



ESCO in social housing

Opportunities and limitations of Energy Performance contracting

Dominique Dujols
Cecodhas- Housing Europe
Head of institutionnal relations
Union sociale pour l'habitat-France



What is an Energy performance contract?

- EPC is a contract between a building owner and a company (ESCO):
 - To ensure an energy performance contract in the long term (reductions in energy consumption)
 - Guarantees the results: if they are not achieved, compensation is given



Different types of contracts in social housing

- EPC without investment (improvement on maintenance and actions on user behavior)
- EPC investment on equipment and energy systems
- EPC investment in the residential building (envelop): experimental phase in the countries, waiting for feedback

Few experiments

- In France, 4 SHO have used an EPC involving investments, one is using a third investor model. Only "on paper" .

Advantages of the EPC

- Spreading the cost of investment
- Guarantee the energy performance of actions / work throughout the contract, the cost of the work and the delivery time.

Advantages of the EPC

- **Limit the number of negotiation partners** by bringing together all the stakeholders involved in energy savings
 - **Partners of: Design / Production / maintenance**
 - **Tenants and their associations: Insertion of a behavioral component** of the inhabitants and users.

Advantages of the EPC

- Boosting operators skills in the energy field and using the best available technologies with technical transfer and financial limitations. Foster innovation

Limitations and risks of EPC

- The advantage of lower energy bills for owner and tenants is reduced, or entirely postponed
- The contracts are not very ambitious about energy savings (ratio savings/ investment cost may be lower than usual)
- No insurance for EPC: only major can do it, no SMEs
- The owner has to pay a part of retrofitting works
- EPC are very complex and require highly competent and vigilant project management

Limitations and risks of EPC

- **EPC with third investors**
 - **More expensive :**
 - ESCO has no access to specific finance or to reduced taxation for social housing (market rates),
 - Do ESCOs need to access to these public helps? But what interest, in this case ?
 - In the co-financing case, who pays for what ? Who is responsible for what ?
 - ESCO expects a profit
 - **Difficulty following monitoring terms of contracts** over the time

Limitations and risks of EPC

Our experience suggests caution concerning cost transparency.

Calliance : heat supply by a third company that supplied the boiler, exploited it, and sold directly calories

Heating networks : sometimes very expensive

In both cases, the lack of ability to check by the SHO led to a **lack of transparency** ultimately costly

Impact on tenants

- **On the running cost/ rent**
 - Normally rent pays investment and running cost pays services for the tenant.
 - In France (as in many countries), legislative rules don't allow running cost to pay the investment expenses, and rent increase is also limited by law.
 - Tenants may agree to pay a part of the investment by special agreement but only if given at least 50% of energy savings.
 - The tenant's privacy (control on behaviours)

Impact on tenants

- Our tenants have low incomes and changing the law will not solve this problem
- They will not accept easily, like tenants from private sector, a change of law
- Imposing these measures without concertation will give energy efficiency and Europe a bad image

Conclusions

- The Energy performance contracting could be an opportunity to innovate in the association of all stakeholders - SHO, supplier, tenants...
- For the moment, no real evaluations of the experimentation on energy performance contracts with a recovery of work costs on energy saving
- It could be expensive especially with third investor

Conclusions

It could be interesting where the owner is the occupant: it can increase at least the "green value" of his property

Conclusions

For all CPE and ESCO,

- Need to wait the end of experiments before doing laws
- Need to work closely with tenants and their representatives in each country and at European level
- Because they would be the main beneficiaries of an efficient system but also the main victims of a failing one.