

ENERGY SAVINGS PERFORMANCE CONTRACTING (ESPC)

Opportunities and Advantages

- Looking for ways to maximize and leverage funding?
- Interested in learning more about how to finance your energy conservation measures without any upfront capital costs?

If so, consider Energy Savings Performance Contracting.

ESPC is a financial mechanism used to **pay for today's facility upgrades with tomorrow's energy savings** – without tapping your organization's capital budget.

An ESPC constitutes a partnership between a facility owner and an energy service company (ESCO), and is considered a time and cost-effective method for completing comprehensive energy upgrades.

ESPC Opportunities

- **LEVERAGE grant funding** many times over to maximize its value with ESPC by performing energy improvements on multiple facilities (as opposed to only one or two buildings).
- **UPGRADE to energy efficient equipment** today and pay for it with future energy savings—no need for capital funds or additional funding, just re-allocate funds from what you usually spend on utility bills.
- **PERFORM capital improvements without spending** hard to come by capital dollars. ESPCs provide a mechanism to make long needed facility energy improvements without tying up capital funding. Energy cost savings pay for the improvements over time and, in the traditional sense, typically without creating additional debt for your community.
- **DECREASE operating (utility) costs** and stabilize operating budgets. After the ESPC loan has been paid back to the financial institution, all subsequent energy cost savings are realized by the grantee and operating budgets are permanently lowered.
- **MINIMIZE impact** of future utility rate increases. Using less energy reduces your risk.
- **RESOLVE deferred maintenance** issues. Some jurisdictions cannot appropriate sufficient funds for facility management to perform required equipment maintenance (e.g., for chillers, boilers, cooling towers, air handlers, pumps, valves, etc.) An ESPC provides a method for completing maintenance activities (either via equipment replacement or through repairs and overhauls).
- **CREATE long-term and sustainable energy efficiency projects.**

ESPC Advantages

- **GUARANTEED PERFORMANCE:** The ESCO installs equipment that it guarantees will generate savings for the payback period of the loan. If a piece of equipment fails during the payback period of the project, the ESCO is responsible for replacing it.
- **PARTICIPATION:** When negotiated with the ESCO during initial contract negotiations, owners participate in final equipment and subcontractor selection.
- **RESPONSIBILITY:** The ESCO is obligated to pay in the event of an energy savings shortfall, and must guarantee the energy savings. If actual savings are lower than guaranteed in any given year, the company reimburses the owner for the shortfall.
- **VERIFICATION:** Annual energy savings verification is conducted per the International Performance Measurement & Verification Protocol (IPMVP).
- **ACCOUNTABILITY:** The ESCO serves as a single point of accountability.
- **FINANCING:** Attractive, low-interest financing options are available and can be arranged by the ESCO.
- **COST CERTAINTY:** Project cost is guaranteed.
- **LOWER UTILITY COSTS:** Lower energy consumption and peak electricity demand translate to lower utility bills.

CONTACT THE TECHNICAL ASSISTANCE TEAM

Contact the ESPC Technical Assistance team directly by emailing solutioncenter@ee.doe.gov, or visit the Technical Assistance Center at <https://tac.eecleanenergy.org/>.

VISIT THE SOLUTION CENTER

Access project resources on the web at www1.eere.energy.gov/wip/solutioncenter.

