



**CONCERTED ACTION
ENERGY SERVICES
DIRECTIVE**



Public Private Partnership for Energy Efficiency

Executive Summary

WGR 5.2

**Core theme 5
Working Group Report 2**

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The Energy Service Directive demonstrates the exemplary role of the public sector in triggering action to achieve energy efficiency improvements. Government and municipal actors can make a difference when designing legislative and institutional frameworks, making investments, creating special funds and implementing energy efficiency requirements.

A Public Private Partnership (PPP) is a possible way to tackle the economic crises/recession and boost the economy through infrastructure investment in existing or new structures. *“PPP are forms of cooperation between public authorities and the private sector that aim to modernise the delivery of infrastructure and strategic public services.”*¹ This form of cooperation is a long-term contractual relationship between a public entity and a private organisation where risks are shared and increased financing for energy efficiency (EE) is mobilised within the private sector to carry out modernisation projects in the public sector, with the public partner paying for delivered services in the long run. Energy (Service) Performance Contracting (EPC) can be also considered a form of PPP, but only where both public and private partners are involved. This is a relatively common form of PPP with well established procedures in some countries. In less mature markets, governments can facilitate the availability of financing for energy efficiency in local financing institutions (e.g. banks) by establishing Dedicated Credit Lines or Risk-Sharing Facilities, which - in the case of public involvement - can also be considered kinds of PPP.

Earlier CA ESD research showed that some countries have more experience than others in using PPP for energy efficiency but in most countries such financial approaches have not been adopted. The research recommended that a further examination of PPP should be carried out in Member States.

Current research first investigates how existing legislative and institutional frameworks in CA ESD participating countries support PPP in general. A questionnaire for countries to complete was also developed to collect and disseminate working examples as well as to understand why PPP specifically for EE is not used in many countries. The research also summarises suggestions made by respondents for further improvement opportunities.

54% of the 28 CA ESD participating countries who responded to the questionnaire have a national definition of PPP. 57% of respondents have a specific ministerial PPP department (usually in ministries dealing with finance or economy), but only 9 participants (32%) indicated their countries have a specific agency dealing with PPP. 57% of respondents also have national internet sites where information about PPP is displayed. Most PPP are carried out at a local level, followed by national and regional level: international implementation is rare. It is clear from this information that many countries already have experiences of PPP in other areas and that existing framework conditions could allow implementation of PPP for EE purposes.

Measures related to sustainability appear in PPP processes in nearly two thirds of responding countries. More than half of respondents (56%) indicated that the National Energy Efficiency Action Plan (NEEAP) for their countries did not include any specific reference to the provision of PPP for EE, although 10 responding countries (36%) do have such provision. Energy efficiency considerations in PPP processes play a role mainly in the building sector and in street/road lighting.

The research summarises barriers that prevent more than half of responding countries (57%) from using PPP for energy efficiency improvements in the public sector. Amongst the countries without experience of EE in PPP, there was a high level of agreement that PPP is **not a traditional way of funding** and is therefore often overlooked as a financing method. **Lack of expertise and knowledge** in the public sector and the **existing legislative framework** make it **difficult to fit PPP for EE into public procurement rules**. Because of the **immature market** in many countries the private sector often fails to deliver a comprehensive service (design, implementation, operation, financing). The **lack of clear definition on roles and responsibilities** between partners also causes problems.

All respondents recognised the importance of PPP for EE improvements: 74% believed that it is a cost-effective way to support EE services. However, the need for such a financial solution was

¹ 2005 COM (2005) 569

questioned because other tools and measures exist that can finance EE. Negative experiences of PPP for EE are rarely reported, although insufficient political support and the misinterpretation of results were mentioned by respondents.

Regarding **improvement opportunities**, the majority of respondents agreed that what they need most to help them consider or further facilitate the use of PPP for energy efficiency is more and better information: advice on **how to set EE requirements** and on **contracting and negotiation**; information on **how to structure PPP for EE** and **model contracts**; and **good case study examples from other countries** (CA ESD is considered to be one of the best forums to share experiences). An updated **handbook of PPP** would also be useful. **Organising training courses** and establishing a **website with a database** of examples of EE in PPP by sector would be also a great help. The European PPP Expertise Centre could provide this guidance and advice to governments.

Respondents from 10 countries provided 11 case studies on the use of PPP for energy efficiency improvements in the public sector, some covering individual projects and others introducing whole programmes. The German respondent described the Berlin Energy Saving Partnership programme in detail and the United Kingdom respondent shared their experiences of the Birmingham Energy Savers programme which is part of the Green Deal initiative. The French participant provided two good practice factsheets covering EE improvements in over 100 school buildings and the Bulgarian respondent shared their first experiences of applying Energy Performance Contracting. Project insights were also shared about PPP planning, financing, implementation, risks and outcomes by the CA ESD representatives of Greece, Spain, Finland, Hungary and the Netherlands. The examples provided mainly covered the Energy Performance Contracting type of PPP as this is a well-established model. Energy efficiency considerations are relatively new in the context of PPP and so national PPP experts tend to be more focused on infrastructural and 'traditional' approaches. In half of the case studies, the private partner was responsible for designing, building, financing and operating the projects. In most PPP, the private partner finances the energy efficiency improvements entirely but in other cases both partners are involved. In half of the examples, private partners used private bank loans to cover investment costs. Equity participation plays role in 25% of the case studies.

Realising the benefits of PPP for EE, the European Commission is providing technical and financial support through technical assistance facilities (ELENA, JASPERS, EEEF), dedicated credit lines (EEEF) and revolving funds (JESSICA) in forms of grants, loans, guarantees or equity.

The main **success factors** identified through the case studies for EE in PPP included having **well and clearly defined objectives** at the beginning of the process and **profitability and guarantee of return**. The selection of the **right private partner** with technical, professional and economic competence to manage the implementation of the project is critical, as is a **continuous dialogue** between partners and a willingness to work together throughout the contractual timeframe. Providing **reliable baseline data and reference values** is essential to planning the whole investment and the required EE improvements. **Creating 'building pools'** (clustering small buildings together under one framework) has proven to be an efficient and profitable approach. The involvement of a **professional project management institution** (e.g. an energy agency) as an interface between the public owner and the private company can also be beneficial.

Almost all the countries without experience are planning to use PPP for EE in the future, mainly in the buildings and transport sectors. According to the questionnaire responses, there is a high probability that in the next three years six countries will have introduced PPP for EE.

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The Concerted Action for the Energy Services Directive II (CA ESD II) was launched by Intelligent Energy Europe (IEE) in May 2011 to provide a structured framework for the exchange of information between the 29 Member States during their implementation of the Energy Services Directive (ESD).

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