

Regulatory Barriers for Energy Service Companies

Book Launch
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Global ESCo Network

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The Global ESCO Network

- Formally established in 2019 - Commencing activity mid 2020
- Created to bring ESCO on to the global climate change agenda through a concerted effort backed by all existing ESCO associations
- Currently organizes 31 out of 38 national and regional ESCO associations
- Anchored in UNEP Copenhagen Climate Center
- Initiates research and policy advocacy in global and national fora.
- Today's book launch is part of this



We believe

- that ESCOs are the instrument that makes energy efficiency potentials tangible
- that ESCOs have been overlooked in international climate change advice
- that ESCOs offer the best returns of any climate change motivated action

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Regulatory Barriers for Energy Service Companies

- 12 ESCO associations interviewed. We will hear more details from three
- 10 regulatory barriers identified (+/-)
- No jurisdictions ideal – but some better than others
- Why only regulatory barriers?





Regulatory Barriers for Energy Service Companies

- **New typology**
 - Regulatory barriers accidentally affecting ESCOs (3)
 - Regulatory barriers specifically targeted at ESCOs (3)
 - Barriers in the absence of regulation (4)
- **The latter requires an explanation**



Barrier Country	4. Barriers due to existing regulation not specific for ESCOs		
	4.1 Split incentives and delineation of mandates	4.2 Consumption charges not based on consumption	4.3. Public sector budget and accounting rules
	Are there ways to address split incentives in the distribution of budgets?	Not part of the ESCO association analysis	Is it possible to secure long-term contracting?
Australia	Split incentives issues.		No restriction on public contract duration.
Canada	Split incentives issues.		No restriction on public contract duration. Issues with operational savings being "claimed" and used for other budgets.
Chile	Split incentives issues.		No restriction on public contract duration.
Colombia	Not observed.		Possible in theory, but complex in practice.
India	Not observed.		No restriction on public contract duration.
Japan	Not observed.		Up to 10 years for ESCOs. Normally under 1 year for government contracts.
Malaysia	Unclear responsibilities between ministries of Finance, Housing, Energy and Public works.		Up to 21 years for PPP or BOT projects, applies also to ESCOs.
Philippines	Not observed.		Possible in theory, complex in practice.
Portugal	No reported split incentives issues.		No restriction on public contract duration.
Romania	Unclear responsibilities between ministries of Energy and Ministry of Public Works.		Maximum length is five years, unclear if it applies to ESCO activities.
UAE	Not observed.		No restriction on public contract duration.
UK	No issues in the public sector, but issues exist in the private sector.		No restriction on contract duration.



Barrier Country	5. Barriers due to existing ESCO-specific regulation		
	5.1. Contract format	5.2 Super ESCOs competition	5.3 Access to government finance
	Which are the barriers specifically related to ESCO contracts?	Are super ESCOs competitors rather than coordinators?	Can third party investors access public funds for energy efficiency?
Australia	No standard contract.	No super ESCO.	No Energy Efficiency programmes.
Canada	Standard contract at Federal level, but too complex and risky for ESCOs.	No federal super ESCO, However a private sector led super ESCO now operates across Canada	Owner can access subsidies, as can ESCOs on behalf of owner, not third-party financiers. No continuity across Provinces/ regions.
Chile	No standard contract.	Competition from the local super ESCO.	Third party can receive grants for EE programmes, but not ESCOs.
Colombia	No standard contract.	No super ESCO.	No Energy Efficiency programmes.
India	No standard contract.	Competition from the local super ESCO.	No Energy Efficiency programmes.
Japan	Too complex.	No super ESCO.	Third party can access energy efficiency programmes.
Malaysia	No standard contract.	No super ESCO.	No Energy Efficiency programmes.
Philippines	No standard contract.	No super ESCO.	Not currently, a programme for third party investors to access EE programmes is being drafted.
Portugal	Too complex, risky for ESCOs.	No super ESCO.	Some restrictions on ESCO access to funds.
Romania	Not fit for purpose.	No super ESCO.	Funds channelled to public utilities and building owners undermining ESCO activities.
UAE	Too complex and outdated.	Super ESCO performing as intended.	EE programmes depends on the Emirate; no financial incentives for EE.
UK	Not without issues but have been the base for strong growth in EPC.	No public super ESCO, but public frameworks exist that act as super ESCO.	Well established grant, interest free loan, and revolving fund scheme.



Barrier Country	6. Barriers in absence of regulation			
	6.1 ESCO Definition	6.2 ESCO accreditation	6.3 Standardized contracts	6.4 Energy audits requirements
	Does a law clearly define ESCOs?	Is there an ESCO accreditation scheme?	Does a simplified, standardized contract for ESCO activity exist?	Are energy audits mandatory, and do recommendations need to be implemented?
Australia	Yes	No	No standard contract.	No requirements
Canada	No clear distinction with an energy consultant.	No	At Federal level, other levels of government do not have one and do not utilize the Federal one.	Mandatory energy audit for federal buildings only and implementation of recommendations.
Chile	Yes	ESCO certification, but the certification system is not managed by ESCOs themselves.	No standard contract.	Audit mandatory for consumers above 60 GWh/yr. No implementation requirements.
Colombia	No	No	No standard contract.	No requirements.
India	No legal distinction with an energy consultant.	Voluntary accreditation by the Bureau of Energy Efficiency. No perceived benefit for contracting.	No standard contract.	Mandatory for installations consuming over 6 GWh/year. No requirement for implementation.
Japan	Yes, however the definition is not entirely adequate.	No	No standard contract.	Mandatory beyond a certain consumption. No requirements for implementation.
Malaysia	Yes	Informal accreditation by the national ESCO association	No standard contract.	Mandatory for facilities beyond 6 GWh/year to report their consumption and EE measures. No requirement for implementation.
Philippines	Yes	Yes	No standard contract.	Mandatory every 3 year for consumers above 0.5 GWh/yr. Mandatory to set annual targets and plans for EE, based on the audits.
Portugal	Yes	Yes	No standard contract.	Audits mandatory at least every four years for government buildings. No requirements for implementation.
Romania	No distinction with an energy consultant.	No difference between an ESCO and a consulting company, no certification.	Yes, but not fit for purpose.	EE law incentivises energy audits for both residential and industrial sectors. No requirements for implementation.
UAE	Yes	Yes	No standard contract.	No requirements
UK	No official definition allowing distinction from energy supply / retail companies.	No accreditation for ESCOs. Other public frameworks provide pre-qualification.	Standard contracts based on existing public frameworks.	Mandatory energy audits. No requirements for implementation.



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Canada – Stuart Galloway, ESAC

Portugal – Jorge Rodrigues de Almeida, APESE

United Arab Emirates – Ahmed Elbermbali, CEBC



- We plan to expand the analysis
- Open invitation to all to reach out to us

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