

EPC CoC 5th Newsletter

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EDITORIAL

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Dear readers,

In this 5th edition of the Newsletter, we would first like to welcome SNEC/FEDENE, as the new EPC CoC Administrator in France, which was previously a country not covered by the EPC Code of Conduct.

The fact that France has joined us a few years after the establishment of the CoC shows that the Code is still a widely-recognised tool to promote EPCs and to indicate the commitment of signatories and promoters towards high-quality EPCs and related services.

You will find, in this edition, a contribution from the new Administrator, focused indeed on the French EPC market.

We then invite you to read the usual section on “News from the EU level”, as things in Brussels are developing very quickly and the new upcoming initiatives, such as the Renovation Wave and the next revision of the EED, expected in 2021 but already under discussion, will represent real opportunities to further promote the role of ESCOs and EPCs.

Both EFIEES and eu.ESCO are already taking action in this sense at the EU level and recommendations on promoting EPCs, notably in the Renovation Wave, recently came also from BPIE, the Buildings Performance Institute Europe, in its recent publication on “[Energy Services and the Renovation Wave](#)”.

We invite you to have a look at the report and hope you will enjoy reading the Newsletter!

You will find our contacts here:

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EVENTS

Upcoming

- [EU Green Week 2020](#)
19 – 22 October, Lisbon / online

(All events could be postponed or become webinars, please check the websites (hyperlinks) for more info)

Past

- [IEA – Ministry of Chile Event: “Energy Efficiency – An Ace up the sleeve for energy transitions”](#)
1 October, online
- [Energy Efficiency Finance Forum](#)
2 – 3 June, New York, USA
- [EUSEW 2020](#)
22 – 26 June 2020, Brussels, Belgium
- [eceee industrial efficiency 2020](#)
14 – 16 September 2020, Gothenburg, Sweden

State of play of the EPC market in France: a rather favorable evolution of public policies but a still limited growth of the market

Hugo Guillaume, Secretary General, SNEC / FEDENE (French Union of ESCOs)

Until 2019, a stabilized market, struggling to really grow

In May 2016, ADEME (the French ecological transition agency), CEREMA (the study and expertise center on the environment) and CSTB (the scientific and technical building center) launched a project to set up a **national observatory on EPCs (OCPE)**. They were convinced that to increase the number of renovations, it is necessary to verify their efficiency and develop contracts with guaranteed results.

In **July 2019**, the observatory has published an **inventory of the EPC market in France**, with **294 EPCs** identified and a high concentration of these in **public buildings**. Even if the observatory recognizes that these results remain partial, they provide a first glimpse of the dynamic of the French market:

- A stabilized market since 2015, which is struggling to really grow;
- A market driven mainly by major public contractors;
- A large majority of the EPCs focus their performance actions on systems and equipment without addressing the overall renovation of buildings;
- The performance objective of the contracts must make it possible to meet the new regulatory requirements for energy performance (especially in the tertiary sector).

A new dynamism thanks to the latest regulatory developments

Applicable since the 1st October 2019, the new “**Tertiary Decree**” imposes a **reduction in real and measured energy consumption by 40% in 2030**, compared to a reference year between 2010 and 2020, **for all tertiary buildings of more than 1000 m²**.

This is a real step forward for the energy performance of the tertiary sector in France but also a real opportunity for the EPC market. Indeed, EPCs are the only means of carrying out an ambitious energy renovation, in which results are guarantee for the owner. The SNEC/FEDENE is therefore observing real project dynamics in the tertiary sector since the announcement of this Decree.

However, the French administration's interest in EPCs goes beyond the tertiary sector:

- **The French system of energy saving certificates considers energy performance contracts as a solution to be developed.** In a French system based on standardized operations, there are two operational sheets on EPCs that include only management and operation of technical installations. But above all, **a specific bonus has been reserved for energy efficiency operations integrated into an EPC for all sectors (tertiary, residential, industrial).** This bonus, which makes it possible to increase financial support for these operations, was revised upwards in May 2020.
- The 31st July 2020, the administration proposed in a specific decree a **first legal definition of EPC:**
 - A reference situation determined over a period of at least three consecutive and recent years; This period can be reduced to one or two years if they are considered as representative;
 - At the request of one of the contractors, a verification of the reference situation can be carried out by a competent and independent auditor;
 - The energy saving objective is between 1 and 100% of the reference situation;
 - The financial penalty provided for in the event of non-achievement of the objective is defined according to the difference between consumption observed and contractual commitment;
 - If works relating to the energy efficiency improvement carried out under the EPC result in an increase of consumptions not included in the scope of the contract, then this increase must be incorporated by amendment.

Next steps: Prepare new tools to increase the use of EPCs and observe the results

The French Union of ESCO's (SNEC) has been working for several years on the large-scale deployment of EPCs. Aware of the need to bring transparency and trust to beneficiaries, **SNEC became the French administrator of the European code of conduct in May 2020.** This need for transparency and simplification is reflected in the approach taken by the French administration, at the initiative of the Ministry of Housing, to develop a **standardised model of EPC for public procurement.** The production of this document is at the heart of a larger project (named **ACTEE2**), which has the objective to enable local authorities to undertake efficient renovations of their building stock. The draft model contract will be officially published by the end of 2020.

This contract model should allow the multiplication of these contracts and energy renovations in the public sector. At the same time, **the SNEC is working on a simplified model for the private sector**, which objective is to reach the tertiary and collective residential sector.

Beyond the contractual details, it is also necessary to better communicate on the interest and ease of setting up these contracts. **A quality label, somehow linked with the QualitEE project, is also still being considered but will require further work in 2021 to guarantee its marketing impact.**

Finally, the SNEC started in 2020, in parallel with the work of the OCPE, a **statistical survey on the development of contracts in France** in order to better understand the dynamics in the private sector. It will be interesting to follow this evolution in the coming years, notably in parallel with the French recovery plan, which is centered on energy renovation, with more than 7 billion EUR of support.

NEWS FROM THE EU LEVEL

RENOVATION WAVE

On 11 June 2020, the European Commission launched a [public consultation](#) on the upcoming Renovation Wave. This initiative, part of the European Green Deal, aims at increasing the rate and quality of renovation of existing buildings and it builds on the fact that approximately 80% of today's buildings will still be in use in 2050 and 75% of this stock is energy inefficient. In addition to this, currently the renovation rate across Europe is only around 1%, definitely insufficient in order to achieve a climate neutral European Union by 2050.

In the roadmap published in May on the same topic, the European Commission shared interesting statistics: approximately 11% of the EU building stock undergoes some level of renovation work each year ranging from "light" (3% to 30% energy savings), "medium" (30% to 60%) and all the way to "deep renovations" (>60% energy savings). **The vast majority of renovation does not address energy performance.** Among the important aspects that the package will address, under the section "Public sector and public buildings leading by example" there is specific mention that "options for promoting green procurement will be explored, next to stimulating public-private partnerships and **energy performance contracting for the public sector**". Together with this, in preparing the package the Commission also specified that **studies on the market development of energy service companies (ESCOs)** were used.

The consultation was open for four weeks and gathered inputs from a broad range of stakeholders. In **October** there should be the **final publication**, from the European Commission, of a **strategic communication and an action plan**, with concrete measures to deploy faster and deeper renovation.

ENERGY EFFICIENCY DIRECTIVE

In August 2020, the European Commission launched a consultation on the [roadmap](#) for the **ex-post evaluation and possible review of the Energy Efficiency Directive (EED)**. The consultation ended on the 21st of September and almost 200 stakeholders and citizens took part in it.

In light of the increased climate ambition for 2030, raised to 55% in the newly launched [2030 Climate Target Plan](#), as well as of the preliminary EU-wide assessment of National Energy and Climate Plans (NECPs), showing a gap of about 3% towards the achievement of the 2030 Energy Efficiency targets¹, **a revision of the EED seems highly likely.** Moreover, the European Commission has already started to organise **stakeholders' workshops** on specific articles of the Directive, which are being discussed and that might possibly be reviewed.

Even if the EED was already partially revised back in 2018, with a review which mainly targeted the annual energy savings obligation under Article 7, provisions on metering and billing, as well the targets and some Annexes, **the European Commission seems now willing to possibly review and reinforce provisions such as Article 5 (on public buildings), Article 8 (on energy audits), Article 18 (on energy services) and Article 20 (on energy efficiency financing and National Energy Efficiency Funds).**

Some of them are key for the ESCO sector and the next months of discussions will represent a great opportunity to suggest ideas and provisions to reinforce the existing legislation and, hopefully, have a strong and positive impact on the development of energy services and EPCs.

¹ In its preliminary assessment of NECPs, published with a [communication](#) on the 17th of September, the European Commission outlines a gap of 2.8% for primary energy consumption and of 3.1% for final energy consumption.