



STEPPING

Supporting The EPC Public Procurement IN Going-beyond

Module 4 – Involving the local EPC market



Meeting the relevant stakeholders: local companies/ESCos and banks

In a sound EPC development process, all the concerned actors are involved since the very beginning.



Meeting the relevant stakeholders: local companies/ESCOs and banks

The purpose of this participative approach is twofold:

- On the one hand to get significant ***suggestions from the market*** (Local companies and ESCOs) and from the financial institutions (credit institutions, equity private funds, crowdfunding platform, etc.) on how to build up proposals also in line with their expectations;
- On the other to avoid – without their relevant perspective – to get at the end ***no answer from the market*** to the call for tenders for the EPC contract.



Meeting the relevant stakeholders: local companies/ESCos and banks

The ESCO and concerned local companies could be indeed engaged at an early stage, depending upon: building owner's ability to absorb preliminary costs, the services needed by the owner, the risk allocation strategy, the terms of the contract, and the procurement constraints of the organisation.

Local market studies can be then also made to have a vision of the market to be shared with these local stakeholders. The local committee meetings will be also an opportunity to detect the needs and tools useful to boost the market development (i.e. training to SMEs from Chamber of Commerce? Meetings with insurance companies? Public guarantee for small enterprises investments?).



Threshold for making companies participating to the Tender

Is there any threshold/minimum amount of energy saving/buildings to be refurbished making the call for tenders and the related EPC contract more appealing? Yes, there is, at least in some of the countries of the STEPPING partnership.

Proposed contractual models and their tailor-made financing mechanisms should render ***projects feasible, bankable and profitable for every party involved***. Consideration should be indeed given to bundling a number of opportunities of varying investment attractiveness into a single project.

With the relevant exception of EPC light (where no relevant investment is foreseen), the *energy costs baseline should be above a certain economic threshold for a project to be suitable for EPC*. Only then the relation between basic expenditure and achievable savings will be interesting for ESCOs in economic terms. *Pooling of several buildings into a single EPC contract* can be an option to aggregate a reasonable volume for the baseline. In special cases, e.g. involving self-financing by the client, smaller project sizes can also be realized.



In Italy....

The fact that EPC projects are hardly standardized and often relatively small puts additional pressure on the costs and makes EPC projects less attractive for financial institutions. The EPC-Project Facilitators who could *aggregate scaled bankable projects* are starting to work in this direction. Financial products available at the financial market mainly are not customized to remove specific EPC financing constrains. Public funds often are normally not used to leverage private financing.

In Italy – where the market is not entirely prompt for EPC contracts - for example, supply of energy is often included in the EPC contract as this provide a sort of guarantee for the financial institutions and therefore makes EPC projects more bankable thus more easily providing the capital needed for the EPC investments.



End of Module 4

