

# UK ESCO Developments



# Agenda

Market overview

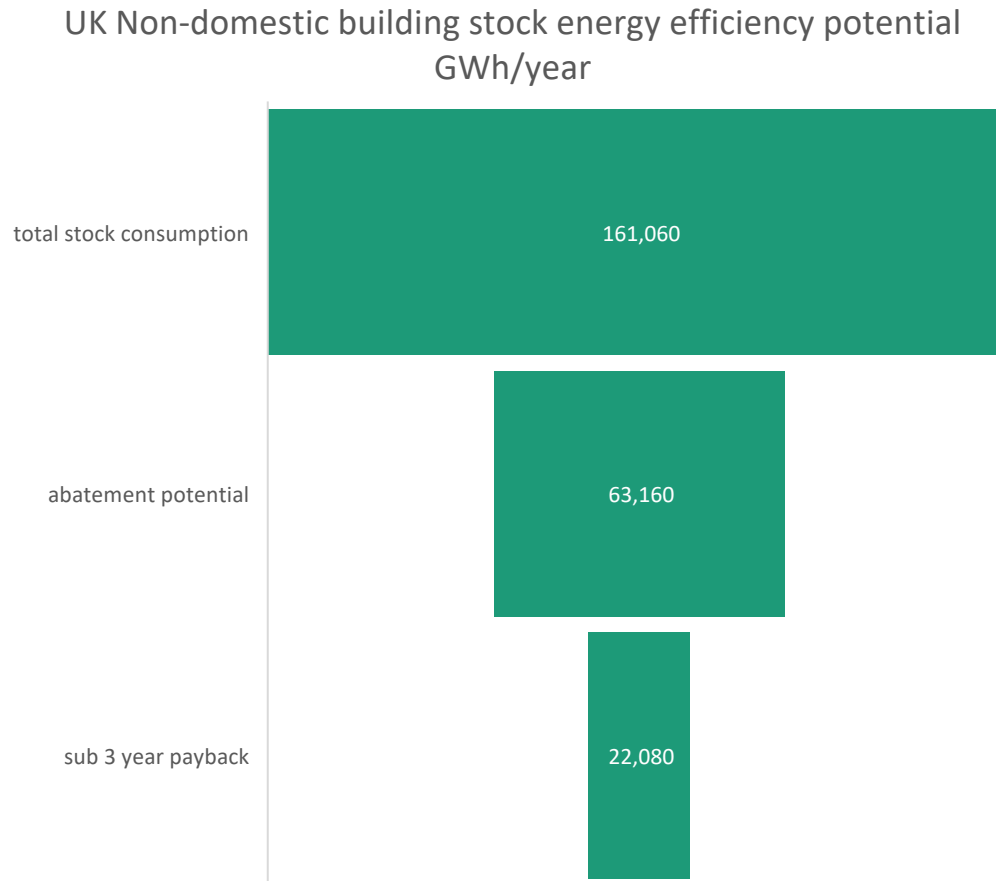
Participants

Barriers to growth of the  
ESCO market

Mechanisms for change

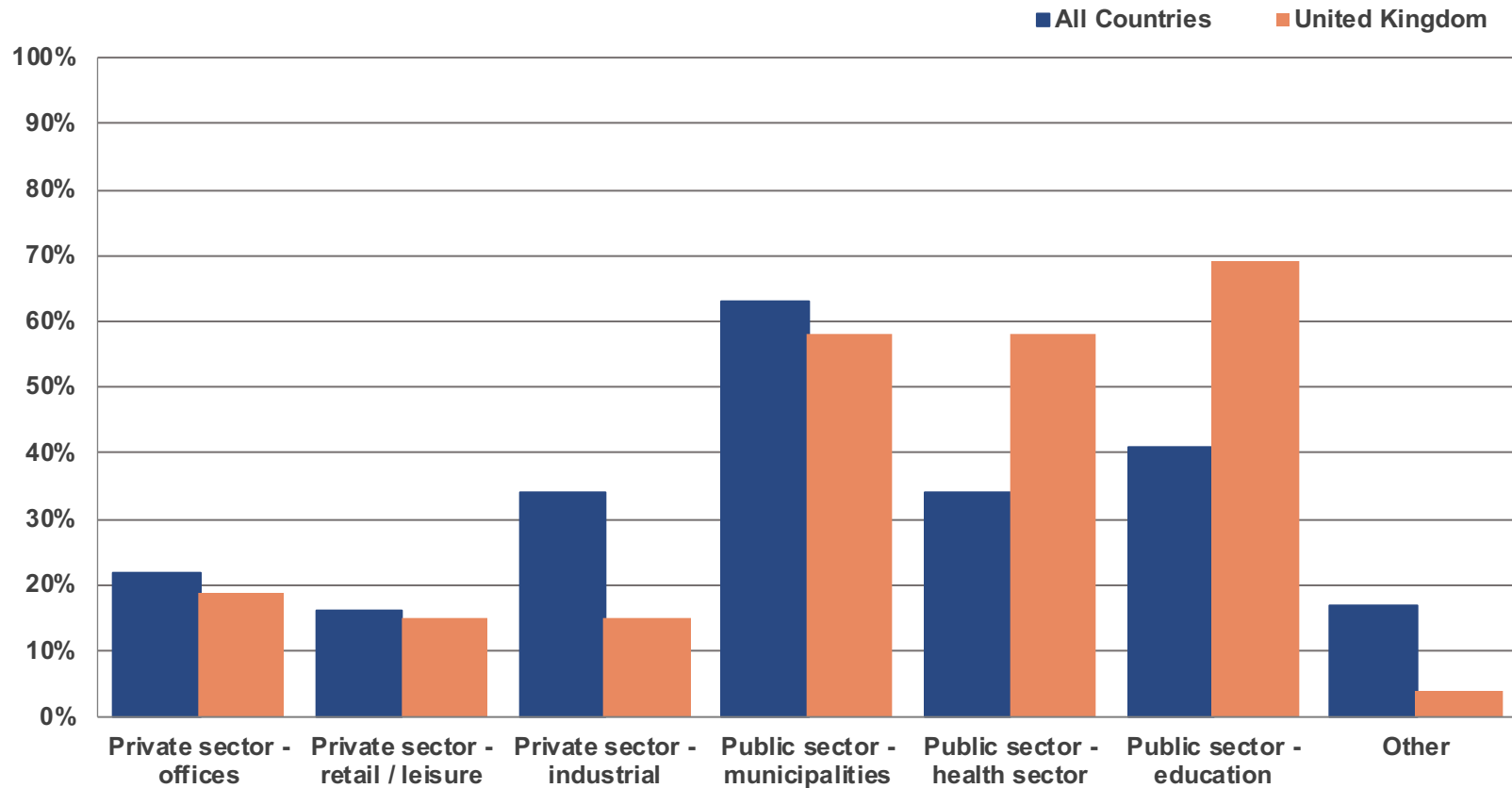


# UK Market Potential



- EPC market saw considerable growth between 2010 and 2014
- Significant untapped potential

# UK market participants

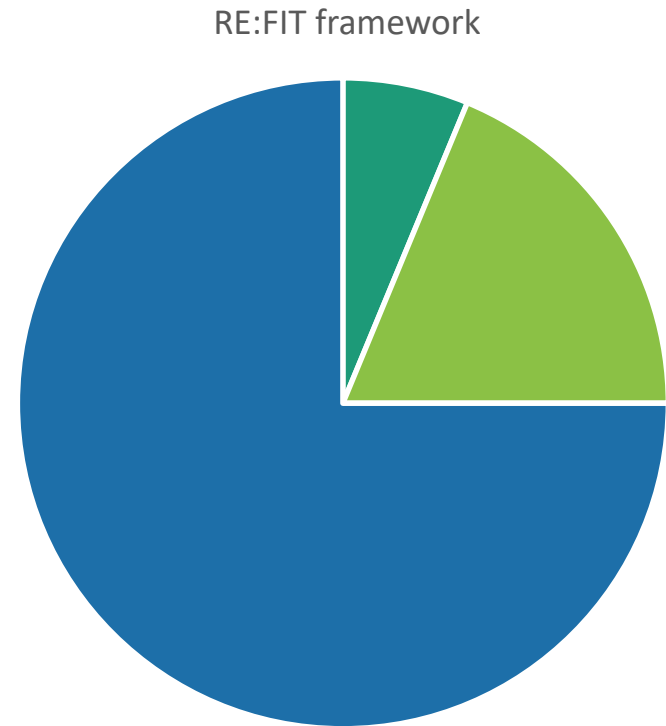


# UK Public Procurement Frameworks



# UK ESCOs

- 28 organisations on PPFs
- $50 < \text{employees} < 10,000$
- $\text{€ } 5\text{m} < \text{turnover} < \text{€ } 5\text{bn}$

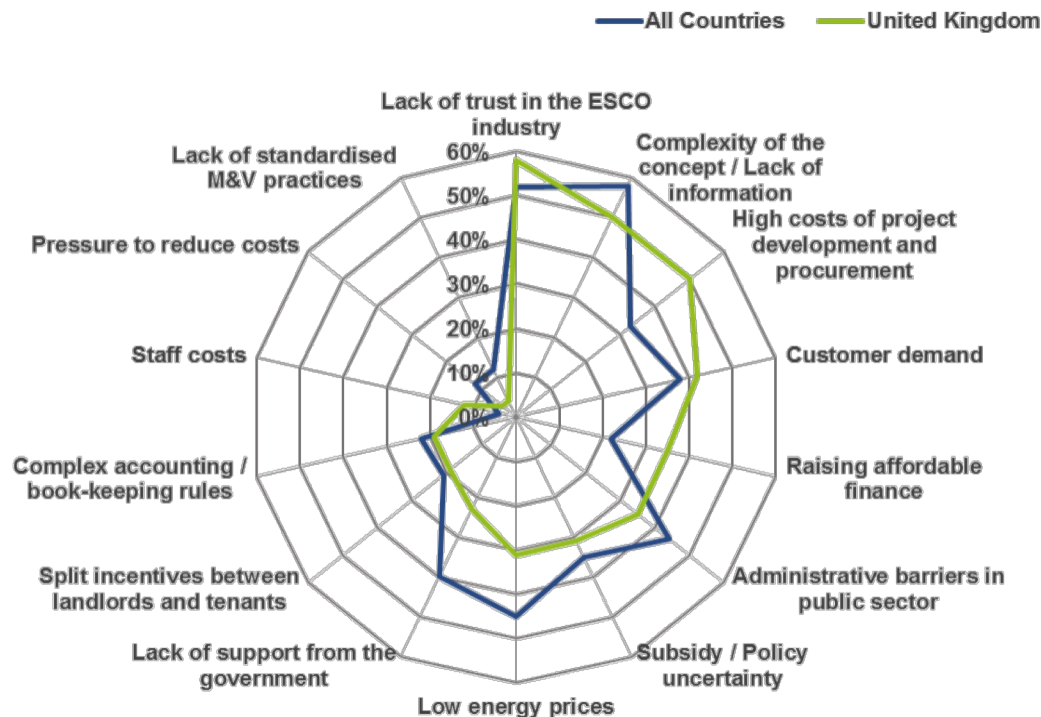


- controls
- Energy supply
- Other energy supply
- Engineering services

# UK Facilitators

Facilitator skills	Organisations
Project development & management	Turner & Townsend, Mott MacDonald, GEP Environmental
Commercial/ Procurement	Ecovate, Roger Simpson Jones, Hermetica Black
Energy consultancy	Carbon Trust, Verco, Carbon Credentials, Sustain, NIFES, TEAM EEA
Insurance	PIB Insurance, Parhelion
Legal/contractual	Bird & Bird, Bevan Brittan, Pinsent Masons, CMS Cameron McKenna, DA Beechcroft, Trowers & Hamlin
Measurement & verification	EEVS Insight, iVEES, C3 resources
Finance/ Fund management	Amber Infrastructure, SDCL, Equitix, Green Investment Group, Salix Finance

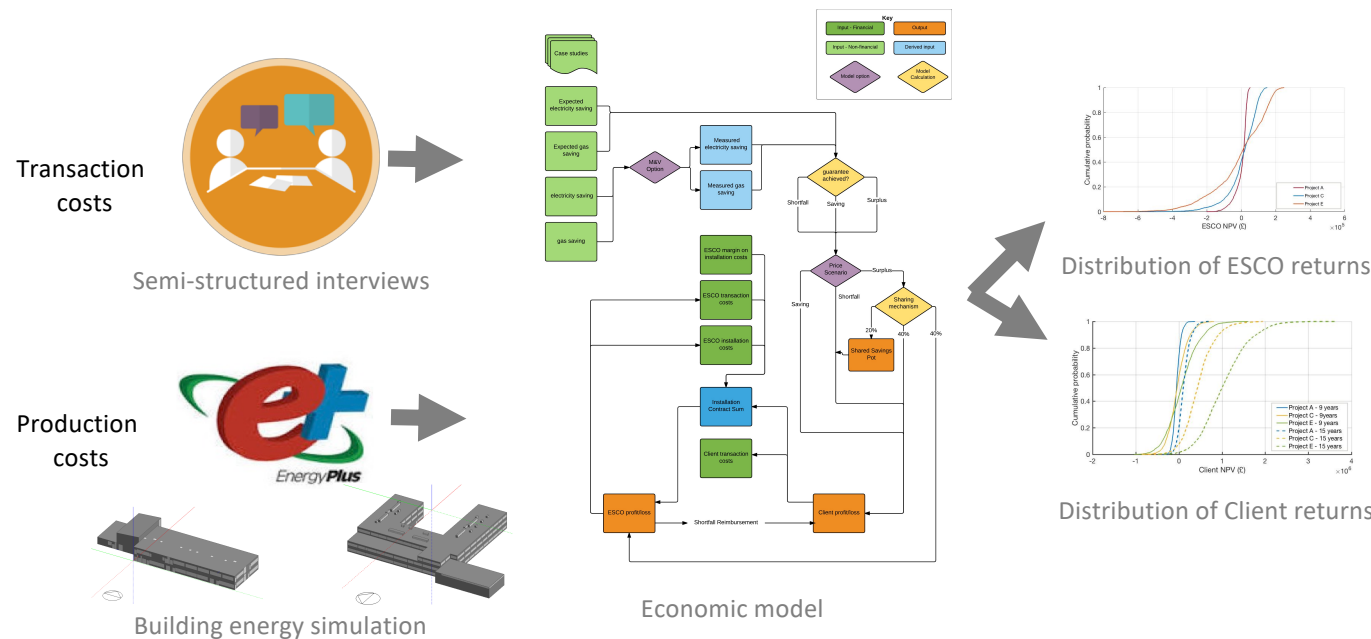
# UK market barriers



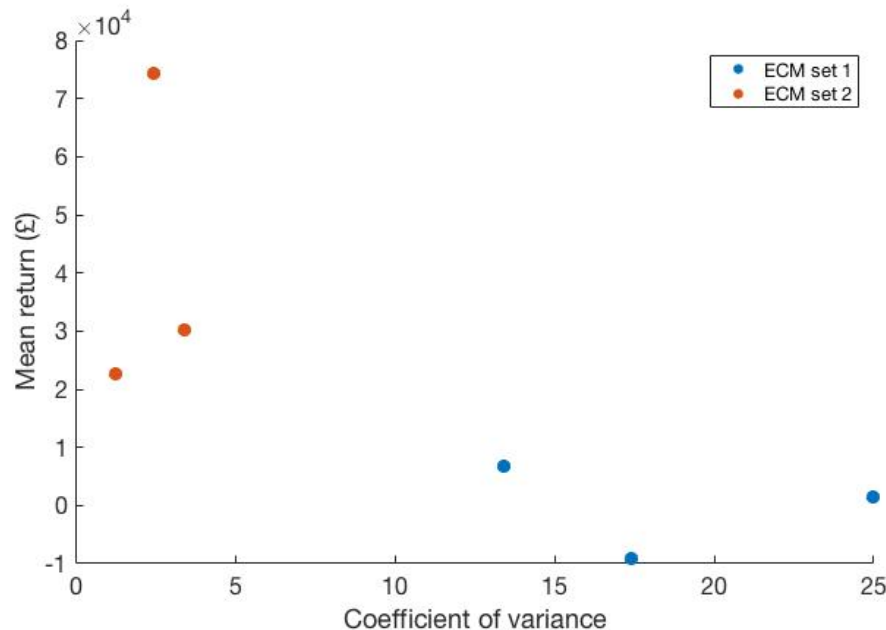
- Consistency of client reported barriers to development:
  - Complexity of product/ lack of information
  - Lack of trust in ESCO



# EPC research at UCL

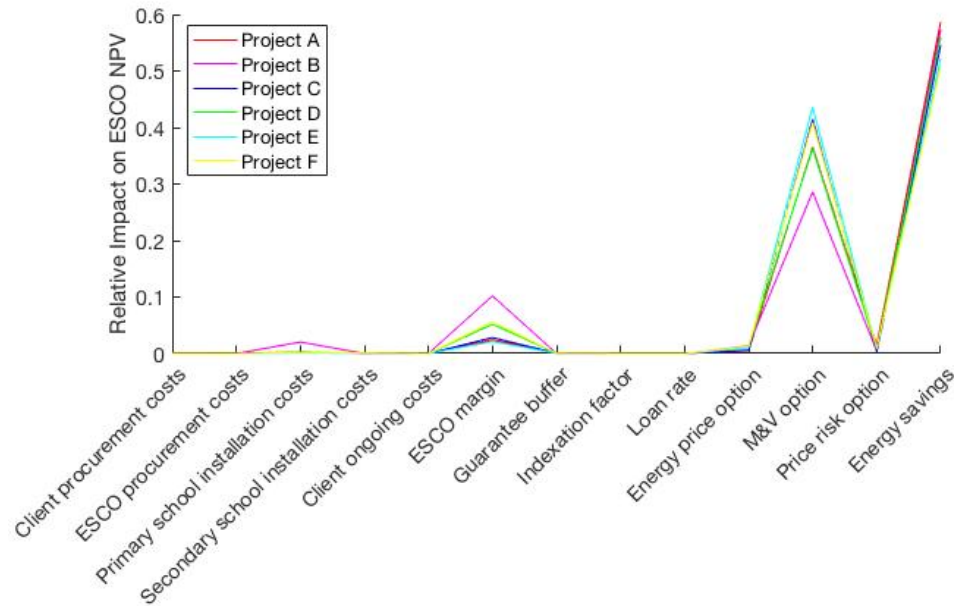


# Understanding ESCO risks



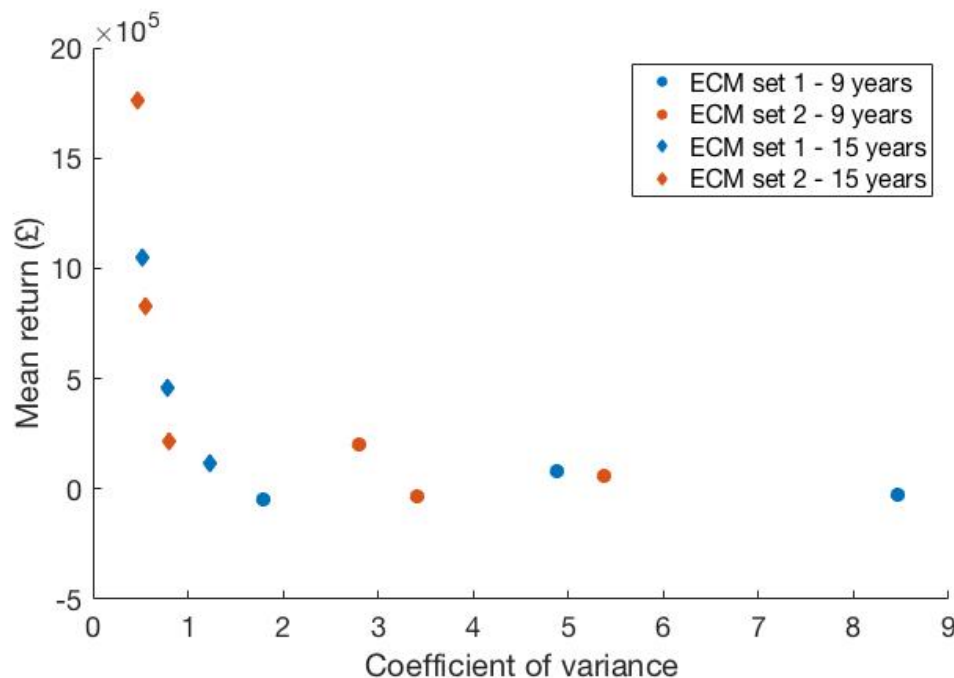
- Projects with a deeper scope (more ECMs) were consistently lower risk and higher return for ESCOs regardless of project scale (no. facilities)
- Guaranteed savings mechanism is a key driver for this

# Relative sensitivity of ESCO returns



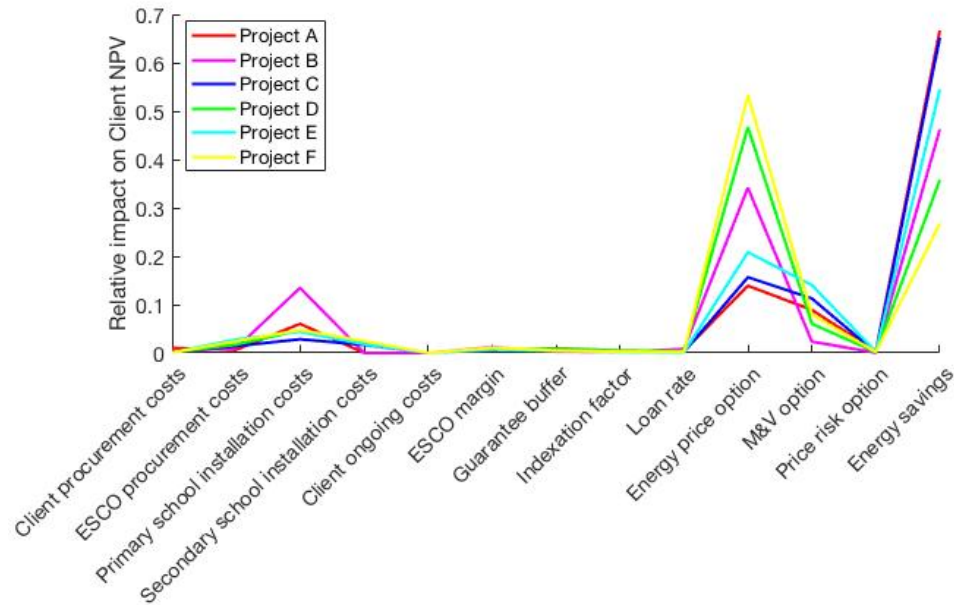
- All scales and scopes show similar patterns
- Energy savings and M&V option make the biggest difference

# Understanding Client risks



- Evaluation period makes a big difference
- Project scope has a similar effect as for ESCOs

# Relative sensitivity of Client returns



- Energy prices have a clear impact
- Returns are much more sensitive to energy savings than to transaction costs
- Switching from IPMVP option C to option A results in a larger reduction in returns on the smaller scope projects

# Mechanisms to support change



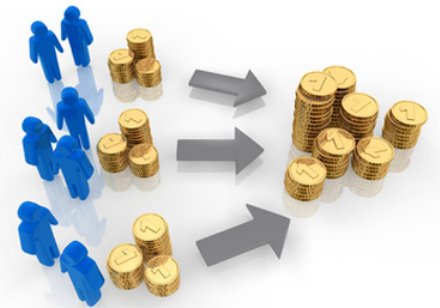
Working in the U.K. with:



<https://qualitee.eu/publications/draft-guidelines-of-european-quality-criteria/>

# Investor Confidence Project

An international framework for reducing owner and investor risk, lowering due diligence costs, increasing certainty of savings achievement and enabling aggregation.



Ensures transparency, consistency and trustworthiness through **best practice** and **independent verification**.



# UK market outlook

No certainty about detail of post-Brexit policy but:

- domestic binding emissions reduction targets are more ambitious than those set by EU legislation
- New consultations on improving energy efficiency in commercial buildings
- BASEE competition - € 7m for innovative solutions for energy efficiency for SMEs in commercial and industrial sector
- “The Government will work with stakeholders to improve the market for energy services, building confidence across commercial and industrial customers.” Clean Growth Strategy