

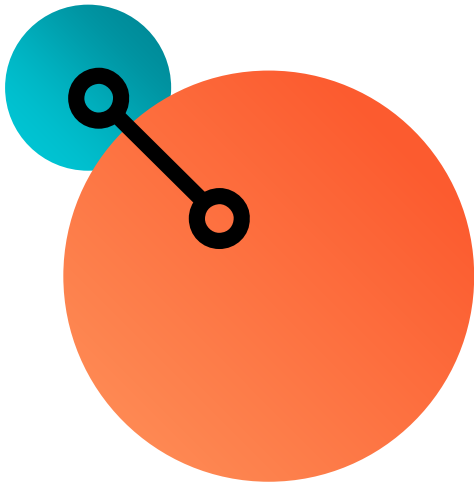
DENEFF EDL\_Hub- The Strong Voice for Decarbonization as a Service in Germany.

# Development of the German ESCO Market, Challenges and Best Practices.

Brussels 6. June 2023 | Rüdiger Lohse, MD



# Energy Service Market in Germany: 75% of the ESCO Market Potential still untapped as level playing field for ESCOs does not exist



## German ESCO Market:

- ESCO Market Volume 2020/21: 8-10 Mrd. €, static
- > 100 ESCOs on national and regional level
- 90% Providing Energy Supply Solutions

## 2020 / 2021 ESCO Market Report provided by BAFA/BfE

- Stagnating Market investive ESCO products
- Overregulation in Housing Sector and Industry
- 75% of Market Potential is still untapped
- No Level Playing Field for ESCOs

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**Energy Policy and Market Framework  
has changed disruptively in 2022-  
providing huge challenges and  
opportunities for Energy Service  
Companies...**

**Energy Services Strategy 2045 by DENEFF  
EDL\_HUB 2019/2020**



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**...to be successful ESCo Business Models need to be Adopted to the Needs of Target Groups with regard to their specific Technical and Organizational Demands...**



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**...which leads to ESCo Toolbox  
Business Models and Contracts  
replacing more and more the two  
standard contracts for Energy  
Performance Contracting (pay-as-you-  
save) and Energy Supply Contracting...**



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**...and while technical and organizational complexity and the need for funding increases drastically user demands make ESCos venture in a more broader scope of services and technologies provided in a „one-stop-shop-solution“.**



# DENEFF EDL\_HUB: Innovation and Association Hub with Major German ESCOs and the Purpose of Professional Decarbonizers since 2020

Dipl.-Ing.  
HEINZ ULLRICH BROSZIEWSKI

Kraft-Wärme-Kopplung  
Beratung, Projektierung, Gutachten



GETEC



>kofler energies  
Ingenieure für Effizienz

steag  
new energies

ove  
Contracting mit Energie



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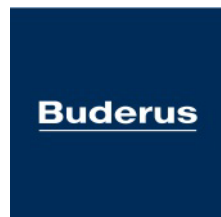
Hausbank



EFFIZIENZPIONIERS

42 watt

mpw  
Die Energie-Weiter-Denker  
Thinking Energy Ahead



instaGreen  
OHNE UMWEG GRÜN

EDL\_HUB

# DENEFF EDL\_HUB: Mission and Vision- Help Creating Framework Allowing ESCOs to Work Successfully as Professional Decarbonizers



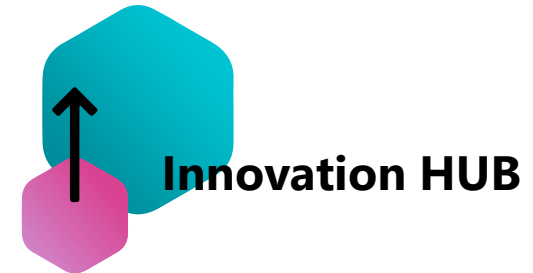
**We Contribute Strongly to Create Level-Playing Field for ESCOs in Germany in the EU Context**

- **Prio 1:** „Level Playing Field“ for ESCOs in terms of the recent EED Art. 26 in 2023
- **Prio 2:** Non-discriminatory access to funding and subsidy programmes
- **Prio 3:** Revise discriminatory regulation in Building-, Industry- and B2C Sector



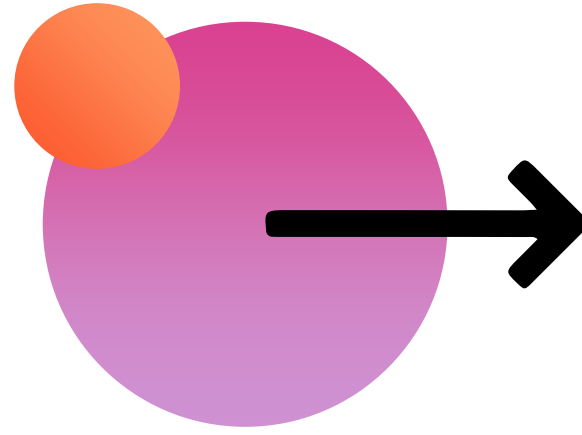
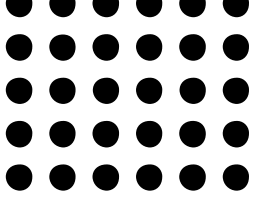
**Creating Interaction Between Stakeholders**

- **Connecting** ESCOs and Stakeholders
- **Enhancing** interaction between ESCOs, Suppliers and Energy Consumers
- **Create** broad acceptance in target groups and especially SME and End Consumers (Heating Grid)



- **Inkubation and Fertilization of innovative Business and Finance**
- **Strategic Market Development** for Dis-functional Markets in Research Projects on IEA, EU and national level
- **Finance:** Integrate ESCo into the Green Financing Schemes as Performance Assured System Providers
- Social Decarbonization: affordable building renovation with ESCOs financing and De-risking





Lessons Learnt:

## Disruptive Changes in Framework- Impacts on the Business Model and the M&V



# The Political Agenda, new User Demands have Sparked Disruptive Changes and Frictions in the ESCO market since 2021- replacing „old school“ ESCo approaches



## Challenges: Policy & Society

- Climate Protection has become Main Stream
- Decarbonization Target 2045 for Buildings and Industry
- 65% Renewable Energy in the Heating Market
- Energy Security and Independence
- Building Sector: MEPS
- Factor 3 Heating Grids 2045



## ....changing User Demands

- Reduction of Coordinative Effort: One-Stop-Shops instead of complex multi tasking of dozens of partners
- Longterm Partnerships instead of Project approaches
- Simple Front End Solutions-moving complex structures into the back end



## ...require innovative Responses !

- „old school“ Business Models „ESPC“ and „ESupplyC“ do not match with user needs (scope of work, complexity)
- Mixtures and tool-box approaches replace the „old school“
- Detailed M&V highly complex and time consuming replaced by
  - „5%-tolerance saving scope“,
  - No-penalty when missing Mutual maintenance finance pools

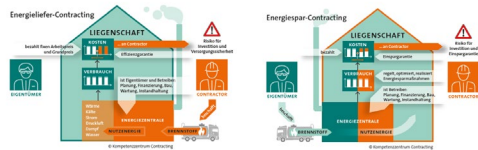
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**...ESCo ESPC M&V is priority 5 in  
Hospitals in Germany when it comes to  
decision making pro or against ESCo**

**Result of Interviews with leading hospital  
carrier companies in DE 2021 in the CoSo  
Project**

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# Best Practice: Adoption of ESCO Services to Specific Requirements of Hospitals in the Project CoSo




## Target

- Increase Opportunities for ESCOs in the Hospital Sector
- Help Hospitals and Retirement Homes to Cut Energy Cost Bills
- Create Standard Contracts

## Key Achievements

- Stakeholder Process with all major German hospital owner associations and hospital groups
- Demand Profiles for Hospitals and Retirement Homes
- Adoption and Match-Making Workshops with ESCOs and Hospitals
- Pilot Projects with technical and business scope adopted to the needs of Hospitals

## Beteiligte

Förderer:  Bundesministerium für Wirtschaft und Energie

Mitwirkende & Anwender  
(Auswahl):



## Next Steps

- Trainings for Hospital Owners- how to cut costs now
- Set up of new project: One Stop Shop for Hospitals- Information, Finance Diligence, Transformation Roadmap Services and Investment specifically drawn to the demand of hospitals

# DENEFF EDL\_HUB innovation Hub is Tackling also Other Disfunctional Market Sectors of High Relevance for ESCOs



## Home Owner Associations

20% of Housing in Germany is organized in HOAs  
Refurbishment Rate < 1%

## Issue

Low Refurbishment Activities  
Complex Approach for ESCOs and Financiers to conduct Deep Energy Retrofits

## Approach

- EU Project GREEN home
- Creating One Stop Shops with ESCOs, Financiers, Consultancies
- Learning from LaBeef



## SME Financing of Energy Investments:

Finance Industry does not provide financing approaches for Energy Efficiency Investments

- Lack of Finance Products and Energy Service Approaches for SME Decarbonization
- Finance: mismatch of costs for due diligence and project size

- Effinvest.de- DENEFF has set up the first finance platform for financing energy investments in SME
- Launch in Berlin October 13, 2022
- Handover to SME Bank January 2023

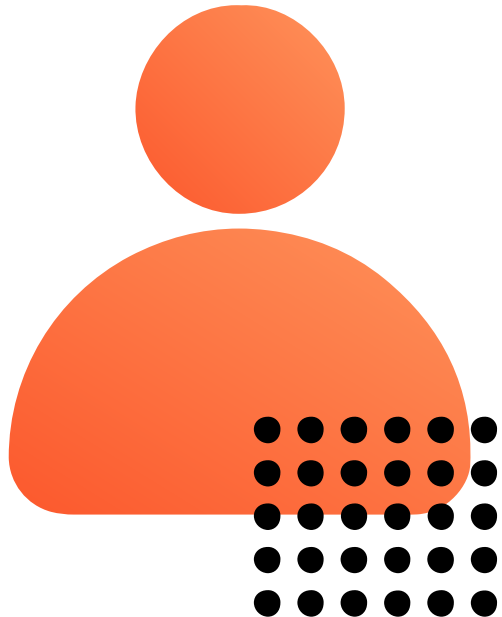


## Affordable Decarbonization for Financially Vulnerable Person Groups

- Low Income Person Groups live in the least efficient building stock
- Price volatility hurts the most here
- Additional financial burdens are not

- ESCo pay as you save Models provide annual rates and cost neutral approaches
- ESCo and Mortgage Banks provide Service+Finance
- Risks dilution in financing pools
- Remaining Risks partly covered by FedGov

# Contact



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