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Use of Energy Performance Contracting would have ensured proper utilisation of EU Energy Efficiency Funds

Use of Energy Performance Contracting would have ensured proper utilisation of EU Energy Efficiency Funds concluded the European Association of Energy Services Companies (eu.ESCO) after having analysed the report published on January 14 by the European Court of Auditors on the use of European funding for energy efficiency projects. The report shows mismanagement in spending the European money at the national level as well as at an EU-level regarding preparation work.

"This would not have happened if the money was spent using Energy Performance Contracting (EPC) financial model", says Stephane le Gentil, chairman of eu.ESCO the European Association of Energy Service Companies. *"When using an EPC, the Energy Service Company (ESCO) guarantees the energy savings. Those savings pay back the initial investments undertaken by the ESCO. There is no upfront-cost for the investors and building owners have no risk of non-performing energy savings measures."* The European Court of Auditors stated that the investments were wasted because Members States were using the money for refurbishments that do not pay back in terms of future savings while energy efficiency was clearly a secondary concern. *"As EPC does not work without energy savings, this is a great tool to use and thus avoid waste of EU-funds"*, says le Gentil.

Energy Performance Contracting is now defined in the recently published European Energy Efficiency Directive. It is a contractual arrangement between the beneficiary and the provider of an energy efficiency improvement measure, verified and monitored during the whole term of the contract, where investments (work, supply or service) in that measure are paid for in relation to a contractually agreed level of energy efficiency improvement or other agreed energy performance criterion, such as financial savings.

Using EPC means that ESCOs have to take care of following elements: they define energy savings measures according to payback criteria that are within the contract term (usually between 5 to 20 years for public buildings). They establish performance indicators, measure and monitor the energy savings during the contract and guarantee the energy savings outcome. And surprisingly, above mentioned elements were missing in the projects surveyed by the European Court of Auditors and stated in their report. The report shows that money was spent in buildings that urgently needed renovation, but not to implement the adequate energy efficiency improvement measures. The energy efficiency measures implemented were not the most cost-effective as pay backs ran up to 50 years in average and even up to 150 years in certain cases.

More information about the report on Cost Effectiveness of Cohesion Policy Investments in Energy Efficiency can be found at: http://eca.europa.eu/

More information on Energy Performance Contracting can be found at: http://www.eu-esco.org/

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About eu.ESCO

Buildings are responsible for 40% of energy consumption and 36% of the European Union's (EU) CO2 emissions. Energy efficiency of buildings is crucial to achieving the EU objectives, namely the reduction of greenhouse gas emissions by 80-95% by 2050 compared to 1990 levels. For this to happen, the European energy services market needs to be strengthened.

In this context, the European Association of Energy Services Companies (eu.ESCO) was founded in 2009 by the European Building Automation and Controls Association (eu.bac) and aims at boosting the energy services market by increasing its transparency and trustworthiness.

Uncertainty, lack of knowledge, lack of awareness, and confusion concerning definitions, processes and contract provisions related to Energy Services Companies (ESCOs) and Energy Performance Contracting (EPC) are widely recognised as key barriers to further market development, according to research made by the Institute for Building Efficiency. In this sense, eu.ESCO provides best practices and knowledge sharing to drive standardisation and to accelerate EPC use.

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