

Overcoming Regulatory and Policy Barriers To Catalyze ESCO Development Globally



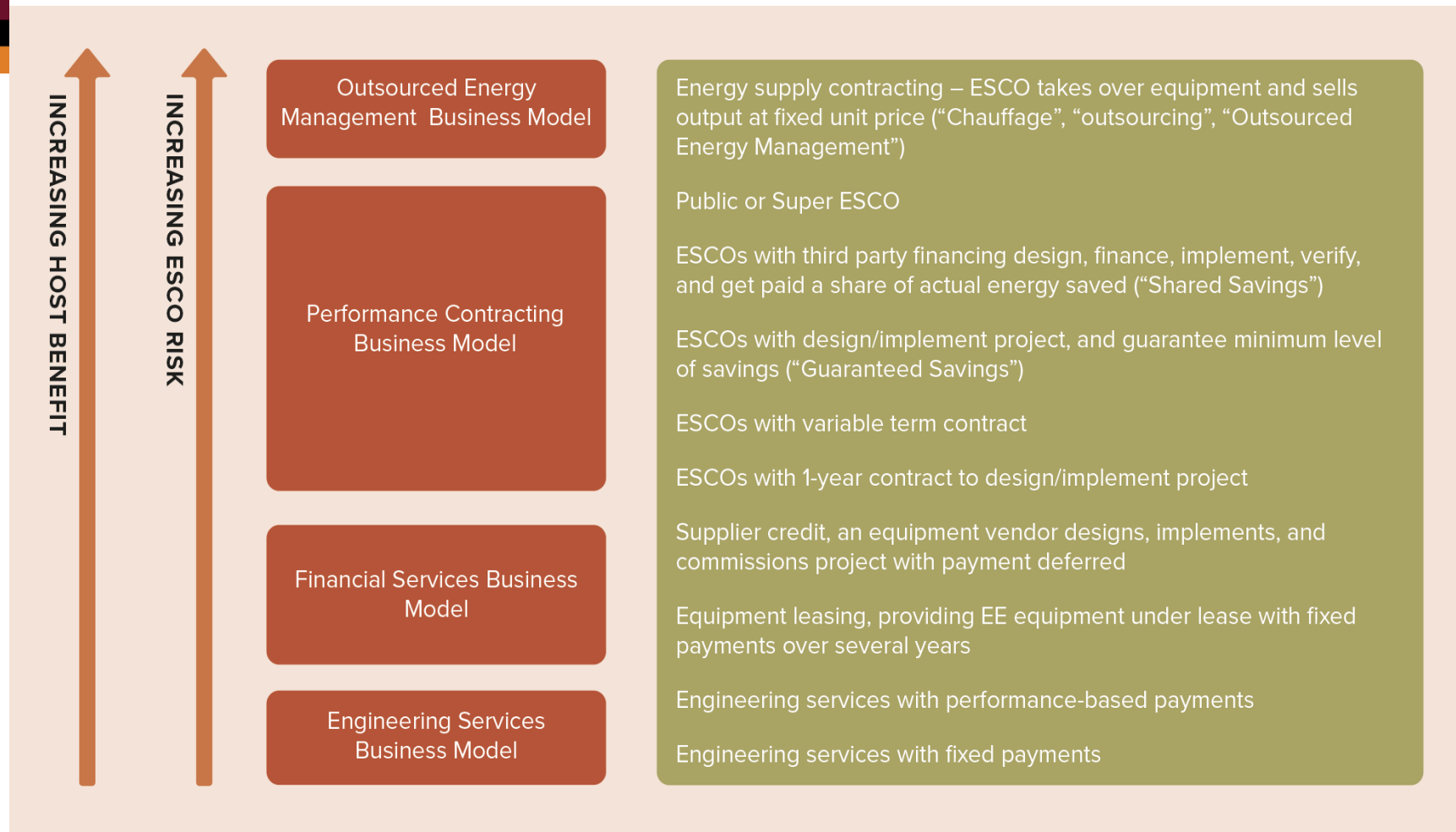
Catalyzing ESCO Development



Global ESCO Network

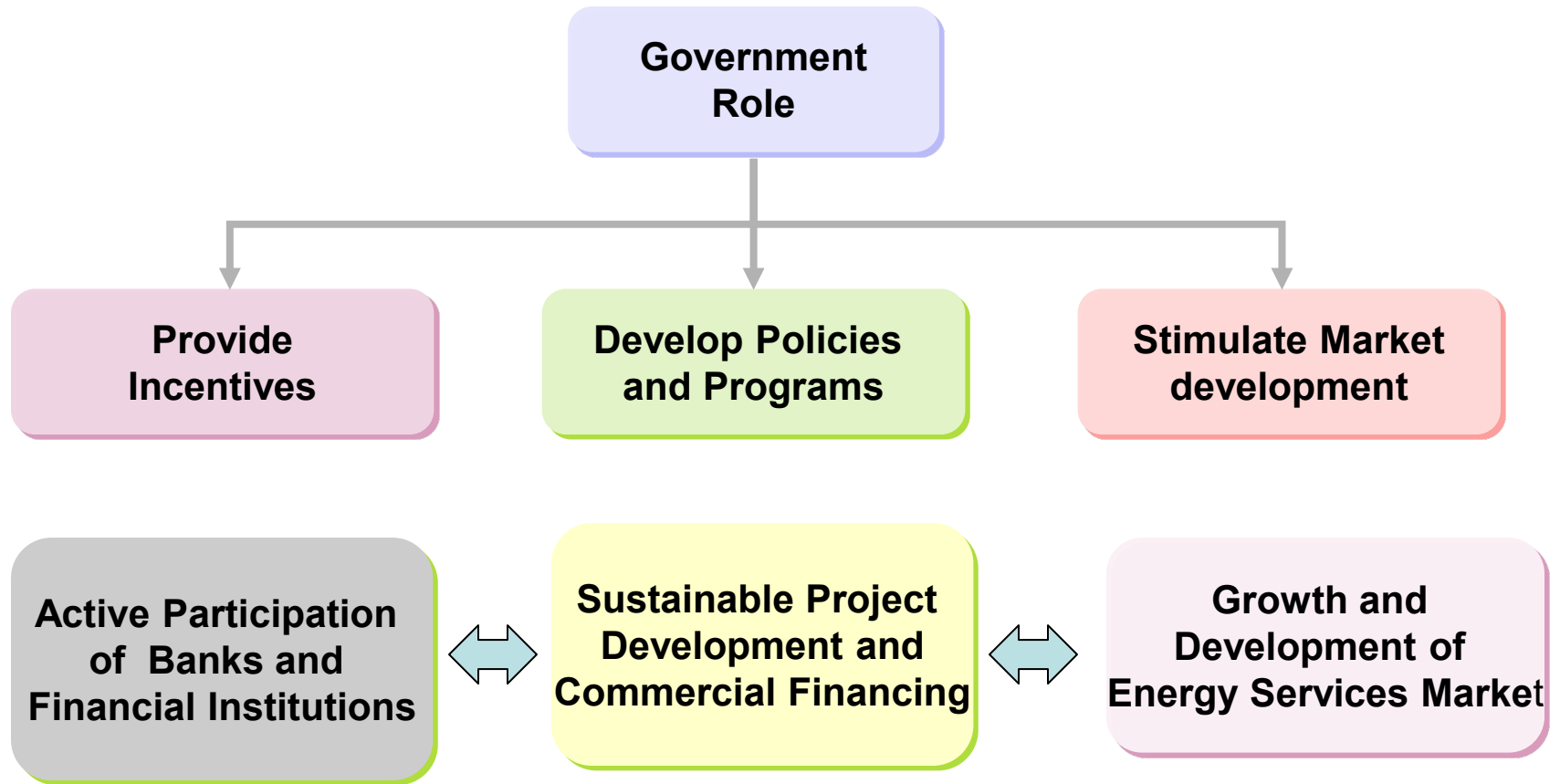
Summary of Energy Services Business Models

Figure 2. ESCO Business Models



Source: Adapted by authors from Limaye 2014.

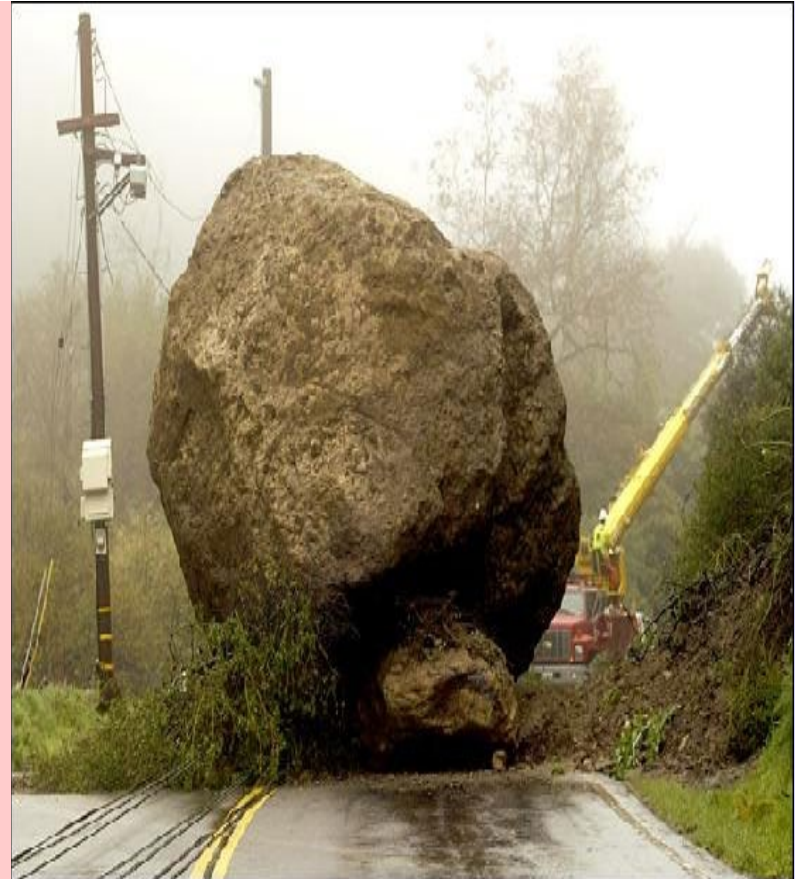
Government Role vs. Market Role in Energy Efficiency



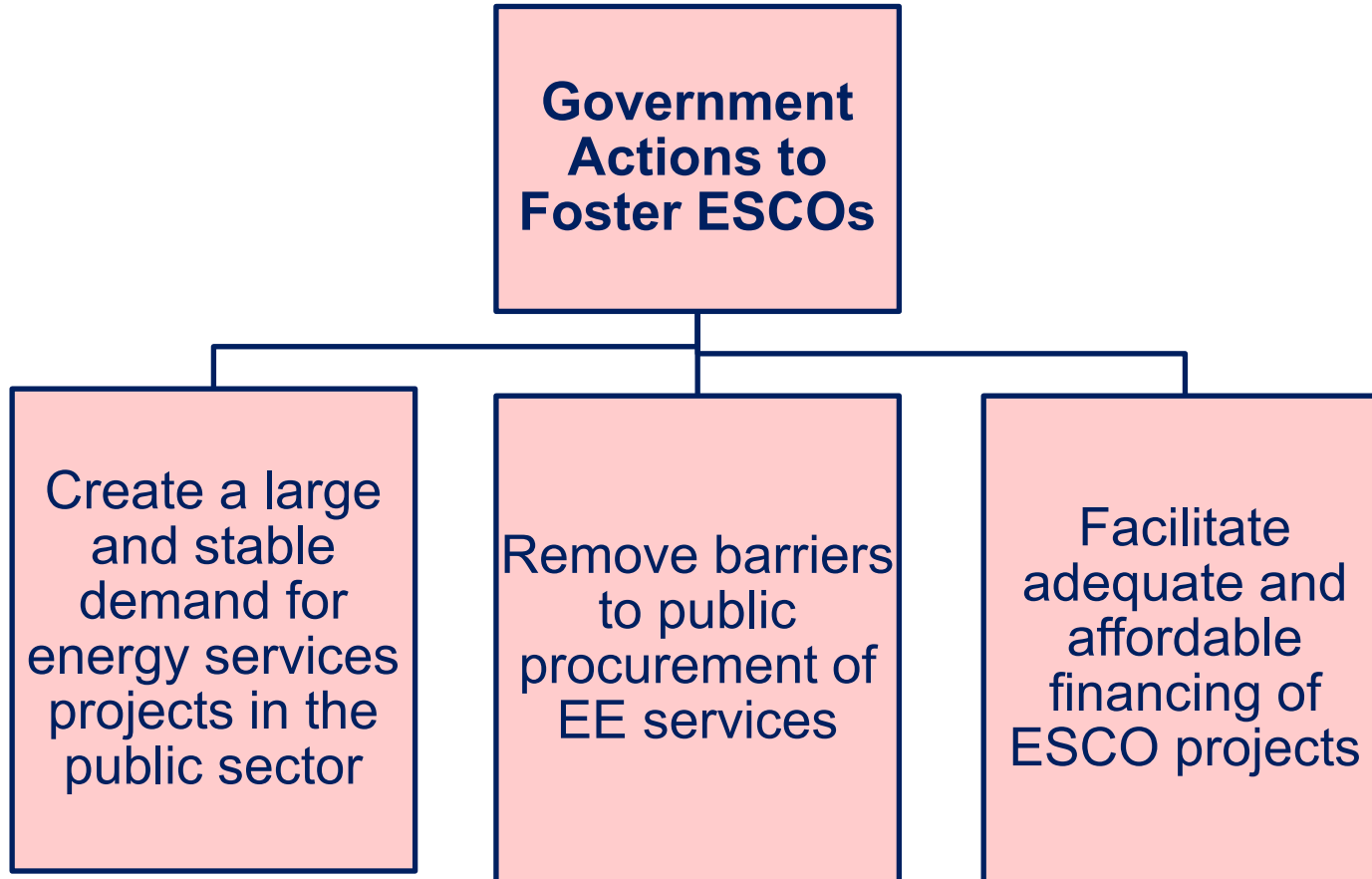
Governments need to “lead by example” to foster and promote ESCOs

Public Sector ESCO Opportunities & Barriers

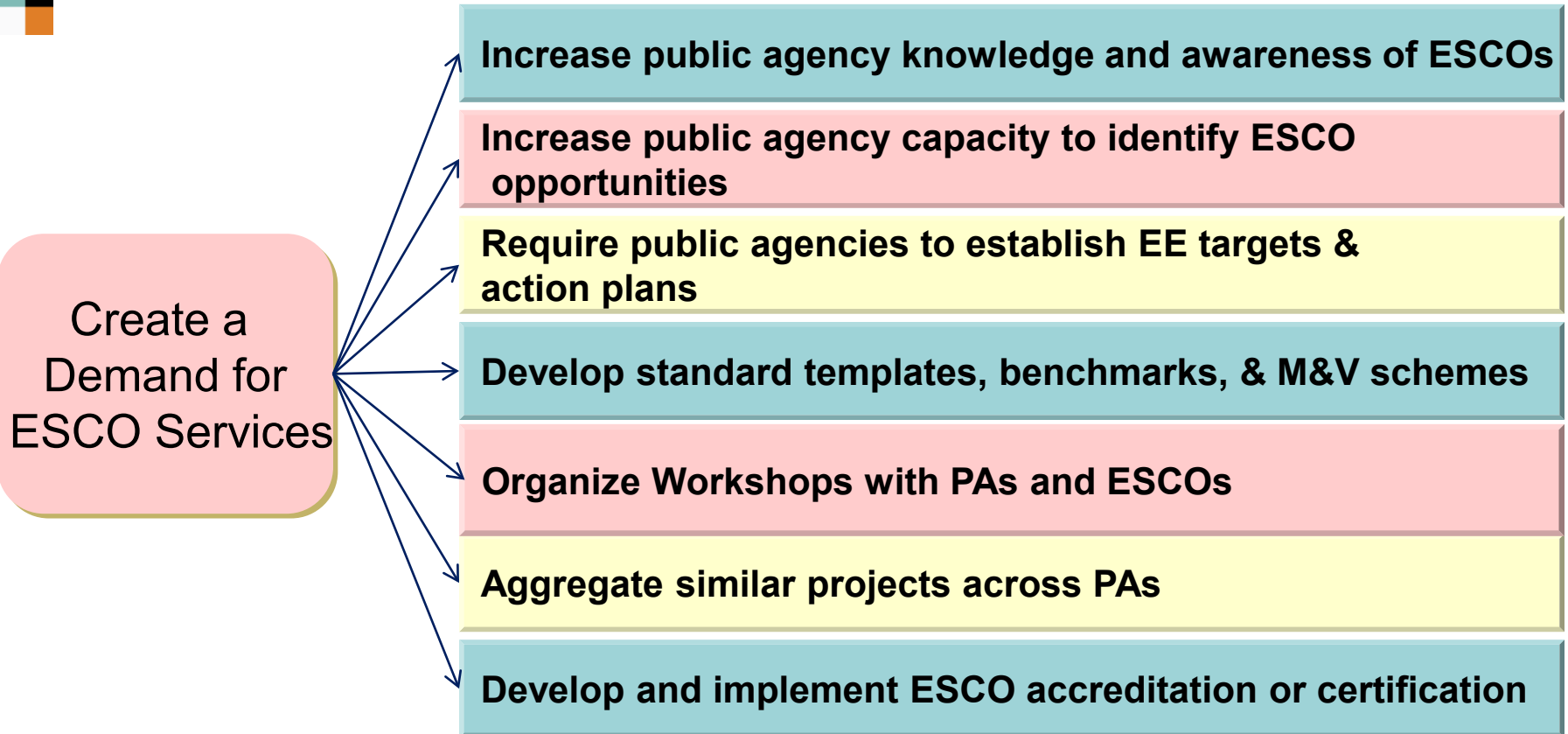
- Large opportunities for improving energy efficiency
- Public sector needs implementation assistance from ESCOs
- Barriers to ESCOs
 - Public procurement regulations
 - Inability to sign multi-year contracts
 - Limits on retention of savings
 - Limited internal capacity to implement or to manage ESCO contracts
 - Lack of availability of commercial financing
 - Split responsibilities for capital and operating budgets



Government Actions to Foster ESCOs



Creating a Demand for ESCO Services



Removing Barriers to Procurement of EE Services

Remove Barriers to Procurement of EE Services

Allow public agencies to sign multiple-year contracts

Allow retention of energy cost savings to pay ESCOs

Change procurement rules to select most value, not least cost

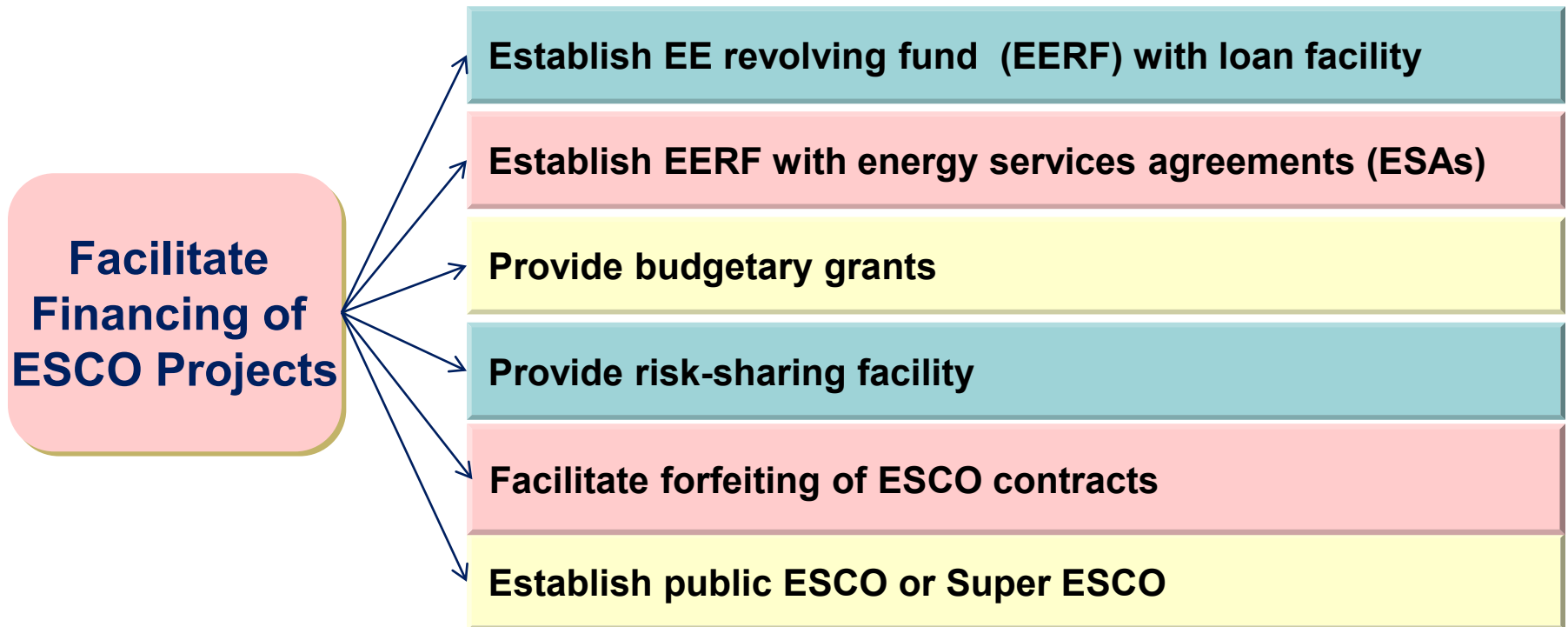
Exclude ESCO payments from PA debt

Require consumption-based billing for DH

Allow PAs to engage in PPPs and EE equipment leasing

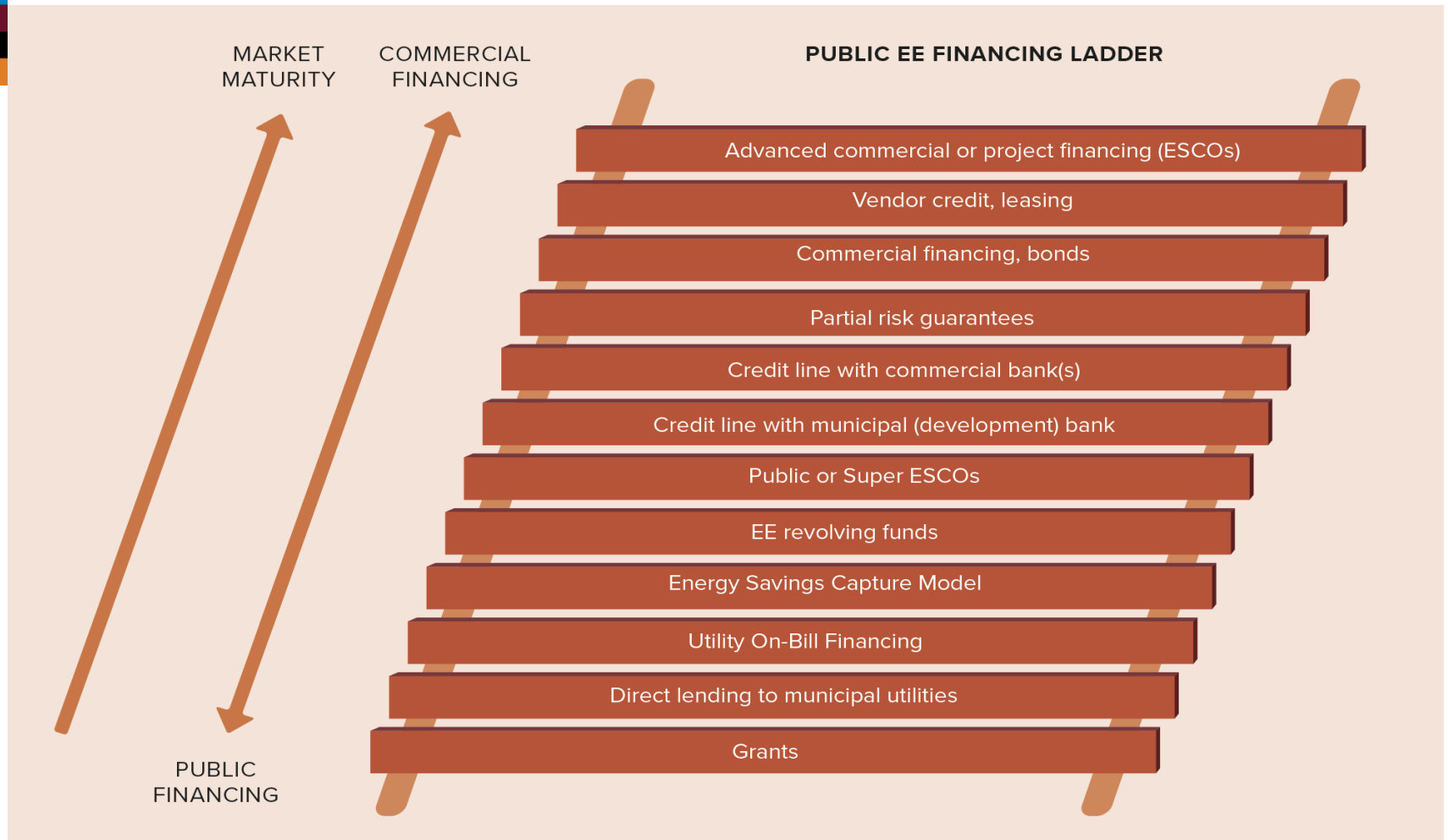
Encourage PAs to use simple ESCO models

Facilitating Financing of ESCO Projects



Energy Efficiency Financing Options Ladder

Figure 4. Public Energy Efficiency Financing Options Ladder



Source: Adapted from Limaye, 2019

Illustrative Government Actions to Foster ESCOs

Government Action	Country	Summary Description
Procurement Agent	Germany	Berlin Energy Agency helps public agencies, on a fee-for-service basis, to identify EE opportunities, provide standard templates for audits, RFPs, bid evaluation, contracts, etc., and provides guidance throughout ESP procurement process
Facilitating Public Procurement	Czech Republic	Reformed public procurement procedures to facilitate ESP contracts; uses multiple criteria in ESP bid evaluation; Certifies "energy experts"
Project Bundling	Hungary	Issued single procurement for all schools and competitively selected an ESP consortium to provide EE services to all schools under a master contract
Forfeiting	Bulgaria	The Bulgaria ESCO Fund was financed by EBRD to purchase the cash flows from an ESP project to allow the ESP to free up funding for additional projects.
EE Revolving Fund with Loan Facility	U.K.	Salix finance established by U.K. DECC to provide loan financing exclusively for public sector projects; has worked with 138 public agencies and financed over 11,000 projects. Many are implemented by ESPs.
EE Revolving Fund with ESAs	Armenia	Armenia R2E2 Fund offers public agencies ESAs under which it designs the project, hires ESPs, oversees construction, and monitors project under a fixed price long-term agreement
Public ESCO	Croatia	Established public ESCO in national utility HEP to develop, finance and implement EE projects using local businesses as key delivery agents; and provide opportunities for ESPs to tap into new energy efficiency business opportunities.
Super ESCO	India	Established public sector entity (EESL) to develop, finance and implement EE projects in the public sector using private ESCOs as subcontractors or partners

Figure 5. A Road Map for Developing the Energy Services Market



Source: Prepared by Authors based on World Bank 2014a.



Thank you

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