



## EFIEES' RECOMMENDATIONS ON THE DRAFT UPDATED NECPS

[EFIEES](#) is the voice of private energy service companies (ESCOs) and their national associations across Europe. Our members represent over 100.000 professionals committed to the design and implementation of energy efficiency measures in public and private buildings, industrial facilities, as well as to the efficient operation of district heating & cooling networks.

The Fit for 55 package introduced new elements to support the transition towards a more efficient and less emitting EU energy sector, including new provisions on energy management solutions, to help Member States to meet their new requirements. **Energy service companies** (ESCOs) and **Energy Performance Contracting** (EnPC) are indeed key facilitators of the green transition, for both public and private entities.

Therefore, **we believe that Members States should better integrate these solutions in their draft updated National Energy and Climate Plans (NECPS)**, notably to support buildings renovation policies, to decarbonise heating and cooling strategies, and to ensure that the new energy efficiency and energy savings targets introduced by the Energy Efficiency Directive (EED) recast<sup>1</sup> will be reached. To help Member States make the best possible use of energy management solutions and achieve their objectives, EFIEES recommends the following actions.

### ★ Improve the uptake of energy management solutions and Energy Performance Contracts (EnPCs) in the public sector

The article 6 of the Energy Efficiency Directive recast asks Member States to lead by example, requiring them to renovate 3% of the total floor area of heated and/or cooled buildings owned by public bodies every year, at least up to nearly zero energy building (NZEB) standards. This binding objective is set for

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<sup>1</sup> [Directive \(EU\) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation \(EU\) 2023/955 \(recast\)](#)

buildings owned by central governments, but also by local authorities. This will imply for many Member States **to accelerate swiftly their public buildings' renovation rate, at a time when public spending is limited and optimisation of the use of public subsidies is very much needed**. In addition, the article 5 of the EED recast introduces a target for Member States to reduce the annual aggregated energy consumption of all public bodies by 1.9% each year, when compared to 2021.

To meet these objectives, there is a need for rapid large scale action with some standardisation, while keeping in mind the need for contracts tailored to every building's situation, as well as the necessity to ensure long-lasting savings. **Energy performance contracts are a highly appropriate tool to respond to these challenges**. They provide a common framework that is flexible enough to adapt to each building's needs. By linking the remuneration of the energy service company to the energy performance of the building, and by contractually engaging the operator on its client's energy consumption, **these contracts guarantee a level of performance, often in the long-term, while integrating energy management solutions**. Moreover, energy performance contracts, combining private and public investments, can produce a leverage effect on the available public resources, thus significantly reducing the impact on public budgets. Since Eurostat's guidance note<sup>2</sup> on the conditions to record public investments off-balance sheet, public entities can write off EnPC expenditure from their accounting books, and only regular payments are to be recorded. **It therefore allows public authorities to sign more contracts and save more energy**.

Generally speaking, **national public procurement rules** should always be made compatible with EnPCs. We indeed see on the ground that, in some countries, these national rules can prevent or hamper the use of EnPCs as they are multi tasked and long-term contracts. Given the scale of the effort needed, **it is important to create a stable investment framework, with long-term policies**. Clear targets combined with stable support and incentives schemes enable market and economic operators' structuring, including for resource planning (both in economic and labour force) as well as the avoidance of market distortions. To foster the uptake of EnPCs in public buildings retrofitting and energy management, some Member States (see below) are developing national model contracts and guidance, up to date with the latest Eurostat guidelines on EnPC off-balance treatment. In their NECPs, some countries also introduce reference to an EnPC feasibility assessment ("EnPC check") to assess the suitability of energy performance contracts when renovating a building, in line with Article 29 of the EED recast. Member States should provide more details on how they intend to establish these feasibility assessments, as they would greatly benefit from a systematic check of the feasibility of energy performance contracting, to reach their updated EED targets in public building renovations. Energy management could also help Member States to reach energy consumption reduction target for the public sector as laid down by the article 5 of the EED recast.

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<sup>2</sup> [Eurostat, 2017 "Eurostat Guidance Note – The recording of Energy Performance Contracts in government accounts"](#)

**Good practices to build on:** several countries indicate their intention to (or already do it) provide **EnPC model contracts, at national level**, to facilitate the uptake of these solutions. Indeed, Belgium, Croatia, Cyprus, Estonia, France, Germany, Italy, Netherlands and Spain mentioned such measure in their draft updated NECP. Furthermore, three countries (Cyprus, Germany and Spain) are intending to **set up an EnPC check**, to assess the feasibility of concluding an EnPC when renovating public buildings or awarding public service contracts. Italy is also carrying out a study to assess whether public authorities should be required to adopt the EnPC model as a condition for access to incentives.

These recommendations are particularly targeting the public sector's buildings but **apply also to any other publicly owned or operated equipment**, such as sports equipment (e.g. swimming pools, ice rinks etc).

## ★ Improve the uptake of energy management solutions and Energy Performance Contracts (EnPCs) in the private sector

While the public sector should lead by example, the EED recast also requires private actors to play their part in improving energy efficiency and saving energy. Delivering on the 2030 EU energy efficiency target of 11.7% reduction in primary and final consumption will require great efforts from both private and public actors. As the Commission pointed out in its assessment of the draft updated NECPs, **Member States' contributions are now amounting to an insufficient 5.8% cumulated reduction**. The article 8 of the EED recast also requires every Member State to reach a progressively increasing level of annual energy savings. For Member States to achieve their energy savings goals and to fulfil their obligations, they need to facilitate private buildings' renovation and encourage energy management solutions.

Here again, EnPCs can prove useful. By linking ESCOs' remuneration to the level of performance delivered, including penalties in case of failed performance, **EnPCs provide long-term visibility and contractually guaranteed optimised energy consumption overtime**, to entities that otherwise might not engage in energy efficiency improvements. The article 11 of the EED recast sets out new rules for companies which now have to put in place energy management systems and energy audits depending on their level of energy consumption, rather than on their size (as in the 2012 EED). Yet companies implementing an EnPC can be exempted from these requirements. Member States should therefore not only better reflect Article 11 obligations in their NECPs but also further promote EnPCs.

If Member States want ESCOs to exist as a solution for unlocking private investment and securing long-term energy consumption reduction, they should take dedicated measures to support their development.

**Connecting homes and buildings to efficient district heating and cooling networks (DHN)** is another way to increase energy performance in the long-term. This solution offers a vast potential to speed up the climate and energy transition by using and streamlining a mix of local energy sources, including waste heat, and providing dynamic management solutions such as storage, highly efficient production and distribution of heat. Member States should therefore incentivise connections to efficient DHN and develop detailed plans to integrate more renewables and waste heat into the networks, with ambitious targets and action plans and in accordance with EED recast article 26.

**Good practices to build on:** Cyprus' draft updated NECP is mentioning the fact that **an existing EnPC may serve as an exemption** for the mandatory periodic inspection of heating and air-conditioning systems (pursuant to the article 14 of the EPDB). In Belgium, Greece, Spain and Portugal's draft updated NECPs, provision is made for **financial support to develop ESCOs or to make EnPCs more accessible**. Almost every Member States (except for CY, MT, PT) are including **measures to extend, renovate, or facilitate clean energy integration in their district heating and cooling networks**.

## ★ Build up awareness of energy management solutions and workers' skills

Private and public actors are not necessarily well informed about their building's potential energy performance upgrades. Member States could remedy to this issue by **setting up a framework for energy advice**, designed to help people or entities in their energy efficiency projects with an assistance tailored to each situation. Private and public entities would be more aware of the impact of their energy consumption and of the opportunities granted by EnPCs and energy management solutions (easier financing, long-term guaranteed reduction of energy consumption). As a result, they could be more inclined to commit to energy efficiency improvements. These frameworks would be the opportunity to **tackle the issue of perceived complexity of EnPCs, as well as the lack of awareness regarding these contracts**.

**Member States should indeed act on the energy consumers' awareness**, informing them of the impacts of their energy behaviours and choices, and showing them the opportunities that stem from energy efficiency improvements and energy sufficiency. These measures can greatly participate in reducing their energy consumption through behaviours and investments in improving energy efficiency. The 2021-2022 energy crisis proved that being aware of the impacts of energy consumption

and changing consumption habits can result in significant energy savings, resulting in less emissions and lower energy bills.

Finally, to deliver a quality audit, or to give good advice, **workers have to be rightly skilled**. The energy efficiency sector (energy service providers, energy advisors, etc.), along with other energy sectors, is **in demand of workers in many positions**. Member States should therefore make use of the NECPs to explain how they intend to tackle the skills shortage issue.

**Good practices to build on:** Belgium, Czechia, Denmark, Finland, Italy and Spain are including in their draft updated NECPs **measures to promote or inform on EnPCs, ESCOs or energy management systems**. Indeed, in Denmark, the National Association of Local Authorities works on campaigns to guide municipal bodies in the use of the ESCO structure. In Italy, the updated draft NECP provides for the promotion and use of EnPCs as part of a subsidy program aimed at improving thermal efficiency and renewable heating in private and public buildings. The Italian draft also plans to structure and monitor the process of qualification of workers in the energy sector, with particular reference to ESCOs. Belgium and Czechia are also providing technical assistance for people who want to set up an EnPC.