

EXECUTIVE SUMMARY OF THE NATIONAL ROADMAP - SPAIN

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PROJECT SUMMARY

Achieving the European Union's 2020 **energy efficiency** targets and at the same time reducing its dependency on energy imports is a huge task that requires **innovative approaches and tools** – such as the ones Trust-EPC-South wants to provide.

The **Trust-EPC-South** project aims to **unleash the market's potential** for private **Energy Efficiency Investments (EEI)** in **Southern Europe** by developing new financial instruments which are backed by an established rating methodology. These instruments shall not only allow tearing down barriers in energy efficiency investments through a standardized methodology, but further they shall support energy service companies (EPC Providers) and link to the financial markets.

Trust-EPC-South, a project **financed by the European Union's Horizon 2020 programme**, poses itself the ambitious objective to support companies that operate in the energy services sector in **Portugal, Spain, France, Italy, Croatia and Greece**. The project consortium, led by the Spanish firm CREARA, is composed by interdisciplinary experts representing the participating countries and by the international non-profit organization "Green Rating Alliance"; the partners are united by the common intent to **stimulate investments in the target markets**, which are offering great opportunities for energy efficiency as well as energy performance contracting.

Scope and target

This National Roadmap aims to be a policy-making supporting document on how to address the identified regulatory and financial barriers and to bolster the development of supporting, financing schemes for sustainable energy investments. Particularly, this document will address mechanisms for mitigation of policy, legal and financial barriers for Energy Efficiency (EE) projects.

The target audience of this national roadmap is anyone who can play a role in promoting EPC projects in the tertiary sector, mainly:

- Legislators
- Decision-makers
- National/local energy agencies/institutes that support policy makers
- Financing bodies and funds
- EPC providers and their associations.
- EPC facilitators

The information contained has been collected within the framework of the European Trust EPC South project, whose public reports can be found in the official website: www.trustepc.eu. The lessons learnt through 11 pilot projects implemented in Spain have been used as a source of information, together with conclusions from capacity building workshops as well from National Discussion Platforms (NDP) meetings. A final National Roadmap draft was presented in the last meeting of the platform to all NDP members, who actively collaborated with its final elaboration.

EPC Market in Spain

Legal framework

Nowadays, no specific regulation in the Spanish legal framework on Energy Performance Contracting exists. Nevertheless, plenty of laws related to the energy efficiency field can be found and a specific definition for EPC has been incorporated into the Royal Decree 56/2016, art.1. f.:

“Any contractual agreement between the beneficiary and the supplier of an energy efficiency improvement measure, verified and supervised during the term of the contract, in which the investments (works, supplies or services) in said measure are paid as a result of a level for contractually agreed energy efficiency improvement or other agreed energy efficiency criteria, such as financial savings or contractual savings guarantees”.

Moreover, the Institute for the Diversification and Saving of Energy (IDAE by its Spanish acronym) together with the Spanish Federation of Municipalities and Provinces have published an EPC model contract. This model must be used in contracts between Public Bodies and EPC providers.

On September 19, 2017, a Eurostat Guidance Note¹ which shall be also considered in the regulatory framework, was published. Eurostat released this guidance note to ensure an adequate accounting treatment of EPCs in the national account. In particular, criteria to define whether an EPC should be considered as public debt or not were established. However, the new Guidance Note has not had a real impact yet due to the highly inefficient making-decisions processes by Public Bodies in Spain.

Supply and Demand

The Energy Efficiency services market in general, and particularly the EPC market, are both growing. Thus, there is an important number of specialized companies within the sector.

According to IDAE, there are 1,238 companies registered as ESCOs (Energy Service Companies). In line with the Spanish market structure, most of these companies are small and medium enterprises. The Joint Research Centre (JRC) also confirms these figures in its report on Energy Service Companies in the EU published in 2017: the 93% of the companies operating in this sector are SMEs.

Regarding the demand of EPC projects, the JRC’s report states that offices, hospitality, commercial and residential buildings are the main targets for EPC within the private sector. The European project QualitEE² has published a report for Spain in 2018 concluding that the main segment for this type of contract is offices.

Concerning the public sector, the EPC solution has been broadly used in Spain particularly in the management of municipal lighting systems. Still, compared to the rest of European countries analysed by QualitEE, there are less EPC projects in Spain especially in educational, hospitals and municipal buildings.

EPC Barriers

The main barriers to the development of EPC projects identified within the Trust EPC South project together with the solutions proposed to overcome these roadblocks are shown in the following table:

Table 1 - Suggested potential solutions to eliminate the identified barriers for EPC projects in Spain

Barrier Identified	Solution proposed	Stakeholder group concerned
Financial Barriers		
Lack of financing	As a consequence of the lack of trust and knowledge, financial institutions are barely willing to open funding lines to ESCOs. A technical and financial assessment service would allow to scale up investments by increasing trust and confidence in EPC business models and through investment standardisation.	Financial institutions, EPC providers, asset owners and/or tenants

¹ Eurostat, 2017: “The recording of Energy Performance Contracts in Government Accounts”
<http://ec.europa.eu/eurostat/documents/1015035/7959867/Eurostat-Guidance-Note-Recording-Energy-Perform-Contracts-Gov-Accounts.pdf/>

² QualitEE, 2018: “Country report on the energy efficiency services market and quality”
<https://qualitee.eu/es/publications/informe-nacional-sobre-el-mercado-de-servicios-energeticos-financiacion-y-calidad/>

Barrier Identified	Solution proposed	Stakeholder group concerned
Institutional/regulatory barriers		
<p>Lack of governmental support</p>	<p>By setting a rigorous regulation and creating an appropriate state organizational structure, the trust and confidence in EPC projects would increase. A few measures to be considered are:</p> <ul style="list-style-type: none"> • A definition of a Strategic National Plan in Energy and Climate setting medium and long term objectives; • Unification of Energy Efficiency competencies, which are currently diversified among different Ministries; • Creation of a National Guarantee Fund for EPC projects; • Publication of the report on energy audits: results and statistics; 	<p>Government, EPC providers, financial institutions, asset owners and/or tenants</p>
<p>Lack of tax support</p>	<p>Tax support would boost the EE sector in Spain. One possible measure is to include a carbon tax per kWh consumed in the energy bill. An energy efficiency certificate system similar to the Italian one could be implemented too.</p>	<p>Government, EPC providers, asset owners and/or tenants</p>
Technical Barriers		
<p>Lack of promotion of a standardized methodology for evaluation and measurement of energy savings</p>	<p>EPC providers have perceived that final users are not 'comfortable' with the current methodology for savings evaluation and measurement.</p> <p>Even though there are standardized Measurement & Verification certifications, such as the Certified Measurement & Verification Professional (CMVP), there is no certification extended broadly enough in Spain.</p> <p>This barrier could be overcome with the use of an internationally known standard tool that is easy to understand, visualize and manage for final users.</p>	<p>EPC providers, professional associations, asset owner and/or tenants</p>

Barrier Identified	Solution proposed	Stakeholder group concerned
Awareness/Capacity Barriers		
<p>Lack of knowledge and trust</p>	<p>Most of the barriers for the development of the market potential are somehow related to the lack of trust towards the EPC business model and its providers, and a lack of familiarity of EPC projects from the final users. These barriers are perceived by providers as the main issue to develop the tertiary sector potential.</p> <p>To overcome this barrier, EPC providers start with small projects that involve smaller risks for final users and show the potential of the EPC. Moreover, specific trainings on EPC business model are key before developing projects.</p>	<p>EPC providers and facilitators, asset owners and/or tenant, financial institution.</p>
Other barriers		
<p>Duration of contracts</p>	<p>While EPC providers need projects as longer as possible to maximize the return of their investments, they also see the long-term duration as a major roadblock as the level of risk involved in the project may be perceived as too high by the prospect clients.</p> <p>A few companies have overcome this issue by implementing measures with shorter paybacks, such as LED lighting, or by investing in buildings and processes that have high energy consumption, targeting high energy cost savings.</p>	<p>EPC providers, asset owners and/or tenant, financial institutions</p>
<p>Lack of visibility of reference companies</p>	<p>As an emerging business model, there is no leader in the EPC market in Spain.</p> <p>The use of a standardized assessment tool will increase the trust in the EPC business model, which is key when there is no companies of reference in the market.</p> <p>Additionally, the Spanish Association for Standardization (UNE) has confirmed that a standard to classify and certify energy service providers that meet certain requirements will be published throughout 2018. As a result, this norm is expected to help organize the sector making it more transparent and giving more visibility to ESCOs.</p>	<p>EPC providers</p>

National Roadmap

Medium-long term targets

Within the Trust EPC South project, only two objectives related to the growth of the sector have been established, one for the medium-term and the other one for the long-term.

These objectives have been set taking into account the current situation of the sector, whose volume is estimated at around EUR1,000 million per year, and considering the legal, political, social and market framework.

The members of the National Discussion Platform have also collaborated in the definition of these objectives. In the last meeting, all the participants agreed that the numbers presented below are realistic. A few members were even more optimistic and considered that these figures will be achieved even in an adverse context.

In order to achieve each one of the targets, the National Discussion Platform's members agreed on a list of milestones. Most of these milestones coincide with proposed measures in **Error! Reference source not found.**, considered essential to encourage the energy efficiency sector and particularly the implementation of EPC projects.

The medium and long-term targets, together with the milestones proposed, are presented in the following table:

Table 2 - Medium-long term targets and milestones

Term	Target	Milestones
Medium term (2022)	20% of market growth achieving EUR1,200 million per year	<ul style="list-style-type: none"> • Publication of the report on energy audits: results and statistics • First researches on the impact of a new fiscal and/or market system • Implementation of an intensive state assistance program for SMEs • Correct treatment of EPC projects in national accounts
Long term (2030)	50% of market growth achieving EUR1,500 million per year	<ul style="list-style-type: none"> • Adaptation of the fiscal and/or market system • Implementation of a quality assurance scheme for EPC projects.

Trust EPC South Recommendations

Through the dialogue with market stakeholders -primarily discussions within national platforms- eight measures have been defined and formulated as shown in Table 3. Alongside the list of measures, the barriers at least partially tackled by the defined measures are presented. An action plan for each one of the measures is also presented below the recommendations:

Table 3 - Identified measures

Identified measure	(Partly) addressed barriers
Strategic National Plan in Energy and Climate	<ul style="list-style-type: none"> • Lack of governmental support • Lack of knowledge and trust
Publication of the report on energy audits: results and statistics	<ul style="list-style-type: none"> • Lack of governmental support • Lack of knowledge and trust
More ambitious transposition of the Energy Efficiency Directive 2012/27	<ul style="list-style-type: none"> • Lack of governmental support • Lack of knowledge and trust
Tax incentives for energy efficiency investments	<ul style="list-style-type: none"> • Lack of governmental support • Lack of knowledge and trust • Lack of tax support
Assistance program for SMEs for the execution of energy audits and the implementation of identified energy efficiency measures.	<ul style="list-style-type: none"> • Lack of governmental support • Lack of knowledge and trust • Lack of tax support
National Guarantee Fund for EPC projects	<ul style="list-style-type: none"> • Lack of governmental support • Lack of knowledge and trust • Lack of financing
Energy Efficiency Certificates	<ul style="list-style-type: none"> • Lack of governmental support • Lack of knowledge and trust • Duration of contracts
Offering a standardized, international and broadly-known service for EE projects assessment	<ul style="list-style-type: none"> • Lack of knowledge and trust • Lack of financing • Duration of contracts • Lack of promotion of a standardized methodology for evaluation and measurement of energy savings • Lack of visibility of companies of reference

Action plan

Measure	Nature	Proposed action	Involved stakeholders	Financing mechanisms	Priority level + / ++ / +++	Timeline (design / planning, test, mainstream, monitoring)					
						Years	2018	2019	2020	2021	2022
M1. Strategic National Plan on Energy and Climate	Political	A1.1. Committee of experts to set long-term objectives and develop targeted approaches to encourage the sector	Government Decision-makers IDAE Associations	Public financing	+++	2018-2020					
		A1.2. Use of the Plan as a source to make legislative decisions	Legislators	Public financing	++	2020-2022					
		A1.3. Act as a lobby for the achievement of the proposed objectives	EPC providers associations	Self-financing	++	2020-2022					

M2. Annual publication of the report on energy audits: results and statistics	Political	A2.1. Compilation of information and preparation of the report that serves as a source of information to industry associations and legislative bodies	Ministry of Energy, Tourism and the Digital Agenda	Public financing	+++	2018					
		A2.2. Use the results report and statistics as a source of information for legislative decision-making and as a source of information for A1.1	Legislators Government IDAE	Public financing	+++	2018-2020					
		A2.3. Monitoring the market and acting as a pressure group depending on the results	EPC providers associations	Self-financing	+++	2018-2020					
		A2.4. Periodic update of the report	Ministry of Energy, Tourism and the Digital Agenda	Public financing	++	2020-2022					

M3. Complete transition and effective compliance with European directives on energy efficiency	Political	A3.1. Act as a lobby for the achievement of the proposed objectives	EPC providers associations	Self-financing	+++	2018-2019					
		A3.2. National and legislative debate and approval of a consolidated text that unites all the norms related to energy efficiency	Government Legislators IDAE EPC providers associations	Public financing	+++	2018-2019					
		A3.3. Effective application of the regulations on energy efficiency	Government Ministry of Energy, Tourism and the Digital Agenda	Public financing	++	2019-2022					

M4. Tax incentives for energy efficiency investments	Political	A4.1. Debate and legislative procedure for the creation of the new figure	Legislators	Public financing	++	2018-2019					
		A4.2. Creation of the regulation and application of the law	Government Ministry of Finance and Civil Service	Public financing	++	2019-2020					
		A4.3. Tax collection (if applicable)	Ministry of Finance and Civil Service	Taxpayers	+	2021-2022					

M5. Assistance program for SMEs for the execution of energy audits and the implementation of identified energy efficiency measures.	Political	A6.1. National debate among all the stakeholders on the creation of the assistance program	Government Political parties EPC providers associations Chambers of Commerce Representatives of SMEs	Public financing	+++	2018-2019					
		A6.2. Approval of a support program for SMEs that want to carry out energy audits and / or implement energy efficiency measures	Government	Public financing	+++	2019-2020					
		A6.3. Act as a lobby for the achievement of the proposed objectives	EPC providers associations	Self-financing	+++	2018-2021					
		A6.4. Creation of the fund and the system to be able to apply for and grant the assistance	Ministry of Economy, Industry and Competitiveness Ministry of Finance and Civil Service Ministry of Energy, Tourism and the Digital Agenda	Public financing – Energy Efficiency National Fund	++	2020-2021					
		A6.5. Conducting energy audits and / or execution of energy efficiency measures	SMEs	Assistance program	++	2021-2022					

M6. National Guarantee Fund for EPC projects	Financial	A7.1. National debate among all the stakeholders on the creation of the assistance program	Government Political parties EPC providers associations Representatives of financial institutions	Public financing	+++	2018-2019							
		A7.2. Approval of a National Guarantee Fund for EPC aimed at guaranteeing the execution of all projects in order to generate trust	Government	Public financing	+++	2019-2020							
		A7.3. Act as a lobby for the achievement of the proposed objectives	EPC providers associations	Self-financing	+++	2018-2021							
		A7.4. Creation of the Fund and the system to apply for coverage	Ministry of Economy, Industry and Competitiveness Ministry of Finance and Civil Service Ministry of Energy, Tourism and the Digital Agenda	Energy Efficiency National Fund	++	2020-2021							
		A7.5. Financing of EPC projects, generate new lines of financing and resort to the Guarantee Fund in case of non-payment by the obligated	Financial institutions	Self-financing and National Guarantee Fund for EPC projects	+	2021-2022							
		A7.6. Execute EPC projects that require major investments and apply to be guaranteed by the Fund	EPC providers associations	External financing	+	2021-2022							

M7. Energy Efficiency Certificates	Financial	A8.1. National discussion on the creation of the energy efficiency certificates system	Government Political parties OMIE EPC providers associations	Public financing	+++	2018-2019					
		A8.2. Creation of the energy efficiency certificates system and legislation for its operation	Government Legislators	Public financing	++	2019-2020					
		A8.3. Obligated to achieve a minimum of savings from energy efficiency through the implementation of measures or the purchase of certificates in the market	Big electric utilities (>50.000 customers)	Self-financing or public financing	+++	2018-2021					
		A8.4. Voluntarily, they can implement energy efficiency measures to benefit from white certificates	Small and medium electric utilities (<50.000 customers)	Self-financing or public financing	+	2020-2021					
		A8.5. They execute energy efficiency measures through which white certificates are obtained. They also sell those obtained by their customers in the market	EE providers	Self-financing or public financing	+	2021-2022					
		A8.6. They obtain white certificates by implementing energy efficiency measures in their facilities and sell them in the market through their EE providers	EE services clients	Energy Efficiency certificates market	+	2021-2022					

M8. Offering a standardized, international and broadly-known service for EE projects assessment	Market	A9.1. Promote this service among energy efficiency providers, organize workshops and training courses for providers, financial institutions and clients	EPC providers associations	Self-financing	+++	2018-2022					
		A9.2. Use an external, standardized assessment on energy efficiency services for a certification by a third party	EE providers	Self-financing or public financing	+++	2018-2022					
		A9.3. Receive specific training on the service offered, and use the technical and financial evaluation reports issued for the valuation of an investment in an EPC project	Financial institutions	Self-financing	+++	2018-2022					
		A9.4. Receive a report with the results of the application of the service to see the impact of the energy efficiency measures selected and make a decision on the execution of the project based on the report.	EE services clients	Self-financing or public financing	+++	2018-2022					

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