



ESCO Facilitation Approach

in search of incentivizing ESCO market in Thailand

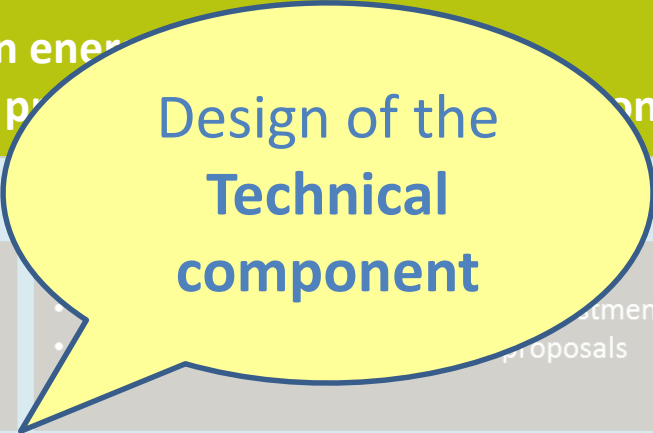
ESCO-NAMA Proposal Workshop

Monthon Kumpaengseth

June 25, 2015

impact

increased investments in energy efficiency
energy and cost savings, increased private investments



outcome

- Increase in ESCO investments due to:
- Improved conditions for ESCOs to attract finance
 - Improved capability for EPC
 - Increased trust among end-users, banks, and ESCOs

outputs

- Better understanding of different ESCO business models (govt and ESCOs)
- Advise on technical and financial aspects of EE investments (Govt and ESCOs)
- “Facilitation Approach” further elaborated and applied in different market segments
- Access to loan guarantees for implementation (ESCOs)
- Access to grants for project development (ESCOs)
- Better understanding of financial aspects of EE investments (Banks)

activities

- **A1:** Needs assessment and capacity building (Govt)
- **A2:** Needs assessment and capacity building (Thai ESCO association and ESCO companies)
- **A3:** Setting up technical assistance facilities
- **B1:** Capacity building and training on “Facilitation Approach”
- **B2:** Setting up pilot project
- **B3:** Develop guideline for EE-ESCO transaction and MRV with facilitation approach
- **C1:** Establish Portfolio Guarantee
- **C2:** Establish Grant scheme for developing a project pipeline
- **C3:** Setting up advisory services for financial sector institutions

inputs

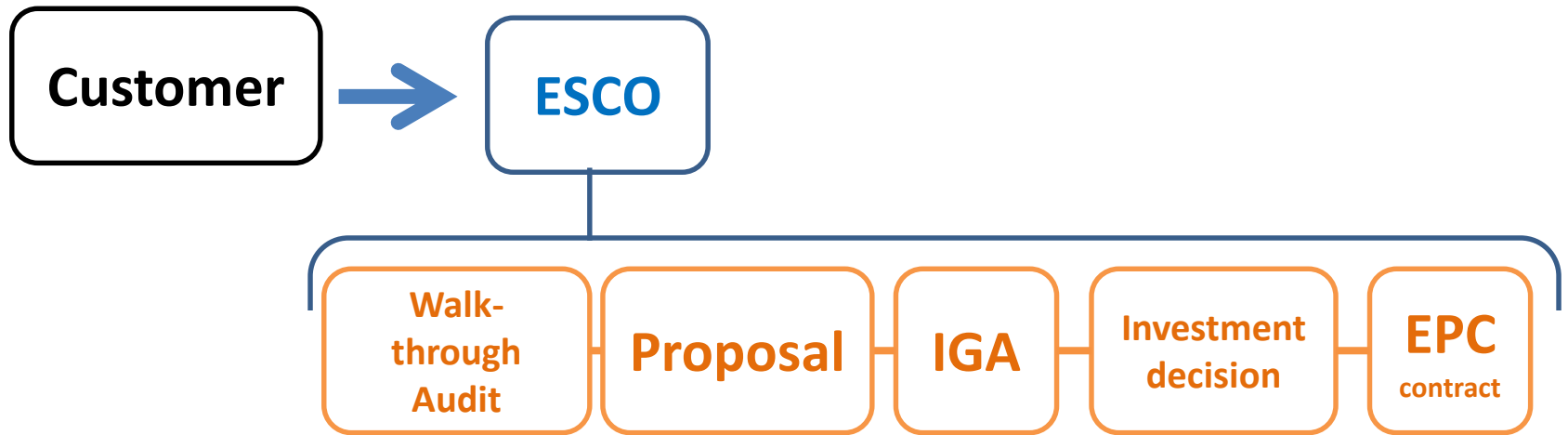
Government of Thailand policies and strategies

International funding for: Technical support, and Financial support



Technical capacity building, several activities:

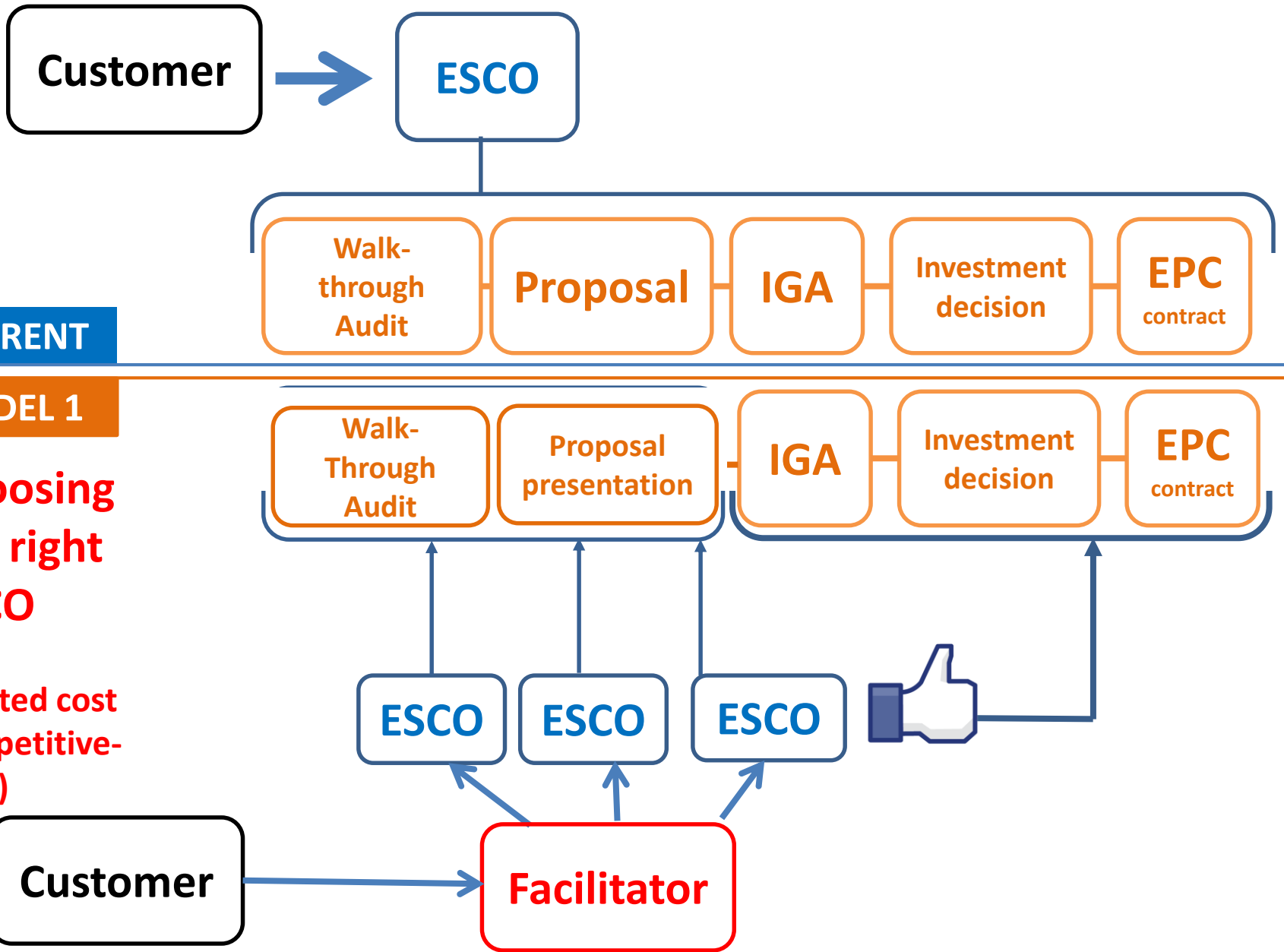
- Training: commercial banks, ESCO's
- ESCO Quality Assurance
- Contract Standardisation
- ESCO Facilitation Approach



- Experiences show some challenges, e.g. mistrust between ESCO and client, access to finance for ESCO's (shared savings model), limited knowledge in the market about the ESCO concept



- The idea of ESCO facilitation approach (FA) came from three studies, namely,
 - “Energy Service Companies” by Wuppertal Institute (Jan. 2014);
 - “Assessing Framework Conditions for Energy Service Companies” by GIZ (Dec. 2012); and
 - “ESCO Market Development: A Role for Facilitators to Play” by Jan W. Bleyl (IEA DSM Task XVI 2012).
- The studies suggested that the facilitators could be a missing link between the clients and ESCOs.

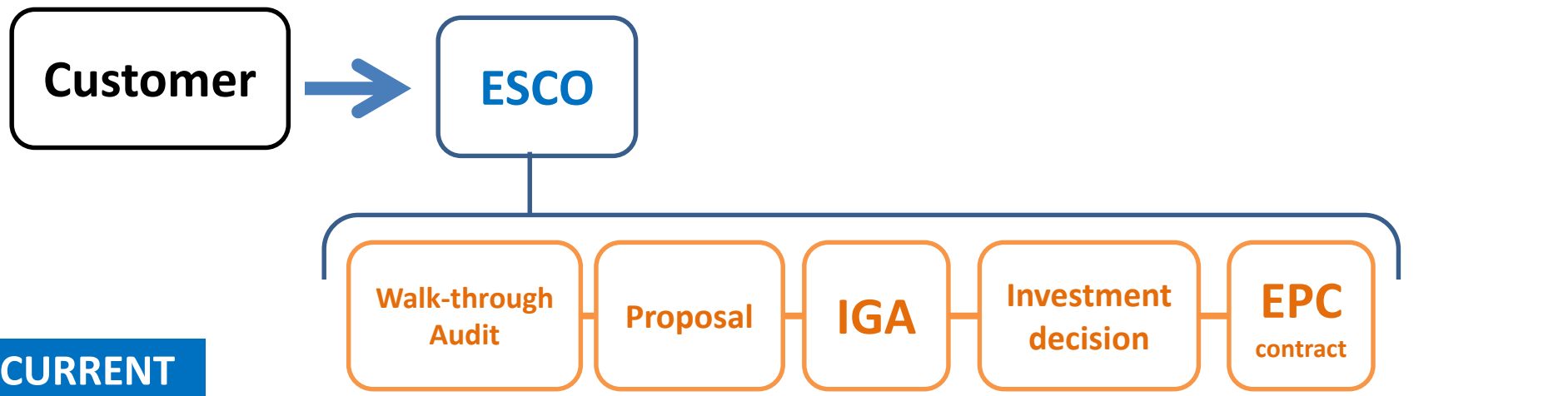


CURRENT

MODEL 1

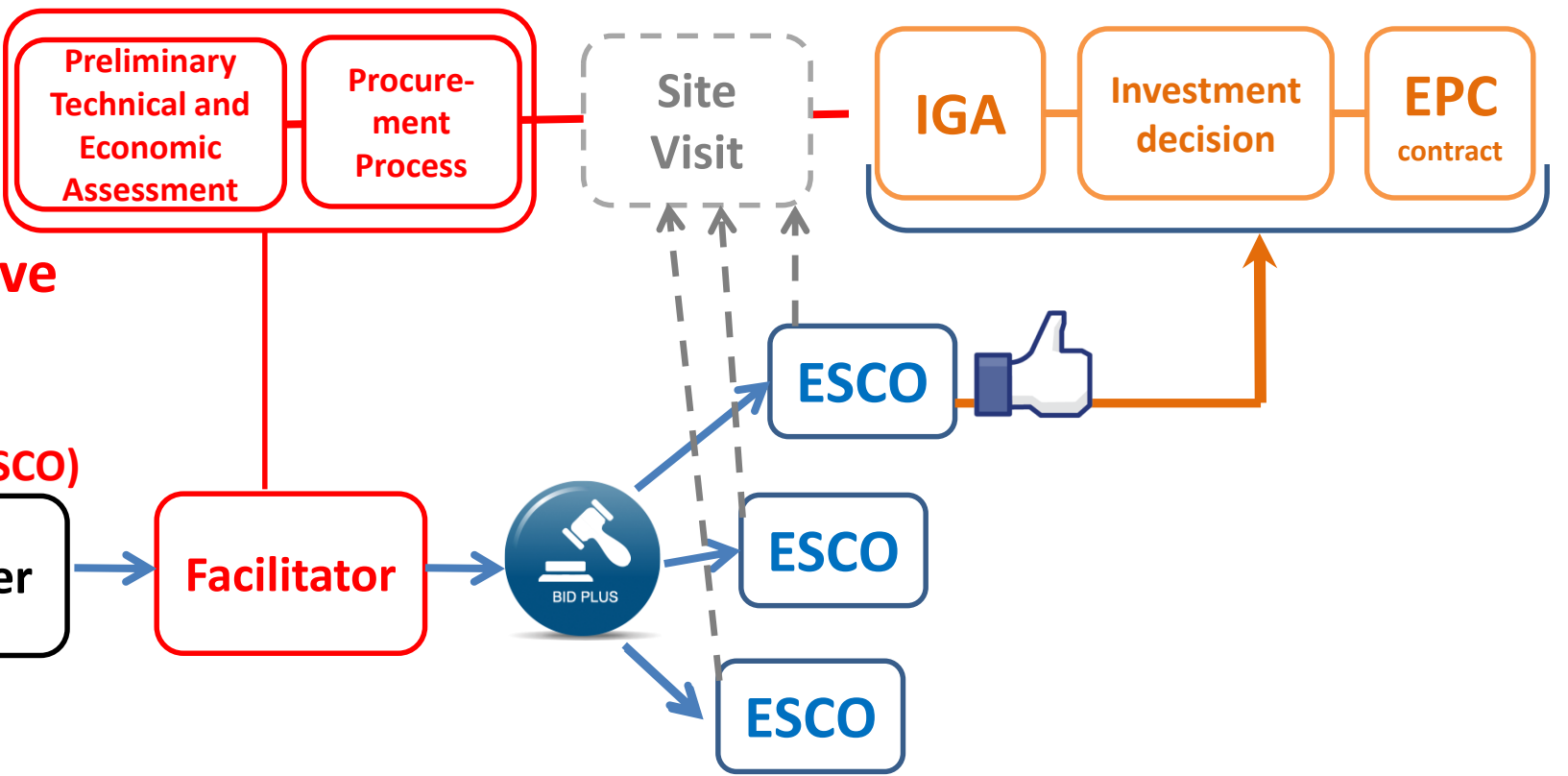
Choosing the right ESCO

(limited cost competitiveness)



MODEL 2

Choosing cost-competitive ESCO (lower cost burden for ESCO)





- The facilitator is an intermediary assisting a customer who wants save energy using EPC-ESCO but does not have much knowledge about it;
- It's similar to building a house. An owner can either hire a contractor directly or architect and engineer to design a house first and then call for a bid to select a contractor.



- The facilitators should be an independent and neutral persons or org. who can build a confidence and fairness in ESCO business for all market actors;
- The facilitators should not have a business conflict of interest;
- The facilitators should have a wide range of knowledge and experiences in EE/RE, EPC, economic, finance and procurement;



- Prepare a preliminary analysis (technical, economic and financial), tender document, cost estimate and EPC;
- Call 3-4 ESCOs to bid, bid evaluations and negotiations, and recommend a most suitable ESCO.



- Facilitators support the client, enabling project development;
- Facilitators create a fair and transparent business among all parties;
- ESCOs could benefit from increased market potential with active Facilitators.



Thank You – Kop Khun Kah – Danke Schön - Dankjewel