AUSTRALASIAN ENERGY PERFORMANCE CONTRACTING ASSOCIATION

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Barriers to Energy Efficiency and Energy Performance Contracting

EPC has now been proven to work by Federal, State and Local Governments. It is a valid way to improve energy efficiency as it overcomes many of the market barriers and identified in the NFEE discussion paper:

NFEE Barrier	EPC response
Relevant information is not always available	The energy service company (ESCO), being a specialist in energy efficiency is better equipped than most energy consumers to identify quickly how energy efficiency can be improved.
Information programs do not address other barriers	The EPC process avoids this trap, being specifically designed to create the desired outcomes.
Organisations do not have easy access to expertise.	EPC provides a form of outsourcing for energy management just as many other specialist activities are outsourced. Risk is shared in the EPC process so that the party best equipped takes the risk in achieving savings. Therefore the technical risk is managed by the ESCO. As an aid to organisations considering an EPC standard forms of contract along with Best practice guides have been developed by AEPCA with input from Federal and State governments. AEPCA also runs an accreditation process to ensure that accredited ESCO's have the technical and financial capacity to deliver EPC's.
Capital limits	EPC provides alternative mechanisms for funding apart from the normal capital appropriation used for other business activities. The guaranteed payback offered by EPC creates a different incentive to other investments. AEPCA member ESCO's could access over $1 billion in loan funding for EPC's in Australia.
Energy efficiency faces higher hurdle rates.	As a result of the guaranteed outcomes an EPC offers many organisations have lowered the hurdle rate required to be met.
Lack of evidence of achievements from energy efficiency measures	EPC's rely on sound monitoring and verification practices to ensure that the promised savings are achieved.