



REPUBLIKA SLOVENIJA  
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# IMPLEMENTATION OF THE NATIONAL EPC MODEL: LEGISLATIVE FRAMEWORK

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# Energy performance contracting (EPC)

- EPC is a mechanism for organizing the energy efficiency financing. The EPC involves an Energy Service Company (ESCO) which provides various services, such as finances and guaranteed energy savings. The remuneration of the ESCO depends on the achievement of the guaranteed savings. The ESCO stays involved in the measurement and verification process for the energy savings in the repayment period. ESCO and EPC are mostly found in the public sector and to a lesser extent in the industrial and commercial building sectors (Hilke and Ryan, 2012).
- Several EPC models are already successfully implemented and provide appropriate solutions for implementing energy efficiency improvement measures and providing savings services.



# Legal basis at EU level:

## Energy Efficiency Directive 2012/27/EU

- EPC is defined as 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 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.
- Every year (as from 1 January 2014), governments in EU countries must carry out energy efficient renovations on at least 3% (by floor area) of the buildings they own and occupy.



## Legal basis at national level

- Energy Act (Official Gazette of the Republic of Slovenia, No. 17/14 and 81/15)
- Relevant strategic documents:
  - Operational Programme for the Implementation of the EU Cohesion Policy 2014-2020
  - The National Energy Efficiency Action Plan 2017-2020 (AN URE 2020)
  - Operational Programme of Measures for Reducing GHG Emissions by 2020
  - Long-Term Strategy for Mobilising Investments in the Energy Renovation of Buildings + Annex



# Legal basis for the implementation of PPP procedures according to the principle of EPC

- Public-Private Partnership Act (Official Gazette of the Republic of Slovenia, No. 127/06):

It constitutes a sufficient legal basis for the implementation of procedures for the selection of ESCO companies under the public-private partnership procedure, but due to its age and lack of adapting to the newer model of EPC, it is inadequate in certain provisions (various interpretations of its content). Considering the above, the amendment of Public Private Partnership Act is necessary, for the purpose of including more clear definition of the procedure for concluding and implementing a public-private partnership.



# Rules, manuals and guidelines at EU level (EUROSTAT, the statistical office of the EU, European investment bank)

- The European System of National and Regional Accounts – ESA 2010 (May 2013)
- Eurostat Guidance Note: The Impact of Energy Performance Contracts on Government Accounts (August 2015)
- Manual on Government Deficit and Debt – Implementation of ESA 2010 (2016 edition)
- A Guide to the Statistical Treatment of Public Private partnerships (September 2016)
- Eurostat Guidance Note: The Recording of Energy Performance Contracts in Government Accounts (September 2017)
- A Guide to the Statistical Treatment of Energy Performance Contracts (May 2018)



# Public finance legislation

- Public Finance Act
- Decree on the uniform methodology for the preparation and treatment of investment documentation in the field of public finance
- Rules on the content of the eligibility of execution of a project according to the model of public - private partnership

Statistical evaluation of EPC models: Cooperation with the Ministry of Finance, which is responsible for public-private partnerships, the Statistical Office of the Republic of Slovenia and EUROSTAT.



# Budget aspect and impact on debt/ deficit (1)

- In Slovenia, EPC is, if all conditions are met, treated as PPP.
- The key elements that influence on the classification of the borrowing/ deficit are:
  - The assessment of the risks and benefits.
  - The definition of ownership, the value of the assets and the co-financing type.
- From EUROSTAT point of view it is crucial to define, in which balance sheet funds are recorded (public or private partner), as this affects the debt and general government deficit.





## Budget aspect and impact on debt/ deficit (2)

- Assets may be classified outside the balance sheet of a public partner (i.e. in the balance sheet of a private partner) only if a sufficient degree of certainty has been demonstrated and proven that the private partner carries most of the risks (investment risk, availability risk) related to the asset and specific public-private partnership. At the same time public partner must be entitled to most of the benefits from that asset or relationship.
- In the context of our national public finance legislation, other types of energy contracting relationships (e.g. buy and leaseback models) are not even permissible.



## Budget aspect and impact on debt/ deficit (3)

- PPP contract sample has been confirmed by EUROSTAT.
- In May 2018, EUROSTAT and EIB issued a new EPC Guide "A Guide to the Statistical Treatment of Energy Performance Contracts", which additionally defines the specific form of the EPC, i.e. PPP. To treat EPC projects as a PPP (in this case, these projects do not use EPC guidelines, but guidelines referring to PPPs) following basic condition needs to be met:
  - Amount of capital expenditure in the refurbishment of an existing asset represents more than 50% of the value of the asset after completion.





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**Thank you for  
your attention!**

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