

How to successfully build up a market for energy contracting

Proposed title

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Business case/project addressed

Contracting, third party financing, awareness raising, ESCOs, advice service, energy efficiency

Project introduction

Contracting is a very efficient instrument for funding projects in the field of energy efficiency and renewable energy sources. Energy efficiency measures are pre-financed by the energy service company, the annual energy savings then cover the investment costs. After the expiration of the contract, the client fully benefits from lower energy costs.

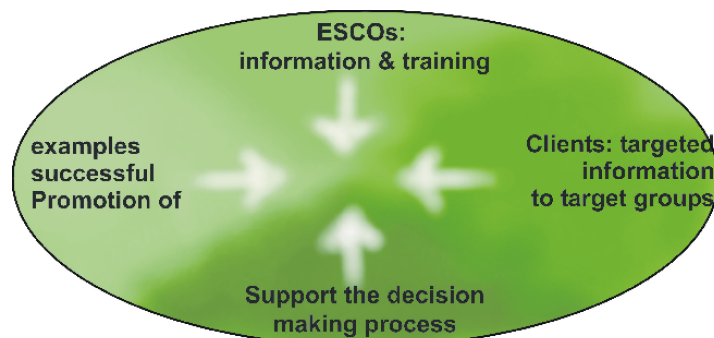
However, as there are considerable barriers to the market introduction of this instruments, market development has been slow (or even non-existent) in most regions and countries without respective support instruments.

Upper Austria was the first region in Austria to implement a subsidy scheme for Contracting. The regional "Energy Contracting Programme" supports energy efficiency projects and investments in renewable energy technologies and the initial focus on the public sector has been extended to businesses.

The market development activities are co-ordinated and managed by the O.Ö. Energiesparverband, the regional energy agency of Upper Austria. The main partner is the regional government.

Methods

O.Ö. Energiesparverband has tried to overcome the market barriers by implementing a combination of a financial incentive with an awareness raising & information programme. Wide-ranging awareness raising activities targeting the "supply side" (ESCOS – the suppliers of energy services) as well as the "demand side" (e.g. municipalities and companies as clients) are the most crucial factor in this development. Advice to both the ESCOs and the clients has played a key role.



Project status

The aim of the programme is to establish a market for contracting in Upper Austria. A first target area was energy efficiency in public buildings. Building on this experience, the programme was enlarged to commercial clients and renewable energy sources. The programme offers financial support of up to 20% of the investment in energy efficiency and 13.5% for investment in renewable energy installations.

Innovation

The Upper Austrian Contracting programme does not support the installation of renewable energy technologies or retrofitting of buildings as such, but the financing method Contracting itself. The Contracting programme was developed and is implemented in co-operation with the regional administration. For the programme design the experience of bank institutes, construction companies and of companies active in the installation of renewable energy sources were included. Continuous information and awareness raising activities support programme implementation. Another innovative aspect of the Upper Austrian Contracting programme is the standardisation of procedures. Applying for a Contracting subsidy is fairly simple.

Results and conclusion

Using a well-targeted approach, O.Ö. Energiesparverband managed to establish a functioning Contracting market in Upper Austria with more than 100 successful Contracting projects already carried out. With 1.9 mio € public support, 20 mio € investment was triggered.

Discussion points

1. Qualified ESCOs needed – how to interest companies in this business field?
2. What can be done speed up market development - how to scale up market replication?
3. What is an optimal legal and financial framework for contracting projects?

References

Dell G.: Die Umsetzung des Oö. Energiekonzeptes, Berichtsjahr 2008, Linz.
Dell, G. Landesenergiebeauftragter Oberösterreich.
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