

IMPLEMENTATION OF THE QUALITEE BUSINESS MODEL IN THE CZECH REPUBLIC

CERTIFICATION SCHEME FOR EPC PROJECTS AND EPC PROVIDERS



QualitEE Project

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DEFINITIONS AND GLOSSARY

Term	Definition	
Annual M&V report	Means an annual report on the fulfilment of obligations defined by the EPC contract during the past billing period for 12 consecutive months, which must include at least:	
	 the description of the operation of the energy system during the billing period, including a description of deviations from the standard operation of the energy system during the billing period; 	
	 the amount of cost savings achieved, total and per individual saving measures; 	
	 the amount of energy savings achieved; 	
	 the amount of guaranteed savings; 	
	 the conclusion whether the guaranteed savings have been achieved, also whether the Client has a right to issue a penalty or the EPC provider (ESCO) has a right to a bonus under the terms of the contract; 	
	and possibly the specification of appropriate additional measures taken	
Authorization Body	Grants authorization to certification body/bodies	
Baseline (reference energy consumption)	Energy consumption which is to be used to compare with actual consumption after the EPC project has been implemented in order to determine savings. It can be defined either as an absolute value of consumption or in the form of a formula by which consumption values are calculated for specific conditions, or a combination of both approaches	
Certification Body	Certifies EPC projects and/or EPC providers under authorization provided by the Accreditation Body	
Client	Any natural or legal person to whom an energy service provider delivers an energy service	
Energy Efficiency Directive (EED)	Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency	
Energy efficiency improvement*	Increased in energy efficiency as a result of technological, behavioural and/or economic changes	
Energy efficiency service (EES)**	Agreed task or tasks designed to lead to an energy efficiency improvement and other agreed performance criteria	
Energy efficiency*	Ratio of output of performance, service, goods or energy, to the input of energy	



Energy management system*	Set of interrelated or interacting elements of a plan which sets an energy efficiency objective and a strategy to achieve that objective
Energy performance contracting* (EPC)	Contractual arrangement between the beneficiary and the provider of an energy efficiency improvement measure, verified and monitored during the whole term of the contract. Investments (work, supply or service) in that measure are paid for a contractually agreed level of energy efficiency improvement or other agreed energy performance criterion, such as financial savings
Energy savings*	Amount of saved energy determined by measuring and/or estimating consumption before and after implementation of an energy efficiency improvement measure, whilst ensuring normalisation for external conditions that affect energy consumption
Energy service project facilitator (facilitator)	Advisory company working on behalf of the client to procure and/or implement an energy service project
Energy service provider*	Natural or legal person who delivers energy services or other energy efficiency improvement measures in a final customer's facility or premises
Energy service*	TPhysical benefit, utility or good derived from a combination of energy with energy-efficient technology or with action, which may include the operations, maintenance and control necessary to deliver the service, which is delivered on the basis of a contract. In normal circumstances has proven to result in verifiable and measurable or estimable energy efficiency improvement or primary energy savings
Energy supply contracting*** (ESC)	Contractual arrangement for the efficient supply of energy. ESC is contracted and measured in Megawatt hours (MWh) delivered
Energy*	All forms of energy products, combustible fuels, heat, renewable energy, electricity, or any other form of energy, as defined in Article 2(d) of Regulation (EC) No 1099/2008 of the European Parliament and of the Council of 22 October 2008 on energy statistics
EPC provider	Energy service provider which delivers energy services in the form of Energy Performance Contracting
Guaranteed savings	Regarding costs, the minimum amount of which is guaranteed by the EPC contract; The costs usually include energy, water, and other related costs
Project	Project includes a set of measures designed to achieve an efficient energy use; usually, however, the project refers to the implementation of the entire process from design, to the installation of the proposed measures and their commissioning, to the provision of guarantees, including long-term energy management
Measurement and verification (M&V)	Process of planning, measuring, collecting and analysing data for the purpose of verifying and reporting energy savings within an individual facility resulting from the implementation of energy conservation measures



Savings	Energy savings and/or related financial savings; the financial savings include the costs of energy provision and can also include other operational costs, such as the costs of maintenance and workforce
Tender dossier (TD)	technical part of procurement documents to guide tenderers during the preparation of indicative tenders
The International Performance Measurement and Verification Protocol (IPMVP)	Widely referenced framework for "measuring" energy or water savings, which is available at www.evo-world.org

Notes:

- *Definitions according to the Energy Efficiency Directive
- **Definition according to the European standard EN 15900:2010
- ***Definition is a simplified version of IEA DSM Task Force 16 definition



1 EXECUTIVE SUMMARY

The main purpose of certification of EPC projects and providers is to support the development of a trustworthy market that provides EPC services and thereby support further development of energy-saving projects.

The presented system sets specific methodological procedures and quality parameters for the preparation and implementation of EPC projects while defining the minimum requirements imposed on EPC providers. The system is set up so that the certification of EPC providers is preceded by the certification of individual EPC projects, which is a prerequisite for the certification of EPC providers. This document also describes a specific procedure and a certification method as well as an initial design of the structure of both certification schemes. The first certification scheme is designed for EPC projects, while the second one is for EPC providers.

The presented design has been discussed with the relevant stakeholders during the national promotion team meetings and national discussion platform workshops, trainings and other meetings related to the EPC market. In the last stage of design development, it was fine tuned in co-operation with the Ministry of Industry and Trade (MIT) to fit the institutional framework in the Czech Republic. The scheme design was approved in November 2019by the Division for energy efficiency and savings at the MIT. However, the implementation of the certification schemes still needs to be approved by the Council of the MIT and consequently signed by Minister of Industry and Trade. The MIT will also need to appoint one organization (under its rule) to operate as a certification body.

Though it was planned to get the certification schemes on the agenda of the Council of the MIT early in 2020, the Council has been overwhelmed by the other urgent issues. Since the declaration of the state of emergency on March 13th 2020, the situation worsened considerably as now the priority of the MIT is to deal with the adverse impacts of the emergency state on the economy. It can be expected that the whole approval process of the certification schemes will be delayed at least by the length of the state of emergency. Most probably the implementation of the schemes will start in 2021 the earliest.

In April, it has been decided to do testing of the proposed certification scheme for EPC projects in co-operation of the MIT, APES and QualitEE project. Experts will be selected to evaluate a few projects with the criteria while the EPC providers will provide the data needed. The testing will show whether the proposed criteria and certification procedure need any amendments and will support the approvals needed on the side of MIT.



The implementation of certification systems will lead to a transparent system of classification of EPC projects and EPC providers as well as the standardization of basic parameters for providing energy services. The certification system will be applied as follows:

- As a marketing to promote energy savings market.
- As a tool for guaranteeing the quality of services provided by certified suppliers for customers, especially for customers who do not yet have experience in EPC-type energy services (meeting the requirements of Act 406/2000).
- It enables the use of the EPC provider certificate as partial proof of technical qualification in a tender procedure, to the extent stated on the certificate (documents not older than 3 months, e.g. the business register record, must be submitted by the supplier during the tender procedure).
- It will help expand the market through state-certified projects and state-certified suppliers, bringing an additional amount of energy savings to be counted towards Article 7 of the 2012/27/EU Energy Efficiency Directive.

The first step to evaluate EPC projects will be to verify whether the **project meets the legal** requirements set out in Section 10e (1) of Act 406/2000 for an energy service contract.

The project being certified must pass at least the first period of evaluation of energy savings in order to assess the quality of the project, the complexity of the contract, as well as the actual level of energy savings achieved and the fulfilment of contractual parameters. EPC projects can only be evaluated during the lifetime of the project, not before the approval of the first annual M&V report.

The certification of EPC providers is based on professional and high-quality certification of a required number of EPC projects. In order to be certified, an energy service company must demonstrate that it can implement EPC projects in such a way that all project quality requirements are met.

The remaining requirements for EPC providers can be assessed as part of the administrative process by verifying that the EPC provider meets the requirements for company experience and staff quality and qualification.

The certification should be available to all qualified companies, including small and mediumsized enterprises. Therefore, after consultation with stakeholders, a scheme **independent from international standards** has been chosen for certification of EPC projects and EPC providers, **for simplicity and possible lower costs reasons**. This means that the role of the Accreditation Body will be played by the Authorization Body, who authorizes Certification Bodies to carry out



certifications independently of the international standards ČSN EN ISO/IEC 17065:2013 and MPA 40-01-16.

The structure of organizations with three key roles is crucial to the functioning of the certification system:

Authorization Body that authorizes the Certification Body and designates the certification scheme owner;

- Certification Body that certifies EPC projects and/or EPC providers;
- **Certification Scheme Owner** that sets the criteria, requirements, and technical rules of certification;
- **Certificate holder** the organization that receives the given certificate.

The recommended institutional roles are shown in the table below.

Table 1 Institutional involvement

	Certification of EPC projects	Certification of EPC providers
Authorization Body	Ministry of Industry and Trade	Ministry of Industry and Trade
Certification Bodies	State institution responsible for setting up a certification committee composed of experts with the required qualifications	State institution responsible for setting up a certification committee composed of experts with the required qualifications
Certification Scheme Owner	Expert company	Expert company



2 INTRODUCTION

The report describes the design and planned implementation of the certification schemes for the EPC projects and EPC providers in the Czech Republic.

This report has been developed as part of the "QualitEE – Quality Certification Frameworks for Energy Efficiency Services" project supported by the EU's Horizon 2020 programme. The QualitEE project aims to increase investment in EES and improve trust in service providers.



3 THE CASE OF THE CZECH REPUBLIC

3.1 Description

The main purpose of certification of EPC projects and providers is to support the development of a trustworthy market that provides EPC services and thereby supports further development of energy-saving projects.

The EPC market in the Czech Republic is well-developed, with a high level of know-how among EPC providers and acceptance of EPC by several banks, providing substantial financing opportunities for current EPC projects.

Historically, the success of EPC in the Czech Republic can mainly be attributed to the continuous bottom-up efforts of energy service companies. Since 2010, these efforts are concentrated within the association of energy service providers APES.

The first EPC project in the Czech Republic was implemented as early as 1993. Between 1994 and 2017, about 240 EPC projects have been implemented with a value above CZK 300 billion (Chance for Buildings 2018). Currently, the EPC market is experiencing stagnation. According to the APES, in 2016 nine new EPC projects were commissioned with a value of CZK 259 million and another nine new EPC projects were commissioned in 2017 on 39 sites with a total value of CZK 249 million (Chance for Buildings 2018). EPC providers and facilitators reported in the QualitEE survey (2017) that the market for EPC services is stagnating or experiencing only slight growth in the Czech Republic. From 2020 slight growth is expected as some projects use subsidies for energy savings provided by the State Environemntal Fund.

The QualitEE survey in 2019 reported that typical EPC contracts in the Czech Republic are held with public sector clients. Municipalities are followed by two other key areas of the public sector: healthcare and education. Czech EPC providers and facilitators selected "Administrative barriers in the public sector" and "Complexity of the concept / Lack of information" as the top two barriers to EPC business. These are followed by "Low demand" and "Lack of trust in the ESCO industry".

Adoptions of EPC in governmental institutions is still very low due to very low interest of decision makers. EUROSTAT rules on public debt hinder adoption of EPCs. By the law governmental organisations cannot take out loans to finance EPC projects.

In the Quality market survey (Szomolányiová 2018), the majority of respondents in the Czech Republic agreed that the main benefits of a quality assurance scheme would be an increase in customer trust and standardised quality criteria.



Currently, there are two complementary quality assurance schemes under development in the Czech Republic. The first one known as the Reasonable Energy Savings programme (Program Úspory energie s rozumem 2020) supports preparation of good quality energy efficiency projects. Until now, the feasibility studies have been prepared for about 20 energy efficiency projects, which are currently evaluated. The programme also plans to register the projects which select the energy efficiency masures for implementation. The last part, which would award to selected implemented projects a status of good quality is currently under development. at the time of writing.

The second scheme, prepared within the QualitEE project, is focused on the certification of EPC projects and providers. It is in the stage of finalised proposal waiting for the final approval from the Ministry of Industry and Trade (MIT). The scheme prsented in this document sets specific methodological procedures and quality parameters for the preparation and implementation of EPC projects while defining the minimum requirements imposed on EPC providers. The system is set up so that the certification of EPC providers is preceded by the certification of individual EPC projects, which is a prerequisite for the certification of EPC providers. This document also describes a specific procedure and a certification method as well as an initial design of the structure of both certification schemes. The first certification scheme is designed for EPC projects, while the second one is for EPC providers.

The scheme design has been approved by the responsible Division for energy efficiency and savings at the MIT in November 2020. However, the implementation of the certification schemes still needs the be approved by the Council of the MIT and consequently signed by Minister of Industry and Trade. The approval process has been slowed down by current COVID-19 crisis.

The implementation of certification systems will lead to a transparent system of classification of EPC projects and EPC providers and standardization of basic parameters of providing energy services. The certification system will especially find the following applications:

- s a marketing product in expanding the energy savings market,
- as a tool for guaranteeing the quality of services provided by certified suppliers for customers, especially for customers who do not yet have experience in EPC-type energy services (meeting the requirements of Act 406/2000),
- it enables the use of the EPC provider certificate as a partial proof of technical qualification in a tender procedure, to the extent stated on the certificate (documents whose age must be under 3 months, e.g. the business register record, must be submitted by the supplier during the tender procedure),



will expand the market through state-certified projects and state-certified suppliers, bringing an additional amount of energy savings to be counted towards Article 7 of the 2012/27/EU Energy Efficiency Directive.

3.2 EPC project certification

3.2.1 EPC project certification process

The first step of evaluating EPC projects will be to verify whether the **project meets the legal requirements set out in Section 10e (1) of Act 406/2000** for an energy service contract (see Table 2 below).

The project being certified must pass at least the first period of evaluation of energy savings in order to evaluate the quality of the project, the complexity of the contract, as well as the actual level of energy savings achieved and the fulfilment of contractual parameters. EPC projects can only be evaluated during the lifetime of the project, not before the approval of the first annual M&V report.

The EPC project certification process is illustrated in the flow chart below:

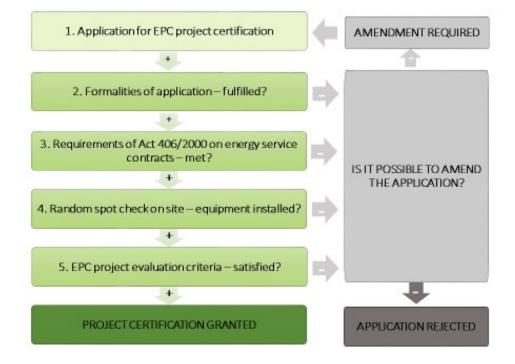


Figure 1 The EPC project certification process



Submission of the application

The applicant for certification of an EPC project shall submit all of the following documents:

- **a** copy of the valid energy service contract;
- an interim annual report up by the date of submission of the application for a period of 12 consecutive months.

The application for EPC project certification must include:

- ✓ identification information of the applicant;
- Identification information of the EPC project client, including contact details (email and telephone number) of the person responsible for the economic part of the project and of the person responsible for the technical part of the project;
- whe date of conclusion of the contract;
- when the starting date of guaranteed savings fulfilment;
- when total costs of the EPC project according to the contract and, in particular, its investment costs;
- annual guaranteed savings and savings achieved from the start of the project until the submission of the application on the basis of interim annual reports; savings data are presented for each year and the total duration of the project, broken down by savings in electricity, heat, natural gas, and other costs (wages etc.).

Evaluation of the EPC project formalities

In the first stage of the evaluation, an employee of the Certification Body verifies the formalities of the application, including the completeness of the appendices and the full payment of the required fees.

Expert evaluation of the EPC project

The Certification Body will carry out the second phase of the evaluation on the basis of an expert evaluation. This will be done by a member of the committee – an expert with experience with EPC projects. The expert will evaluate the EPC project based on the submitted documents. They will fill in the EPC project evaluation form, based on which the committee decides whether or not to grant the certificate.

The expert will focus on the following evaluation criteria:



- 1. The expert will verify whether the submitted contract meets all the statutory requirements specified in Section 10e (1) of Act 406/2000 of an energy service contract;
- 2. The expert will personally visit the site of installation of the saving measures and carries out random checks that the installation of the main saving measures has been prepared;
 - At they will confirm that the selected equipment is ready to be installed on the specified site and functioning correctly (criterion A-1);
 - which based on specific inquiries with contact staff of the client, they will identify and document the views of client representatives on the quality and functionality of the equipment installed and the fulfilment of several key criteria (selected on the basis of the type of the project and technology from a list of all evaluated criteria stated in the application);
 - If the client's representatives submit any reservations, the expert will settle them, i.e. decide the eligibility of the reservations;
- 3. The expert will evaluate whether all EPC project evaluation have been met based on the contract submitted, on the annual M&V report submitted, and on the information obtained at the installation site. The criteria cannot be fulfilled only partially each mandatory criterion must be fully met. The project will only be certified if it meets all the mandatory criteria. The evaluation of the criteria focuses in particular on achieving the guaranteed savings:
 - If the guaranteed savings have not been achieved according to the latest interim annual report, the application is rejected.
 - If the information provided in the application demonstrates that the deviation between the guaranteed savings and the savings achieved for any period of the year has been unacceptable, the application is rejected.
 - If the information provided in the application demonstrates that the deviation between the guaranteed savings and the savings achieved for any period of the year has been lower than acceptable, the expert will examine the reason for this deviation.
 - The expert will verify that savings have been achieved due to the implementation of the EPC project and not due to another project that is not directly part of the EPC project. The expert will evaluate the quality of operation to quickly identify technical system problems, in order to ensure remediation by the time specified in the contract.



Granting the certificate to the EPC project

If **all mandatory criteria** for issuing the certificate to the EPC project are met, the Certification Body grants a project certificate to the applicant.

Amending the application

If the requirements are not fulfilled and it is still possible to rectify it (e.g. by filling in missing data in the application), the Certification Body will demand an amendment of the application or its mandatory appendices.

Rejection of the application

If some criteria are not met even after the final deadline for amendments, the application for project certification is rejected.

3.2.2 Quality evaluation criteria for an EPC contract

The first step of evaluating EPC projects is to verify that it is a **project meeting the legal requirements set out in Section 10e (1) of Act 406/2000** (see table below) for energy service contracts. Although this Act defines the requirements only for energy services where the beneficiary is a contracting authority under the public procurement act, these requirements will apply to **all EPC projects for certification** purposes.

Table 2 Requirements for energy service contracts according to § 10e of Act No. 406/2000 on energy management

- (1) The energy service contract (hereinafter referred to as the "contract") must be in writing and must also contain:
 - a. a list of energy efficiency measures to be implemented or a list of energy efficiency results to be achieved;
 - b. a **specification of the guaranteed cost savings** or energy savings to be achieved by implementing the measures described in the contract, including the amount of the guaranteed savings to be achieved in each period for the duration of the contractual obligation under standard operating conditions;
 - c. the contract length, the conditions for withdrawal, the dates and the periods relevant for determining the achieved cost savings or energy savings;
 - d. **initial data making it possible to ascertain the achieved savings** of costs or energy, which include at least:



- the initial energy consumption and the initial cost level against which the savings are calculated; and
- the initial energy prices on the basis of which the baseline cost (referred to in point 1) is calculated,
- e. a **list of the necessary steps to implement the measure** or set of measures, accompanied, where appropriate, by the related costs;
- f. **conditions for the possible involvement of third parties** in subcontracting relations with the energy service provider;
- g. **determination of remuneration for the energy service provider** for the provided performance, including the distribution of the parties' share in the achieved financial savings,
- h. conditions for documenting, measuring and verification of the achieved guaranteed savings of costs or energy, quality assurance and guarantees;
- i. the procedure of responding to changing framework conditions, which affect the content and outcome of the contract, in particular changes in energy prices, changes in the intensity of use of facilities and equipment;
- j. agreement about the level of financial risk or penalties in the event of failure to achieve the agreed increase in energy efficiency;
- k. and penalties for breach of contractual obligations.

3.2.3 Quality evaluation criteria for EPC projects

European Technical Quality Criteria

The Czech scheme applies criteria tailored to the conditions of the Czech EPC market based on the Guidelines of European Technical Quality Criteria (Leutgöb et al. 2019). The Guidelines of European Technical Quality Criteria published by the QualitEE project team comprises of nine technical quality criteria:

- **QC1** ADEQUATE ANALYSIS
- QC2 QUALITY OF IMPLEMENTATION OF TECHNICAL ENERGY EFFICIENCY IMPROVEMENT MEASURES
- **QC3** SAVINGS GUARANTEE
- **QC4** VERIFICATION OF ENERGY SAVINGS



- **QC5** VALUE RETENTION AND MAINTENANCE
- QC6 COMMUNICATION BETWEEN THE EES PROVIDER AND THE CLIENT
- QC7 COMPLIANCE WITH OF USERS' COMFORT REQUIREMENTS
- **QC8** INFORMATION AND MOTIVATION OF USERS
- QC9 COMPREHENSIBLE CONTRACTUAL STIPULATIONS FOR THE CONTRACTING OF SPECIFIC REGULATORY REQUIREMENTS

Evaluation criteria and verification procedures for EPC projects in the Czech Republic

The quality criteria selected for the use in the Czech Republic have been a subject of discussion among stakeholders at the national level. Consequently, the feedback has been incorporated allowing us to present an extended and agreed set of criteria.

EPC projects must meet a set of criteria for quality of performance. The EPC Project will only be certified if it meets all the criteria listed in the following table.



Table 3 Evaluation criteria and verification procedures for EPC projects

NO.	EVALUATION CRITERION	CRITERION SPECIFICATION	VERIFICATION
А	Measures and guaranteed savings		
A-1	Installation and functionality assurance of saving measures and equipment according to the contract	Saving measures and equipment have been installed as specified in the contract	Checking the actual installation of selected key saving measures and equipment and their functionality on site (including random checks of the remaining measures)
A-2	Dependency of remuneration on adherence with the savings guarantee	The reduction in remuneration must be at least equal to the deviation from the guaranteed savings	Contract: The requirement must be part of the contractual terms relating to guaranteed savings
A-3	Guaranteed savings achieved	The savings achieved for the last assessed annual period submitted for verification are not less than 100% of the value of the guaranteed savings according to the contract. (Annual savings are savings for 12 consecutive months.) At the same time, in each sub-period assessed in the past, the savings achieved do not show an unacceptable deviation from the guaranteed savings. If the deviation is less than unacceptable, the applicant must justify the deviation Unacceptable deviation: Savings achieved are less than 65% of guaranteed savings.	The verification is performed by comparing the amount of savings achieved according to the submitted M&V report and the data in the application with the values of guaranteed savings according to the contract
A-4	Adequate intervals in the verification of adherence to guaranteed savings in compliance with the contract	The performance of the guarantee must be evaluated at least once a year	Contract: the contract must include the provider's obligation to submit an evaluation report at least once a year



			<u>ex-post:</u> The evaluation intervals set out in the contract will be compared with the interim annual reports submitted
A-5	Application of a standardized method for the calculation of savings	Application of the IPMVP method to calculate savings	<u>Contract</u> : Is the application of the IPMVP method specified in the contract? <u>ex-post</u> : Has the verification of energy savings been carried out in accordance with the specified IPMVP method?
A-6	Clear definition of the baseline (reference consumption) and its use for the verification of the savings	Determination of baseline (for savings calculation) based on separate evaluation of reference consumption data	<u>Contract:</u> Is the baseline defined in the contract? <u>ex-post:</u> Has the baseline, as defined in the contract, been used for the verification of savings?
В	Further criteria		
	ruitilei ciiteila		
B-1	Clear definition of responsibilities of the service provider with respect to maintenance and repair (only if the EPC project includes equipment operation)	Contractual obligations defining service and maintenance obligations of the service provider; representation of the interface in the system diagram and, if applicable, marking of the device on the site	Verification of compliance with contractual arrangements



	where these organizational measures are applicable)		
B-3	Verification of compliance with physical parameters of user comfort (only parameters specified in the contract) at least to the extent required by the contract	Regular evaluation (at least once a year) of data relating to user comfort (only in parameters specified in the contract). These data are collected and stored in an automated system of the building Further measurements in cases where substantial comfort deficits are found Corrective actions in case of non-compliance with the users' requirements specified in the contract	<u>Contract:</u> Availability of contractual arrangements for the verification of compliance with users' requirements and remedies in case of noncompliance. <u>ex-post:</u> Implementation of contractual agreements in practice.
С	Basic contractual agreements		
C-1	Ownership transfer	Availability of a contractual regulation in conformity with statutory provisions.	<u>Contract:</u> Verification that the contract contains the transfer of ownership agreements in accordance with legislation.
C-2	Insurance periods for technologies and building parts	Availability of a contractual regulation in conformity with statutory provisions.	Contract: Verification that the contract contains agreements with regards to the insurance period of technologies and building parts, in accordance with legislation.



3.2.4 Validity of the EPC project certification

The certificate issued to an EPC project is valid for 5 years. If the provider wishes to renew the certificate after its expiration, they must apply for a renewal of the certificate. Validity can only be renewed during the term of the contract, based on the fulfilment of the EPC project evaluation criteria.

Companies can apply for a new certificate 6 months before the certificate expires. When applying within this period, they will be guaranteed to obtain a new certificate that will be valid from the first day after the expiration of the current certificate.

3.2.5 Information obligation

All successful certification applicants, i.e. holders of EPC project certificates, are bound by an information obligation and are **obliged to report any major changes or new findings** regarding the data provided to the Certification Body for EPC project certification. The certificate holder is obliged to inform the Certification Body about such changes without undue delay, but no later than three months after the change or new finding occurred.

3.2.6 Revocation and withdrawal of EPC project certification

The project certificate may be revoked or withdrawn by the Certification Body, but solely in predefined cases:

- The certificate will be revoked if the certificate holder asks for its revocation e.g. if a fundamental change occurs in the implemented project due to organizational or other changes.
- The EPC project certificate may be withdrawn if, after the certificate has been awarded, a very serious violation of the certification conditions is proven in the following cases:
 - False information submitted in the application for certification.
 - Invalid or counterfeit documents submitted with the application for certification.
 - Information obligation violated.

3.3 EPC provider certification

3.3.1 EPC provider certification process

The certification of EPC providers is based on professional and high-quality certification of a required number of EPC projects according to the system described in the previous chapter. In order to be certified, an energy service company must demonstrate that it can implement EPC projects in such a way that all project quality requirements are met.



The remaining requirements for EPC providers can be assessed as part of the administrative process by verifying that the EPC provider meets the requirements for company experience and staff quality and qualification.

Submission of the application

The applicant for certification of an EPC provider shall submit all of the following documents:

- All documents from the list of required documents proving the fulfilment of compulsory requirements for the certification of companies.

The application for EPC provider certification must include:

- ✓ identification information of the applicant;
- ✓ identification details of EPC projects whose certificates are submitted; including contact information of the clients of EPC projects

Evaluation of the EPC provider's formalities

In the first stage of the evaluation, an employee of the Certification Body verifies the formalities of the application, including the completeness of the appendices and the full payment of the required fees.

Subsequently, the Certification Body verifies compliance with all requirements for the provider certification, namely verifying:

- 1. The authenticity and validity of the submitted certificates of EPC projects.
- 2. Whether the applicant is a signatory to the European Code of Ethics at the National Administrator of the Code of Ethics (APES).
- 3. Whether the technical and managerial skills of the EPC provider are sufficiently documented.
- 4. The documents and sworn statements that prove the fulfilment of basic administrative prerequisites for conducting business.

Granting the certificate to the EPC provider

In case all above mentioned requirements are met, the Certification Body grants a certificate to the EPC provider certification applicant.

Amending the application

In case any of the requirements are not fulfilled and it is still possible to rectify it (e.g. by filling in missing data in the application), the Certification Body will demand an amendment of the application or its mandatory appendices.



Rejection of the application

If any criteria are not met after the deadline for the application amendment the request for certification is rejected.

Requirements for the EPC provider certification

The EPC provider must meet all of the following mandatory requirements to obtain a certificate, the provider:

- 1. must have experience with the implementation of at least 3 EPC projects (or 2 projects over 50 million CZK) for which they demonstrate the ability to design, prepare, and implement a project whose maturity depends on its verifiable results in decreasing costs;
- 2. commits to fulfilling the principles of the **European Code of Ethics for EPC** by signing the code;
- 3. must have sufficient technical and managerial skills and qualified staff;
- 4. must meet the basic administrative requirements for conducting business.

These general criteria are described in detail in the tables below:

Requirement no. 1

The ability to prepare and implement an EPC project	
Requirement description	Requirement fulfilment – method of proof
The applicant must demonstrate the ability to prepare and implement an energy-saving EPC project on the basis of a contract on energy services (according to Section 10e of the Energy Management Act No. 406/2000), where the savings achieved are contractually guaranteed by the supplier in the form of a full guarantee of saved costs	The applicant must submit either 3 certified EPC projects or 2 certified EPC projects with investment costs over 50 million CZK excl. VAT



Requirement no. 2

The EPC provider is committed to the principles of the European Code of Ethics for EPC	
Requirement description	Requirement fulfilment – method of proof
The applicant is a signatory to	The applicant must confirm in the application form
the European Code of Ethics	that he is on the list of signatories of the European
for EPC	Code of Ethics maintained by the Code
	Administrator (APES)

Requirement no. 3

Technical and r	management skills of the EPC provider
Requirement description	Requirement fulfillment – method of proof
The EPC provider has the organizational and managerial skills to implement projects in a timely and cost-effective manner and has well-documented and established standard management processes in place documented for this purpose	The applicant has set up a quality control system and internal monitoring systems based on the quality control systems defined according to a quality management system (e.g. in the form of ISO 9001:2015)
The EPC provider has the appropriate permits for the implementation of energy-saving projects	For the qualification of energy service companies, a specification of their business activities is required. Energy service companies conduct business on the basis of a trade license, which usually contains the following trades:
	 carrying out construction, their alteration and removal,
	design activities in construction,
	 production, trade and services not listed in annexes 1 to 3 of the Trade Licensing Act,
	property management and maintenance,
	 engineering activities in investment construction,
	 technical consulting in the energy industries.
	Other trades, on the basis of which existing energy service companies conduct business, may include:
	 installation, repair, inspection and testing of gas equipment, and filling of vessels with gas,
	 assembly, repair, inspection and testing of electrical equipment,
	 installation, repair and refurbishment of cooling equipment and heat pumps,
	 production, trade and services not listed in annexes 1 to 3 of the Trade Licensing Act,
	 advisory and consulting services, expert studies and reviews,



•	preparation	and	production	of	technical	designs,
	graphical and	d drav	ving works,			

provision of energy services

The EPC provider is able to set up a qualified team, from its staff, that can manage all activities needed to provide energy services

The composition of the team required to provide energy services is defined as follows:

- project manager
- sales representative
- energy specialist
- implementation manager construction manager
- energy manager responsible for monitoring and meeting savings
- a person authorized by ČKAIT (Czech Chamber of Authorized Engineers and Technicians Active in Construction)

Qualification requirements for individual team members:

- The project manager performs standard management activities, is responsible for the overall result, manages individual team members and other cooperating organizations, and deals with the client
- The sales representative is primarily in permanent business contact with the client at the time of project negotiation, negotiates contractual matters of the project, and moreover, calculates the financial requirements of the whole project including the method of repayment and investment return.
- The energy specialist designs individual energy-saving measures within the whole complex of solutions, including their financial assessment, and achievable energy-saving potential.
- The implementation manager/project manager of construction and operation prepares and implements the proposed energy-saving measures, including the project design documentation, organization of the installation of individual measures and their commissioning.
- The energy manager (specialist responsible for adhering to savings) continuously monitors and evaluates the operation of installed measures by collecting the necessary data on the achieved consumption of monitored parameters (usually energy and water consumption), detects and solves any deviations from expected standard values and processes the results in reports.
- The EPC provider must also employ at least one ČKAIT authorized person who has experience in the field and will be a member of the implementation team.

The above positions can be merged within an ESCO or divided among several specialists, but they all must be employees of the company.

To prove the fulfilment of this qualification:

The EPC provider must submit:

a nominal list of implementation team members;



	a description of the activities and responsibilities of
	each specialist in the team, so that the descriptions, in
	summary, cover the required functions;

• the CV of each team member, where their ability to hold the relevant position will be shown.

Requirement no. 4

The EPC provider meets the basic administrative prerequisites for conducting business			
Requirement description	Requirement fulfillment – method of proof		
The EPC Provider provides additional documents and sworn statements to demonstrate compliance with the basic administrative prerequisites for conducting business	 Extract from the Register of Companies Extract from the Register of Trade Licenses Sworn statements: The company is not insolvent; the company meets the basic qualification prerequisites within the scope of Section 74 of the 		
	Public Procurement Act		

3.3.2 Validity of the EPC provider certification

The certificate granted to an EPC provider is valid for 5 years. The EPC provider may apply for a renewal of the certificate before the expiration of the granted certificate. The number of such possible renewals is unlimited. If the certification is not renewed, the company concerned is removed from the list of certified EPC providers after the expiry date.

Companies can apply for a new certificate 6 months before the certificate expires. When applying within this period, they will be guaranteed to obtain a new certificate that will be valid from the first day after the expiration of the current certificate. If all requirements are met, or the requested information or documents are added, the Certification Body will issue a **new certificate with the validity of 5 years**.

3.3.3 Information obligation

All certified entities are bound by an information obligation and must provide information about any fundamental changes or new findings that may affect the quality of provided services. In the event of such changes, the entity concerned must inform the **Certification Body without undue delay and within three months at the latest**.

The Certification Body will examine the changes and, if it finds that a change violates one of the essential requirements for obtaining certification, the Certification Body will **suspend or**



withdraw the certification. When the certification is suspended, the company will be requested to rectify the changes within a set deadline.

Changes in the following areas are especially subject to the information obligation:

- Staff changes in the composition of the implementation team if there is any change in the basic personnel composition of the team, the EPC provider is obliged to notify the Certification Body.
- Significant changes in the financial situation, e.g. the loss of creditworthiness.
- Changes in the application of the quality management system.
- The commencement of insolvency proceedings.
- The failure to fulfill one of the basic qualification prerequisites within the scope of Section 74 of the Public Procurement Act.

The violation of the information obligation (failure to provide relevant information) may ultimately lead to the withdrawal of the certification and the removal of the entity from the list of certified companies.

3.3.4 Suspension and withdrawal of certification

The EPC provider certification may be suspended or withdrawn at the discretion of the Certification Body.

The Certification Body will decide to **suspend certification**:

- If it receives new information to conclude that the certificate holder does not meet the conditions for certification.
- At the request of the certificate holder to suspend the certification, if the holder temporarily ceases to fulfil the conditions for possession of the certificate (e.g. the company is undergoing transformation or employees, who were key to meeting the conditions, have left the company).
- In the event of certification suspension, the Certification Body will ask the EPC provider to remedy the facts that led to the decision to suspend the certification within a specified period.

The Certification Body will decide to **withdraw the EPC provider certification** if, after the certificate is awarded, it finds out about for a serious breach of certification conditions, namely if:

- Solution False information has been submitted in the application for certification.
- Novalid or counterfeit documents have been submitted.
- The information obligation has been violated.

After the withdrawal of the certification, the entity concerned may reapply for certification in 3 years at the earliest.



3.4 Granting of the certificate

The structure of organizations with three key roles is crucial to the functioning of the certification system:

- Authorization Body that authorizes the Certification Body and designates the certification scheme owner;
- Certification Body that certifies EPC projects and/or EPC providers;
- Certification Scheme Owner that sets the criteria, requirements, and technical rules of certification;
- Certificate holder the organization that receives the given certificate.

The recommended institutional roles are shown in the table below.

Table 4 Institutional involvement

	Certification of EPC projects	Certification of EPC providers	
Authorization Body	Ministry of Industry and Trade	Ministry of Industry and Trade	
Certification Bodies	State institution responsible for setting up a certification committee composed of experts with the required qualifications	State institution responsible for setting up a certification committee composed of experts with the required qualifications	
Certification Scheme Owner	Expert company	Expert company	

Assigning the role of the Certification Body to a state institution should allow the impartiality of the evaluation to be guaranteed.

3.4.1 Standard project delivery model

The delivery model for the certification scheme is described in the figure below.

Figure 2 Standard project delivery model

Ministry of Industry **EPC** project **EPC** provider Clients, FI **DESCRIPTION OF THE PROCESS** Ministry of Industry EPC project is evaluated If EPC provider has Clients and financial (MoI) established by Certification body set received at least three institutions can use the Certification body and by Mol. EPC project is certified projects it can certificates as certified if it fulfils all apply for certification of sets the criteria for EPC information on the projects to be certified criteria. EPC provider. quality of EPC providers. and requirements for Certification body will EPC provider to be verify the provider fulfills certified. all the requirements to be awarded a certificate.



3.5 Main features

The main features of the QualitEE business model are found in the following table:

Table 5 Main features for EPC project certification scheme

	Certification of EPC projects		
Principal action	Quality assurance		
Country	Czech Republic		
Туре	Voluntary		
Target user	EPC providers / clients		
Authority	Ministry of Industry		
Phases	 Applicant applies for a certificate Evaluation of whether the EPC project meets all criteria and requirements Certification body issues an EPC project certificate Potential re-evaluation after five years 		
Stakeholders	 EPC providers Association Government (Ministry of Industry) EPC facilitators EPC clients Financiers 		
Support measures/ dissemination	Website, publishing of successful cases in media, international and national workshops and conference		
Year of implementation	tbd.		
Costs	Applicants must pay a fee of 20,000 CZK for an EPC project application with investment costs up to 20 million CZK For an EPC project application with investment costs above 20 million CZK, the applicant must pay an additional 1,000 CZK for every 10 million CZK investment costs above 20 million CZK, in addition to the basic fee of 20,000 CZK		

Source: SEVEn Analysis



	Certification of EPC providers			
Principal action	Quality assurance			
Country	Czech Republic			
Туре	Voluntary			
Target user	EPC providers / clients			
Authority	Ministry of Industry			
Phases	 Applicant applies for a certificate Evaluation whether the EPC provider meets all criteria and requirements. Certification body issues an EPC provider certificate 			
Stakeholders	 EPC providers Association Government (Ministry of Industry) EPC facilitators EPC clients Financiers 			
Support measures/ dissemination	Website, publishing of successful cases in media, international and national workshops and conference			
Year of implementation	tbd.			
Costs	An administrative fee of 10,000 CZK per certificate			



4 IMPLEMENTATION STRATEGY

4.1 Roles of institutions

Ministry of Industry and Trade (MIT) is the key governmental institution in the implementation process of the certification of the EPC projects and EPC providers in the Czech Republic. Other public institutions will be mainly involved via Ministry of Industry or via dissemination activities. The Ministry of Industry will serve as an Authorization Body, who will appoint and authorize one of its organizations as a Certification Body to issue the certificates.

Another key organisation is the Association of energy service providers (APES). It has 25 members, including EPC providers and EPC consultants.

We consider that there are key factors in the successful implementation of the business model in the Czech EPC market:

- APES will follow up on the QualitEE project and work on any amendments needed to the scheme. APES supports the implementation of the certification scheme and co-operated on all national discussion workshops and training seminars focused on explaining the scheme to stakeholders. Association was involved in the discussion on the scheme design and their comments have been reflected in the final version of the scheme design submitted to the Ministry in 2019.
- Gaining interest from the potential EPC clients to use the scheme. Currently, the EPC business model is started to be used by the governmental organizations where the certification could bring high added value.

4.2 Current status

The presented design of the certification schemes has been discussed with the relevant stakeholders during the national promotion team meetings and national discussion platform workshops, trainings and other meetings related to the EPC market.

In the last stage of design development, it was fine tuned in co-operation with the Ministry of Industry and Trade (MIT) to fit the institutional framework in the Czech Republic. The scheme design has been approved in November 2020 by the Division for energy efficiency and savings at the MIT. However, the implementation of the certification schemes still needs the be approved by the Council of the MIT and consequently signed by Minister of Industry and Trade. The MIT will also need to appoint one organization (under its rule) to operate as a certification body.

Though it was planned to get the certification schemes on the agenda of the Council of the MIT early in 2020, the Council has been overwhelmed by the other urgent issues. Since the declaration of the state of emergency on March 13 2020, the situation worsened considerably



as now the priority of the MIT is to deal with the adverse impacts of the emergency state on the economy. It can be expected that the whole approval process of the certification schemes will be delayed at least by the length of the state of emergency. Most probably the implementation of the schemes will start in 2021 the earliest.

During the National Promotion Team meeting on 22nd April 2020, it has been decided to do testing of the proposed certification scheme for EPC projects in co-operation of the MIT, APES and QualitEE project. Experts will be selected to evaluate a few projects with the criteria while the EPC providers will provide the data needed. The experts will be independent from the parties preparing and implementing the projects. The testing will show whether the proposed criteria and procedures need any amendments. In case the results of testing are positive, it is expected that it would support the approvals needed on the side of MIT.

4.3 Implementation strategy

Certification systems are proposed to be implemented through the following steps in this order:

- 1. The MIT will appoint a Certification Scheme Owner of the certification scheme for the certification of EPC projects.
- 2. The MIT will authorize a Certification Body to certify EPC projects.
- 3. The Certification Scheme Owner will develop a certification scheme for EPC projects in the form of a **methodology guideline** document. The document will include the overall certification procedure, the final set of criteria and rules for their verification and evaluation, a list of formal requirements, deadlines, and fees. It will also define the responsibilities and obligations of all stakeholders. It will be accompanied by an application form for the EPC project certification and a form for the EPC project evaluation.
- 4. The MIT will comment on the proposed certification scheme for EPC projects and subsequently approve its final form.
- 5. The MIT will appoint a Certification Scheme Owner for the certification of EPC providers.
- 6. **The MIT will authorize the Certification Body** to certify EPC providers.
- 7. The Certification Scheme Owner will develop a certification scheme for EPC providers in the form of a **methodology guideline** document. The document will include the overall certification procedure, the final set of criteria and rules for their verification and evaluation, a list of formal requirements, deadlines, and fees. It will also define the responsibilities and obligations of all stakeholders. It will also be accompanied by an application form and a form for the EPC provider evaluation.
- 8. The MIT will comment on the proposed certification scheme for EPC providers and subsequently approve its final form.



- 9. Additional steps will be taken to support the effectiveness of the EPC project certification system as well as the EPC provider certification system:
 - Once the employees have become familiar with the methodological guidelines for the relevant scheme, regularly organized seminars will be available to share experience and discuss any uncertainties or problems with the scheme processor and any invited experts.
 - Publication and promotion of the certification process via the Internet, the press, etc.
 - Commencement of the certification process on the specified date.
 - Regular evaluation of the functioning of the system to date, including the settlement of stakeholder comments and possible adjustments to other versions of the certification scheme (if necessary).

4.4 Institutional and personnel support of EPC project certification

- The MIT selects a state institution and authorizes it to carry out certifications of EPC projects, and the state institution will set up a certification committee for this purpose. The committee will be composed of at least three members meeting the requirements according to the certification scheme rules. At least one committee member must be an EPC expert, i.e. have sufficient experience with specific EPC projects. Given the current staffing structure, this committee member is likely to be a one-time external specialist recruited for a specific assessment.
- The committee must also always be set up in such a way that a **conflict of interest is avoided**, i.e. no member of the committee may participate in any phase of the evaluated project implementation, not even the preparatory phase. Members of the committee would be obliged to sign a confidentiality agreement on the data provided and be in no conflict of interest.

4.5 Institutional and personnel support of EPC provider certification

The certification of EPC providers will follow the professionally demanding system of certification of EPC projects and will be mostly a formality. Therefore, trained employees may perform this activity. In contrast to project certification, a deeper technical knowledge of the EPC method will not be required.



A responsible employee of the Certification Body verifies (this should take one hour, several hours at most) the filled form for the EPC provider evaluation and the fulfilment of all requirements for provider certification. If all requirements are met, the Certification Body will issue a decision to grant the certificate. If any request is not met, it will return the request to the provider for completion or reject the request.



5 MARKETING STRATEGY

5.1 Target groups

When it comes to stakeholder groups targeted in the Czech Republic for the use of the quality assurance, the focus will be on the main user of the certification scheme – the clients. Financial institutions will be also considered. The EPC providers will be educated on how to participate in the scheme and use it in their marketing strategies.

5.2 Price

The certification should be available to all qualified companies, including small and mediumsized enterprises.

Therefore, after consultation with stakeholders, a scheme independent of international standards has been chosen for certification of EPC projects and EPC providers, for reasons of simplicity and possibly lower costs. This means that the role of the Accreditation Body will play the Authorization Body, who authorizes Certification Bodies to carry out certifications independently of the international standards ČSN EN ISO/IEC 17065:2013 and MPA 40-01-16.

The aim of the proposal is to achieve the following parameters, which appear to be realistic in current expert discussions:

- Authorization of the certification body may be carried out by the Ministry of Industry and Trade as a governmental institution, free of charge.
- The fee for certification by the certification body (hereinafter Certification Body) will depend on the selection of the state organization, which will perform the role of the certification body and its staffing.
- The certification of EPC projects will have more administrative requirements than the certification of EPC providers and will, therefore, be more costly. The minimum fees for EPC project certification are based on the need to pay for an expert evaluation of the EPC project. The default amount will be set as follows:
 - o Applicants must pay a fee of 20,000 CZK for an EPC project application with investment costs up to 20 million CZK (excluding VAT).
 - o For an EPC project application with investment costs above 20 million CZK (excluding VAT), the applicant must pay an additional 1,000 CZK for every 10 million CZK investment costs above 20 million CZK (excluding VAT), in addition to the basic fee of 20,000 CZK.
- The certification of EPC providers requires only a verification of compliance with formal requirements and therefore an administrative fee of 10,000 CZK can be recommended.



- The total costs of EPC provider certification, including the necessary 2-3 EPC project certifications, would then amount to 70,000 CZK in the case of three small projects. In the case of two projects with costs of 50 million CZK (excluding VAT), the certification costs would amount to almost 60,000 CZK.
- If the certification body was not a government institution, but an independent commercial certification company, the cost of certification could be up to a factor higher.

5.3 Communication Plan

The communication plan explains the main advantages of the certification schemes (quality criteria, standardization) to a wide spectrum of clients and financial institutions.

Certification scheme for EPC projects provide a methodological basis for certification of energy savings. SEVEn in cooperation with APES will support that the certification of EPC projects will become an additional option to prove savings to fulfil the requirements according to Article 7 of the EED.

5.3.1 Online channel

On the website of the Ministry of Industry and Association of energy service providers (APES), detailed information will be provided on the certification schemes. There might be also a webinar organized for the companies interested in the scheme.

The information will be disseminated in newsletters and articles. and presentations at events of the other international projects.

5.3.2 Offline channel

The scheme will be presented and explained at the workshops and conferences related to the energy efficiency and energy services. For example, regular workshops organized by APES are a good opportunity to promote the scheme. Other EU projects will be also partnered to use their communication channels.



6 CONTINGENCY PLAN

6.1 Identification of potential risks

An analysis of the potential risks is summarized below.

6.1.1 Financial risks

To face the economic consequences of the measures taken to fight the COVID-19 pandemic, the government approved to indebt the Czech Republic state decided to increase the government debt sharply. That will inevitably imply savings on the projects which are not the first priority to save the economy. Thus there is a risk that the government will not create enough financial and/or capacity for managing the certification of EPC projects and EPC providers. The fees for the certificate recipients were calculated to cover only the costs of experts to evaluate EPC projects. If the fees need to be increased to cover also other personal costs of the MIT and the appointed certification body, it may decrease demand the certificates.

6.1.2 Management risks

There are two risks on the side of the approval and management of the certification schemes. In the short-term management of the MIT may postpone approval of the scheme. In the long-term, the MIT will focus on the stability of the economy and the goals of energy efficiency and environment may drop even lower on the priority ladder.

6.1.3 Market uptake risks

The certification schemes will bring most value only if they are used by the clients. If the information penetration among the potential clients is too slow or they will need a long time to understand how the certificates can serve them, it will considerably slow down the market uptake of the certificates. Though the likelihood of this risk has been evaluated as low, the potential impacts would be high.

Table 6 Potential risks

Type of risk	Risk	Likelihood	Impact
Financial	Not enough financial and/or personal capacities allocated by the Government	High	Medium
Management	Delay in approval and implementation of the certification schemes	High	High
Market uptake	Long time until clients understand the added value in using the certificate	Low	High



6.2 Risk management

Potential risks will be monitored by association APES on a quarterly basis. If any of the risks are materialized, specific mitigation measures as listed in the table below will be taken.

Table 7 Risk management

Risk	Mitigation measure		
Financial	If needed the fees will be elevated to cover higher part of the certification scheme costs for the Ministry of Industry and Trade		
Management	SEVEn in cooperation with APES will present and promote the certification of EPC projects as an effective method to fulfil the requirement of energy savings by Article 7 of the EED		
Market uptake	Strengthening planned promotion via association APES and its existing marketing and information channels		



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