

# Facilitation of Energy Project Investment in Local Authorities

Galway County Council [Ireland]

## Context

The Irish Government has facilitated the creation of a €70 M Energy Efficiency Fund (the “Fund”) by committing €35 M to finance energy efficiency projects across Irish public and private sector buildings and urban infrastructure on a commercial basis. The Fund will work with energy services companies (ESCOs), contractors, equipment suppliers and/or the client organisations to provide a fully funded solution that delivers energy savings to the client organisation, typically through a services contract.

The Local Authority have an Energy Management System in place - called Energy MAP - which results in annual Energy Action plans being prepared. In order to be implemented, the plan requires investments, and often the LA faces energy project funding constraints; to overcome these constraints and maximise the gains made from energy savings, an innovative solution to funding future energy upgrades was established.

## Description and Main Objectives

The programme offers a solution to LA struggling to gain investment in energy projects. It adds a structure to energy project assessment with performance indicators and financial models. This innovative funding solution operates such that the Energy Conservation Budget is utilised with an internal Energy Performance Contract (EPC). This is equivalent to an Internal ESCO (Energy Services Company). The ESCO provides the investment for an energy saving project, with the investment being repaid out of the reduced energy costs as a result of the energy savings made. The seed capital for the conservation budget was achieved through energy cost savings.

Through the programme:

- The LA does not lose out on the windfall gains from energy cost/efficiency savings which are often lost to the organisation as the operational budget are reduced based on the lower energy costs. This method allows the LA to continue to invest year on year in energy saving projects;
- Energy finance increases. As the LA approaches its 2020 target, the investment required to achieve the savings increases. In this case the fund also increases to match this requirement;
- Legal requirements are met – the public sector must deliver 33% energy efficiency savings by 2020.
- €80,433 were saved in 2013
- 194 T of CO<sub>2</sub> were saved in 2013



## Implementation Strategy

The energy fund, administered by the Environment Department, acts as an internal ESCO.

- ⇒ The ESCO provides the investment for an energy saving project, with the investment being repaid out of the reduced energy costs as a result of the energy savings made.
- ⇒ All project proposals are assessed using Energy Performance Indicators to ensure the project delivers on energy efficiency with set energy targets.
- ⇒ The fund supplies 100% of the funding for a project in Year One. The savings realised from the project by the LA Department implementing the project (in the operational Energy budget) is used to pay back to the Internal ESCO in Year 2 and Year 3, until 110% of the original cost is repaid. An initial small saving may be made to the operational budget e.g. 10% and the remaining would repay the ESCO fund.
- ⇒ Essentially the savings are be used to pay the capital costs over the following years (depending on the project payback as determined at project proposal stage). It negates the need for any capital funding from the LA Department budget. It allows the LA to steadily increase the investment in Energy savings projects while reducing the budget allocation after year 4, as the savings should then be funding the further upgrades.

Through the programme, Galway County Council have delivered 16.6% energy savings from the baseline.

## Budget

The project cost is €150,000 per annum; the funding sources come from the Local Authority's operational budget and savings from previous energy cost reductions. The programme focuses on projects with payback periods of less than 5 years.

## Time Frame

Start date: 2013 - End date: Ongoing

## Contacts & Links

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