



European Bank
for Reconstruction and Development



This project is funded by
the European Union



FACILITATING THE IMPLEMENTATION OF ENERGY SERVICES IN THE WESTERN BALKANS

Siegfried Brenke

***ESCO Policy Dialogue “Preparing Contract Templates
for EPC and ESC in 5 Western Balkan Countries”***

*REEP (Regional Energy Efficiency Programme) – funded by
the EU’s Western Balkans Investment Framework (WBIF) and
the Western Balkans Joint Fund, developed and run by EBRD.*

Vienna, EECG, 14th Session, 28 June 2017

German ESCO investments: €7.2 - 8.4 billion in year 2015

Sources: German State Agency BAFA, 2015

http://www.bfee-online.de/bfee/informationsangebote/publikationen/bfee_berichte_publicationen/bericht_bfee_06_15.pdf

Comparable figure for the WB Countries? 1 billion? ... when?

Market potential for street lighting in Serbia only:

- Investment potential EUR 135 to EUR 255 million
- Annual cost savings potential of EUR 19 to EUR 34 million

Market Share of ESC and EPC?

ESC 90% EPC 10%

Figures reflecting both the private and public sector.

Similar assessments for the region not available.

ESC = highly relevant ... even if

EPC share in public sector might be significantly higher.

THE SUPPORT FROM REEP ALIGNS WITH CPs EU - OBJECTIVES

DIR. 2012/27 CHAPTER IV HORIZONTAL PROVISIONS

Article 18

Energy services

1. Member States shall promote the energy services market and access for SMEs to this market by:
 - (a) **disseminating clear and easily accessible information on:**
 - (i) **available energy service contracts and clauses that should be included in such contracts to guarantee energy savings and final customers' rights;**

The ESCO Policy Dialogue:

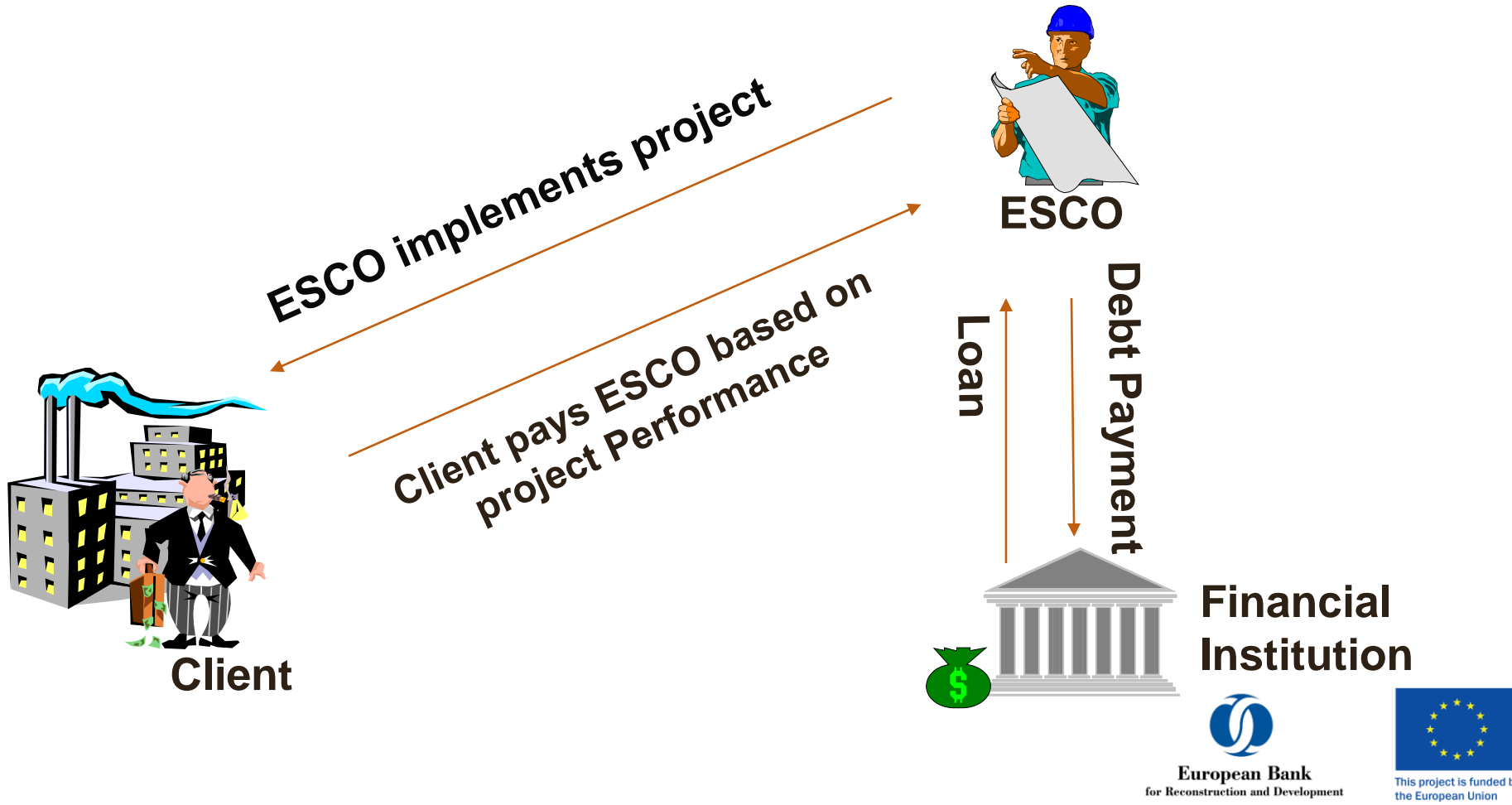
“Preparing Contract Templates for EPC and ESC in 5 Western Balkan Countries“: **Objectives**

- Accelerate the achievement of the above mentioned political objectives.
- Work towards having similar contract templates in order to create larger market
- Reduce transaction costs for ESCOs, which may otherwise be risk-averse

DELIVERABLES

- Legal analysis
- Street lighting EPC contract
 - Building EPC contract
 - Building ESC contract

Energy Services Contracting: EPC and ESC - common features



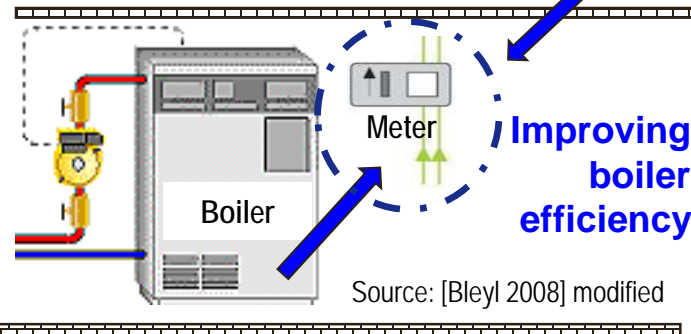
THE SAVINGS GUARANTEE MAKES THE EPC MODEL SPECIFICALLY SENSITIVE

➤ Adjusted baseline

➤ Ownership transfer

➤ Measurement and verification

- Installing more efficient appliances (such as bulbs, more efficient HVAC, ect.)
- Improving energy regulation
- Improving insulation of building- envelop (roof, walls, windows)



**PERFORMING
ENERGY
SAVINGS - AT
SAME LEVEL
OF COMFORT**

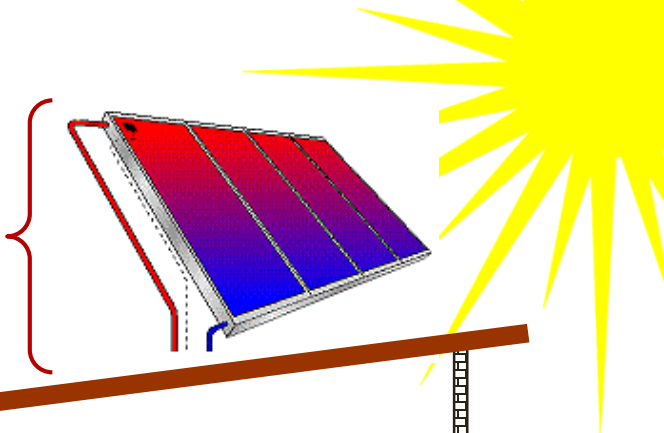
Energy Supply Contracting (ESC)

Some crucial issues



- Guarantee of **MINIMUM SUPPLY** of useful energy (heat, steam, electricity ...), preferably from renewables
- M&V: MWh delivered (pay for **OUTPUT OF USEFUL ENERGY**), not fuel)
- Good business model for Renewables, CHP or heat recovery ...
- **But: Limited to supply side efficiency**

Solar Supply-Contracting
=> M Wh_{Solar}



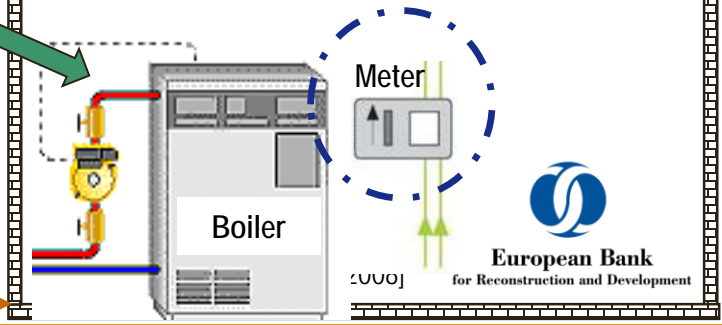
ENERGY DEMAND MAY BE HIGHER THAN NECESSARY WITHOUT EPC MEASURES

Exchanging boiler, improving boiler efficiency together with change of energy source

Energy Supply Contracting (ESC)
=> MWh



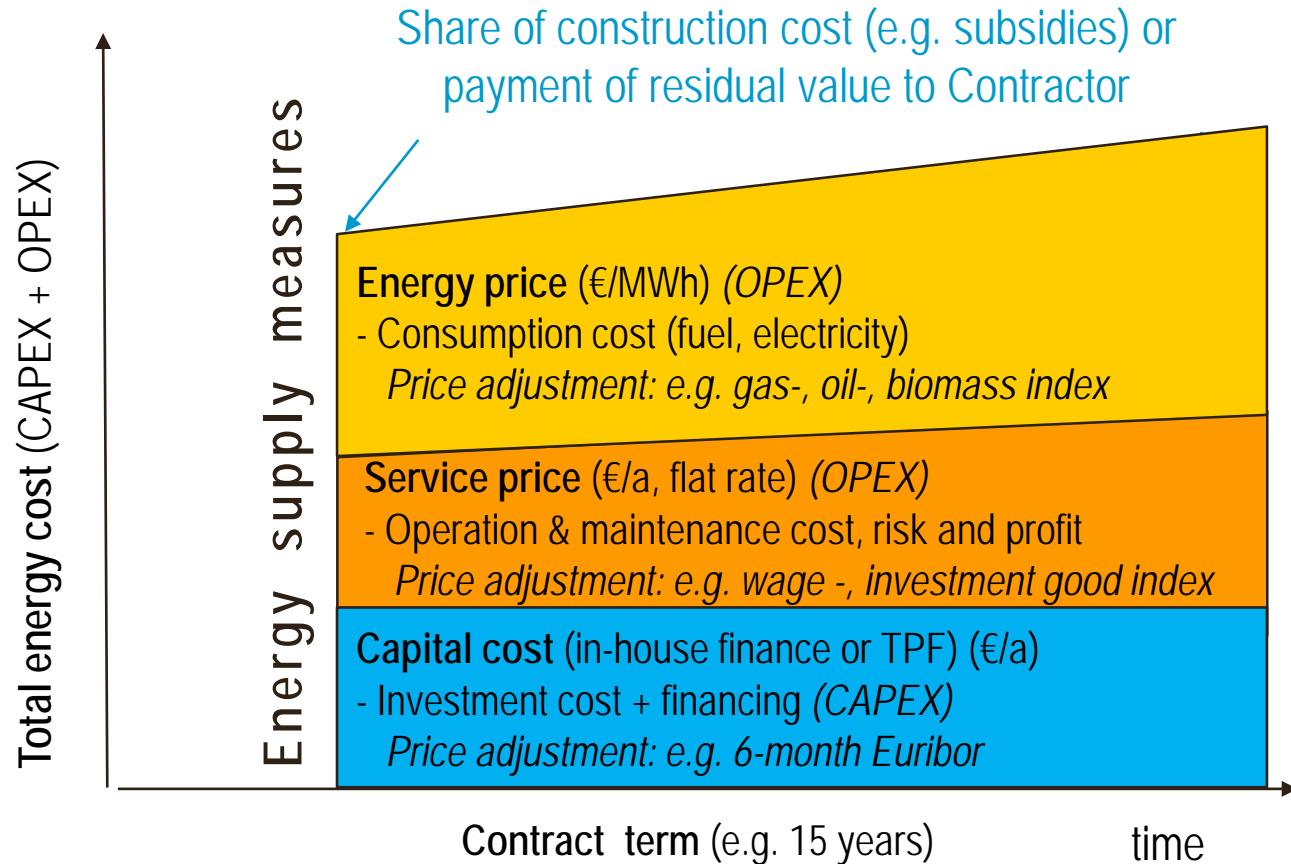
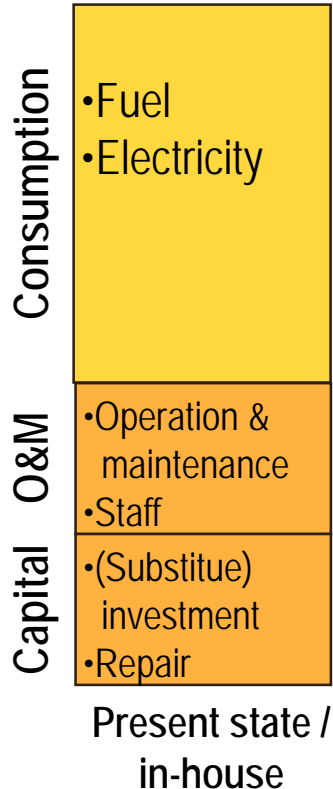
New Fuel



Source[Bleyl 2009] modified

Energy Supply Contracting (ESC)

Some crucial issues



Source: after [Bley+Schimmerl 2008]

LEGAL / REGULATORY GAPS MAY BE SIMILAR IN THE REGION DUE TO A SIMILAR STATUS OF MARKET TRANSITION

Typical Regulatory Gaps for introducing Energy Services are:

Lack of supportive organisational / institutional structures,
(i.e. lack of capacities and lack of coordination of multiple jurisdictions)

Lack of flexibility in responding to innovative and tailor-made
ESCO solutions (mainly procurement challenges)

Lack of financial attractiveness for carrying out ESCO
projects in the Balkans (i.e. subsidised energy prices/tariffs,
unpractical ownership regulations, taxes etc.)

CONTRACTING PARTIES:

- Provision of contact point for further communication and collaboration in each of the participating countries.
- Background information on the status achieved in respect to facilitating energy services in each of the participating countries.

CONSULTANCY TEAM:

- Agreement with EBRD about the first two countries to start still in summer.
- Development of first draft model contract.
- Development of an analysis with “most likely to be expected gaps” – as basis for a country-specific analysis.

Looking forward to cooperation and fruitful discussions!

REEP (Regional Energy Efficiency Programme) – funded by the EU's Western Balkans Investment Framework (WBIF) and the Western Balkans Joint Fund, developed and run by EBRD.

www.wb-reep.org