Preparing your organisation

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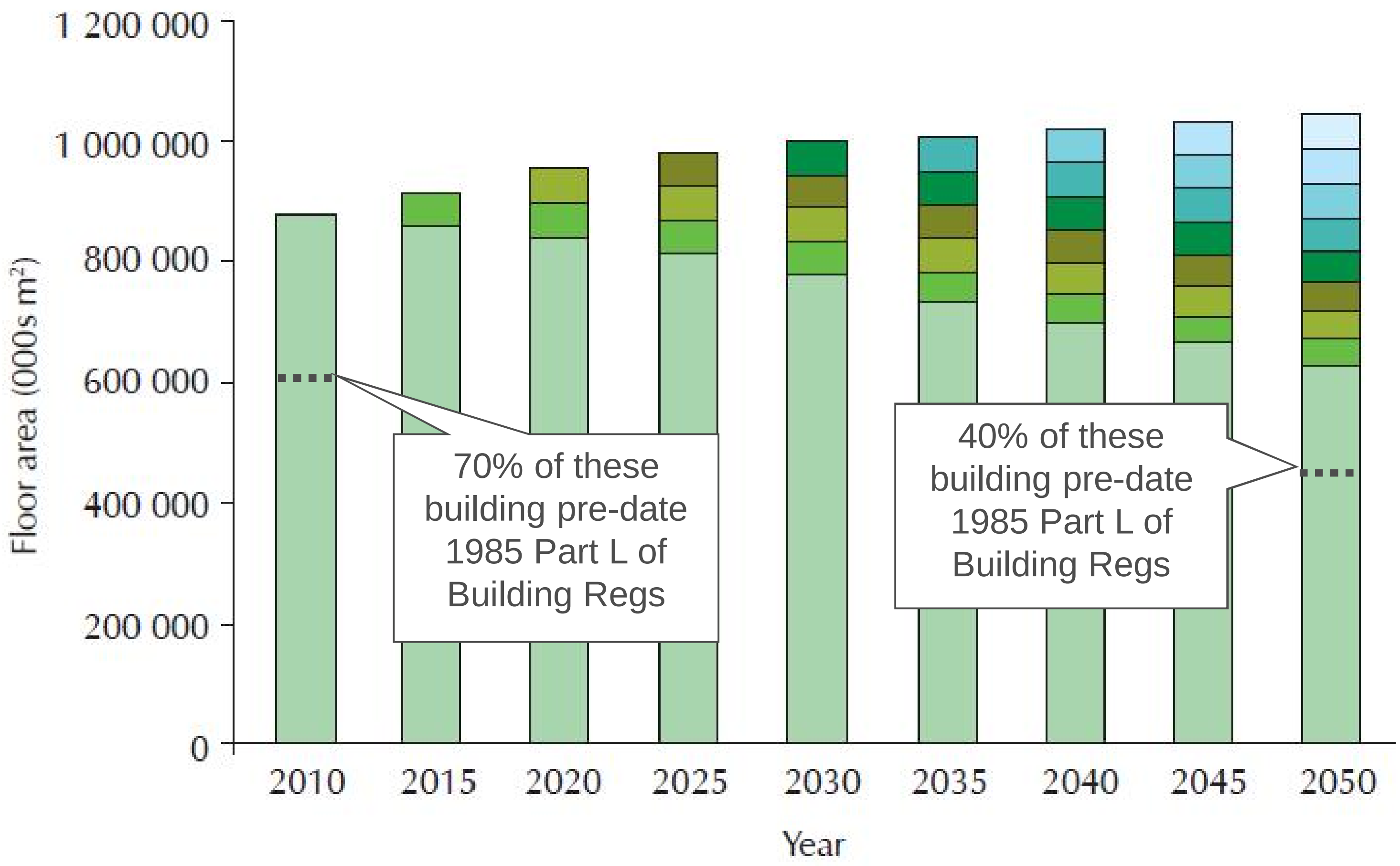
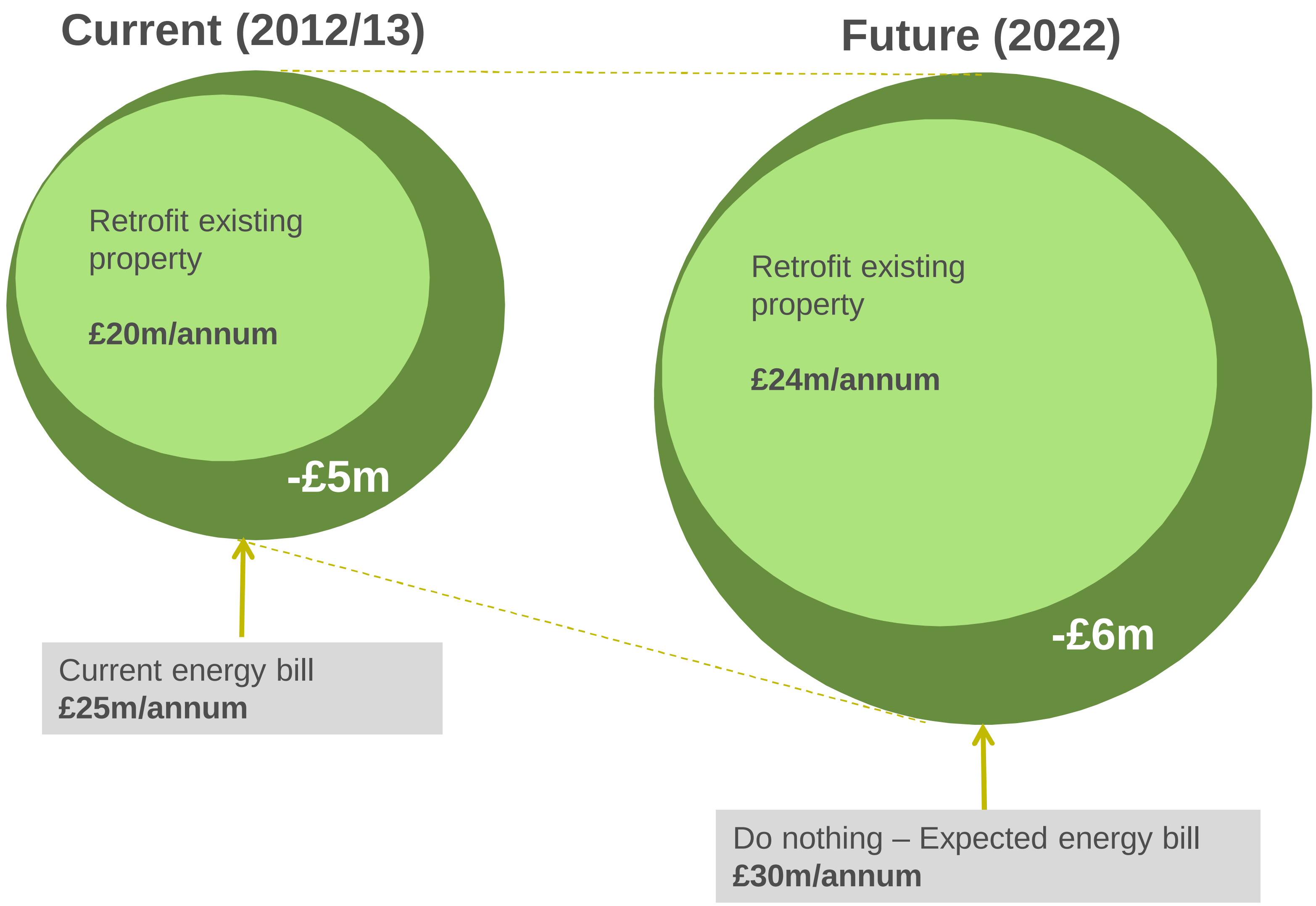
Part of the BRE Trust

Meeting carbon targets



BRE Energy Efficiency in New and Existing Buildings, 2010

Escalating fuel costs



Other financial & legislative challenges

- CRC costs
  - 2012 - £16/t
  - 2023 - £30/t
  - 2030 - £75/t
- Maintenance and upkeep costs with poorly performing outdated services and building fabric
- From April 2018, it will be unlawful to rent out business premises or residential properties that do not hold a minimum energy efficiency standard, most likely with an EPC rating below E.

Re:Fit: on-going project scales across London

Harrow 	Phase 1 • 2 Council buildings & 6 schools • £1m capital investment • Estimated annual savings 38% • Payback period 9.5 years Phase 2 • Civic centre
Ealing 	• 3 council buildings • Capital investment £1.2m • Estimated annual savings 29% • Payback period 5 years

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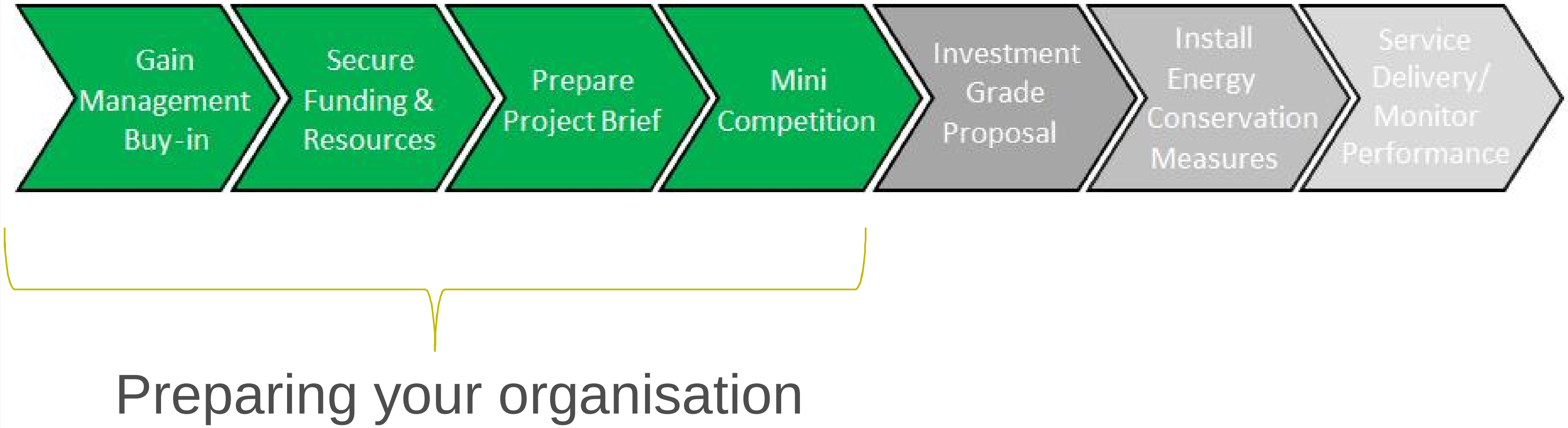
The RE:FIT Process



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Preparing your organisation

Early considerations

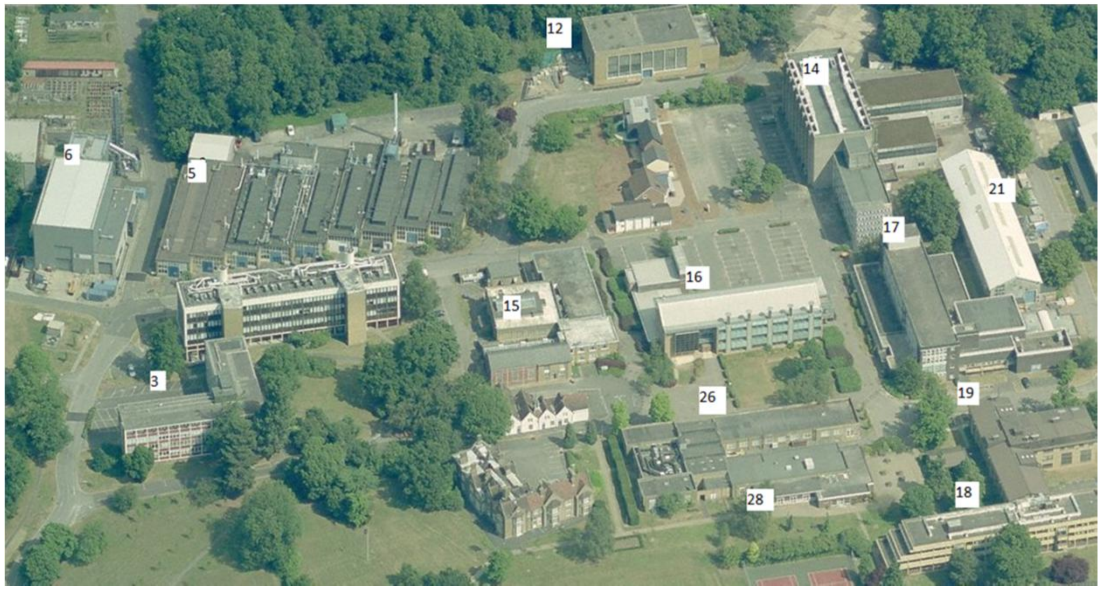
– Uncertainty over estate

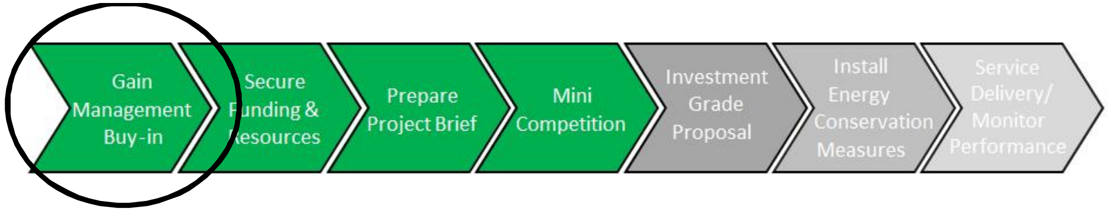
– Internal staff resource and expertise

– New concept and need for education

– Sources of finance

– Risk management



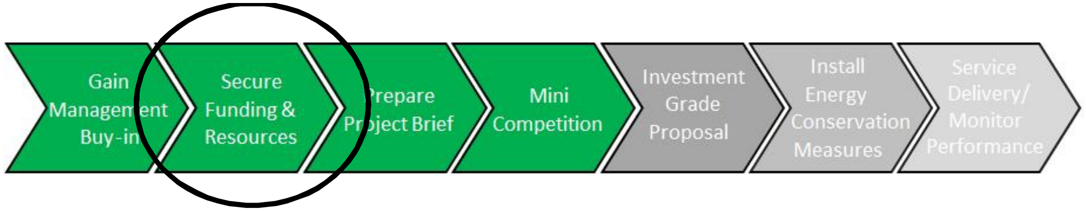


Step 1 - Gaining Management buy-in

– Outline the reasons why EPC could benefit the organisation
  – Energy cost reduction
  – Carbon reduction
  – Income generation
  – Improved comfort

– Senior Management approval to allocate a resource (Project Manager) to initiate the process

– Talk in appropriate language of Financial Director
  – Improved property performance and value
  – Guaranteed savings
  – Does not rely on internal funding!



Step 2 - Establish scope and funding options

– Review asset management strategy to prioritise buildings

– Data collection for potential buildings
  - DEC/EPC
  - Consumption data
  - Building construction
  - Mechanical and electrical services
  - Building floor plans

– Benchmark likely energy savings

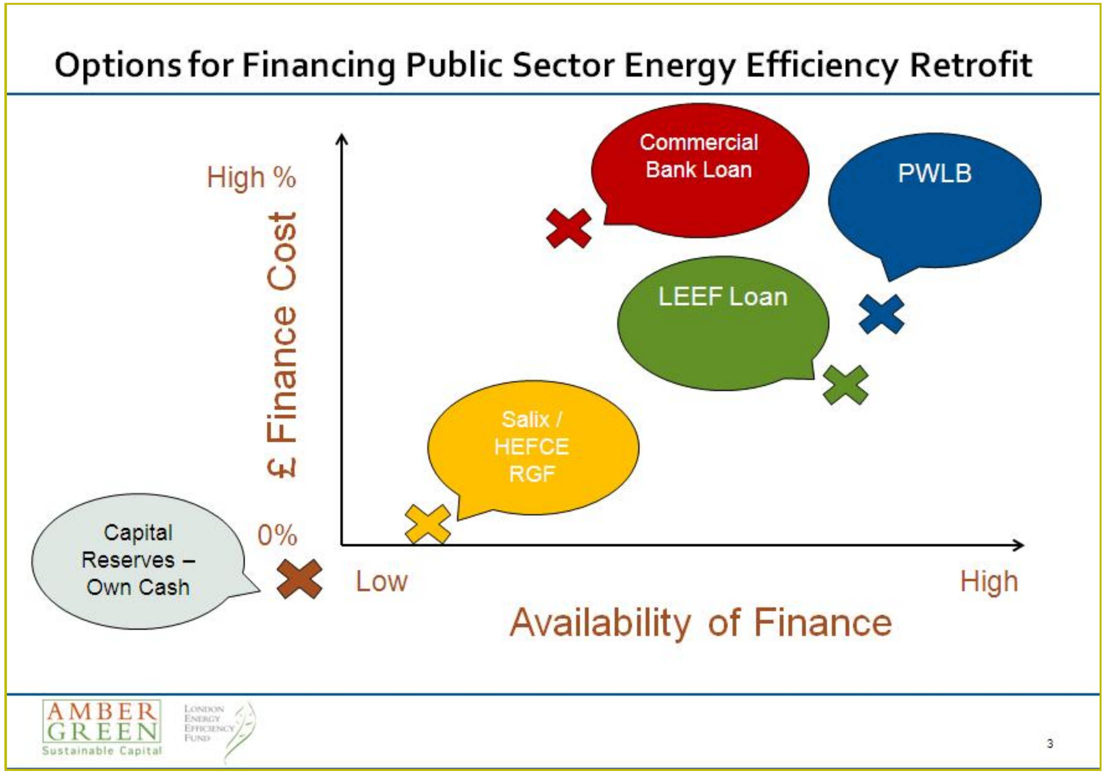
– Project scale
  - Critical mass of the proposed scheme is vital in attracting the interest of ESCOs
  - Will also dictate finance option
  - **<u>Be ambitious, you can stage the roll-out</u>**

Simplified comparison of procurement options

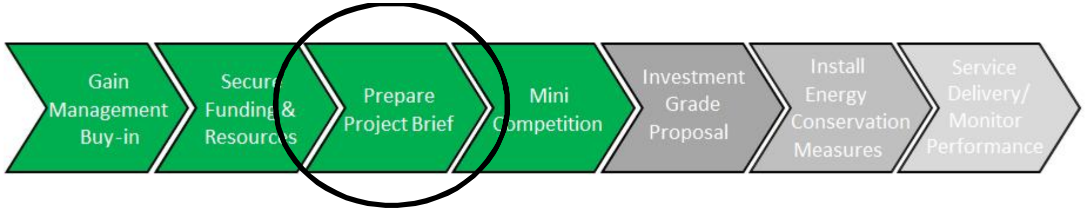
	EPC/ESCO	Own finance	Green Deal
Measures	Any measures	Any measures	45 defined measures (issue over FIT & RHI income)
Scale	Typically >£500k capital	Any scale but limited to company ROI	Any scale
Guaranteed Savings	Guaranteed or shared savings + verification (IPMVP)	None required	No guarantee but must meet golden rule
Savings calculation	No standard	No standard	Advisor survey and SBEM
Repayments	Flexible repayment can be matched to savings	Need to satisfy business case	Fixed fee paid via electricity bill
Proven solution	Yes	Yes	?

Finance options

– Own funding
– Borrowing
  – London Energy Efficiency Fund/Banks/Salix/Public Works Loan Board
– Finance through a third party, which could include 'off-balance sheet' options
– A mix of the above

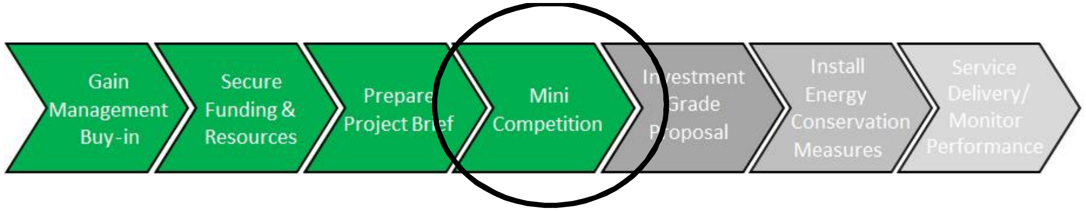


Reproduced courtesy of Amber Infrastructure Ltd



Step 3: Prepare project brief

- Detailed business case and approval to proceed
  - Scale
  - Scope
  - Benefits
  - Financing options
  - Delivery and resources
- Timescale - allow for internal approval process
- Aiming for a package of measures that is large enough to attract external partner but manageable project risk



Step 4 - Mini competition

- The purpose is to invite ESCOs to propose competitive energy reduction options in line with your performance expectations (energy reductions, capital cost and payback)
- Tendering period - 6 weeks
  - First two weeks site visits by ESCOs
- Evaluation and preferred bidder selection:
- Appoint a preferred ESCO to develop Investment Grade Proposal

Example contract issues

- Savings levels (kWh) are guaranteed under the contract and would be verified under an IPMVP standard Measurement & Verification Process, with independent certification if required.
- Insurance, and if appropriate, Performance Bonds or Parent Company Guarantees to be provided by the ESCO
- The client does not pay anything until the ESCO produces a ‘compliant’ Investment Grade Proposal
- Programme delivery milestones (including IGP delivery date) are included in the contract
- ESCO Overheads and Profit Margin is capped?

Summary

- Preparation
- Speed of procurement
- How does EPC compare with other procurement options?
- Significant energy cost inflation

Thank you and Questions?

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