



ESCOs and Energy Performance Contracting

Potential in the residential sector

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<http://re.jrc.ec.europa.eu/energyefficiency>



- **Monitoring** of market development since 2002
- **Workshops** – initiating exchange of experience
- **Status 2010:** ESCO market far from utilizing its full potential, significant differences across Europe
- We are **collecting data** on national ESCO markets in 2011: **pls send your data**, report foreseen by end of 2011
- The reports are **available online**:
<http://re.jrc.ec.europa.eu/energyefficiency/ESCO/index.htm>



- Traditionally, **public sector (buildings)** in primary focus (*trustful, large systems, short payback times, open for outsourcing, often augmented by governmental or IFI aid*)
- **Residential buildings sector** (multifamily buildings) is starting up in some countries (*e.g. Estonia, France, Germany, Hungary, Italy, Norway*), including some deep retrofits
- **"Low hanging fruits"** already addressed (heating, HVAC)
- **Deep retrofits** (e.g. building insulation) not commonly undertaken by ESCOs: in combination with incentives !
- **Single households** unable to benefit from ESCOs because of minimum size criteria
- **Social Housing special case** – main issue: how to recuperate investment costs from tenants ?



Main specific barriers	Possible solutions
<p><i>Lack or mismatch of appropriate financing</i></p> <ul style="list-style-type: none"> - High transaction costs - High perceived risk of ESCO investment - Lack of expertise/ experience on financial market - Lack of "off-balance sheet" solutions, more commercial banks financing needed - Accounting problems (investment vs. operating costs) 	<ul style="list-style-type: none"> - Favourable policy framework to shorten payback times (<i>energy saving obligations, tax schemes, feed-in tariffs, building certifications</i>) - Pooling strategies to reduce transaction costs - Lower investment risks through financial instruments (<i>funds, guarantee schemes + ESCO assurance</i>)
<p><i>In relevance of residential buildings sector, incl. social housing</i></p> <ul style="list-style-type: none"> - Split incentives or landlord/ tenant dilemma - Decision making process in multifamily properties - Social housing: legal issues to increase rent 	<ul style="list-style-type: none"> - Removing legal barriers