



SISMA – Supporting Innovative Schemes in the MED Area

Priority Axis 2. Fostering low-carbon strategies and energy efficiency in specific
MED territories: cities, islands and rural areas.

Specific Objective 2.1. To raise capacity for better management of energy in public
buildings at transnational level.

D 3.6.1 Introducing EPC & ESCOs

Activity 3.6 Shaking the context with SISMA

Work Package 3 – Studying

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Partners involved: all Partners

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Preface

This document is elaborated within the framework of SISMA project (Supporting Innovative Schemes in the MED Area) co-financed partly by the European Regional Development Fund – Interreg MED programme.

SISMA aims to develop innovative financing schemes that leverage European Structural Funds (and other public funds available to the regional or local administrations) on private financial resources to finance investment projects that lead to significant energy retrofits of public buildings.

Abbreviations

SISMA	Supporting Innovative Schemes in the Mediterranean Area
LPA	Local Public Authority
PP	Project Partner
ESCO	Energy Service Company
EPC	Energy Performance Contract
LEA	Local Energy Agency
ECM	Energy Conservation Measure
PACA	Provence - Alpes- Côte d'Azur
EEM	Energy Efficiency Measure

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1 Introduction

The SISMA project aims at fostering the adoption of an innovative financial mechanism by Local Public Authorities (LPAs) to significantly increase the energy renovation of public buildings through effective bankable projects.

This document collects the main findings of the round of 6 workshops held at national level by Project PPs. The national workshops were organized to promote and fine-tune the SISMA Model thanks to participants' feedback.

2 Objectives and methodology

This wrap-up report highlights the outcomes of national workshops and collects participants' feedback on the SISMA Model. Six national workshops (1 per participating country) were organized by PPs to engage beneficiaries and stakeholders at local level. The format differed from workshop to workshop, namely different agendas for each workshop were put in place, whereas target groups and aims were identified jointly and consistently with overall Project objectives.

The national workshops were designed as to provide a forum for exchange of information with national stakeholders and beneficiaries, to start a debate over the proposed Model and to optimize and fine-tune it to better address the needs of final users.

A short description of the main outcomes of each national workshop is provided in the following chapter including general info on the events. A set of key questions has been identified to steer the debate with participants and to collect relevant information from each target group.

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3 National workshops

SLOVENIA

(1) General information	Partner name:	GOLEA
	Meeting date:	16 th May 2018
	Meeting place:	Frlanovakmetijavogrsko
(2) Participants	Participants (Total n°):	26
	Of which:	
	LPAs:	22
	ESCOs:	0
	Financial institutes:	1
	Regional bodies:	1
	Universities / Research centres:	1
	Other (please specify):	1 (retirement home Gradišče)
(3) Main topics discussed	<ul style="list-style-type: none"> • SISMA SET Model presentation • SISMA training course scheme presentation 	

(4) Taken into account the current national scenario, provide an overview of the main challenges and obstacles LPAs need to tackle to implement Energy Efficiency Measures (EEMs) on public buildings.

According to the analysis of good practices (D3.3.1 SISMA Baseline), Slovenia has the highest number of good practices in the field of EPC – Energy Performance Contracting within the Project area. Under the Operational Programme for the Implementation of the EU Cohesion Policy for Slovenia, deep energy retrofitting of public buildings is one of the main priorities. To this aim, a 40% subsidy of eligible costs to cover EEMs – Energy Efficiency Measures is available. Thanks to this subsidy several projects on deep energy renovation become feasible and bankable. Furthermore, by using the SISMA SET tool, it would be possible to allocate the exact amount of subsidy needed for making deep energy retrofitting projects feasible (NPV = 0, IRR = 7%). For this purpose, the national workshop in Slovenia was followed by a meeting with representatives from the Ministry of Infrastructure that aim to further use the SISMA SET tool in their work. In autumn 2018, the government of Slovenia is planning to implement some innovative financial mechanisms for supporting ESCOs to manage energy renovation projects through EPC. The main obstacle under this regard is still low savings potential – yet the

availability of the exact amount of subsidy would meet this challenge- and unclear EUROSTAT rules on borrowing in EPC projects.

(5) How can the SISMA Model be improved to better address these challenges?

In agreement with the Ministry of Infrastructure, the Ministry of Finance and SID Bank, as a member of EIB, the goal is to upgrade the SISMA SET tool to better address the needs of energy contracting in Slovenia, with a special emphasis on EPC.

Nevertheless, the SISMA SET tool is very useful already at the initial stage, when it is possible to determine very quickly whether the project is feasible or not and possibly take on the next actions.

The SISMA SET can also be used at the final stage for calculating the required subsidy, which is now fixed in Slovenia at 40% of eligible measures.

(6) What measures should be taken at your national level to enhance the involvement of ESCOs and financial institutions in the process?

As stated above, the government of Slovenia intends to implement new financial instruments in autumn 2018 with the aim of increasing the scope of EPC projects in energy renovation of public buildings as well as the involvement of ESCOs and financial institutions.

(7) Any other comments that you think it would be useful to add in the final report on the National Workshops.

The feeling is that Slovenia is on the right track. Some further steps need to be taken to enhance cooperation among all stakeholders and to strengthen the role of LEAs - Local Energy Agencies as intermediaries among LPAs and ESCOs. LEAs should be involved in all phases of project implementation, as well as in the assessment of measurement and verification of energy savings achieved as a source of investment payback.

SPAIN

(1) General information	Partner name:	Consorti de la Ribera
	Meeting date:	June 29 th 2018
	Meeting place:	Centre Cultural Beneficencia, Valencia
(2) Participants	Participants (Total n°):	14
	Of which:	
	LPAs:	7

	ESCos:	1
	Financial institutes:	0
	Regional bodies:	6
	Universities / Research centres:	0
	Other (please specify):	0
(3) Main topics discussed	<ul style="list-style-type: none"> • Promotion of Covenant of Mayors by Regional Government. Opportunities for refurbishing public buildings. • SISMA Model: deep energy refurbishment of public buildings with private investment. • SISMA SET Tool: how to use it (case study). • ESCo model for deep energy retrofitting of public buildings. • Open debate among participants on the topics discussed. 	

(4) Taken into account the current national scenario, provide an overview of the main challenges and obstacles LPAs need to tackle to implement Energy Efficiency Measures (EEMs) on public buildings.

Public subsidies address mainly efficient equipment, there are only few funds targeting deep energy retrofitting of buildings. On the other hand, the ESCo model is not that popular among builders/architects but rather among engineering services (as the model is mainly used to upgrade equipment). In addition, in small-medium LPAs, the EPC contract is not popular among the civil servants who are responsible for authorizing the tender and the contract. Therefore, they are reluctant to use this model as they feel more confident with the classical procedure (works or services contract) and are often unwilling to use innovative schemes. Finally, it is difficult that ESCos undertake improvements on building envelopes because payback time is too long (they usually accept projects for which the duration of the contract is no longer than 10 years. This means that it would be necessary to get a subsidy of about 80% of the investment).

(5) How can the SISMA Model be improved to better address these challenges?

The Regional Government, which was involved in the National Workshop, is launching subsidies to help LPAs who have signed up for the Covenant of Mayors, implementing the measures they have included in their Sustainable Energy Action Plans. The SISMA Model might be improved if subsidies for deep energy retrofitting of public buildings are guaranteed and made available for LPAs.

(6) What measures should be taken at your national level to enhance the involvement of ESCos and financial institutions in the process?

Provide training on the SISMA and ESCO models not only to technical civil servants but also to those responsible for authorizing the tender process and the contract as these often represent a barrier for technical civil servants in many occasions.

(7) Any other comments that you think it would be useful to add in the final report on the National Workshops.

The ESCo which has participated in the National Workshop has pointed out the fact that it is important to include in the contract the usage conditions of the building before the ECM are implemented, because it may alter the estimated savings in the event that the initial usage conditions change (e.g. one of the floors of the building which initially was not heated starts being heated).

FRANCE

(1) General information	Partner name:	CEA
	Meeting date:	May 25 th 2018
	Meeting place:	AREA HQ, Marseille
(2) Participants	Participants (Total n°):	4
	Of which:	
	LPAs:	/
	ESCOs:	/
	Financial institutes:	2
	Regional bodies:	2
	Universities / Research centres:	/
(3) Main topics discussed	Other (please specify):	/
	<ul style="list-style-type: none"> • Presentation of SET tool, open discussion on PPP in France and in PACA region • Action to take: select case studies to validate the SET Tool 	

(4) Taken into account the current national scenario, provide an overview of the main challenges and obstacles LPAs need to tackle to implement Energy Efficiency Measures (EEMs) on public buildings.

Impact on public finance in the long term. Citizenship and local authorities are reluctant to let private companies manage building renovation, plus they have some doubts on the advantage of having private companies operating on public buildings

(5) How can the SISMA Model be improved to better address these challenges?

Foster the integration of private companies in public building renovation by strengthening the impact of measures by private companies

(6) What measures should be taken at your national level to enhance the involvement of ESCos and financial institutions in the process?

A step forward would be to validate the SISMA SET Tool through pilots and case studies

ITALY

(1) General information	Partner name:	AFE
	Meeting date:	17 th May 2018
	Meeting place:	Florence
(2) Participants	Participants (Total n°):	23
	Of which:	
	LPAs:	8
	ESCos:	3
	Financial institutes:	1
	Regional bodies:	2
	Universities / Research centres:	3
	Other (please specify):	6 energy and public utilities
(3) Main topics discussed	<ul style="list-style-type: none"> • Energy retrofitting of public buildings: opportunities and market barriers • SET Tool overview and practical use • Open discussion 	

(4) Taken into account the current national scenario, provide an overview of the main challenges and obstacles LPAs need to tackle to implement Energy Efficiency Measures (EEMs) on public buildings.

Outcomes of the workshop and the following discussion with participants (i.e. ESCos, local Bank Federation and LPAs) confirmed that the main obstacle is represented by the banks' lack of interest for deep energy retrofitting projects on public buildings characterized by low profitability. Moreover, for LPAs another problem is the lack of contacts with financing third parties and of financial support before tendering.

(5) How can the SISMA Model be improved to better address these challenges?

A tip from participants was to include more types of public buildings in the options available in the SET tool, on top of schools, gyms, office buildings and health care structures (nursing homes / rest homes).

Proper training should be delivered to LPAs to raise their awareness on the opportunities linked with the SISMA Model and the SISMA SET.

Need for shifting from the studying phase into the testing phase of the Model through the implementation of pilot studies also to assess the potential of using the Model and the SET as a DSS for national and regional public authorities.

(6) What measures should be taken at your national level to enhance the involvement of ESCos and financial institutions in the process?

The main challenge here is the high complexity of energy efficiency interventions which makes it extremely hard for financial institutions to develop energy efficiency funding packages for this kind of projects. A model for simplifying and standardizing the whole procedure would be helpful under this respect (project bankability).

GREECE

(1) General information	Partner name:	CRES
	Meeting date:	June 7 th 2018
	Meeting place:	Crowne Plaza Hotel, Athens, Greece
(2) Participants	Participants (Total n°):	40
	Of which:	
	LPAs:	14
	ESCos:	5
	Financial institutes:	4
	Regional bodies:	/

	Universities / Research centres:	12
	Other (please specify):	4 (Ministries, Hospital)
(3) Main topics discussed	<ul style="list-style-type: none"> • Current Greek legislation and barriers • Associated Partner presented their relevant activities • SISMA SET tool • Strategies to support energy renovation actions (other EU funded projects i.e. EMPOWERING - H2020, SHERPA, IMPULSE) • EPC methodologies: H2020 project EPC+ • Financial institute: funding procedures from the bank, its funding programme: Private Finance for Energy Efficiency (PF4EE) 	

(4) Taken into account the current national scenario, provide an overview of the main challenges and obstacles LPAs need to tackle to implement Energy Efficiency Measures (EEMs) on public buildings.

Taking into consideration the current situation in Greece, the main issue LPAs have to face is the lack of human and financial resources. In addition, a comprehensive proposal to implement the tools and evaluate the results could provide important support to their decision-making processes regarding the energy renovation of their buildings.

Another key issue is the need for collaboration among policy-makers, market actors and financial institutions.

(5) How can the SISMA Model be improved to better address these challenges?

Financial data provided by the SISMA tool are very useful and can support LPAs to have an initial view of their buildings' energy renovation costs.

However, the whole Model could be further improved if the SISMA tool could be linked with other energy simulation tools and extract energy data for the calculations of the financial data.

(6) What measures should be taken at your national level to enhance the involvement of ESCOs and financial institutions in the process?

Pilot projects need to be put in place so that the SISMA model can be tested and verified.

The lack of financial resources represent an obstacle though to starting these kind of projects.

BiH

(1) General information	Partner name:	Agency for economic development of city of Prijedor PREDA-PD
	Meeting date:	June 13 th 2018.
	Meeting place:	Aleja Kozarskogodreda bb, 79000 Prijedor
(2) Participants	Participants (Total n°):	19
	<i>Of which:</i>	
	LPAs (Local Public Authorities):	7
	ESCos:	/
	Financial institutes:	1
	Regional bodies:	2
	Universities / Research centres:	/
(3) Main topics discussed	Other (please specify):	Development agencies 3, SMEs 3, NGO's 3
	<ul style="list-style-type: none"> • Energy Efficiency: legal framework, challenges and opportunities • SISMA SET • Financial mechanisms for EE projects 	

(4) Taken into account the current national scenario, provide an overview of the main challenges and obstacles LPAs need to tackle to implement Energy Efficiency Measures (EEMs) on public buildings.

For LPAs energy efficiency is not a high priority issue. There are currently no effective financing mechanisms for energy efficiency projects. It is necessary to develop innovative and sustainable mechanisms for financing energy efficiency projects in the public sector.

(5) How can the SISMA Model be improved to better address these challenges?

The SISMA Model, and in particular the SET Tool, is a good option to make a preliminary evaluation of the projects that need to be funded. For the application of these tools, though, it is necessary to adapt the local legislative framework to the needs of the investors and to enable a clear and smooth implementation of ESCo and EPC projects.

(6) What measures should be taken at your national level to enhance the involvement of ESCos and financial institutions in the process?

It is necessary to make systemic changes for which higher levels of government are entrusted. The laws that are at the basis for the realization of these projects (Law on PPP, Law on Energy Efficiency, etc.) need to be upgraded, and it is necessary to adopt all necessary by-laws. The existing regulations largely limit the realization of projects of this type.

4 Conclusions

Feedback of participants to national workshops proves that the issues addressed by the SISMA Model and the solutions proposed meet real challenges both for LPAs, ESCos and financial institutions.

Within the current framework, most of the downsides pointed out by participants come from lack of standard procedures (i.e. tender documents), lack of reliable data, lack of clear guidelines, limited financial resources and the need for a progressive adjustment of relevant national legislation to facilitate energy renovation of buildings.

The SISMA Model addresses all these challenges by providing an easy-to-use tool for a preliminary assessment of the energy and financial aspects related to energy efficiency investments in public buildings based on data easy to retrieve and quick to fill in.

SISMA, within the general framework defined below, provides a tool for effective decisions that need to take place in form of a real energy efficiency project carried out by a public authority (through a local funding, or grants provided for a pilot project) responding to the need of standardization of procedures and sound project understanding on behalf of the financial institutions.

General framework: The SET tool makes a real difference because it verifies the amount of public funding needed to make the investment reach the minimum levels of profitability required by the market for projects with similar risk reward profiles.

The tool does not replace the detailed technical-financial analysis that must always be carried out by professionals and experts in the sector.

It makes projects really bankable, and not only feasible, minimizing the public funding needed and maximizing savings.

Through the SET model public funding is minimised and tailored for each project with a new approach enabling public authorities to maximising savings overcoming inefficient procedures where public funding is still based on flat rates or fixed percentages.

Sound energy efficiency measures on buildings, especially on envelopes and glazing systems, generally require long payback times and yield low profits. This is the reason why long term investments in building renovation through Energy Performance Contracts, especially in the MED countries, are not being implemented on a large scale. Remember: project feasibility revolves around bankability and profitability.