RENOWATT
Renovate Europe
October 13, 2016
Agenda

- Genesis of the project
  - Creation of a One Stop Shop
  - Activities of the one Stop Shop
  - Financing the investments
  - Tendering procedure
  - Key take-aways – challenges so far
The province of Liege

- Located in Wallonia (one of the 3 Belgian Regions)
- 1 million inhabitants
- Liege province: 84 municipalities
- Circuit de Spa Francorchamps (F1)

http://www.euregio-mr.com/fr/euregiomr
GRE Liege – Economic Reconversion Agency of Liege province

- Develop conditions to create sustainable jobs for the future generations
- Created in 2004, following the announce of Arcelor Mittal closure
Energy renewal offers real potential for jobs creation and businesses in Wallonia

- If 60% of the buildings in Wallonia are renewed, there is a potential for
  - 30 billion euro
  - Maintenance / creation of 500,000 jobs (if everything is done at once), or 16,000 jobs if the investments are spread over the next 30 years
  - For Liège, maintenance / creation of more than 4000 jobs
- 93% of the energy consumption in Wallonia is imported

SOURCE: DG Energy European Commission; Build Up Skills; IWEPS
Agenda

- Genesis of the project
- **Creation of a One Stop Shop**
  - Activities of the one Stop Shop
  - Financing the investments
  - Tendering procedure
  - Key take-aways – challenges so far
Set up of a structure to support beneficiaries (local authorities, hospitals, industrials…) in their urban energetic retrofitting projects

1 Public authorities as a first step – plan to open to hospital and industries
European Energy Efficiency Fund was identified to finance the One stop Shop

**Objectives**
- PPP intended to halt climate change
- Project intended to improve energy efficiency by at least 20%

**Types of assistance**
- Technical assistance to prepare the project
- Financing (between €5 and €20 million) for infrastructure projects (minimum €5 million required)

**Beneficiaries**
- Municipalities
- Local and regional authorities
- Public or private entities acting on behalf of local and/or regional authorities (transport companies, social housing, ESCOs, etc.)

**Capital**
- Initial capitalisation of the fund: €265 million (EU, EIB, Cassa Despositi e Prestiti, Deutsche Bank)

**Hedging**
- Financing of the project preparation costs for 90% of eligible costs (supplementary costs)
- Minimum return factor: 20

Investment program must be finalized by February 2017
So far, 12 entities have joined the project (3 are paying entities)

**Inhabitants**

- Liege Airport
  - Passengers: 315,293
  - Cargo: 561,000 Tons

**Representative of the building stock of the province**

- CHRH
  - 60,000

- Liège Province: 1.1 million

- 

- Liège Province: 1.1 million

- + Liège Province: 1.1 million
The One Stop Shop is set up Step by Step

2014
- Creation of the One-Stop-Shop
- Provision of services to the public authorities in the province of Liège
- Subsidised services
- Launch of the talks for the hospitals

2015
- Structuring of the approach for the hospitals
- Expanding the services to all public authorities
- Launch and structuring of the talks for the industrialists
- The services of the One Stop Shop are subsidised

2016
- Opening of the One Stop Shop’s services for hospitals
- Opening of the One Stop Shop’s services for industrialists
- The One Stop Shop’s services are charged to the public authorities, and subsidised for hospitals and industrialists

2017
- Opening of the One Stop Shop Window’s services to all sectors
- A fee is charged for the One Stop Shop services

If a subsidy for hospitals and industrialists is provided in 2015, the activities will more than likely not be able to start before the beginning of 2016.
Agenda

- Genesis of the project
- Creation of a One Stop Shop

**Activities of the one Stop Shop**

- Financing the investments
- Tendering procedure
- Key take-aways – challenges so far
Three basic principles to which the 10 public authorities subscribe

1. Work according to Energy Performance Contracts (EPCs)
2. Grouping the buildings into batches / pools of buildings
3. Time dedication to the project
Giving priority to the EPCs

Traditional model

- Energy Supplier
  - Price of gas
  - Gas supply contract
  - Gas

- Client
  - Financing
  - Insurers
  - Enterprises
  - Maintenance
  - Building Owners
  - Installers
  - Manufacturers

EPC model

- Insurers
- Maintenance
- Building Owners
- Installers
- Manufacturers

- Financier / Banker
- Energy Suppliers

- Energy Service Company (ESCO)
  - Price of heat / Electricity
  - Decrease of Energy consumption

- Client
  - Heat / Electricity

1. SOURCE: Pierre-Alain Kreutschy_SI Genève (Suisse)
2 Grouping buildings into different pools / lots comprising multiple buildings

- Grouping multiple buildings, depending on the potential energy savings within a single project
- The buildings may belong to a single public body or to multiple public bodies

- Achieving an adequate size for the EPC
- Diversifying the risk for financiers (and obtaining more attractive financing conditions)
- Reducing the number of contracts (and transaction costs)
Based on the studies carried out, 5 lots divided into 4 contracts will be carried out for a total of 84 sites and 151 buildings.

<table>
<thead>
<tr>
<th>Tender</th>
<th>Publication date</th>
<th># Sites</th>
<th>Offer deadline</th>
<th>Attribution date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Divers</td>
<td>4/02/2016</td>
<td>14</td>
<td>28/10/2016</td>
<td>15/02/2017</td>
</tr>
<tr>
<td>Ecoles</td>
<td>4/02/2016</td>
<td>50</td>
<td>26/09/2016</td>
<td>15/12/2016</td>
</tr>
<tr>
<td>Sports</td>
<td>26/04/2016</td>
<td>19</td>
<td>28/10/2016</td>
<td>15/02/2017</td>
</tr>
<tr>
<td>CHRH</td>
<td>04/05/2016</td>
<td>1</td>
<td>18/08/2016</td>
<td>15/12/2016</td>
</tr>
</tbody>
</table>
Split of the investment by work type

64% of investment is insulation
Some figures

- **Investment:** Minimum of 38,5 millions (option excl.)
- **Maintenance:** Minimum of 10 millions d’euros over 15 years (option excl.)
- **Number of sites and buildings:** 84 sites et 151 buildings
- **Energy savings:** 34%
- **Average ROI:** 21 years
Agenda

- Genesis of the project
- Creation of a One Stop Shop
- Activities of the one Stop Shop
- **Financing the investments**
- Tendering procedure
- Key take-aways – challenges so far
Financing of the project

1. Deconsolidation
2. Debt or third party investment
3. Cost of the project
Agenda

▪ Genesis of the project
▪ Creation of a One Stop Shop
▪ Activities of the one Stop Shop
▪ Financing the investments

▪ Tendering procedure

▪ Key take-aways – challenges so far
To promote local employment and combat social dumping

Strict compliance with the framework of European law and current Belgian legislation
Creation of a working group to reflect on the social and ethical clauses that need to be included in the contract documents
Results of the working group

- Cross-sector policies promoted by Directive 2014/24 on public tendering
  - Environmental, social and ethical clauses + access to SMEs
  - Object of the contract: energy renewal with a view to socio-professional reintegration

- Functionality savings
  - Inclusion of a clause on giving priority to new economic models and pushing suppliers to change the range of goods and services they offer
Results of the working group

▪ **Qualitative selection**
  – Focus on development in the region
  – List of subcontractors once the applications have been received
  – Certificates in relation to administrative fines, in coordination with the competent administrative body.

▪ **Award criteria (currently under consideration)**
  – Score for the share of subcontracting with local SMEs? (cf. French law)
  – Scores for environmental and social aspects (maintenance plan, recycling, CO$_2$ emissions etc.)

▪ **Conditions for implementation**
  – Limitation of extent of subcontracting
  – Social implementation clauses
  – Conditions for maintenance
  – Reminders on minimum working conditions
Agenda

- Genesis of the project
- Creation of a One Stop Shop
- Activities of the one Stop Shop
- Financing the investments
- Tendering procedure

- Key take-aways – challenges so far
Advantage for a public authority to join the tendering central

**Subsidies**
- Subsidy negotiation on behalf of the municipalities

**Out of the budget boundary for municipalities**

**Tendering procedure**
- Set up of all the tendering procedure
- Negotiation with the ESCOs
- Dedicated budget for legal advisors
- Permanent contact with municipalities

**Financing reflection**
- Accession of financing opportunities that one public authorities could not access
- ROI analysis of the project
- Tendering procedure for the project financing

**Technical analysis**
- All technical feasibility studies outsourced to RenoWatt

**Neutral and public facilitator**
- RenoWatt is public, neutral and non for profit, working for the benefit of municipalities and not the private sector
- Knowledge of the way of working and constraints of the municipalities
- No need for municipalities to go through public tendering procedure to work with RenoWatt
Lessons learned by GRE-Liege … So far

- Challenges to convince public authorities to change their way of working and go with EPC
- Public body is needed to gather the different public authorities
- Preparing such type of tender procedures is expensive…technical assistance is a great help - Local authorities (average size) do not have the size to conceive such project and need to be guided by a non-for-profit facilitator (get a subsidy)
- Local authorities need to have time to dedicate to the project
- Key to work with professional who knows the ESCO market to guide in the full process
- Think about the execution – EPC are difficult to manage
- EPC is not the unique solution – check the type of retrofit
- Political commitment
- Prepare the ground for the decision - Take into consideration in your planning the decision process of municipalities
- Technical assistance helps to keep the timing
- Communication, communication and communication, at all level of the municipalities