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# *Public building retrofit in Wallonia, Belgium - RENOWATT Project*

## SEIF

### Athens, October 22, 2018



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la

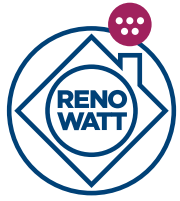


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# Agenda

- **Introduction**
- RenoWatt: presentation
- RenoWatt: perspective on the debt deconsolidation



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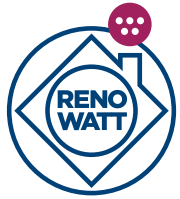
## Origins of the RenoWatt's projet: GRE Liege – Reconversion economic agency of Liege province

**G**roupement  
**R**edéploiement  
**E**conomique



- Develop conditions to create sustainable jobs for the future generations
- Created in 2004, following the announce of Arcelor Mittal closure





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## 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










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# Different types of TA

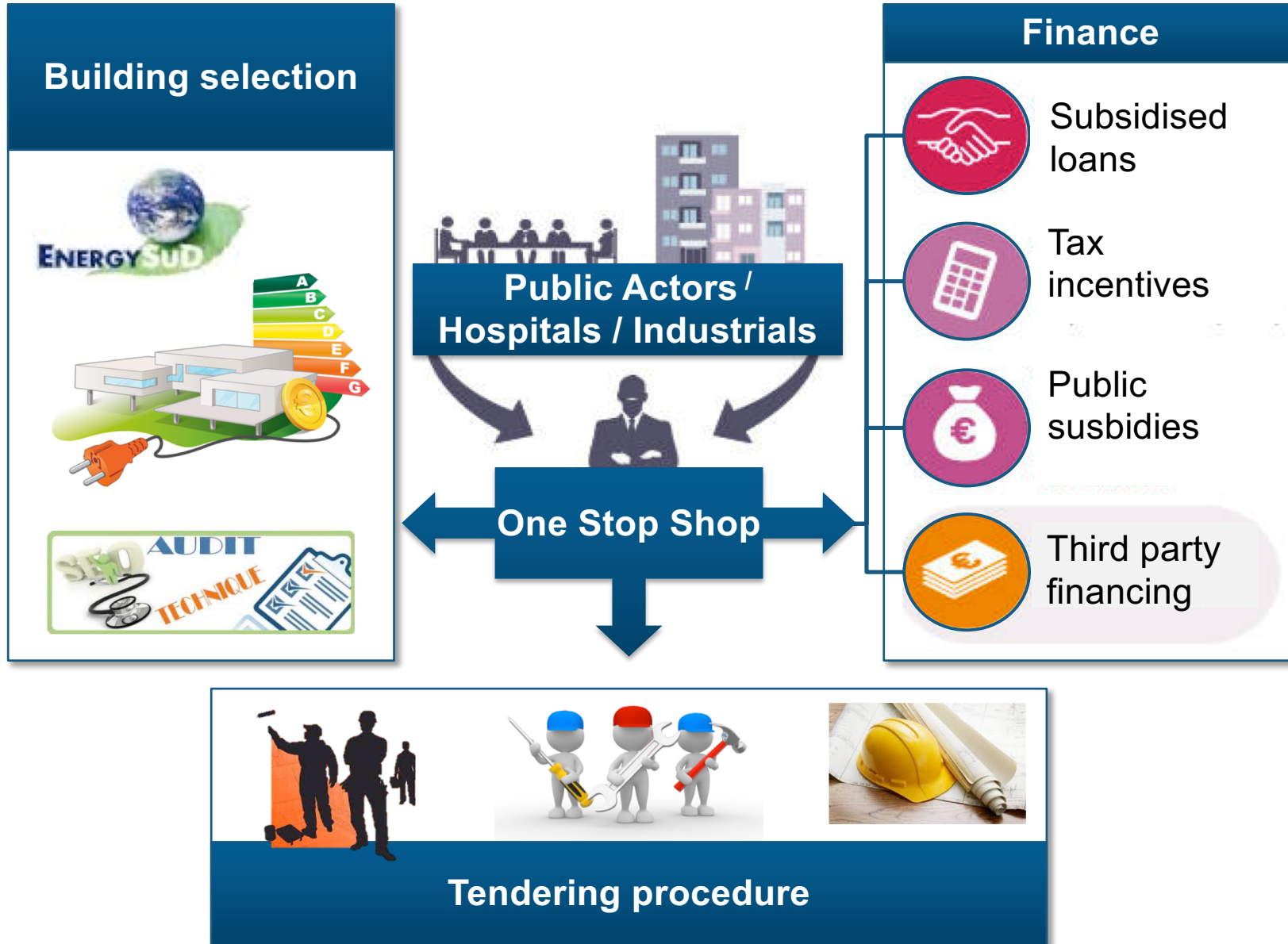


Description	 <b>EEEF TA</b> 	 <b>ELENA EIB TA</b> 	<b>Horizon 2020 – PDA (EE22)</b> 
<b>Amount (million Euros)</b>	Min 8	Min 30 (when applying 50)	7,5 - 30
<b>Leverage factor</b>	20	20	15
<b>Eligible costs</b>	<ul style="list-style-type: none"> <li>▪ Staff</li> <li>▪ Consultants</li> </ul>	<ul style="list-style-type: none"> <li>▪ Staff</li> <li>▪ Consultants</li> </ul>	<ul style="list-style-type: none"> <li>▪ Staff</li> <li>▪ Consultants</li> <li>▪ Indirect costs</li> </ul>
<b>Application process</b>	<ul style="list-style-type: none"> <li>▪ 1 contact person</li> <li>▪ Iterative process</li> <li>▪ No deadline</li> </ul>	<ul style="list-style-type: none"> <li>▪ 1 contact person</li> <li>▪ Iterative process</li> <li>▪ No deadline</li> </ul>	<ul style="list-style-type: none"> <li>▪ Competitive process</li> <li>▪ Deadline</li> </ul>
<b>Other obligation</b>	Loan through EEEF	N/A	Communication



Support beneficiaries (local authorities, hospitals, industrials...) in their energetic retrofitting projects through a one-stop-shop

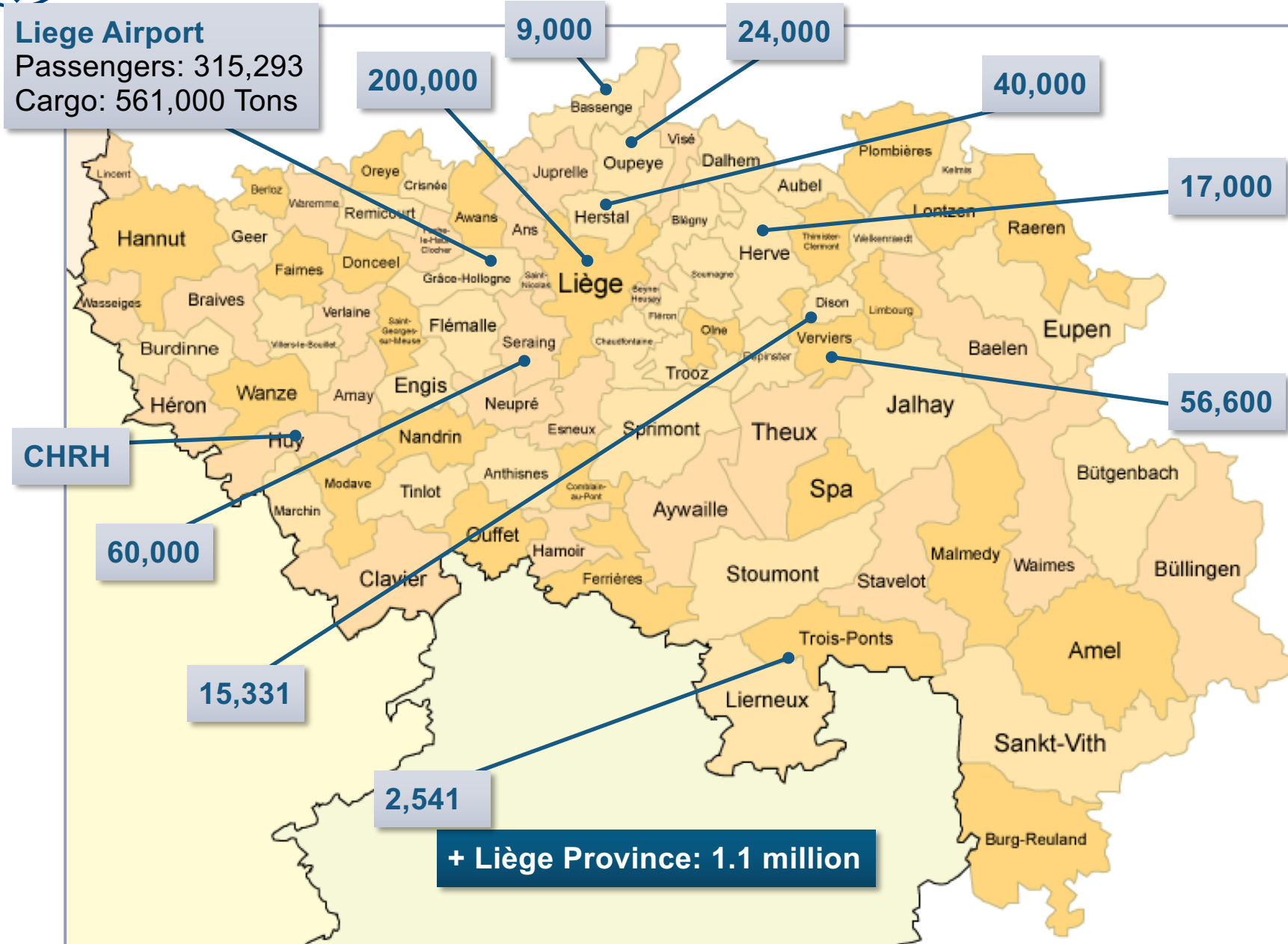
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# 12 entities joined the project as well as one hospital

Inhabitants





## Ordre du jour

- Introduction
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## RenoWatt in figures

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- **Amount of the tenders**
  - € 59 millions VAT incl.
- **Investissements (CAPEX)**
  - € 36,6 millions VAT incl.
- **Number of buildings**
  - 64 sites and 136 buildings
- **Energy savings**
  - 33%
- **ROI**
  - 22 years
- **CO2 decrease**
  - 7,545 tons of CO<sub>2</sub>
- **Jobs**
  - 322 direct and 780 indirects
- **Training**
  - A minimum of 16,500 hours of training
- **Other**
  - Best Energy Management project (AEE, Charlotte, October 2018)
  - « Best Energy Service Project 2017 » awarded by the EU
  - Replication and coaching in different EU regions as Rhodope (Bulgaria)



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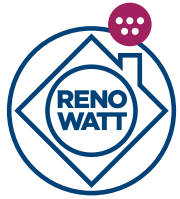
## The future? RenoWatt+, a wallon project

- Walloon government's delegated mission
- Free assistance to the **262 wallon municipalities** et to other public entities
- Tender CPEs pour a minimum of **€ 100 millions and 500 buildings** within the next 3 years
- European subsidy (Elena) of **€ 3,5 millions** (still in negotiation))
- Economic impact
  - **Job Mobilization: 1485** (direct and indirect)
  - **Training: 31,000 hours**
- Energy savings: **53 GWh/year**
- Decrease of **15,600** ton eqCO<sub>2</sub>/an



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  - **Concept**
  - Lessons learned
- RenoWatt: perspective on the debt deconsolidation



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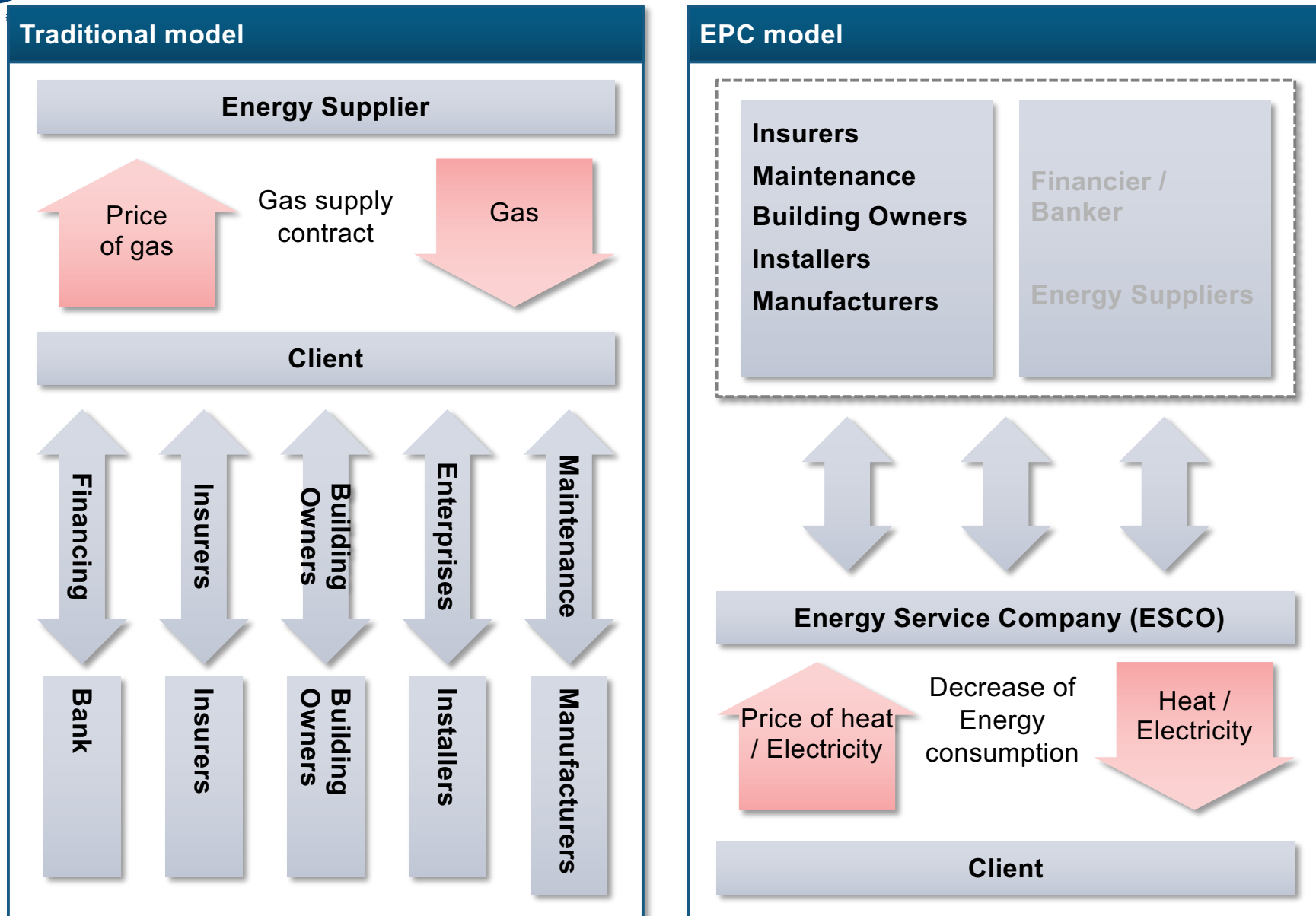
## Three basic principles to which the public authorities have subscribed

- 1 Tendering agency adhesion
- 2 Work according to Energy Performance Contracts (EPCs)
- 3 Grouping the buildings into batches / pools of buildings

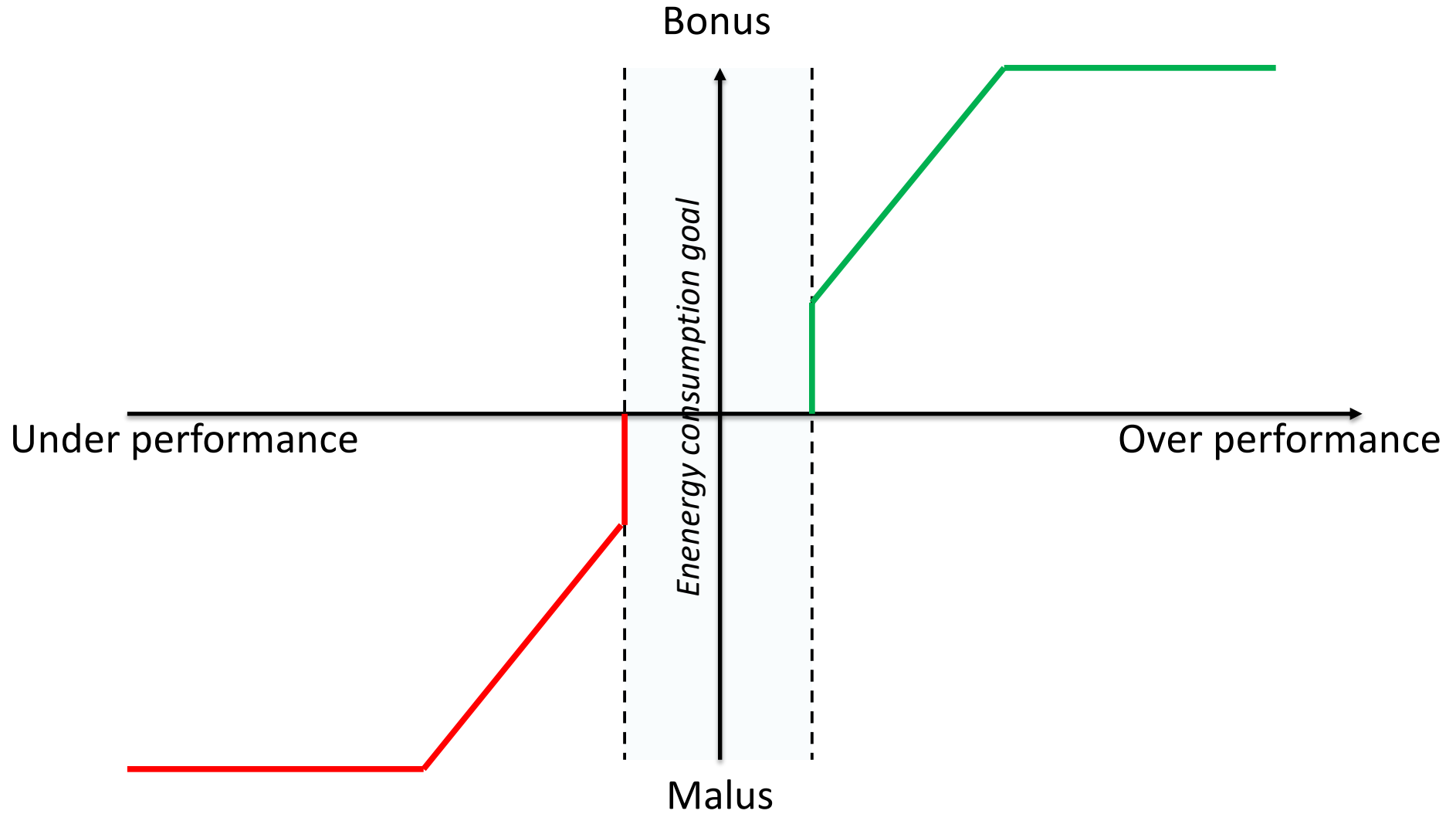


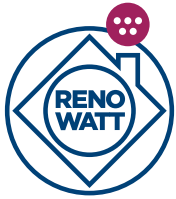


# Giving priority to the EPCs, when it makes sense



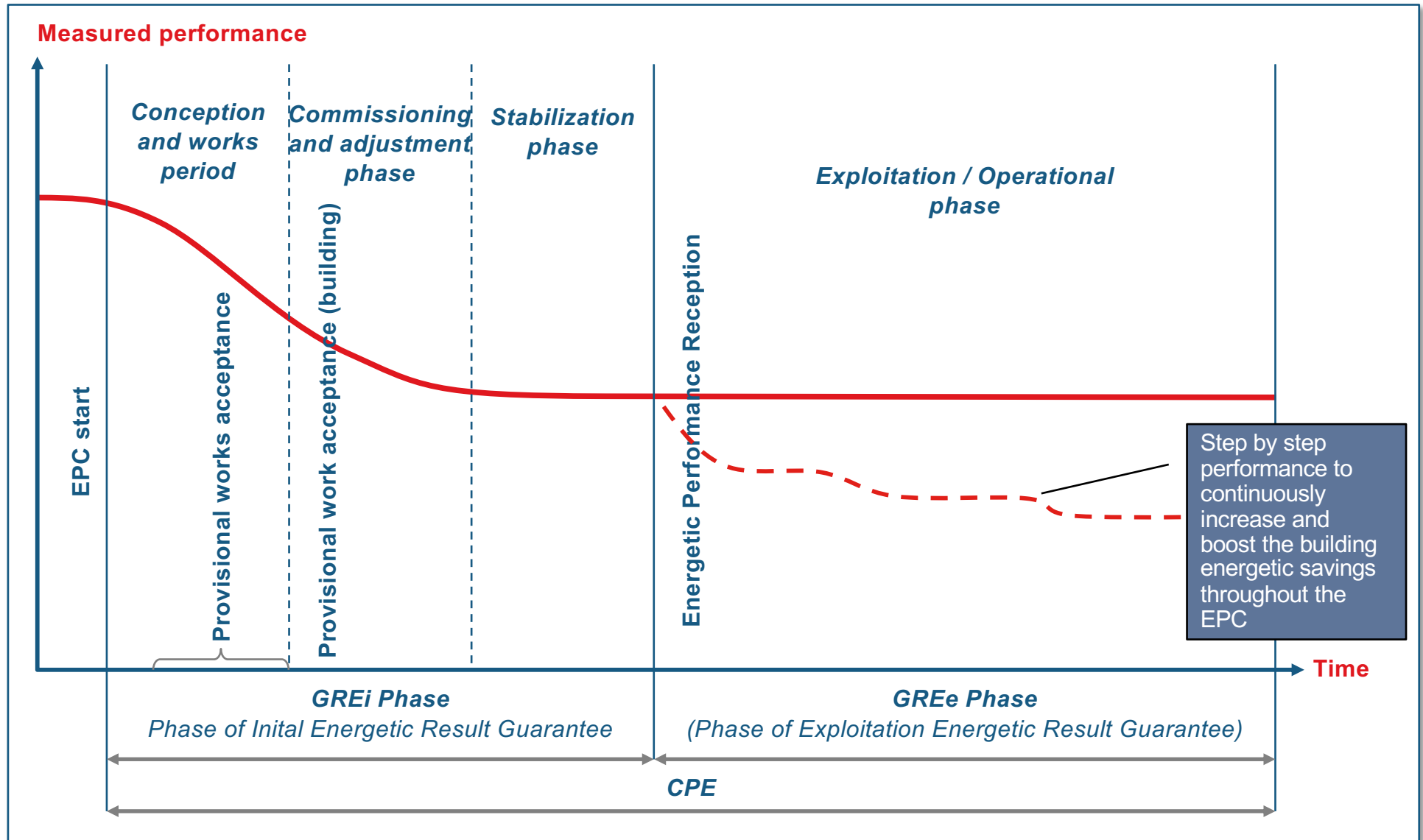
If the energy consumption is not met, there will be a malus

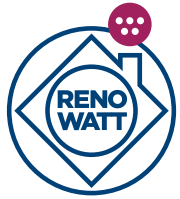




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# RenoWatt' approach for the EPC





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## RenoWatt' approach for the EPC

- Global solution (conception, works and maintenance)
- A guarantee on your forecasted energy savings
- Win-win approach between the public authorities and the ESCO (both parties have a profit in case of extra energy savings)
- Financing possibility support
- Included in the country debt - No third party investment as too expensive for municipalities



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## EPC option was selected for the 10 public authorities but not for the university-hospital project

### University – Hospital project without EPC

- Large expertise and team for the building management
- Willingness to control everything from the university and the hospital (very limited outsourcing contracts)
- Willingness to be a pilot and test new technologies
- No need for third party investors

### 10 public authorities adopted the EPC

- Lack of expertise
- Lack of resources
- Willingness to promote local employment and the service economy
- Third party financing needed to finance the project

Challenge: have actors / ESCOs in the country – how is the supply in Bulgaria?



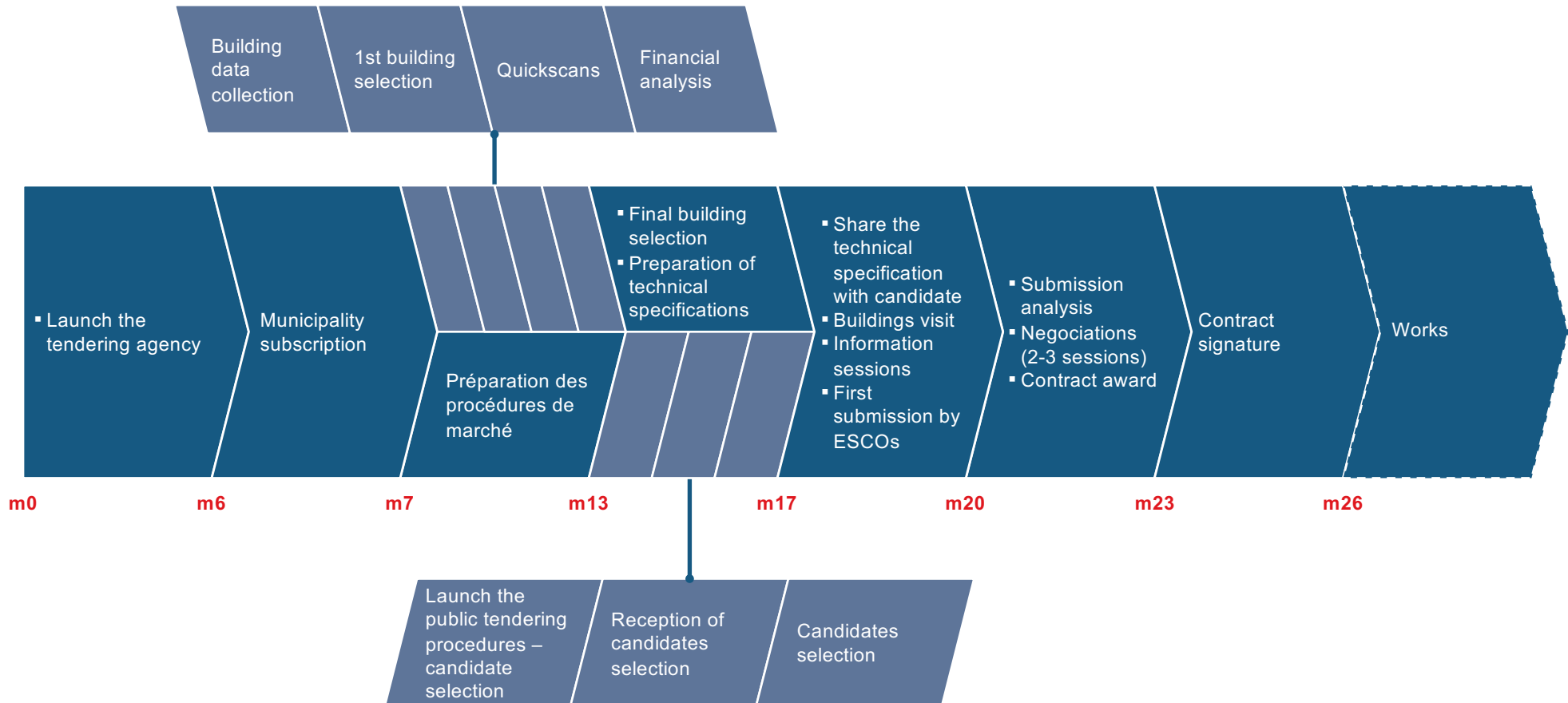
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# At least a 26-month period is needed to launch a project as RenoWatt





# Advantage for a public authority to join the tendering central

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## **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

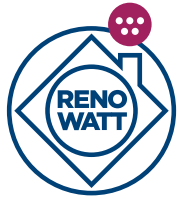
## **Technical analysis**

- 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

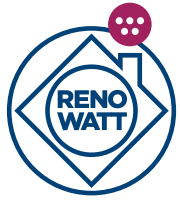




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## Lessons learned by GRE-Liege

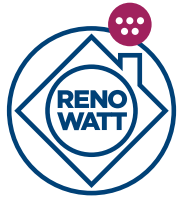
- **Political commitment**
- Challenges to **convince public authorities** to change their way of working and go with EPC
- **Public body** is needed to gather the different public authorities
- Preparing such type of tender procedures is expensive...technical assistance is a great help - Local authorities (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
- 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



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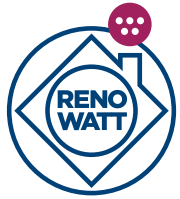


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## Consolidate or deconsolidate Questions to be considered

- Who is supporting the debt? The ESCO or the public sector?
- Does the municipalities has the ability to finance the retrofitting project (through a loan or own capital)?
- What is the position of the national government?
- Deconsolidation is often important for the entities being part of the direct debt (municipalities are part of the indirect debt)

Deconsolidation is expensive! Only use if with if it is the only solution!

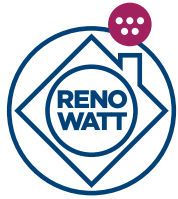


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## Consolidate or deconsolidate What does deconsolidation mean?

- Deconsolidation means that the debt is not carried out on the balance sheet of the public authority and the national balance sheet
- Deconsolidation is important as Europe sets a maximum level of debt
- The ESCO (or a bank) carries out the debt and takes all the risk

Situation as Greece is  
different than Belgium



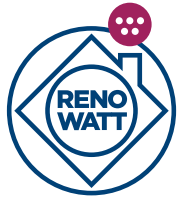
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## What are the key principles to deconsolidate

Not exhaustive

- Contract of at least 8 years
- ESCO needs to take full risk (no guarantee of the public authority)
- Payment only made if performance is achieved
- Energy savings equal or greater than the payment (works + maintenance + full guarantee)
- No pre-financing from the public entity (except EU funds as ERDF)
- Public authority is limited in the conception of the works

Complete information is available in the EPC guideline published in May 2018 by Eurostat



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## Risks of the deconsolidation

- Contract extended to 20 or 25 years if willingness to proceed to deep renovation
- Only quickwins
- In Belgium increase of the financing costs from 1.4% up to 8%
- EPCs are already complex, including financing is even more complex (costs of the contracts and the follow up)



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