

# Tenants as investors in ESCO's ?



# Subjects

- Introduction
- Goals
- Legal issues
- Financial issues
- Organisational issues
- Programs
- Direction
- Developments

# Poptahof, Delft, The Netherlands

- An ESCO (Energy Service Company) was planned to recover investments in energy efficiency thru their own savings

- The energy-costs of the tenants before refurbishment and introduction of a ESCO were to remain the same. (recovering the investments since 2005 of 20-25%)

- An introduction to the legal-, financial and operational issues encountered and the new direction

Gas use 2005:

1.166.123 m<sup>3</sup>

price € 0.4984/m<sup>3</sup>

total € 581.196

1005 households

€ 578 per household

1160 m<sup>3</sup> gas/ household

# Legal issues (1)

- The rent of the refurbished apartments has individual ceilings due to the social and income support, tenants can get from the state.
- An ESCO-contribution by the tenant (we planned 66% of € 200) was deemed: normal rent.
- Private home improvements (which could be arranged by selling/leasing the energy efficiency measures to the tenants) must be bought back by the landlord when a tenant leaves.

## Legal issues (2)

- New Dutch laws on heat delivery demand that the costs for heat-supply can not exceed the cost of a reference natural gas based heating system.
- Woonbron had been more specific than this law, specifically aiming at not raising energy bills after refurbishment and targeting 50% energy reduction.
- The result of this was that there was very limited room to move costs to the supply side.

# Financial issues (1)

- Expected savings due to increased energy efficiency (refurbishment) are € 200 a year (DHV report)
- The current rented domestic hot water boilers will disappear. (€ 60 a year)
- Individual connections to the new city heat system increase the annual fixed costs with € 261 per household.

## Financial issues (2)

- A tenant will save € 260 on boilers and efficiency after refurbishment
- BUT: the projected fixed costs for the individual connections are € 261 more per household per year
- So there was a lovely break for the tenant, better quality, but no incentive to invest.

## Financial issues (3)

- The following table roughly shows the size of the deficit:

<b>total costs</b>	€	<b>8.318.000</b>
of which normal	€	3.066.000
SESAC	€	1.146.600
other subsidy	€	1.330.000
ESCO	€	1.566.666
<b>deficit</b>	€	<b>1.208.734</b>

- After the failure of the ESCO the deficit on efficiency measures is € 2.700.000

# Organisational issues

- Very limited use and experience with ESCO's in the Netherlands.
- The average Dutch consumer does not generally give their energy consumption any rational thought yet. Energy is perceived as fixed cost.
- Governmental Energy saving programs have very limited success in getting the population involved in investing in energy saving.

# New direction (1)

- Investing in the supply-side
- Totally outsourcing heat



## New direction 2

- Feed back system
- Ambition : real time feed back for heat and electricity
- Difficulties in actual metering, sending the information, choise of display/unit
- Ambition may be to high
- 24h delayed information thru personal webpage possible for electricity (Eneco) and probably heat.



# Remarks on direction

- The Poptahof is an important guide and case study
- The efficiency investment strategy -demanding 66% of the savings- works in other stock of Woonbron.
- The Ministry of housing is working on valuating efficiency in the support schemes.
- The supply side of energy is being discovered (Woonbron energiek).

# Remarks on National developments

- The financial crisis has been key for financial support for energy saving programs.
- The Ministry of housing is working on valuating efficiency in the support schemes.
- With a view to achieving truly substantive energy savings implementing substantial pressure is put on the government to focus on 'harder' government policy measures.
- Legislation to include energy performance in the rent structure for social housing is formulated.
- Lot of experiments on how to get the population involved.