

SPEEDIER

SME PROGRAM FOR ENERGY EFFICIENCY THROUGH DELIVERY AND IMPLEMENTATION OF ENERGY AUDITS

D4.7 – REPORT ON SPEEDIER FINANCING AND CONTRACT OPTIONS

Lead Contractor: Polimi – Politecnico di Milano

Author(s): Polimi – Politecnico di Milano

Date: 30th May 2020

This document is the report associated with Task 4.5, Finance and Implementation Models, and Deliverable D4.7, Report on SPEEDIER financing and contract options. It outlines and defines the financial and contract options available to be implemented in the SPEEDIER Service.

The objective of this Deliverable is to provide a link between the energy assessment phase and the implementation phase explaining both the innovative SPEEDIER ringfencing mechanism and traditional financing schemes that could support this innovative mechanism.

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 847034.

Project details			
Project acronym	SPEEDIER	Start / Duration	June 2019/ 30 Months
Topic	LC-SC3-EE-8-2018-2019 Capacity Building programmes to support implementation of energy audits	Call identifier	H2020-LC-SC3-EE-2018
Type of Action	CSA	Coordinator	Jo Southernwood (IERC)
Contact persons	Jo Southernwood		jo.southernwood@ierc.ie
Website	www.speedierproject.eu		

Deliverable details			
Number	D4.7		
Title	Report on SPEEDIER financing and contract options		
Work Package	4		
Dissemination level	PU	Nature	PUBLIC
Due date (M)	31 st March 2020	Submission date (M)	30 th May 2020
Deliverable responsible	Davide Chiaroni davide.chiaroni@polimi.it		

Deliverable Contributors		
Deliverable leader	Name	Davide Chiaroni
	Organisation	Politecnico di Milano (Polimi)
	Role/Title	Full Professor
	Email	davide.chiaroni@polimi.it
Contributing Author(s)	Name	Lucrezia Sgambaro
	Organisation	Politecnico di Milano (Polimi)
	Role/Title	Business Analyst
	Email	lucrezia.sgambaro@polimi.it
Reviewer(s)	Name	Jo Southernwood

	Organisation	IERC
	Role/Title	Senior Research Engineer
	Email	jo.southernwood@ierc.ie
	Name	Ruchi Agrawal
	Organisation	IERC
	Role/Title	Assistant Research Engineer
	Email	ruchi.agrawal@ierc.ie
	Name	Mariana Fernández
	Organisation	Sustainable Innovations (SIE)
	Role / Title	Communications Manager
	Email	Marianafernandez@sustainableinnovations.eu
Review and quality approval	Name	Tom Flynn
	Organisation	TFC
	Role/Title	Quality Manager / WP9 Leader
	Email	t.flynn@tfcengage.com
Final review and submission	Name	Jo Southernwood
	Organisation	IERC
	Role/Title	Senior Research Engineer
	Email	jo.southernwood@ierc.ie

Document History			
Date	Version	Name	Changes
24/03/2020	0.1	Davide Chiaroni, Lucrezia Sgambaro	First document version.
09/04/2020	0.2	Jo Southernwood	First review document.
24/04/2020	0.3	Davide Chiaroni, Lucrezia Sgambaro	Revised document.
04/05/2020	0.4	Mariana Fernández	Second review document.
08/05/2020	0.5	Ruchi Agrawal	Second review document.
13/05/2020	0.6	Davide Chiaroni, Lucrezia Sgambaro	Second revised document.
26/05/2020	0.7	Tom Flynn	QA approved.

30/05/2020	1.0	Jo Southernwood	Approved release for ECAS portal submission.
-------------------	-----	-----------------	--

Abbreviations

ESCO	Energy Services Company
ECM	Energy Conservation Measure
EPC	Energy Performance Contract
PBT	Pay-Back-Time
SME	Small or Medium sized Enterprise
WP2	Literature review and needs analysis
WP3	Needs and opportunities for SMEs
WP4	Development of content for SPEEDIER Training material

TABLE OF CONTENTS

ABBREVIATIONS	5
1 EXECUTIVE SUMMARY	7
2 INTRODUCTION	ERROR! BOOKMARK NOT DEFINED.
2.1 Background	Error! Bookmark not defined.
2.2 Purpose of the document	Error! Bookmark not defined.
3 SETTING THE SCENE	ERROR! BOOKMARK NOT DEFINED.
3.1 SPEEDIER Tool for Experts	Error! Bookmark not defined.
3.2 SPEEDIER self-financing mechanism	Error! Bookmark not defined.
4 SPEEDIER CONTRACTING MODELS	ERROR! BOOKMARK NOT DEFINED.
4.1 Contracting approaches: Types	Error! Bookmark not defined.
4.2 Contracting approaches: Pros and cons	Error! Bookmark not defined.
4.3 Contracting options for SPEEDIER Expert.....	Error! Bookmark not defined.
4.4 Contracting options with third-parties	Error! Bookmark not defined.
4.5 Energy performance contracts (EPC)	Error! Bookmark not defined.
5 CONCLUSION	ERROR! BOOKMARK NOT DEFINED.

1 Executive summary

The present document summarizes the results achieved in WP4 (Development of content for SPEEDIER training materials) and more specifically in Task 4.5 (Finance and Implementation Models).

The procedure is summarized in *Figure 1*.




 Objective The aim of this activity is to properly define the SPEEDIER innovative ring-fencing mechanism and to identify a set of contract models	 Actions Ecosystem analysis: identify the market players involved in the SPEEDIER service delivery Business contract identification: identify a set of possible business contracts to govern the business relationships among the different market players, i.e. the SPEEDIER Expert and the SMEs, the SMEs and the energy efficiency provider	 Methodology Lessons learnt from WP2 and WP3 Knowledge sharing between Consortium partners Desk research and calculations
--	--	--

FIGURE 1 – OBJECTIVE, ACTIONS AND METHODOLOGY OF DELIVERABLE 4.7

The main results can be summarized as follows:

- The ring-fencing mechanism consists of the implementation of no-cost ECMs, identified by the SPEEDIER tool, and the usage of the achieved savings in order to finance low-cost ECMs. Then, the saving achieved with the implementation of low-cost ECMs can be used to implement medium-cost ECMs. Finally, the saving achieved with the implementation of medium-cost ECMs can be used in implementing high-cost ECMs. This mechanism can be applied to all-size companies and the achieved savings can be of two different types: energy savings and non-energy savings.
- Companies can choose to support the SPEEDIER innovative ringfencing mechanism with their own- or third-party financing mechanisms that can be introduced at any step of the ring-fencing mechanism, except from the no-cost ECMs.
- As far as the relationship between the SPEEDIER Expert and the company is concerned, a traditional consultancy contract, where the company pays for the SPEEDIER Expert knowledge, without any implication upon results, can be the standard contract signed between the SPEEDIER Expert and the company. Apart from this standard contract other innovative contracts to rule the relationship between the SPEEDIER Expert and the company have been identified, such as a “staged approach” contract, a “shared saving” contract. The identified contract models will be linked to the different steps of the SPEEDIER Service Definition outlined in D4.1.
- As far as no-cost ECMs are concerned, these ECMs can be implemented directly by the company itself under the guidance of the SPEEDIER Expert. Hence for this

type of ECMs, there is the sole relationship between the SPEEDIER Expert and the company.

- Considering low/medium/high-cost ECMs, a relationship between the company and an external market player, i.e. an energy efficiency provider, should be implemented under the guidance, support, advice of the SPEEDIER Expert. There are both traditional contract models and innovative ones that can be implemented in order to govern the relationship between the energy efficiency provider and the specific company.