One partner, one contract for different types of deliveries and services
 - **Guaranteed energy savings** and greenhouse gas emissions
 - Energy efficiency investments financed directly from cost savings
 - EPC providers takes on the performance risks of works and technology
 - Energy management by EPC provider
 - EPC helps the client arranging the financing of the project
 - Additional savings measures and increase of achieved savings during contract





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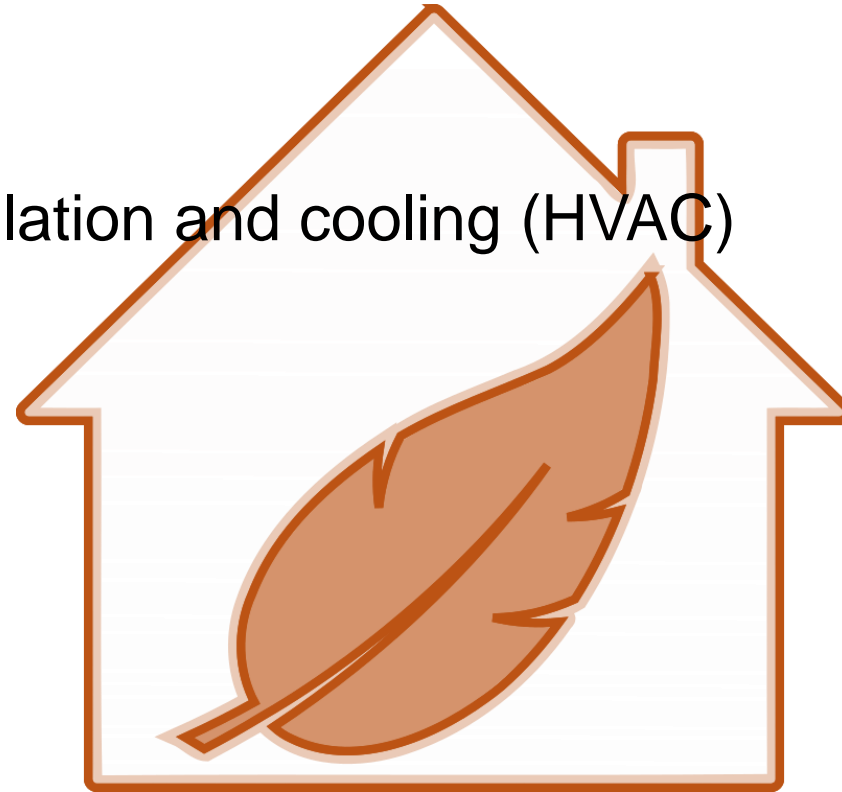
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EPC : Typical Measures



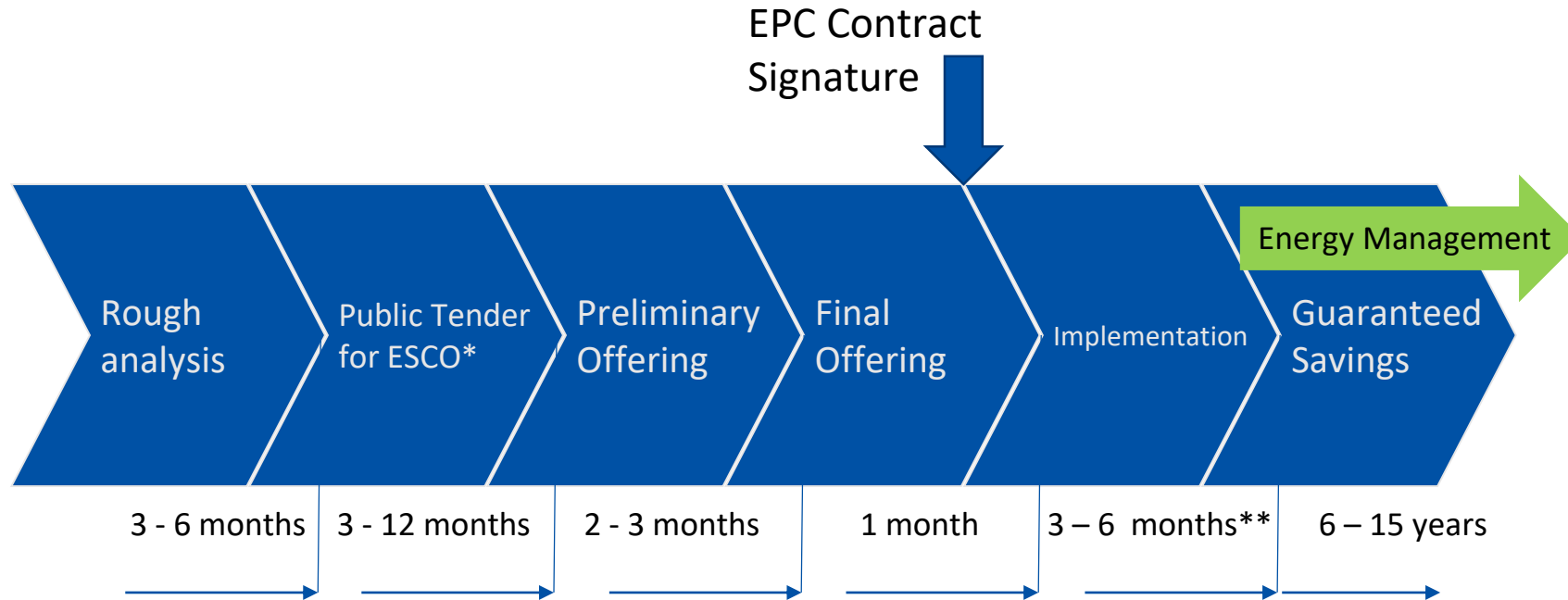
- Energy management equipment
- Equipment for lighting, heating, ventilation and cooling (HVAC)
- Occupant training programs
- Building envelope insulation
- Renewable energy systems
- Traffic and street lighting



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Implementing an EPC



** Experience shows that competitive dialogue is the most suited procurement method for EPC*

*** Note: depends on number of measures, scope of work and conditions on customer side (in some cases this phase can have duration time up to 12 months or even longer)*



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Q&A



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