

WP 6 Energy Covenant

6.1 Methodology for successful co-operation between the public- and private sector

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1 Introduction

EPI-SoHo is a project within the framework of the European Commission, 'Intelligent Energy – Europe' Program (IEE). The EPI-SoHo mission is to improve efficient and rational use of energy across social housing stocks, contributing to better standards of living and global environmental benefits.

The EPI-SoHo objectives are to develop structures for European wide application:

- generic implementation techniques for cost effective, large scale energy performance assessments;
- integration of the energy efficiency policy theme within social housing portfolio management;
- Description of collaborative structures (Energy Covenants) between local authorities, social housing associations and the private sector on sustainable issues.

Work package 6 focuses on the last called collaborative structures.

This work package describes the method of developing a covenant on energy saving, energy efficiency and carbon dioxide reduction ambitions on a local level (municipality).

The City of Tilburg and the Tilburg social housing associations are now running their 3rd energy covenant which will last till 2010. Previous covenants (2001 up until 2005) were used as stepping stones to build on sustainable subjects such as energy efficiency, renewable energy sources, energy savings and energy awareness & user behaviour.

The 3rd covenant aspires to a high abstract strategic and policy level, which is possible through all the lessons learned in the past.

This report describes the Tilburg Energy Covenant as a case study or best practice on energy covenants in The Netherlands up until now. Many other cities adapted the ideas and visions, each on their own manner with respect to the local circumstances.

The Tilburg case study gives an overall image of the initiatives and elaborations in practice.

This report in general and more specific the recommendations are subject for further discussion to fine-tune approach, structure and process in energy covenants so that local authorities and the private sector are able to make giant leaps on sustainable issues.

2 Energy Covenants

2.1 Why Energy Covenants?

How to make ideas and ambition work when energy, sustainability and environmental issues become part of the policy agenda? In general, two types of instruments are most likely to work with: *Legislation* (by force) and *voluntary* (by commitment) systems.

Working and succeeding in sustainable ambitions and targets on different levels of the built environment on a municipal scale, can only be reached if the urban government and private enterprises formulate their ambitions and objectives and execute it in an organized way.

This is the core of successful collaborations in ambitious projects in general, but certainly if the targets are related to energy efficiency issues. Energy Covenants could be very helpful, because covenants facilitate both common as individual interests. Voluntary commitment is preceded by the question: What's in for me, and what is the added value of working together? The answer is mostly and in all cases the same: Collaboration with several authoritative partners provides significant results and continuity.

Covenants do not have a legal status and are not binding agreements. Covenants are used very often as complementary agreements next to the official legislations in cases where multiple parties are needed to achieve social or special societal aims.

Energy covenants, or more often sustainable building covenants, between local administrations and social housing associations are obvious. Besides solely energy issues, they share more common interests like visions on (social) housing, sustainability and societal responsibility.

The City of Tilburg, the Netherlands, is very experienced in these kinds of collaborative forms. What was started as a coincidental initiative has now become the third Energy Covenant at present (see chapter 3: The Tilburg case study). Together with all local social housing associations, they work steady and continuous on energy saving targets. All parties' benefits: The city council benefits in the progress and results concerning their general environmental policy targets and the social housing associations are able to realize their targets tailor made, depending on their specific organizational needs and policy strategies. And last but not least: all parties' profits from exchange of knowledge, experience and cost sharing.

This is exactly the function and position of the energy covenant in the EPI-SoHo approach and methodology. It facilitates all parties involved, enabling giant leaps in energy saving, sustainable development and the quality of social housing. A successful covenant works as a catalyst and leads to new sustainable initiatives and concrete action.

2.2 Keys to success

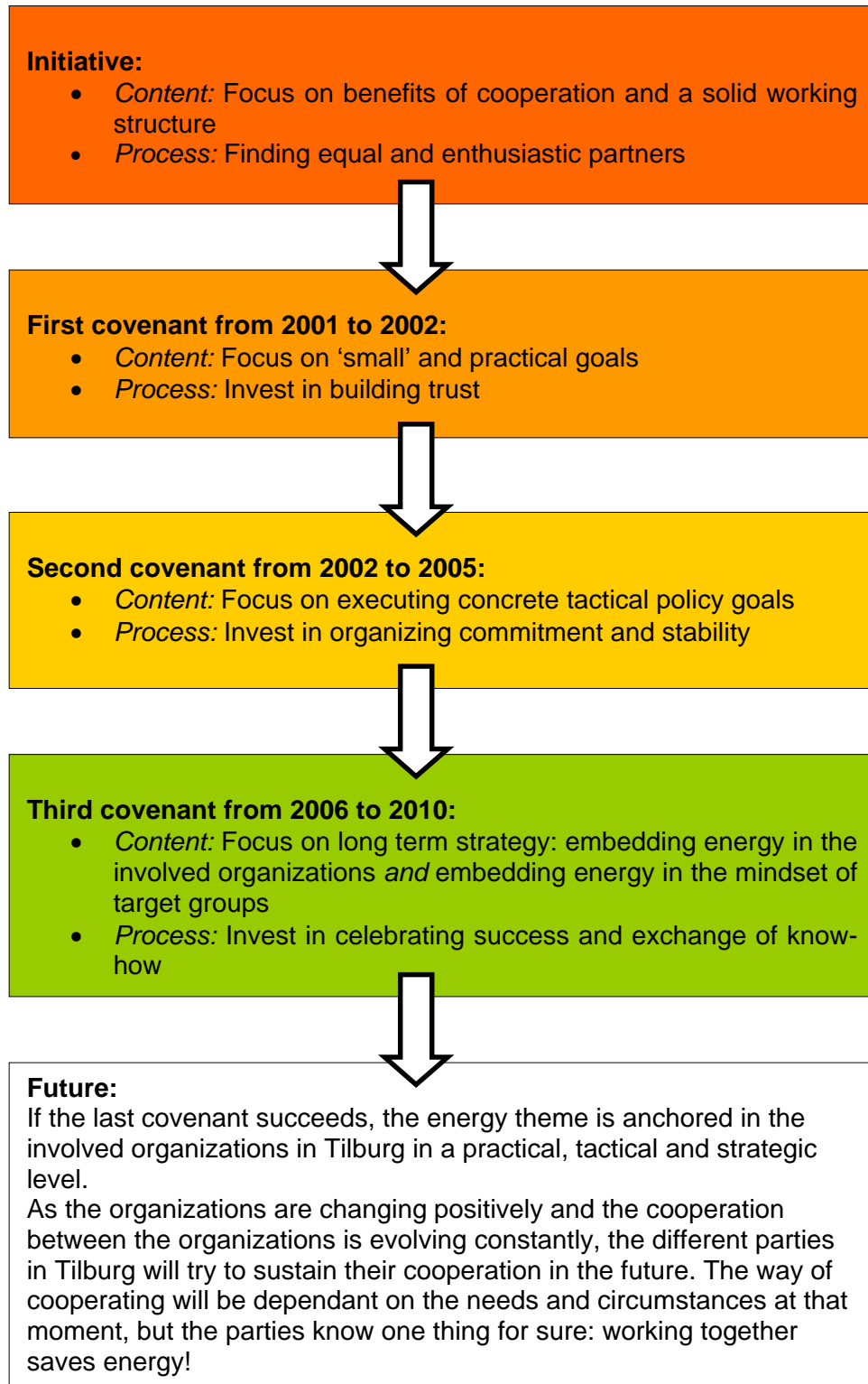
Success doesn't come naturally; it is hard work and has to be conquered. There are some preconditions and keys which are essential for setting up and achieve successful collaborations in energy covenants. We call them “10 *energetic recommendations for success*”

1. **Vision:** Take care for an attractive idea of the future, so that everybody is willing to work on that, not knowing the ways to be followed in advance. A brilliant vision is naturally adapted by all stakeholders and staff on all organizational levels.
2. **Animation, Inspiration and enthusiasm:** Engaged leaders are necessary to put issues on agenda's and the first steps. Take care for incentives from which we can take inspiration; Follow the great and shining examples and create new ones. Innovation generates variety and enthusiasm.
3. **Ambition :** Dare to set great ambitions and targets, Think global, act local is actual very much applicable in working with Energy Covenants;
4. **Involvement and commitment :** Take care for sincere and genuine commitment and involvement by all collaborating parties and people; Only then success is assured;
5. **Trust and faith :** All parties have to trust each other without having hidden agenda's. This means that one has to be prepared to invest in the relationships through a proactive attitude with a focus on concrete results. Be responsible and trustworthy.
6. **Share knowledge and experience:** Don't keep your knowledge and experience for you own sake. Share is widely, before it's lost and let others learn from your faults
7. **Good staff and project team:** Developing and execute energy covenants is, above all, work of man; Take care for a good skilled staff and project teams
8. **Patience:** Success follows the way of gradualism; be aware to start small and intensify and extend after a while; Successful covenants are always long-lasting routes.
9. **Excellent management:** Success stands and falls with excellent leadership. Take care for an inspired management team who is leading and managing the covenants' process. Changing chairmanship during the covenants period keeps all parties motivated and provides a sustainable bond;
10. **Celebrate successes:** Dare to celebrate your success when milestones are reached, how small what so ever. It's the reward for hard working and faith in the journey to a sustainable future. On the other hand, dare to recognize your failures, especially to learn from it.

3 Case study: The Tilburg Energy Covenant

The Tilburg Energy Covenant from 2006-2010 is already the third covenant in the municipality of Tilburg. These three covenants can be seen as a process all together. Every covenant had a different focus and evolution of content during the years. In this chapter all covenants are described, with a focus on the most recent covenant.

Overall process of all three covenants in Tilburg:



3.1 Initiative

It was more or less by chance that an initial form of cooperation was realized between the Tilburg local administration and market parties to achieve a common approach for energy saving. There was actually no real explicit reason at all for an “Energy Covenant”. The initiative, as is often the case with good ideas, was developed by coincidence by enthusiastic and committed persons, from the municipality of Tilburg and market parties, who were involved in the environmental policy plan in Tilburg.

Around the millennium change the municipality of Tilburg was drawing up a new environmental analysis and an environment policy plan. During this process administrators discovered that the main thing that was done was formulating many policies. However, the practical aspects were neglected, for example placing solar boilers, implementing energy performance studies, stimulating the placement of small wind turbines, etc. At the same time there was also an awareness that this should not be done by parties on an individual basis, but through a combined effort. But how could these intentions and agreements be formalized?

In any case all parties involved did not want to frighten away the other by setting too high targets. On the other hand, a system of agreements had to be robust enough, so that the other could be called for account with regard to promises and results. There should also be sufficient room for initiatives, planning and implementation. On the basis of these starting-points it was decided to focus on a form of cooperation in which intentions, ambitions, targets and campaigns are clearly described (SMART)¹.

Forms of agreement may include:

- **Declaration of intent**; However, this was regarded as being too soft, too free of obligations and not concrete enough;
- **Performance agreements**, which in general describe solid results and are in particular aimed at *delivering* and *sanctioning*.

In Tilburg it was decided to choose a combination of these two aspects: the covenant. In a covenant concrete ambitions are stated regarding the performances to be realized by the parties involved. However, it is not a contract form on the basis of which parties are “banned when they fail”. The particularly practical approach and the awareness that the joint parties could actually realize certain matters resulted in the so-called first Tilburg Energy Covenant, which is a unique initiative of cooperation in the field of energy efficiency in the Netherlands.

Summary characteristics First Energy Covenant:

- Equality among the partners: A covenant *by* partners instead of *between* local administration and parties
- Open and transparent
- Clear internal and external communication
- Local administration (municipality) acts as partner and facilitator instead of inspector
- Clear and not too complex targets/ambitions/performances

¹ Specific, Measurable, Achievable, Relevant and Time framed

3.2 First Energy Covenant 2001-2002

The first energy covenant was drawn up in the municipality of Tilburg in November 2000 and it applied two years (2001 -2002). The initiators were the administrators: Roel van Gurp (alderman for the environment, municipality Tilburg), Johan Dunnewijk (managing director WonenBreda, formerly known as Wonen Midden-Brabant) and Eljee Roels (managing director energy company Essent Energy Zuid).

The first energy covenant was in particular characterized by the *practical approach* and intentionally keeping the campaigns on a *small-scale level*.

In addition, in particular very concrete targets and feasible ambitions were set. This proved to be one of the critical success factors. Moreover, it can be stated that the commitment and enthusiasm of the executive officials and employees of the covenant parties involved was a condition for the success. The first energy covenant was realized by a small joint working group, consisting of employees of all involved covenant parties and a steering committee consisting of the initiators/administrators.

A few of the booked results after the first Energy Covenant:

- 359 solar boilers placed in houses of SHO Wonen Midden Brabant
- 11% of the houses of SHO Wonen Midden Brabant have an Energy performance advice (EPA)
- 26% of the households and small business clients switched over to Green Energy
- Through targeted campaigns at Wonen Midden Brabant 61% of these *new tenants* chose Green Energy
- Realization of sustainable energy measures (RES) through municipal grants
- Placing of first small windmill (turbine) on apartment buildings

Summary Critical Success Factors First Energy Covenant:

- Initiative of the highest administrative level (top-down)
- Committed and enthusiastic executive staff with team spirit
- Concrete and feasible ambitions
- Practical targets and campaigns
- Good personal relations both on a project and steering committee level as well as mutually between the people and groups.
- Intentionally small-scale (also with regard to the organization)

3.3 Second Energy Covenant 2003-2005

In order to further increase the success of the first covenant, three other Tilburg housing corporations joined the second covenant in January 2003. They were: TBV Wonen, TiWos and St. Lambertus. It was a conscious choice to increase the partners *within* the municipality of Tilburg and not to seek partners outside. Otherwise the organization of the covenant would become much too complex and require too much (project) management. With the second covenant it was especially important to focus more on the content.

For the preparations for the second covenant much time was devoted to consult with the other partners. There have also been intensive discussions about the follow-up participation of the energy company (Essent) in the second covenant, also in relation with developments concerning the privatization of energy companies. The energy company continued as a covenant partner, however under the condition that the other covenant partners would be free to also arrange their energy matters with other energy companies. This therefore implied that there was no truck system between the partners. In addition, the covenant ties with Essent were important, because of their expertise and historical roots in Tilburg.

The implementation of the second covenant was carried out by a small joint working group, consisting of employees from all covenant parties involved and a steering committee consisting of the initiators/ administrators.

In the second covenant the main driver was dealing with *energy-minded behavior* and *incorporating energy in tactical policy*.

The following ambitions and targets were, amongst others, formulated and realized

- Giving an Energy performance advice (EPA) to at least 35% of the houses of the social housing associations built before 1999
- Various communication activities as part of the ambition to influence the energy conscious behavior of people
- 65% of the tenants of the four social housing associations must switch to green energy
- Pilot project with energy labeling for houses
- Focus on energy efficiency in the own (office) premises of the parties involved
- Various activities concerning the exchange of know-how between interested parties
- Applying energy saving measures in social rental dwellings
- Placing 318 PV-panels (426 m², 52,470 Wp) at housing complexes in Tilburg

Summary Critical Success Factors second Energy Covenant:

- Realizing increase with small steps
- Organizing commitment of individual organizations by changing the chairmanships of the project team each year
- Local organization, no great increase in number of partners and all partners within the municipality
- From concrete and practical (first covenant) to concreteness in *policy*
- The third energy covenant makes use of the platform that was created in the first two covenants
- Plus: the success factors of the first covenant.

3.4 Third Energy Covenant 2006-2010

In 2006 Tilburg was implementing the third energy covenant, which will apply during five years (2006 – 2010). The same parties as in the second covenant are involved, with the exception of the energy company. In consultation with the parties Tilburg had in mind and the energy company itself it was concluded that Essent will not participate in the third covenant because of the privatization within the energy sector (free choice of energy suppliers, not regional anymore). This meant that the obvious ties of Essent with the Tilburg region had disappeared, and hence their participation in the energy covenant. Moreover, the corporations involved had also contracted other energy suppliers than Essent, which meant that Essent could be accused of a conflict of interests.

In addition, it was decided to have a longer term than the two previous covenants because of the high ambition level. While the first two covenants were in particular “practical”, the third covenant in particular focused on *strategic policy targets* and seeking an *embedment in daily processes* with regard to the covenant partners. Due to the complexity of these targets external consultants were called in to help formulate the third energy covenant. The implementation of the third energy covenant was also facilitated by external consultants. However, a disadvantage of calling in external support is that too much is left to the supporter. The project group and steering committee do not focus on implementation so much, but more on supervising networks and bringing them into action.

The motto of the third covenant is: Continuing & Innovating.

- “Continuing”, because the achievements of the two previous covenants, including newly gained insights, must be given a permanent place in the daily processes of the parties involved;
- “Innovating”, because numerous improvements are still conceivable and the Tilburg parties want to face new challenges.

The third covenant, also triggered by European legislation, greatly focuses on the EPBD (Energy Performance Building Directive). It is therefore aimed at the implementation of energy performance in current premises (residential and non residential). Not only because of the obligation of an energy performance certification, but in particular because of the opportunities and strategic surplus values that it offers for housing corporations (with regard to housing) to save energy in the most effective way.

It is strongly expected that this will ultimately lead to an overall qualitative improvement of the housing stock and acceptable and manageable living expenses for tenants.

The ambitions in the third covenant are based on three guiding themes:

- House-oriented activities : Integration of energy performance in strategic policy;
- Influencing of behavior : Living expenses, lifestyles and information & communication
- Cooperation activities : Exchange of know-how and experiences, learning and innovating, exposure to other national collaboration (Public Relations)

The EPI-SoHo project is in fact a combination of the ambitions and targets that are pursued within this covenant. The involved SHOs are integrating energy into their strategic policy and organizational aspects within the pilots (WP5).

And the exchange of know-how and experience is established within national workshops and feedback committees (WP8).

3.5 Conditions that shaped the Tilburg Covenant

3.5.1 Internal context

Administrators of corporations and the municipality have taken the initiative to draw up agreements together in the field of energy efficiency. The ambitions were based, among other things, on the Tilburg energy policy under the administrative responsibility of the alderman for the environment. The implementation of the policy was the responsibility of the energy program manager.

The role of the program manager is crucial because of the focus on the issue. In addition, the program manager must be a good networker, be able to maintain relationships and have a good reputation within the municipal organization because “energy and the environment” is a theme that involves various municipal departments and services. Besides, there should also be sufficient time and resources for carrying out the tasks

3.5.2 External context

It is important to realize that the current energy covenant is part of a longer series of agreements. The total duration of the series of agreements in Tilburg is ten years now (up to and incl. 2010). In the first five years much has changed already. The first covenant was intentionally drawn up in a relatively simple way. It was cooperation between three parties (municipality, one corporation and an energy company) with very concrete targets. It confirmed already existing agreements, which were combined into information campaigns. Success is a good condition for growth. An example is the second covenant, to which three corporations from Tilburg were added. The relative small scale was a conscious choice: developing steadily step-by-step with regular concrete results. In this way a harmonious atmosphere was created, a permanent basis of support and good working relations.

Besides research on the energy quality of houses, the most important themes in the covenant were the exchange of expertise and the exchange of experiences. This resulted in shared information and a common ‘language’. Apart from research and realizing “small results”, it was also necessary to make an actual step forwards by incorporating “energy performance and energy efficiency” in the strategy and policy of the organizations involved. This step will be realized in the third covenant.

3.5.3 Proces and agreements

Process management is a condition to actually realize cooperation. However, it is a complex interplay of project management (quality, money, organization, information and time), individual interests and professionalism of people. In addition, creative aspects such as improvisation, intuition and ‘out-of-the- box’ ideas also play a major role in realizing new insights and ambitions.

The process management is in particular a task of the chairman of the project team, who may be supported by an executive project manager.

Group process

In order to move from the *ambition* phase to *agreements*, much attention has been paid to the group process. First of all, there are the formal aspects. The group always operated within a clearly agreed structure of the project and steering committee. In this group a connection was established between the operational (official) level and the strategic administrative level. By rotating the chairmanship of the project group all the time between the covenant parties, everybody's commitment and responsibility was stimulated.

Human aspects

Secondly, there are personal and human aspects. There has been a continuous focus on the quality of the group with regard to the robustness of the team as a whole and the intellectual, emotional and creative level of individual project team members. Moreover, it was important that the parties involved would also have a clear added value in realizing the covenant.

The parties involved should also have the opportunity to have successes outside the team, so in their own organization. This can be realized within the covenant group itself, for example by positively focusing on and giving time to promising innovative ideas and the results that have been achieved, but also through external exposure, for example in the press or at conferences. The covenant therefore also explicitly states that all parties serve as an example for everybody involved, that is to say, for their supporters and target groups. It is also an example for similar initiatives in the country.

Synergy

Another important condition for success is to focus on the synergy between organizations during the entire process. The cooperation in Tilburg is more than the sum total of the parts. However, this "one plus one is three" approach will only work if organizations can also genuinely provide an added value with regard to expertise, resources and decisiveness.

In Tilburg this has led to innovations in how maintenance plans of corporations are linked to energy targets. Realizing sustainable energy in newly-built and renovated houses, whereby local authorities offer financial support to make the plans feasible and practicable is a good example of this. Also thinking in terms of living expenses, therefore including energy costs in the living costs, creates a surplus value for all partners and not in the last place for tenants.

Such innovations only happen when there is a great willingness to share know-how, information and insights. This has greatly contributed to building up trust, in particular in the informal layer of the process: after meetings, during social gatherings and informal joint activities. There the advantages of the agreements become evident: the energy of confidence that can only be realized through a personal relationship.

Investments

It goes without saying that a successful process is not only based on trust and personal relationships.

Investment capital must also be available to realize plans. In Tilburg the local authorities have made funds available (subsidies) and national and international stimulation schemes are used (Senter Novem Energy Agency, Intelligent Energy Executive Agency).

External relations

The more the effects of the covenant will be noticeable, the more important external project relations will become. The third covenant has reached the phase that clients and tenants also have to become involved. From way back the relationship between housing corporations and tenants is traditionally emotionally charged and not always a positive one. In the development of policies and plans much attention should be paid to involving clients, for example through tenants' associations, in order to create the right basis of support, so that they can work together with them to really save energy.

4 Possibilities for collaboration in Germany, France and Italy

An energy covenant is one of the innovative ways to establish sound cooperation between different local parties. But the Tilburg covenant is cannot be copied and pasted directly to other countries: each country has different frameworks (legal, informal, experience) that shape a covenant. This chapter describes how three other partner countries within the EPI-SoHo project see possibilities to form an energy covenant within their own national context.

The national context is described in the following steps:

- 1) What is the national and local legal or formal context?
- 2) What is the influence of the informal context?
- 3) What kind of other collaboration structures on energy can be found or even used?
- 4) What are the main drivers in this country to have a collaboration structure on energy, like the energy covenant?

4.1 The German collaborative structure

4.1.1 The national and local legal or formal context:

The **legal framework** is laid by national legislation respectively standards, i. e. Federal Energy Saving Regulation (Energieeinsparverordnung or EnEv) and the Rental Law have to be regarded.

- EnEv: Each dwelling (old or new) has to comply with certain physical and energetic standards.
- Rental Law: if a tenant is not able to or refuses to pay twice after another, the landlord can ask the court to evict the tenant.
- In special conditions and cases where people are very poor, it can be decided that the municipality has to pay for the rent if the tenant cannot pay
- Climate policy is determined within every municipality itself, it's not regionally bound.

There's a point of discussion in Germany right now, following from the EnEv: Some of the energetic standards from the EnEv say something about the energy costs of the house. For example, a house that has to comply with the EnEv-standards should have average calculated energy costs from about 'X' kWh/m³. If the landlord refuses to do energetic refurbishments and does not fulfil the standards, the tenant's pays more on energy costs than he should according to the EnEv-standards, they pay 'X+Y' kWh/m. Now, the idea is that tenants should be able to force the landlord by governmental law to pay for the difference (Y) between the energy costs for 'unrefurbished' situation and the EnEv-standard-situation. But, this law is under discussion in Germany right now.

Local political targets are partly fixed in local documents (rather general no particular binding content) such as Darmstadt concept on housing supply and demand, the climate protection concept of Darmstadt, millennium declaration of member local authorities of the German association of municipalities (Deutscher Städtetag) of 28.03.2007. There are partly concrete activities and measures politically agreed upon by the City Council. These targets are taken as references, are used in the political discourse and become increasingly relevant.

Binding instruments on the local level are for example the Ecological Rental table of Darmstadt. This table in Darmstadt describes the boundaries for the rent, based on physical aspects of the house. The rent consists of:

- Net rent. These are the costs for all housing affairs, like maintenance, services, etc. which have to be paid to the SHO
- Running costs. These are the costs for water and energy, which have to be paid to the energy company.

Most SHOs in Germany let their tenants pay their running costs separately to the energy company and don't include it in the total rent (and serve as the 'energy supplier' for the tenant). For an SHO, this solution is better, because an SHO can not evict a tenant when they don't pay the energy-part of their rent to the SHO. On the other hand, if the tenant has to pay directly to the energy company, the energy company is allowed by law to disconnect the tenant from the energy net. So, in this way, the tenant has less power.

4.1.2 The influence of the informal context

- **Indirect contribution** to decision making processes are the strategies and targets of the municipal companies (such as Bauverein AG, energy supplier and others). As the companies are legally independent companies, the formulated strategies and targets on the operational level are only communicated to the supervisory body (Aufsichtsrat) This Aufsichtsrat is composed of local politicians (and employees' representatives). The supervisory body agrees upon the strategies and targets for the company.
As the housing companies are under general public pressure (in Germany the housing stock respectively housing company privatization debate is ongoing since a couple of years) the company itself tends to anticipate issues of top priority (such as climatic change and CO₂- reduction) and transfer such targets and issues to the company's own target.
Thus "cohesion" between overall political/municipal and housing companies targets increases.
- The **market pressure** for energy efficiency is very regionally determined in Germany. Many cities have waiting lists for their social houses and they don't feel they have to do anything about energy to make their dwellings more attractive for tenants. But in some regions, there's an overload on social housing. The SHOs in these regions feel more and more that they have to invest in energy saving measurements. The umbrella organisation of German SHOs is also thinking about the energy theme right now.

4.1.3 Collaboration structures on energy that can be found or even used:

- There are **agreements** between the municipality and the housing company on each specific projects contributing to the political targets as described under 4.1.1. This is the case with other stakeholders as well. In Darmstadt, the SHOs are owned by the municipality. Taking the example of Bauverein housing company the overall decision making structure is to be explained. Agreements -although "bilateral"- include other stakeholders' interests as well.
There are nearly no agreements because it was not of importance to them, but meanwhile there is the tendency that the housing company Bauverein explicitly relates to municipal documents such as the Darmstadt concept on housing supply and demand or the climate protection concept of Darmstadt.
- There are some subsidies available for SHOs to do energetic refurbishment.

4.1.4. The main drivers to have a collaborative structure on energy, like the energy covenant:

There is mixture of formal and informal documents that guide and direct political and professional (housing company's) operations. Traditionally municipal companies (although supervisory body politically staffed!) operate very independently. As their principle existence and legitimacy is heavily discussed recently and pressure is put on the companies a "free" and closer cooperation between the company and its owners respectively stakeholders takes place. However still the cooperation tends to the "consensus model" like in the Netherlands: there is no formal agreement.

The relationship between the municipality and SHOs is now very narrow and strictly financial: the SHOs get money when they provide a certain number of social dwellings. It will be good to have a stronger relationship with the municipality on other issues as well.

Possible partners for a covenant would be:

- Municipality
- SHOs
- Tenants (organisations)
- Energy company
- Esco's

4.2 The French collaborative structure

4.2.1 The national and local legal or formal context:

The structure below the French government consists of 24 regions. More than 3400 communities are part of these regions. The different SHOs are spread over these different communities and are organised in associations per region. There is no legislation that forces collaboration between SHOs and municipalities on this part.

Many of the **regions** are able to make their **own rules**. The SHOs are obliged to follow these rules, for example the energy labels.

Local authorities also determine the legislation that may influence the social housing. For example, thermal regulation is pushed by the local authorities, but each authority

handles it their own way. This makes it difficult for SHOs to collaborate on these issues: the way they have to function is layed upon them from top-down.

SHOs are very dependant on the local government. They have to be invited by their local government to build new dwellings as they have to do **tendering** for locations. The role of the government is very directing: the SHOs are not able to have a pro-active role. Subsidies for SHOs are bound by rules for refurbishment. Also, the SHOs have to have a focus on employment of youth handicapped, good working circumstances and energy.

4.2.2 The influence of the informal context

The SHOs have **no pro-active role now**: everything they do is determined by local or regional authorities. The authorities seem to do as they please and do not seek any cooperation from the SHOs as they do not really need it.

When the SHOs want to cooperate with the local authorities, a more bottom-up approach is required: the SHOs need to be more pro-active and take the initiative.

They have to let the authorities see that they can play a major role in achieving energetic goals within the municipality and that cooperating with them will have more result for the authorities than when they just lay on the rules.

This also depends on the **character of the region**: some regions may be more open to this concept than others, or the regional context may be more appropriate.

Because of the great number of municipalities it is difficult to have a one-to-one strategy from SHO to municipality. Working with associations might be a solution.

4.2.3 Collaboration structures on energy that can be found or even used:

Unfortunately, there are no collaboration structures that are relevant or are usable. To the contrary, there are collaborations in the 'free' market: for example between companies and energy suppliers.

4.2.4. The main drivers to have a collaboration structure on energy, like the energy covenant:

Possible partners for an energy covenant on a local scale in France may be:

- Energy suppliers
- Banks (Green investments, e.g. Dexia, CSR-report)
- (Empowerment by) consumers organisations
- Tenant organisations
- Craftsman syndicates
- Esco's

The reason for the SHOs to collaborate with these parties on energy is:

- They can present better service;
- They have a better stock quality;
- They can be sure that they have tenants in the future (competition between SHOs for affordable dwellings)

The benefits for the local authorities will be that they can offer their inhabitants better dwellings and better living quality. This can be translated into political gain: satisfied inhabitants (tenants) will vote for them.

4.3 The Italian collaborative structure

4.3.1 The national and local legal or formal context:

In Italy the municipality is controlled by the province. At its turn, the province is controlled by the region. Every region has several ATen: they are regionally controlled. Then again, the government decides what happens in the regions.

The rent in Italy is controlled by the government and depends on the income of the tenant. Tenants with a low salary pay low rent, tenants with a high salary pay high rent. This can mean that there might be situations that the physical aspects of a dwelling may not correspond with the rent that is paid for it. This also makes it difficult to do get a grip on investments for energetic refurbishment.

4.3.2 The influence of the informal context

The average rent is more and more decreasing. This means there's not much money within the SHO to do energetic refurbishment. The SHOs will need the help of the municipality.

Tenants are increasingly asking questions about energy, as the energy prices in Italy are amongst the highest in Europe.

4.3.3 Collaboration structures on energy that can be found or even used:

There are no collaboration structures between SHOs and authorities that can be used. The Italian team organized a National Feedback Committee: this was even the first time that the authorities and ATen spoke to each other about energy and money. There was a positive feeling about the dialogue between these parties: everybody felt it would be useful to speak with each other more.

4.3.4 The main drivers to have a collaboration structure on energy, like the energy covenant:

Working together in an energy covenant together increases the understanding and relationship between SHOs and their governments. The SHOs have to work together to approach the local government.

The main reason for collaboration is economical: tenants may not be able to afford their energy bills in the future and SHOs cannot pay for the energetic refurbishment as they do not gain any money from the rent.

To get to such a covenant, more SHOs should realize that energy is a big issue and can be an important added value in their organization and policy. When at this point, it will be useful to also involve Esco's.

5 Energetic collaborations: the process

Examining the factors that determine why an initiative or project idea can be realized successfully offers opportunities to understand the underlying process and then steer the project in the right direction or recognize on time that it is not feasible to continue a process.

The majority of ambitious project ideas that require the cooperation of several parties do not even reach the realization phase. Energy efficiency targets in the built environment always affect a number of parties, whereby various parties and interests are involved in the realization (from initiative up to and including the implementation). This results in a weak balance between ambitions, targets and interests.

A revolutionary innovation or ambitious idea may have a very inspiring effect or a negative effect because of a lack of decisiveness and control. Furthermore, the involvement of several parties may have an enriching surplus value, but can also create far-reaching conflicts.

In this chapter we consider the critical cooperation factors, their influence on the success of projects and the means that are available to control this process.

5.1 Organizational interests and human effort

When initiating projects, whether it concerns sustainability or other themes, organizations and therefore people play an important role. Interests, preferences and prejudices greatly determine the interactions that take place between organizations and people.

Although it is a generalization, “organizations” stand for realism, consistency, business targets and objectiveness. In human actions emotional, random and subjective aspects play a larger role. This dialectic relationship between organizations and people has its inherent tensions. Sometimes this is a positive tension, resulting in a creativeness that can solve a stalemate situation. In other cases the tension has a negative effect, for example in the form of rigidity as a result of a complex situation or a situation of change.

One of the characteristics of energy projects is that they can reinforce tensions, because the utmost is required of the organizations involved and of people. This natural tension is a challenge and also includes risks. The parties involved take stock of the situation all the time: they see and make use of opportunities, start a battle or flee.

Top down or bottom up?

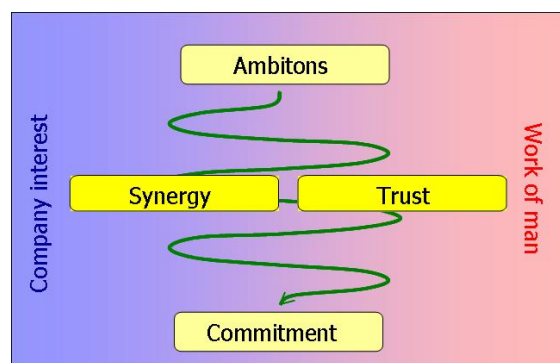
The initiative to the first energy covenant in Tilburg was taken by aldermen from the city and management from the social housing associations and energy company.

Or was it bottom up? That the operational layer bubbled over with innovative ideas, which were subsequently picked up by enthusiastic managers?

Fact is that the management has the power to set things to work and is able to provide the facilities in terms of money and capacity.

5.2 From initiative to realisation

The development from the initiative phase to the realization of low-energy products is directly related to this tension. It concerns complex projects whereby several parties are involved. Everybody will always have to consider whether they want to fight or flee. Four factors influence a multi-party agreement with a support basis: Ambition, synergy, trust and commitment.



5.2.1 Ambitions

Without any ambitions nothing is possible. Organizations as well as persons must be willing to be dedicated to the targets. When several parties work together, the ambitions must be recognized mutually and also not differs too much.

Ambition also inspires. Everybody knows an example of issues that would not have been initiated without the inspiring commitment of certain persons.

From talking to implementing

The first energy covenant actually contained ambitions and targets which were more or less already planned on "paper" in policy memorandums and reports. The drive and animation of the 3 initiators was needed to convert plans into action.

5.2.2 Synergy

In synergy the organizational interest is dominant. When several parties work together in energy-saving projects, this will lead to synergy because the sum must be more than the separate parts. This synergy implies that competencies required by one party can be realized by the other party. Within complex projects or processes it is an important task of the director, project manager or chairman of the project group to make these needs explicit and monitor the equivalence.

As a result a kind of exchange relationship is created: The parties benefit from each other; everybody profits. Synergy makes organizations dependent on each other and also links them to each other. For a sustainable relationship, at least as long as the project lasts, it is important that this dependence and these links are in balance. In order to keep this balance, organizations must have the possibility to influence each other to a certain degree. This requires openness, transparency and the guts to take up a vulnerable position.

A strength-weakness analysis in the initiative phase could clarify the role definition of the partners in question, whereby it will also become clear where the complementariness in competencies lies. In this way it is possible for all partners to act according to their own strengths.

Adaptation of initiatives

In the case of Tilburg Energy Covenant, it meant that social housing associations are focusing in a proactive way on the energy efficiency issue at a far earlier stage than if this joint effort would not have been started. Then they would only have taken action when "the time has come" or obligatory by legislation.

5.2.3 Trust

Trust is necessary to create openness, so that wishes, ambitions and interests can be shared. A “safe” situation is required in order to express openness and vulnerability with regard to each other. In energy-saving projects parties become so dependent on each other that this results in inevitable relationships. The further the process, the more these relationships will develop. Low-energy projects demand the utmost of parties and because the participants have invested so much in these projects, it is not an option anymore to change a project partner for another one. Trust is also in particular the work of people. It is not a construction, but a feeling. Building up trust and giving trust requires the necessary personal skills. Giving trust also means having guts and taking risks; and this is what people in general do not like. In our eagerness to avoid unpleasant experiences in relations we have developed a strong antenna with regard to qualities with which others may cause problems for us. We are convinced of our own goodness and afraid of the pitfalls of other persons. That is a bad basis for trust. It is better to be aware of your own failure and the unique positive values of others. You need guts for this and trust that both parties are working on their own pitfalls.

Trust, transparency and vulnerability

Transparency must develop gradually; this is one of the reasons why the objectives and targets were applied “step-by-step” in Tilburg; It’s a pitfall to increase the scale of ambitions too early. We also learned that we had to keep our people and their organizations to remain challenged during the entire process. Otherwise, there is a risk that people who are involved will “sit out” the period of the covenant. We kept them sharp by regularly presenting new, interesting issues that are important for them and triggers them to action; Then there is the issue of celebrating successes; Pieter Biemans: “.....I think that we still don’t do this enough in Tilburg....”

5.2.4 Commitment

Commitment has to do with agreements.

Between organizations this is reflected in contracts, covenants, etcetera. Agreements are formal arrangements between organizations, but also between people.

Commitments by persons are agreements that are observed in particular with the heart. On the basis of convictions there is an absolutely good will to meet agreements.

Agreements in energy covenants and work programs are laid down on paper for the sake of structure and for the record, as if it were business agreements.

However, they can only be implemented if they are based on human commitment, whereby the “strict agreements on paper” act more as a good guideline and compass for the targets. However, the road that leads to these targets, the process itself, can be organized practically in all fairness and in mutual consultation.

Commitment

Do not deal blindly with the “agreement is agreement” principle; sometimes it is better to come to understanding after determine each other’s interests and possibilities.

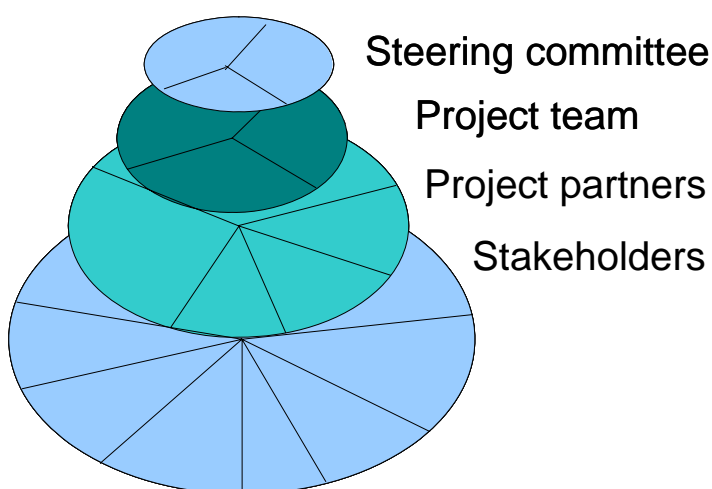
In the Netherlands, we call this the consensus model for decisive processes (“Dutch polder model”).

“.....it is good to see that a number of social housing associations have also integrated the energy issues in their separate organizational units and transferred it to internal energy project groups. These energy groups are chaired by the participant in the Tilburg covenant project group (linking pin principle)...

5.3 Organization

A part of the risks within energy-saving projects can be overcome with a good organization. Besides the fact that this organization must be subservient to the task and intended end result, it should above all contribute to the mutual trust.

5.3.1 Shells of involvement and participation



It is very important that the relationships, tasks, responsibilities and powers of and between people who are involved in such projects are described clearly. A lack of clarity about who can be addressed with regard to a certain issue and with which mandate this person operates may cause problems at a later stage. This also applies to changing the parties involved during the project. Even though one person may be replaced by a different competent person

from the same partner organization, the same progress cannot be guaranteed just like that. This also has to do with the distinction between business agreements and commitment from the heart.

Because it involves people, the relationship based on mutual trust will always be at stake again. It is therefore very important to organize the commitment of project partners on a personal level in complex, risky projects.

This is the best method to guarantee trust within the collaboration.

Involvement and participation

What is stated here corresponds exactly with the Tilburg practice. The following learning effects can be mentioned: take care that there is an informal atmosphere, especially in the beginning. With the first two covenants it was standard that the complete project group was present during the six-monthly steering committee meetings. This is in contrast with many other project organizations. In the initial period this procedure was certainly very practical. In the current phase, the third covenant and dealing with more control-like issues, it was decided to not have the entire project group in the steering committee. This is also much more efficient in view of the current complex tasks.

5.3.2 Project team

The project group consists of the hard core of the cooperation. The most committed players are part of the project group. Often they are project managers or employees from partner organizations who deal with most of the daily responsibilities and the implementation in general. Stability, openness and trust are essential preconditions. The project group must be clearly authorized, have sufficient resources (people and budget) and preferably remain unchanged right from the idea phase to the completion phase. Depending on the range or scope of the tasks to be carried out as part of the covenant or work program, it may be considered to organize subgroups or working groups. However, this will require more communication.

5.3.3 Project partners

The project partners are all organizations or parts of organizations that are involved in the realization of the project. Project partners also often include decision-makers, managers, administrators, etc., who can exert a great influence on decisions taken in the process. These decision-makers themselves are less directly involved in developments and implementation. In addition, the project partners often include several departments, sometimes with different or even conflicting interests. It is important that every project partner provides information, fall back options and internal consistency with regard to their representative in the project group. On the other hand a good communication by the project group about arguments is important for project partners in order to carry out their share of the work. Internally it is easier to realize changes of persons or departments within project partners in different stages of the project.

5.3.4 Project stakeholders

Stakeholders are organized or unorganized parties who are not part of the project itself, but have an interest in the project in question. For example, they include shareholders of the property developer, future occupants of new districts, people living in the neighborhood, etc. It is important that the project group adequately supervises the communication with these stakeholders and those employees of the project partners observe this and coordinate their actions internally with each other in an adequate way.

There is always a possibility, also because stakeholders feel less committed to the project ambitions, that there are influences (lobby) from this layer to influence the state of affairs to promote their own interests. Fortunately, these influences do not exist, but one should always be aware that people try to influence processes in order to promote their own interests.

Stakeholders: Change of project management in PV project

Influences from third parties do not particularly concerns the energy covenant. There are no direct interests or relations to commercial parties that are related one way or the other to housing associations. However, there are always exceptions. During the second energy covenant, we dealt with a commercial energy consultant with interests in the PV business.

The project was the realization of PV-panels at various housing blocks. We decided that the supervision of the project should be a task of one of the covenant partners instead of the consultants with double interests.

5.4 Project phasing

Projects require a logical phasing to keep the process for the involved parties clear and transparent. Phasing makes it possible to incorporate decision points and (interim) evaluations. This is not only important for technical choices. It are also moments during which the (advancing) commitment of the parties can be reconfirmed. Phasing also means consciously focusing on building up mutual trust. Besides phasing in time, it is also possible to have a content-related phasing. In entirely new covenant situations it is possible to introduce a phasing of ambitions: starting small and then expanding. Or a phasing in implementation levels such as research, policy and – last but not least – design & implementation. An often underestimated phase is the evaluation and feedback to the initiative phase. Drawing conclusions from lessons learned about remembering knowledge and experience are sometimes forgotten or not enough attention is paid to this. Evaluations must be carried out periodically, so also in between the various phases. Reviewing the implementation or readjusting targets is therefore very well possible.

5.5 Different roles for process guides

In the event of complex processes it is advisable to give an official the explicit task to lead the process in a good direction. This may be somebody from (one of the) own organization(s), somebody from the periphery or, intentionally, an independent person. Elements such as charisma, enthusiasm, integrity, esteem and experience are very important in this respect. However, a decisive factor (also here) is being able to gain the trust of very different parties.

It is obvious to allocate the process control task to the head of the project team (chairman), but various officials can also assume various roles, depending on the situation and competencies of the chairman. It is also possible to let an external professional fulfill the role of process manager. A great advantage hereby is that such a person can carry out the process management task in a dedicated way and that there are no direct interests with regard to the content and results of the project.

5.5.1 Initiator

Early in the process the initiator can play a kind of broker's role towards the parties. On the basis of the own expertise the initiator senses the ambitions of the parties in question and checks whether parties can be brought together. He introduces new parties and arguments, stimulates thinking according to opportunities instead of thinking in terms of threats, he creates an atmosphere in which parties can grow towards each other and helps them to build up trust. He can always gradually offer feedback during the project in his capacity of being the 'conscience' of the project, so that the parties involved remain energized. However, the drawback of the initiator is his own enthusiasm, in which he may be marching too much ahead of his troops and lose track of reality. The role of initiator will in any case have to be played by someone from the organizations who are directly involved, because the initiative must after all come from inside.

5.5.2 Counselor

The counselor is the fall-back option of the total project organization or parts of it. The counselor offers support through know-how and experience, describes the possibilities and broadens the horizon. The counselor may focus on the content or process or on both. It is characteristic that the counselor is not bound by individual interests and can give his input independently and objectively. He advises about options, without being a party in this. This is also his drawback when the commitment to the project result becomes too strong and as a result project parties feel that they are being pushed.

5.5.3 Facilitator

The facilitator sees to it that the process goes well, so that the project organization can fully concentrate on the main issues and the content. The facilitator may hereby add specific skills, which are not immediately available at the project partners or which are unknown. Examples of this are specific forms of consultation (brainstorm session, workshops) in order to get the best out of the project partners. The facilitator leaves the content and choices to the project partners. His drawback is that he focuses too much on form and that the content-related result is poor: We had a nice session or workshop, but what were the practical results?

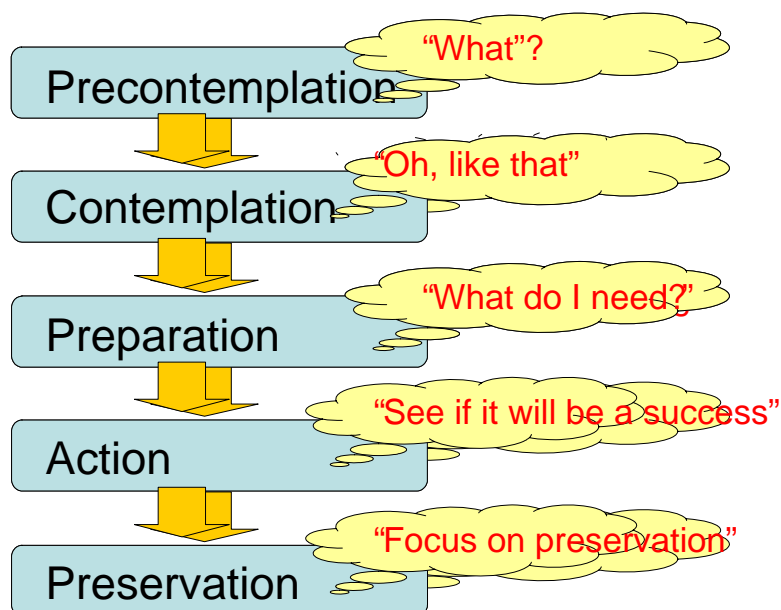
In addition, there are also the basic roles regarding facilities, such as support for secretarial and executive organizational tasks.

5.5.4 Mediator

Low-energy projects are often carried out at daggers drawn. This creates tensions and sometimes “accidents” happen as a result of this.

In these cases the mediator can play a role by exploring where the actual tensions exist, what room partners (still) have to operate and which steps must be taken under which conditions to save the process.

The mediator does not choose sides, is a realist, has a strong empathy and can maneuver strategically. His power is judgment and the art of confrontation. However, his drawback is an overestimation of himself.



Annex 1: Factsheet Energy Covenants Tilburg

Table 1 : Factsheet Energy Covenants City of Tilburg

	COVENANT I	COVENANT II	COVENANT III
Duration	2001 - 2002	2003 - 2005	2006 - 2010
Duration	2 years	3 years	5 years
Parties directly involved (Covenant partners)	<ul style="list-style-type: none"> • City of Tilburg • WonenBredburg SHO • Essent Energy Services 	<ul style="list-style-type: none"> • City of Tilburg • WonenBredburg SHO • Essent Energy Services • TiWos SHO • TBV Wonen SHO • St.Lambertus SHO 	<ul style="list-style-type: none"> • City of Tilburg • WonenBredburg SHO • TiWos SHO • TBV Wonen SHO • St.Lambertus SHO
Stakeholders	<ul style="list-style-type: none"> • Dutch Energy Agency (SenterNovem) • Tenants 	<ul style="list-style-type: none"> • Dutch Energy Agency (SenterNovem) • Tenants 	<ul style="list-style-type: none"> • Dutch Energy Agency (SenterNovem) • Tenants
Major results	<ul style="list-style-type: none"> • 359 solar boilers placed in houses of SHO Wonen Midden Brabant • 11% of the houses of SHO Wonen Midden Brabant have an Energy performance advice • 26% of the households and small business clients purchase Green Energy • Through targeted campaigns at Wonen Midden Brabant 61% of these new tenants switched to Green Energy • Realization of sustainable energy measures (RES) through municipal grants • Placing of first small windmill (turby) on apartment buildings 	<ul style="list-style-type: none"> • Energy performance advice for at least 35% of the housings stock (<1999) of the social housing associations • communication activities as part of the ambition to influence the energy conscious behavior of people • 65% of the tenants of the four social housing associations switched to green energy • Pilot project with energy performance labeling for dwellings • Focus on energy efficiency in the own (office) premises of the parties involved • Various activities concerning the exchange of know-how • Applying energy saving measures in social rental dwellings • Placing 318 PV-panels (426 m2, 52,470 Wp) at housing complexes in Tilburg 	<p>COVENANT IS STILL RUNNING. Results up until now (2 years)</p> <ul style="list-style-type: none"> • The complete social housing stock in the City of Tilburg has been assessed on Energy performance and certification (first city in the Netherlands with 100% energy certification on social rental houses)

Annex 2: Checklist for successful Energy Covenants

Initiative:

These questions should help to raise the awareness of parties, in particular social housing associations and municipal bodies, who want to set up collaborative structures with energy covenants. Always check the current situation: what does already exist or is in the process of coming into existence however without having yet reached a formalized status

1. Has there been any "initiative" or existing frameworks in the field of energy issues so far? Think about environmental policy plans of municipal housing visions. The initiative could come from various actors, i. e. local politicians, administrators, NGOs etc. Or from external events, i. e. a new law (EPBD), financing programmes etc. These initiatives or running businesses are often a good lead to intensify collaborative structures.
2. Who are the key persons that push(ed) or can push an energy related initiative? I.e city aldermen or CEO's at important stakeholders
3. What are the topics and targets of such initiatives? "More prosperity with less energy" , "converting policy into action (pay off IEEA)"
4. Does the initiative correspond to any form of document? Are the documents of any binding character or just intentions? (i.e. environmental policy plan, social housing policy plan)
5. Is there any binding political will behind the initiative, such as City Council decisions, decision of any other body etc.?
6. Is there any monitoring on the implementation of the initiative? Think of progress reports, steering group minutes etc.
7. Is there any particular funding for the initiative? Or are the involved parties willing to fund? In many cases, the local city administration can put up a grant fund for special actions (improve energy efficiency actions or energy performance certification
8. Do you have a leading, enthusiastic and charismatic leader who is willing to support the initiative as anchorman? And are there enough qualified human resources to build up the team for a longer period? (continuity in staff is a critical success factor"
9. Do all parties benefits form the initiative? "What's in for me" is very basic but nevertheless critical in binding different parties for longer periods. The profits can be financial (grants, cost sharing), positive marketing/public relations ("green" image, Corporate Social Responsibility image).

Management aspects:

- Roadmap : The purpose of your plans, the energy covenant, must be very clear. Therefore, a roadmap is necessary. This document containing ambitions, objectives and targets, project plan etc. All formulated in a SMART². Identify knowledge gaps, create budget and space for external expertise, but be aware that it doesn't develop itself to a "consultant's project". Always keep the control over the project.
- Budget : Sufficient financial resources from the covenants partners, but also financial resources from aid programs and grants (national, European);
- Planning : sufficient staff capacity and a achievable time frame congruent to the targets and ambitions;
- Project team : Skilled staff with power, creativity, involvement and dedicated to the covenant team. Preferable organized in a project team with different taskforces (specialists) and a steering group (management)
- Communication : Pay attention to communication processes, both internal as external. Share knowledge, experiences, and successes. Use public media (television, radio, newspapers, internet) to tell and sell your achievements.
- Proces facilitator: If you need external expertise to facilitate for the covenant process, hire non-biased and objective consultants without any parallel interests. Make them co-maker in your plans and desired objectives.
- Quality aspects : When do we speak of a successful covenant? Formulate deliverables, measurable performance indicators and concrete milestones

² SMART: Specific, Measurable, Achievable, Relevant, Time framed

Project Summary

*EPI-SoHo is a project within the framework of the European Commission, 'Intelligent Energy – Europe' Program (IEE). The **EPI-SoHo mission** is to improve efficient and rational use of energy across social housing stocks, contributing to better standards of living and global environmental benefits.*

The **EPI-SoHo objectives** are to develop the structure for European wide:

- > generic implementation techniques for cost effective, large scale energy performance assessments,
- > integration of energy efficiency within social housing portfolio management,
- > collaborative structures between local authorities, social housing associations and the private sector on sustainable issues.

Large scale energy certification of dwellings can only be successful if there is an appropriate balance between costs and benefits, additional value for management and a closed quality circle to keep the certification data up-to-date. These are the mainstream ingredients for the social housing- and private sector to adapt to the challenge called *"EPBD in the market"*.

The key issue throughout the project is to develop a flexible implementation technique that can easily be adapted to local conditions and future developments. It is therefore crucial to clearly determine which aspects are of an international nature and which aspects should be adaptable to local conditions and, furthermore, which future developments are to be expected. The international diversity of the existing residential building stock, limiting conditions and market circumstances in social housing should be taken into account.

EPI-SoHo is expected to have a substantial impact on the energy performance of the Social Housing building stock (classified as a large scale stock group) across Europe in the short, medium and long term. The EPI-SoHo method enables economies of scale in implementing energy performance assessment over large scaled stocks. Energy-effective business models for portfolio management where energy savings are embedded into the calculations is fully integrated. This provides increased revenues and better living conditions.

The short-term impacts are very strongly related to the direct products of the project (the EPI-SoHo method and implementation technique). Considerable cost reduction is expected per policy implemented and per Energy Performance Certificate issued. Risk factors associated with the implementation of disparate and inefficient measures will be minimized. A substantial increase in energy efficiency is expected, on top of those already estimated through the actions of the EPBD.

The EPI-SoHo products are highly transferable to all European Member States. The EPI-SoHo method and implementation technique is relevant and easy to use in the assessment of large housing stocks, particularly social housing. End-users and policy makers benefit from being active participants in the process as frequent interaction between the EPI-SoHo consortium and the target groups provides practical feedback on developments throughout the project. The EPI-SoHo network, which feeds the project-platform, is designed to collect local social housing stock contexts and aspects relevant to the partner countries.

A flexible mechanism will be incorporated according to the criteria identified and tested in the pilot projects ensuring the highest possible level of transferability.

Members of the EPI-SoHo project team are participants in their national EP regulation and certification processes; their networks and experience allow immediate and direct dissemination actions. The EPI-SoHo network is highly specialized, made up of existing social housing stock actors.

Dissemination tools are designed to optimize awareness, to attract dialogue and to actively disseminate the products to the actors within the social housing stock sector.

Participating in the consortium are: WonenBregburg, TBV Wonen, TiWos and the City of Tilburg (The Netherlands), Danish Building Research Institute SBI (Denmark), IWU and Bauverein (Germany), CSTB, SICF and Logirep (France), Agire and Ater Venezia (Italy). On a national level National Feedback Committees are established in which policy makers and market actors will have a role in providing feedback. Representatives from New EU Member States are involved as observer countries in order to account, as much as possible, for the national EPBD activities throughout the EU-25.

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AGIRE (Italy)



ATER (Italy)



IWU (Germany)
Institut Wohnen und Umwelt



Bauverein (Germany)
Bauverein AG Darmstadt

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