



Analysis of opportunities, barriers and requirements of the International EPC+ platform

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Erik van Agtmaal and Johan Coolen

Factor4
Lange Winkelstraat 26
2010 Antwerpen
Belgium
T: +32(0)3 225 23 12
E: erik.van.agtmaal@factor4.eu



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1. Introduction

The objectives of the EPC+ project are the development of SPINs and an international EPC+ platform.

A SPIN (SME Partnerships for Innovative Energy Services) is an organized cluster of independent companies, mainly SME's, with a structured long-term collaboration and commonly agreed objectives, that jointly supply energy efficiency services.

The international EPC+ platform is an international '**market place**', where - **according to commonly agreed rules** – its members can safely **exchange valuable know-how** and **develop EPC-models and SPIN-concepts**.

This document includes an analysis of the characteristics of an international EPC+ platform, describes the need for incentives for potential members and gives a description of a platform, that will include initial incentives, its strengths, weaknesses, opportunities and threats and requirements.

This document will be used as a supporting tool to create and develop the International EPC+ platform.

2. Characteristics of the International EPC+ platform

The international EPC+ platform is an international 'market place', where - according to commonly agreed rules – its members can safely exchange valuable know-how and develop EPC-models and SPIN-concepts.

To understand the concept an analysis is performed of several of these characteristics.

2.2 An international market place

A market is a place where forces of demand and supply operate, and where buyers and sellers interact to trade goods, services, contracts or instruments. In the case of the international EPC+ platform the buyers and sellers are SMEs offering energy services such as EPC services. Most of these SMEs are only active in one country. The objective is to trade know-how, supporting tools and to enable the development of new business opportunities between the participating members.

The international EPC+ platform as a Complex Spin

The categorization of SPINs in Simple, Complex and Complicated SPINs as introduced earlier (see deliverable 2.2.)¹ can be used to describe the organisational structure of this international market place.

The international EPC+ platform can be seen as a Complex Spin.

A Complex SPIN is a more informal, self-organising, network of several SMEs, referred to as the “members”. It is a complex adaptive structure. One actor, referred to as the “coordinator” in the SPIN takes the role of a coordinator to facilitate, initiate and to strengthen interactions between members in the network. The coordinator could be one of the members of the SPIN.

Outcomes are the result of dynamic emergent patterns of interaction between partners willing to exchange knowledge and share (future) business opportunities but the exact outcomes of the interactions are not known beforehand. The contractual relationship can be limited to a commonly agreed network contract between the coordinator and the members and a limited number of rules.

The international EPC+ platform as a trading place

On the international EPC+ platform members can trade know-how and supporting tools. Each member can sell to and/or buy from other members. Know-how can be related to technical issues as well as to other aspects such as third party financing mechanisms. Examples of supporting tools are contracts, calculation tools, Energy Management Monitoring software etc.

¹ The Cynefin framework has been used to categorize different organisational types of SPINs and to define the most appropriate management decision rules per SPIN type. A more detailed explanation can be found in D2.2 available on www.EPCplus.org.

The international EPC+ platform for the development of international Simple or Complicated SPINs

Members can make use of the EPC+ platform to create international partnerships with one or more other members under the form of Simple or Complicated SPINs. The intended life cycle of these SPINs could be temporary (e.g. six months) or much longer (several years). It could be created with the objective to execute a particular business transaction or to focus on the realisation of several objectives. The EPC+ platform has to support the development of such SPINs between members from different countries.

International Simple SPIN

A Simple SPIN is a formal organisation with one leading partner, referred to as the “principal” and partners, referred to as the “associates”. An example, in the framework of the International EPC+ platform, is a member that makes use of the services of another member to serve its international clients in another member state or to strengthen its team with experts from other countries. Each member can be part of different international Simple Spins and be a principal and/or an associate.

Transactions between the principal and the associate(s) are based on known and widely accepted procedures. The principal is leading and can choose the associates it is willing to work with. The contractual relationship is to a large degree determined by the principal.

International Complicated SPIN

A Complicated SPIN is a formal collaborative network of SMEs with strong connection strengths between all partners, referred to as “partners”, and a collective central control. Responsibilities and tasks are split and allocated to the different partners in the SPIN. A more leading role could be assigned to one partner, referred to as “leading partner”. The decision making process and how transactions are executed have to be defined before the creation of the SPIN. Complicated SPINs are difficult to create and to manage because of the large number of aspects to agree on between all partners. Collaboration can be based on a contract between all partners or within a new legal entity (e.g. a joint venture). One or more principals of Simple SPINs could be partners in a Complicated SPIN. An example of an International Complicated SPIN is a long term collaboration between two SME’s with complementary expertise and services (e.g. one party offering third party financing and one offering technical advice in the field of heating, ventilation, and air conditioning (HVAC) in buildings).

The international character

The international character of the EPC+ platform creates additional opportunities:

- As members are operating in different geographic markets they will not consider each other as direct competitors;
- Members can benefit from the experience built up in different geographic markets with different market characteristics;
- Members will be able to offer pan-European services to their clients.

2.3 The members of the International EPC+ platform

Membership of the International EPC+ platform should be limited to (mainly) SMEs with a direct interest in potential business transactions with other members and in the added value of the EPC+ platform as a facilitator. Members can be stand-alone enterprises as well as principals of Simple SPINs and partners representing a Complicated SPIN.

3. Value creation and value distribution

3.1 Value creation

A key success factor of the international EPC+ platform is the willingness of partner companies to join the platform and to participate in interactions and potential business transaction. This will depend on the, initially perceived, added value of the platform in terms of business opportunities for participating companies. The international EPC+ platform should be designed with the objective to create this value.

Value for members could come from the other members and from the EPC+ platform itself.

The value from other members would strongly increase when each partner would be able to create value for as many as other partners. This value could be generated in following fields:

- Members looking for associates (Simple SPIN) or partners (Complicated SPINs);
- Innovation related to EPC concepts and services;
- Knowledge and expertise in specific fields;
- Management supporting tools;
- Access to financial sources; and
- Access to other networks.

The value from the EPC+ platform itself would come from its ability:

- To unite a number of members creating value to each other;
- To facilitate interactions between members to realise short and medium term business opportunities and innovation;
- To support transactions between members (e.g. standardised transaction rules, contracts); and
- To generate publicity for EPC services and for each member.

‘Quick wins’ in the form of concrete business opportunities in the short term would strongly increase the added value of the platform and be a good basis to increase the willingness of partners to actively participate in common actions with potential benefits in the medium or long term.

As quick wins related to innovative services such as Energy Performance Contracting (EPC) are less feasible, other concrete business opportunities should be identified and used to generate a willingness of partners to invest in longer term objectives such as EPC.

3.2 Value distribution and commonly agreed rules

When value is created it should be distributed in a way that is considered as fair by the respective members. As value can be related to initial innovation as to concrete business opportunities the need for value distribution rules will be different. Apart from value distribution other rules would be needed for costs and risks.

Costs can be related to the development cost of innovative services, management supporting tools, common marketing etc.

Risks are downside commercial risks (e.g. non-payment by clients), operational risks (e.g. service failure), infringement of IP rights, violation of non-competition clauses, etc.

Description	Expected time to market	Need for rules	How
Initial exchange of ideas on innovative services	Long term	No	The EPC+ platform will initiate and organise webmeetings to share information and to generate ideas on innovative services.
Common development of innovative services	Medium term	Yes	The EPC+ platform will enable members to create Complicated SPINs where rules can be agreed between the partners of the SPIN.
Trading between members	Short term	Yes	The EPC+ platform will enable members to present and sell interesting services and tools to other members. Rules can be agreed between seller and buyer per transaction.
Subcontracting of assignments	Short term	Yes	The EPC+ platform will enable members to create Simple SPINs where rules can be agreed between the principal and the associate.

Common generic rules can be developed at the level of International EPC+ platform while the development of more specific rules should be at the level of Simple and Complicated SPINs. The EPC+ platform could also be used to share insights and best practices on rules between members.

4. Description of a more concrete international EPC+ platform

A description, SWOT analysis and requirements of a more concrete international EPC+ platform is given in this chapter.

4.1 Using short term opportunities

Real short term business opportunities for members of the international EPC+ platform would create a good framework to initiate collaboration between members of the platform. Current energy audit services provided by members and the obligation for large enterprises in European member states to conduct an energy audit could trigger collaboration.

Several partners in the EPC+ consortium have been supporting public authorities and/or private companies to conduct energy audits, to develop energy action plans and/or to implement energy management systems (e.g. ISO 50001). These partners are providing energy audit services in the framework of the Energy Efficiency Directive.

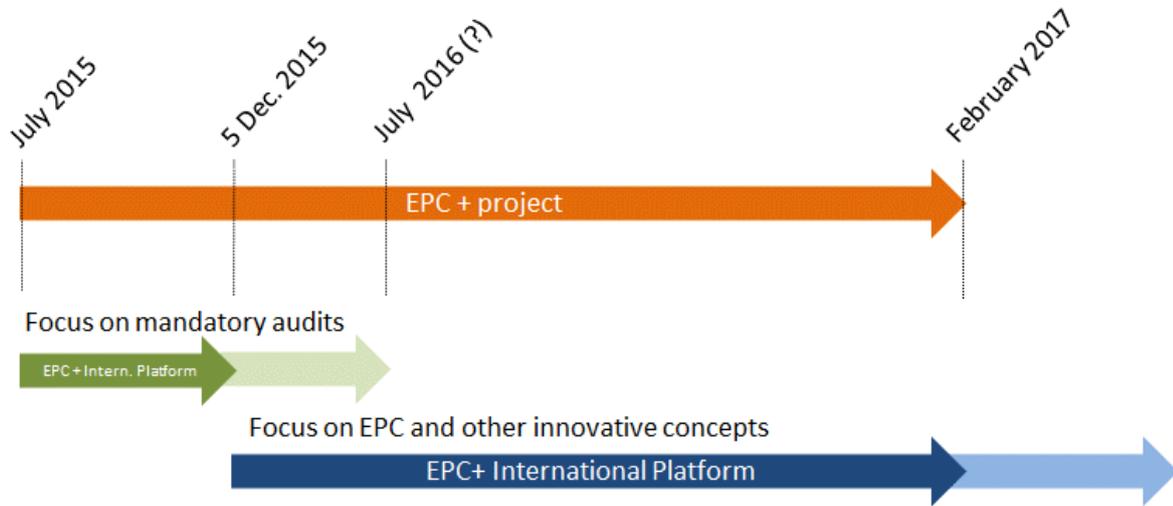
The 2012 Energy Efficiency Directive (EED) establishes a set of binding measures to help the EU reach its 20% energy efficiency target by 2020. Under the Directive, all EU member states are required to use energy more efficiently at all stages of the energy chain from its production to its final consumption. Article 8(4) of the Energy Efficiency Directive (EED) establishes the obligations for Member States to ensure that large enterprises carry out an energy audit at least every four years, with a first energy audit at the latest by 5 December 2015. EU member states were required to transpose the Directive's provisions into their national laws and to implement practical aspects such as detailed audit requirements and certification of auditors.

Many large enterprises are present in several member states. Some of these enterprises are looking for a pan-European approach with regard to energy audits. External energy auditors and energy audit firms on the other hand are mostly only active in one country.

Current international services by some of these audit service providers are based on bilateral agreements between a partner acting as a principal and service providers in other countries acting as subcontractors.

A network with an initial focus on energy audits provides a market opportunity for local energy audit firms to enhance their energy audit capacity and to offer their multinational clients mandatory audit services in other countries. This would create a strong incentive for energy services providers to join the network and to start cooperation with other members of the network. Other objectives such as the development of a market place for EPC services could be realised in subsequent steps.

Fig. 1 - Time schedule and focus of the International EPC+ platform



Taking into account that many EU member states have transposed Art. 8 of the EED much later than required and that some other member states are still in the process to implement mandatory energy audits for large enterprises it is expected that a large number of large enterprises will not have complied by the 5th of December 2015. This means that the need for energy audit services will continue to exist for many months after the 5th of December 2015.

4.2 SWOT analysis

The (potential) strengths, weaknesses, opportunities and threats of the proposed International EPC+ platform are presented in figure 2.

<p>Strengths</p> <ul style="list-style-type: none"> Existing energy service providers in EU member states; Current international bilateral relationships between energy audit service providers; Low development cost to create cross border partnerships between members; Relative low cost to market and sell common EU capabilities (via each member and common website). 	<p>Weaknesses</p> <ul style="list-style-type: none"> Limited time to make use of mandatory energy audits market; Time needed before members will start cooperation; Voluntary network of independent SMEs instead of one company; No standardised approach (e.g. for audits).
<p>Opportunities</p> <ul style="list-style-type: none"> An existing market due to mandatory audits for large enterprises; Market need to provide services to international clients; Possibility to broaden focus to more innovative services after initial focus on audit services; Marketing tool for members; Platform to launch initiatives and to create partnerships. 	<p>Threats</p> <ul style="list-style-type: none"> Competition of existing energy service companies operating in all or many EU countries; Service failure of one or more members; Members will lose interest after initial focus on energy audits; Not enough initial assignments to trigger collaboration.

Fig. 2 - SWOT analysis

4.3 Organisation

The objective of the platform is to start as a mainly self-organising network without much administration. The success has to come from the interactions between the partners leading to concrete business opportunities. The coordinator will start to contact potential members to know their interest to join the platform. This will be followed by a common webmeeting to present the objectives of the International EPC+ platform and its value for members. The coordinator will organise monthly meetings and use a common document storage and synchronisation service (e.g. Google drive).

An advisory board could be installed to support the International EPC+ platform and to strengthen the integration of the platform in the EPC+ project. The objectives, requirements for board members, meetings etc. will be defined later.

4.4 Requirements for members

Members of the International EPC+ platform should fulfil the following minimum requirements:

- Only active in one large or two smaller European member states to avoid potential dominance;
- Should be able to conduct mandatory energy audits in compliance with national legislation;
- Should offer additional energy efficiency services such as EPC or have a strong interest to develop these services in the short term;
- Willingness to participate in meetings and to share information, tools etc. for free or against payment.

Members could include EPC+ consortium partners as well as other companies fulfilling the minimum requirements. To increase potential income from initial transactions between members a limited number of members per member state will be preferred (e.g. two to three for large member states and one for smaller member states).

4.5 Other requirements

Contract

A contract between each member and the coordinator will be developed and will include:

- Identification of contract partners;
- Description of objectives;
- Tasks coordinator;
- Requirements for membership;
- Tasks member;
- Minimum rules;
- Ability for to leave network;
- Ability to be excluded from membership;
- Duration.

Common website and logo

A platform name, common logo and website will be created. A different website than the EPC+ website is needed as the International EPC+ website will have a more commercial objective. Both websites will refer and will make a link to each other.