

Model 5

Regional Energy Services Operator - OSER

Rhône-Alpes region – France

OWNERSHIP	PUBLIC
Program authority	Region of Rhône-Alpes - France
Program Delivery unit	<i>Société Publique Locale Efficacité Energétique Opérateur de Services Energétiques Régional</i> (SPL OSER) - Public Regional Energy Services Operator
Implementation Model	Energy Performance Contracting (EPC)
Operating Services	Marketer Facilitator Integrator Financial advisor Financier
Projects Financed	Energy Efficiency (building retrofits)
Ambition/targets	Factor 4 20 projects with investment amount of 78M€ over 3-4 years Reach French energy consumption standard (BCC) of 80kWh/m ² /year Energy savings from 40% to 75%
Beneficiaries	Shareholders (Regional Public authorities)
Funding Vehicle	Public ESCO Financial institutions
Financial Instruments	EPC Financing Loans Grants

Summary

“SPL OSER” (*Société Publique Locale Efficacité Energétique Opérateur de Services Energétiques Régional*), a Publicly owned Local Limited Company (PLLC), was created at the end of 2012 to assist local and regional authorities in the region of Rhône-Alpes in meeting the challenges of energy transition through the realisation of deep energy retrofit projects. OSER stands for “Regional Energy Services Operator” and its mayor role is to act as a Public ESCO (Energy Services Company) for its public shareholders within the Rhône-Alpes region. Its founding partners, the Region of Rhône-Alpes, 9 municipalities and the inter-municipality SIEL, created the SPL as an answer to the then very weak demand for deep energy retrofit investments and the quasi-absence of comprehensive retrofit solutions offering. They were convinced that energy efficiency requirements on new construction only would not suffice to decrease the ambitious CO₂ emission reduction targets and that the public

authorities had to play a leadership role in the roll-out of deep energy retrofit projects, in order to boost a dynamic of energy retrofit.

The programme's ambition is to invest around 78M€ and reach for every retrofitted building the French Low Energy Consumption standard BBC (*Batiment Basse Consommation*) of 80kWh/m²/year, achieve significant cuts in energy consumption ranging from 40% to 75%, boost the regional economy and create jobs through retrofitting.

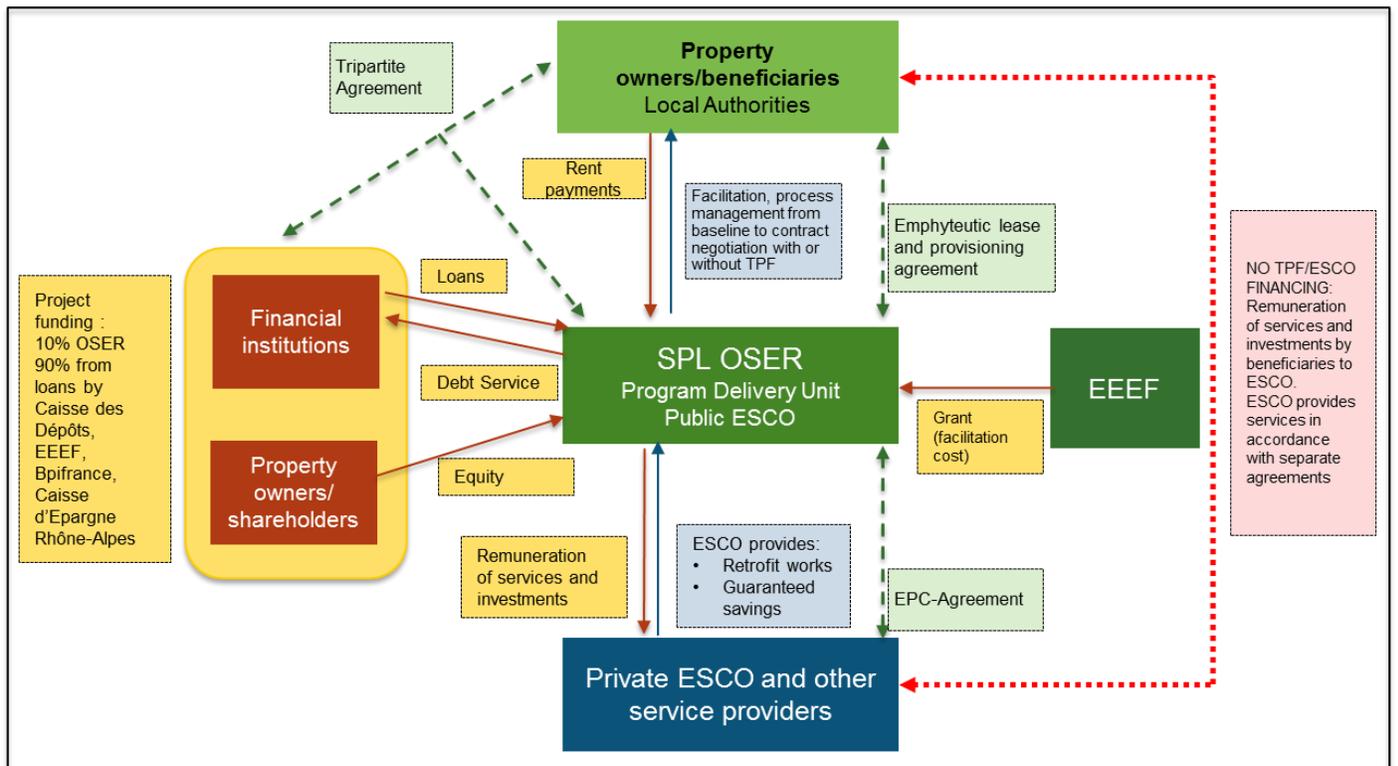
The SPL went operational at the end of 2014 with the signature of the first project with Ville de Bourg-en-Bresse related to the retrofit of the school buildings of 3 school groups. Currently it has launched 10 projects with a total investment value of 31M€ and it has 7 other projects in feasibility phase.

How does it work?

- Municipalities, local and regional authorities wanting to apply for the services of SPL OSER in order to perform feasibility studies, or to execute or implement their retrofit or renovation programme need first to become shareholder of the SPL, provided that they adhere to the by-laws and to the shareholders charter. Their contribution to the equity is 1€ per inhabitant.
- The beneficiaries can basically choose between two approaches to carry out their retrofit energy programme or investments:
 - Based on a separate contractor approach.
OSER can then provide project development assistance (feasibility studies, preliminary assessment, public procurement, financial advice), and if requested, project management of the necessary energy retrofit to be carried out. It basically assists the beneficiaries in preparing and follow-up of the contracts as part of the retrofit programme.
 - Based on an EPC-approach (Energy Performance Contracting) including 3rd party finance provided by OSER.
In this case OSER provides project development assistance, project management and financing and commits to guaranteed energy savings.
OSER's services, as public ESCO, are considered to be "in-house" thus no public tender needs to be carried out by the beneficiary. OSER applies the competitive dialogue tender to those services that it outsources, in other words services that it does not perform itself. Beneficiaries that have chosen for the EPC-approach will have to contribute around 10% of the total investment amount to the equity of OSER, thus increasing their participation in the SPL OSER. OSER is providing the financing of the other 90%.
As counterpart of the services the beneficiary pays a fixed rent amount to OSER over an agreed period in accordance with the signed Emphyteutic Lease and Service Delivery Agreement. The duration of the agreement is at least 18 years. The property reverts to the beneficiary at the end of the Emphyteutic lease period.

- Funding of the investments under an EPC-approach is being secured through equity of OSER (about 10%) and 90% of the funding is being secured with regional, national and European financial institutions:
 - 41M € long term loans on savings funds "Livret A" from Caisse des Dépôts, i.e., soft loans for projects in priority areas for urban policy (urban renovation loans and urban project loans) as well as "Green Growth Loans" with a term of +/- 20 years
 - 5M € short term funding from EEEF, the European Energy Efficiency Fund (senior construction facility for energy efficiency schools retrofit)
 - Possible Bpifrance funding (Bpifrance is a subsidiary of Caisse des Dépôts)
 - Possible European Investment Bank (EIB) funding via Caisse d'Epargne Rhône-Alpes

Fig 1. Operational and financial model



The program delivery unit

SPL OSER is the program delivery vehicle of the energy retrofit investments of its local public shareholders in the Region of Rhône-Alpes. It acts as marketer, facilitator, integrator, financial advisor and financier for the beneficiaries, though the service delivery perimeter is by law limited to its (public) shareholders within the territory of Rhône-Alpes.

It actually operates partly as a provider of services and expertise, and also as a third party investor in energy efficiency projects for local and regional public buildings, thus having all characteristics of a public ESCO.

It has basically three objectives:

- Carry out energy retrofit or renovation of public buildings while providing a comprehensive offer, such as EPC, to the beneficiaries. This includes design, implementation, operation and procuring third party financing for the projects.
- Provide legal and technical engineering assistance, but also financial advice to develop or acquire financing by third-party investors.
- Mutualise the acquired competencies, skills and resources and capitalise on experiences.

Projects need to be presented to OSER's "Investment Committee" (15 members) and are formally approved by the board of Director (which takes decisions).

Currently OSER has 6 staff and its operations have been considerably secured with a 1,1M € technical assistance grant from EEEF.

Legal structure	SPL-Société Publique Locale (Publicly owned Local Limited Company)
Shareholder description	Public Partnership
Equity	7.405.660€
Shareholders	Region Rhône-Alpes (88%) 11 participating municipalities (11,3%) SIEL-intermunicipality (0,7%)
Program dedicated staff	Moderate – 6 FTE
Program operational costs	Moderate Less than 10M €

Organization and partnerships

Region of Rhône-Alpes: main political initiator and majority shareholder of SPL OSER (88%),

SPL OSER: provides staff, procedures, tools and services for the program. Offers the program delivery unit services: marketer, project facilitation, projects integration, financial advice and 3rd party financier.

Local partner banks: Caisse des Dépôts, Bpifrance

European Energy Efficiency Fund (EEEF): Is an innovative public-private partnership dedicated to mitigating climate change through energy efficiency measures and the use of renewable energy in the member states of the European Union. It focuses on financing energy efficiency, small-scale renewable energy, and clean urban transport projects (at market rates) targeting municipal, local and regional authorities and public and private entities acting on behalf of those authorities.

European Investment Bank (EIB) through Caisse d'Épargne Rhône-Alpes: The EIB is the European Union's bank, owned by and representing the interests of the European Union Member States. It works closely with other EU institutions to implement EU policy. EIB provides finance and expertise for sound and sustainable investment projects which contribute to furthering EU policy objectives.

Beneficiaries

Beneficiaries	Local and regional authorities
Type of projects	Energy Efficiency (building retrofits)
Operational support	Project facilitation and 3 rd party financing through the Project Delivery Unit
Financial support	Project facilitation costs free of charge under EPC-approach

Funding mechanism

Program delivery unit funding	SPL OSER is being funded by the shareholders (public authorities). The program delivery unit's operational costs are basically funded by a 1,1M€ grant from EEEF
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Projects Funding	EPC Projects are being funded by equity of the SPL (10%) and the remaining 90% through loans taken by the ESCO. Separate based contracting projects are funded by the Property Owners.
Funding Vehicle	Public ESCO Public Building owners (own funds)
Fund size	Not applicable
Fund type	Not applicable
Fund sources	
Financial Instruments	EPC Financing Loans Grants

Results

Currently 10 projects are being implemented for 4 Shareholder-Beneficiaries with a global investment amount of 31M €. Investment amounts range from 0,9M€ to over 6,0M€ and energy savings range from 40% to 70%. Furthermore, SPL OSER has 7 projects in feasibility or preliminary assessment phase.

Since the foundation of SPL OSER by the 11 initial public authorities 2 local authorities have joined as shareholders and 2 other local authorities are in the process of joining.

Some details on the on-going projects:

Beneficiary-Shareholder	Buildings	Investment Mio €	Baseline K€	Energy Savings	Funding
Ville de Bourg en Bresse	Schools Baudin, Robin, Vennes	6,2	106,0	50-60%	SPL OSER
Rhône-Alpes Region	5 regional high schools	18,0	368,4	41%	SPL OSER
Cran Grevier	Town hall	5,9	47,0	70%	SPL OSER
Montmélian	Multimedia library	0,9	7,0		SPL OSER
		31,0	528,4		

Contact details

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Factsheet

General Info

Country	France
Model Name	Regional Energy Services Company - OSER
Date of creation	2012

Model Description

Ownership	Public
Program authority	Region of Rhône-Alpes
Program delivery unit	SPL OSER
Operating services	Marketer Facilitator Integrator Financial Advisor Financier
Implementation model	Energy Performance Contracting (EPC)
Types of projects financed	Energy Efficiency (Buildings retrofit)
Beneficiaries	Shareholders-Local authorities
Geographical coverage	Regional 6,3M inhabitants

Financial Model Description

Project funding	Public
Project funding vehicle	Public ESCO Shareholders
Financial instruments	EPC Financing Loans Grants
Repayment model	Guaranteed savings agreement

Project risk Profile

Performance risk	ESCOs
Recourse	Pledged receivables
Financial risk	Public ESCO Property Owners

Model Requirements

Staff Requirements	Moderate Less than 10 FTE
Equity Requirements	Low Yearly budget of +/-500K€, 1,1M € granted by EEEF
Funding Requirements	Moderate Less than 5M €

Model Key indicators

Investment volume since creation	31M €
Size of project (or project portfolio)	0,9M € to +6,0M €
Level of average energy savings	40% - 70%

Development maturity

Development/implementation stage	Growth
Operational development maturity	Growth
Financial development maturity	Growth

Model Qualification

Level of establishment	Well established
Growth potential	Large
Scalability of the model	Low
Replicability of the model	High
Impact on public balance sheet	High

Factsheet

<http://spl-oser.fr/>

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