

Guide on the statistical treatment of EPC
BELESCO Energy Services & Financial Days
Atelier Expert
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European Investment Bank

EPC market in Europe

Obstacles and Potential

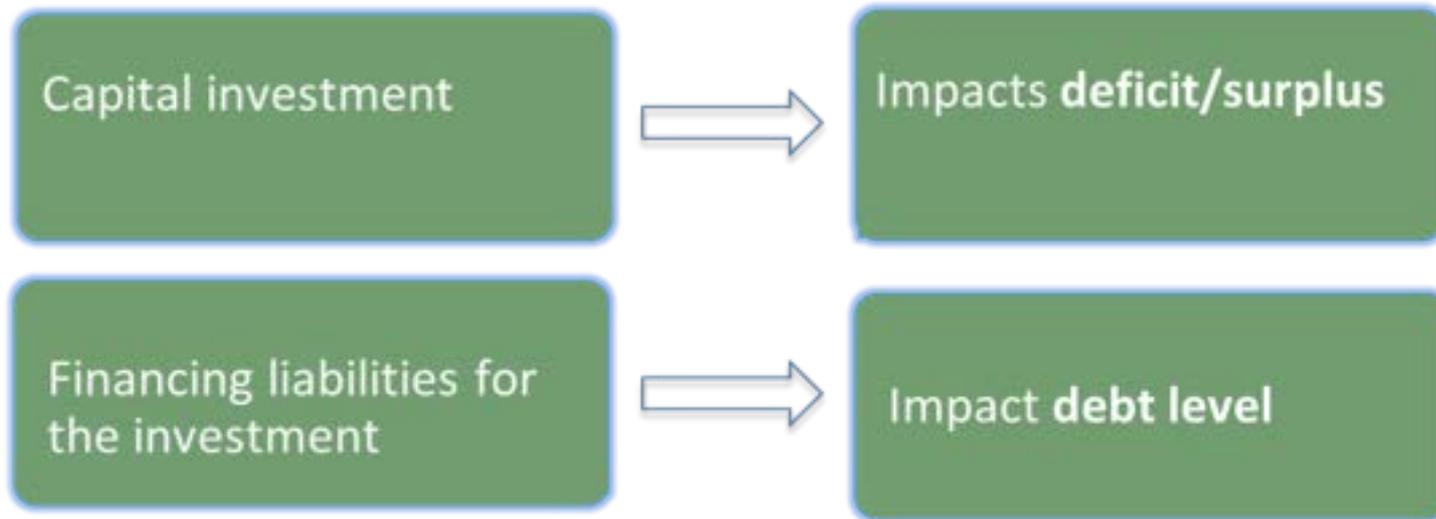
Potential of EPC market is not exploited due to several factors:

- Lack of information and awareness
- Lack of trust and track record
- Project development capacity of project promoters
- Procurement process
- Statistical treatment of EPC
- Access to finance for EPC providers
- Competition with investment grants

Why a statistical guide on EPC?

What do Eurostat's rules imply?

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- If an asset is “on balance sheet” for government:

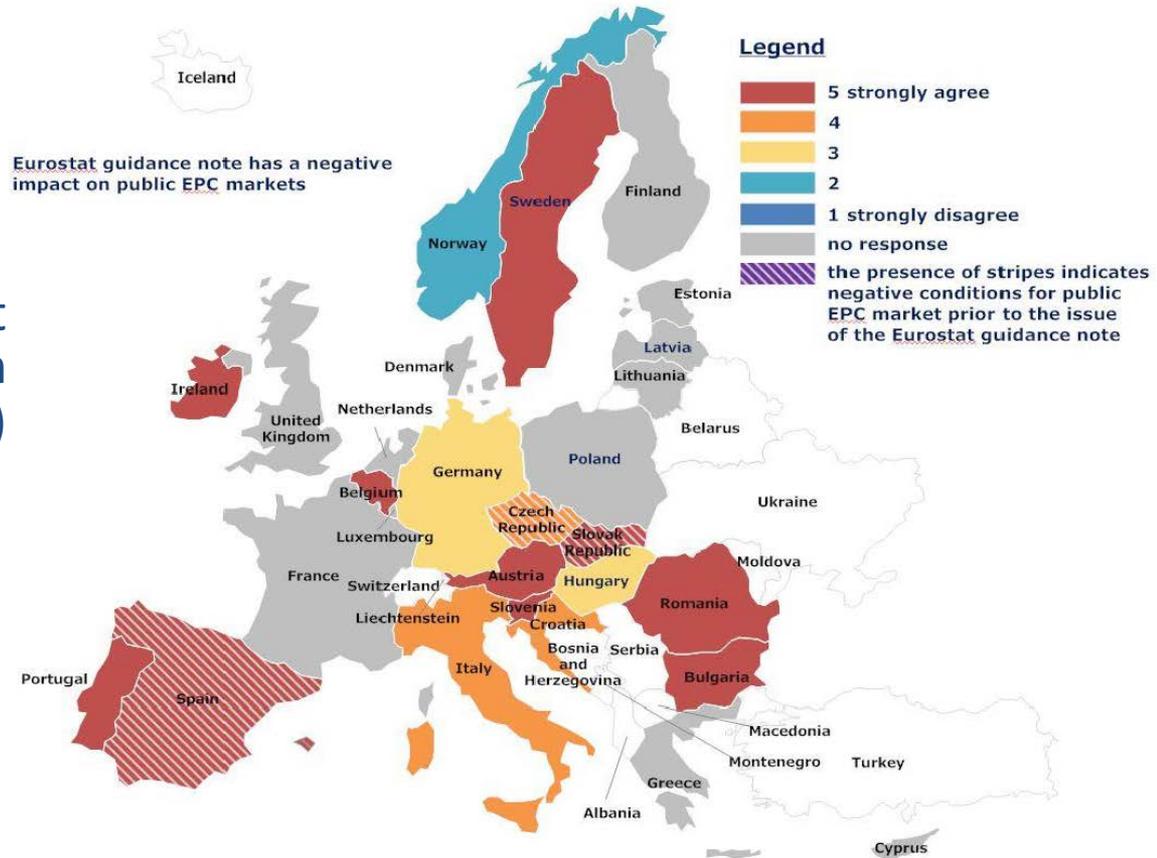


Why a statistical guide on EPC?

Market perspective on Eurostat rules before 2017

Previous ruling on statistical treatment was considered to have **negative impact** on EPC market

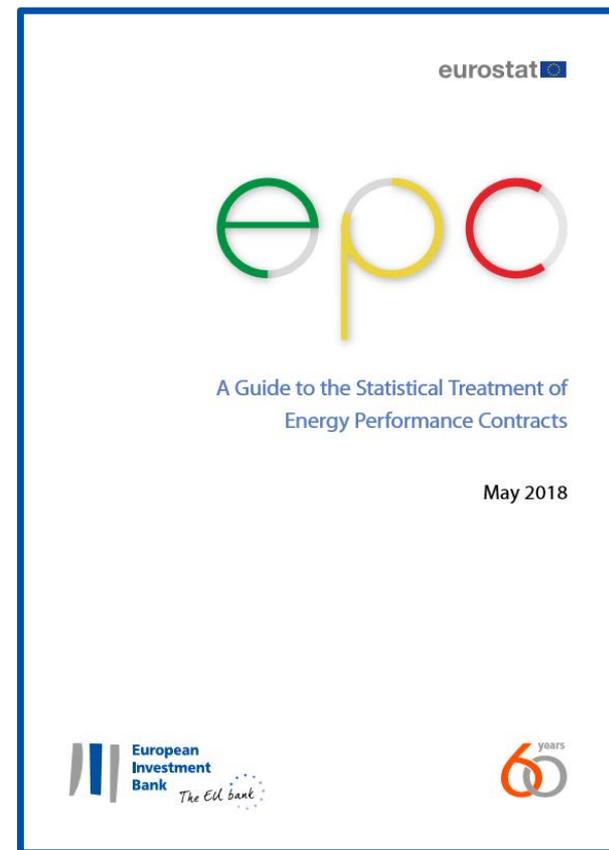
(according to 2017 JRC report 'Energy Service Companies in the EU')



Why a statistical guide on EPC?

About the guide

- Eurostat Guidance note from 2017 opened the way for 'off-balance sheet' EPC
- The practitioner's guide translates general rules into concrete provisions
- Guide covers typical contract provisions and structures
- Guide is official Eurostat guidance and the reference point for Eurostat advice and decision on EPCs



The Guide on statistical treatment of EPC

Scope of the Guide

- Energy Performance Contracting financed by private EPC provider
- Minimum contract length 8 years
- Energy efficiency related assets, including renewable energy
- Eurostat rules relate to statistical treatment in government accounts - not to be confused with accounting rules/practices and budgeting
- Guide does not deal with value for money or bankability

The Guide on statistical treatment of EPC

Themes covered by Guide

- Theme 1** – Legal ownership and access rights
- Theme 2** – Specification, design, construction and installation of the EPC assets
- Theme 3** – Maintenance and operation of the EPC assets
- Theme 4** – The Guaranteed Savings
- Theme 5** – The payment mechanism
- Theme 6** – Compensation, relief and force majeure events
- Theme 7** – Changes to the EPC
- Theme 8** – Changes in law
- Theme 9** – Insurance
- Theme 10** – Warranties and indemnities
- Theme 11** – Early termination of the EPC
- Theme 12** – Compensation on early termination of the EPC
- Theme 13** – Expiry of the EPC
- Theme 14** – Financing arrangements
- Theme 15** – Government influence
- Theme 16** – Miscellaneous provisions

Selected themes

Selected themes

Guaranteed savings

- Guaranteed savings must exceed Operational Payments and Government grants
- Savings must be derived from a reduction in energy consumption (other energy related savings and revenues can also count)

Selected themes

Payment mechanism

- Principle of proportionality (% payment relates to % savings achieved)
- No cap on EPC provider's liability for savings shortfalls
- Authority can take up to 1/3 of excess savings

Selected themes

Financing arrangements

- Is **government participating** in the financing of the EPC investment? Impact depends on % provided
- Is there are **forfeiting** arrangement in place? Does it shift risk back to the government?
- Annex 2 provides examples to illustrate impact of government and **EU financing**

Selected themes

Government and EU financing

- Government financing in form of grants or financial instruments (guarantees, loans)
 - $\geq 50\%$ → ON BALANCE SHEET
 - $> 50\%$ → impact on balance sheet treatment
- EU financing (grants/financial instruments) does not impact on-off balance sheet treatment
- ESIF programme support needs to be divided between EU financing and government financing

EIB support to implement EPC projects

EIB support to EPC

Wide range of support

LENDING	BLENDING	ADVISING
Loans	Combining EIB finance with EU budget and sources	Support for projects and investments
But also:	European Fund for Strategic Investment (EFSI)	European Investment Advisory Hub (EIAH)
Guarantees	Smart Finance for Smart Buildings Initiative (SFSB)	Project Development Assistance (ELENA, JASPERS)
Equity participation	Private Finance for Energy Efficiency (PF4EE)	Improve access to finance (Financial Instrument Advisory, <i>fi-compass</i>)
	Instruments combining ESIF with EIB resources	

Attracting FUNDING for long-term growth

EIB support to EPC

Case: Anderlechtse Haard



Project description:

- Partners: EDF Luminus Solutions and Anderlechtse Haard
- CHP, thermostatic valves, heating installations, electrical equipment, PV
- Maintenance of installations
- Performance guarantee for gas and electricity savings

Support by EIB

- Debt financing to ESCO from Belfius supported by EC-EIB financial instrument PF4EE (Private Finance for Energy Efficiency)
- Technical assistance to Belfius through PF4EE Expert Support Facility

Disclaimer: The project is presented as practical EPC example and not for the purpose of balance sheet treatment.

EIB support to EPC

Advisory support

- National and EU wide awareness raising events
- Advisory and technical assistance services for project preparation, e.g. scoping of market demand, procurement documentation, model contracts, combining EU support and EPCs
- Design of dedicated financial instruments and investment platforms

Pooling competences of different EIB advisory services through European Advisory Investment Hub (EIAH)

Advisory Hub

EIB support to EPC

Case: EPC programme of City of Ljubljana

- **Objective:** implement a large investment programme improving energy performance public buildings through EPC and ESCO financing.
- Several tenders have been prepared and contracts signed for EE improvements in similar buildings and using same EE technologies
- ELENA grant budget: EUR 1.35m
- Investment amount prepared : EUR 49.2m

ELENA Technical Assistance support provided for:

- ✓ Set up of an internal Project Implementation Unit
- ✓ Preparation of simplified energy audits, checking the energy baseline for the selected buildings, tender documentation preparation, design of the EPC contracts, tender evaluation
- ✓ External assistance for legal and financial advice

Download guide from

<http://www.eib.org/infocentre/publications/all/guide-to-statistical-treatment-of-epc.htm>

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