

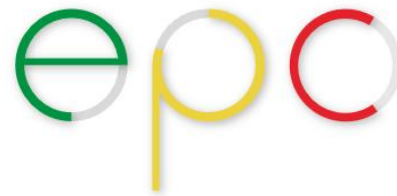
Eurostat - EIB practitioner's guide for statistical treatment of EPC

SEI Forum

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A Guide to the Statistical Treatment of
Energy Performance Contracts

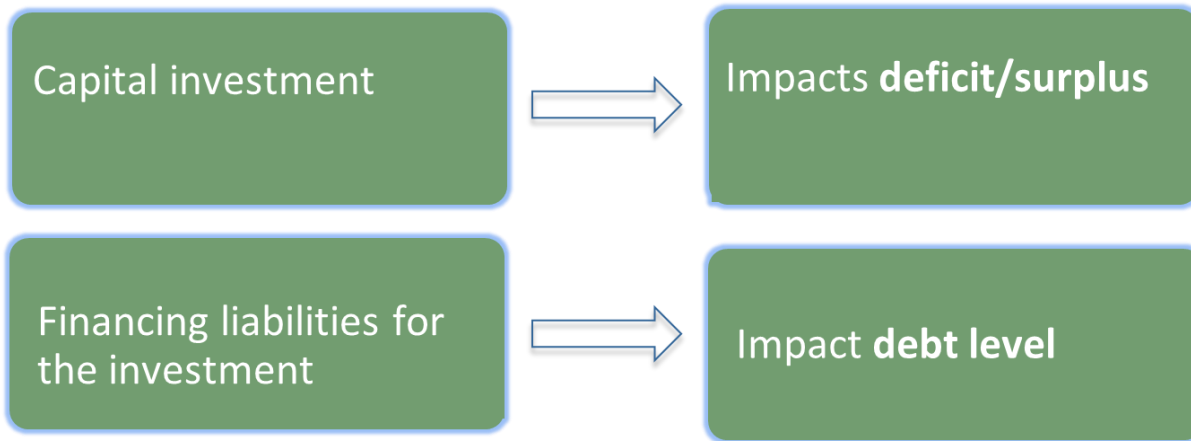
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28 May 2018

What do Eurostat's rules imply?

If an asset is “on balance sheet” for government:



If an asset is “off balance sheet” for government then government only records any regular payments for services over the long-term

Eurostat rules relate to **statistical treatment** - not to be confused with accounting rules/practices and budgeting

About the Guide

- Based on **existing rules** (European System of Accounts - ESA10, Manual on Government Deficit and Debt, 2017 Guidance Note on EPC) it **clarifies** how they apply
- Explains Eurostat's **interpretation and application** of the rules and **approach** to assessing the statistical treatment
- **Official Eurostat guidance** and the reference point for Eurostat advice and decision on EPCs
- Can be used to **assess future EPCs** and/or **reassess signed EPCs**

Using the Guide

- Aimed at being practical and user-friendly
 - Covers typical EPC provisions and structures
 - Captures market practice across the EU
 - As clear and precise as possible on how specific contract provisions affect the statistical treatment
- Does not deal with value for money or bankability
- Is detailed and technical and assumes a good working knowledge of EPCs

Chapter 1: Introduction to the rules

- How the rules developed
- Purpose/principles behind the rules
- When to assess the statistical treatment of an EPC

Move on to chapter 2...

Chapter 2: Is this an EPC arrangement?

Eurostat's definition of an EPC considers:

- Who are the **parties** involved?
- What type of **assets** are involved?
- **How long** is the contract for?
- What **services** are included?
- What **third party revenues** do?

If yes, move on to chapter 3...

Chapter 3: The EPC provisions

Theme 1 – Legal ownership and access rights	Theme 9 – Insurance
Theme 2 – Specification, design, construction and installation of the EPC assets	Theme 10 – Warranties and indemnities
Theme 3 – Maintenance and operation of the EPC assets	Theme 11 – Early termination of the EPC
Theme 4 – The Guaranteed Savings	Theme 12 – Compensation on early termination of the EPC
Theme 5 – The payment mechanism	Theme 13 – Expiry of the EPC
Theme 6 – Compensation, relief and force majeure events	Theme 14 – Financing arrangements
Theme 7 – Changes to the EPC	Theme 15 – Government influence
Theme 8 – Changes in law	Theme 16 – Miscellaneous provisions

Key contract provisions and typical EU approaches to EPCs described Theme by Theme

Chapter 3: The EPC provisions

Eurostat's comment:

- does not influence the statistical treatment
- does influence the statistical treatment and is:
 - MODERATE
 - HIGH
 - VERY HIGH
 - ON BALANCE SHEET FOR GOVERNMENT

Move on to chapter 4...

Chapter 4: Concluding the assessment

Step 1: identify issues that have an influence on the statistical treatment

- No influential issues – OFF BALANCE SHEET
- Influential (ON BALANCE SHEET) issues – ON BALANCE SHEET
- Influential (VERY HIGH/HIGH/MODERATE) issues – MOVE TO STEP 2

Step 2: analyse the significance of the issues identified

- Project specific analysis

Step 3: reaching a conclusion

- Summing up number and weighting of issues

Chapter 3: Selected Themes

Theme 4

The Guaranteed Savings

- Guaranteed savings must exceed Operational Payments and Government grants
- Savings must be derived from a reduction in energy consumption (other energy related savings and revenues can also count)

Theme 5

The payment mechanism

- Principle of proportionality (% payment relates to % savings achieved)
- No cap on Partner's liability for savings shortfalls
- Authority cannot take more than 1/3 share of savings excesses

Theme 14

Financing arrangements

- Is government participating in the financing of the EPC investment? Impact depends on % provided.
- Is there are forfeiting arrangement in place? Does it shift risk back to the government?
- Annex 2 provides examples to illustrate impact of government and EU financing

Annex 2: Government and EU financing in EPC

- **Government financing** in form of grants or financial instruments (guarantees, loans)
 - $\geq 50\%$ → ON BALANCE SHEET
 - $1/3$ but $< 50\%$ VERY HIGH importance
 - 10% but $\leq 1/3$ HIGH importance
 - $\leq 10\%$ MODERATE importance
- **EU financing** is not counted as government financing
- **ESIF programme** support to be divided into EU financing and government financing

Looking ahead

- Greater awareness and understanding of the interaction between EPC provisions and the statistical treatment
- A useful tool for stakeholders (public and private, practitioners and statistical offices)
- More efficient decision-making in planning and preparing EPCs

EIB support to implement EPC projects

EIB products

We help catalyse investment

LENDING	BLENDING	ADVISING
<p>Loans</p> <p>But also:</p> <p>Guarantees</p> <p>Equity participation</p>	<p>Combining EIB finance with EU budget and other public sources</p> <p>European Fund for Strategic Investment (EFSI)</p> <p>Smart Finance for Smart Buildings Initiative (SFSB)</p> <p>Private Finance for Energy Efficiency (PF4EE)</p> <p>Instruments combining ESIF with EIB resources</p>	<p>Support for projects and investments</p> <p>European Investment Advisory Hub (EIAH)</p> <p>Project Development Assistance (ELENA, JASPERS)</p> <p>Improve access to finance (Financial Instrument Advisory, <i>fi-compass</i>)</p>

Attracting FUNDING for long-term growth

360 degree advisory support from EIB

- National and EU wide awareness raising events
- Advisory and technical assistance services for **project preparation**, e.g. scoping of market demand, procurement documentation, model contracts, combining EU support and EPCs
- Design of dedicated **financial instruments**

Download guide from

<http://www.eib.org/infocentre/publications/all/guide-to-statistical-treatment-of-epc.htm>

For questions or advisory requests

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