



ESCO development in Croatia

HEP ESCO d.o.o.

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Intelligent Energy



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Company presentation

Utility based Public Company
100 % owned by "HEP"

Active from 01.09.2003 – 8 years experience
Established on the initiative of IBRD and HEP

ESCO (Energy Service Company) - development, implementation
and financing energy efficiency projects on the profit base

Main principle: Return of investment from achieved savings of
energy



Company presentation



For over 8 years successfully develops, executes
and finances ESCO project

Until today – over 50 implemented projects in the
facilities across the country





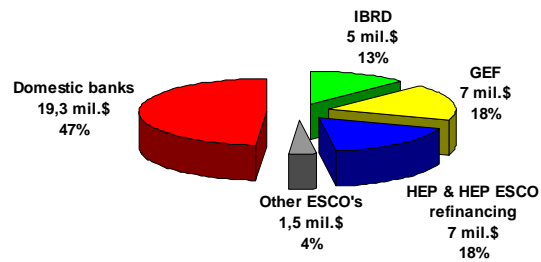
Company presentation

HEP-ESCO Ltd. is **the first ESCO company** on the Croatian market but also in the region

Implementing agency of the WB EE Project

Supported by GEF funds and WB Loan

Still no real competition



Company presentation

European Energy Service Initiative European Energy Service Awards declared HEP ESCO d.o.o

The best European company for 2007

That provides energy services for energy efficiency projects.



HEP ESCO target sectors



Public lighting



Buildings (schools and kindergartens, offices hotels, universities, hospitals and others)



Industry



Energy supply systems (cogeneration, district heating)

Two different type of clients:

Private - financing period 5 years

Public - financing period in 8 years

Value of the projects - Range from 100.000 to 2 mil EUR

REPLICABLE PROJECTS

- Safe results
- Low risk
- Shorter preparation phase
- Less development costs
- Not demanded for senior staff
- Good for training younger staff
- Easier procurement

TAILOR MADE PROJECTS

- Require more experienced staff
- Usually take more time
- Need more funds
- Good reference
- Usually private clients in industry





Advantages and disadvantages of utility based company

Advantages:

- financing
- no risk for the staff (security)
- known image
- clients don't like but trust
- data base available
- easier cooperation according to the I



Advantages and disadvantages of utility based company

Disadvantages:

- Part of the big system, slow in changes, not flexible
- Company is treated like any other core business company – not like market oriented company
- Staff problem – problem how to stimulate project managers and other staff

Situation 5 years ago:

Opportunities:

Clients without the funds

Clients without the know how

Barriers

Clients without experience in energy efficiency

Clients without a clue what to do to help themselves

What changed today:

Opportunities:

Clients still without the funds

Clients still without the know how but not necessary

Clients better informed about energy efficiency

Barriers

The Budget Execution law big barrier

Three main barriers recognized by WB during the preparation phase of the EE Project in Croatia:

- (1) lack of capacity and know-how
- (2) lack of development and project financing
- (3) lack of consumer demand



Financing problems

Banks do not recognize ESCO Projects as the special product
Project financing is not popular for ESCO business
Collateral is still a big problem

What the banks say:

There are enough funds BUT
There are not enough good projects

NEW barrier erased from the financial crises

- to expensive loans – no available funds
- long term loans are not available at the moment



Market barriers which appears during the implementation of the ESCO projects:

Unsolved ownership relations

Long term contracts for e.e. treated as a credit relationship

Existing low - insufficient to support e.e. projects

Public procurement law - problem for public ESCO's

Budget low for the municipalities – need for modifications (Costs for repayment of the energy efficiency – bookkeeping, Budget planning based on the costs of the previous year)

Creditworthiness of the clients

WHO CAN HELP REMOVE BARRIERS ?

Utility (energy) companies

ESCO Companies

Local authorities

Consultant companies

Producers of the equipment

Better education



New activities that HEP ESCO offers today:

Contracts with the guarantee of the savings

Management and maintenance of buildings and facilities together with energy Efficiency

Installation of systems for measurement, verification and optimal management of facilities and installations in order to achieve savings in energy and water

Consulting services in Croatia and the region





Future of HEP ESCO



ESCo model
investment payback



implementation measures
for energy efficiency
and renewable
energy sources

Savings in energy



Future of HEP ESCO

PROGRAM COOPERATION with HEP SUPPLY Company

- Support in the Law implementation
- Providing new – advisory services to HEP clients
- Possibility of lowering energy cost thru HEP ESCO





Conclusion

From our experience:

There is a lot of potential for ESCO business in the small country as Croatia

It can't success without hard work and enthusiasam

Not to be afraid of the barriers

Important to survive first two years

Need for more regulations is crucial



**For more information please
visit our web site**

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