



**ENERGY SERVICES  
ASSOCIATION  
OF CANADA**

PROMOTING  
PERFORMANCE  
BASED SOLUTIONS

July 22, 2013

Marc-Oliver Girard  
Procedural Clerk  
Standing Committee on Government Operations and Estimates  
Room 6-25-06  
131 rue Queen Street  
Ottawa, ON K1A 0A6

Dear Mr. Girard:

Congratulation on the completion of your committee's recent report "Powering the Future of Federal Buildings: Energy Efficiency as a Goal". We were pleased to have had the opportunity to make a presentation to the Committee March 5 and to have provided you with follow-up information by emails March 8 (on employment impacts and listing of potential federal buildings) and by letter to you May 7.

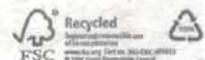
We were pleased to see the very positive references that were made throughout the report to Energy Performance Contracts and the role of NRCan's Federal Building Initiative and strongly support almost all of the report's recommendations. In particular, we strongly support your Conclusion that the federal government develop a strategic plan to manage buildings from an energy efficiency perspective. We would also like to express our particular support for the recommendations regarding a requirement for all departments to consult FBI prior to all renovations (#3), require strategic plans for energy efficiency measures prior to undertaking energy retrofits (#6) and that actions should be taken to deliver cost effective energy savings (# 8).

In implementing these recommendations, we would suggest the government review the commitments made by the US government related to their own buildings that were announced in the December 2, 2011 Memorandum for the heads of executive departments and agencies. These included a requirement that all federal agencies fully implement energy conservation measures with a payback of less than 10 years, consistent with real property and capital improvement plans. This was supported by an announcement that the federal government enter into a minimum of \$2 billion in performance-based contracts in federal buildings within 2 years of this Memorandum.

As we noted in our May 7 letter to you, there is strong evidence to support our claim that Energy Performance Contracts are not necessarily more expensive than the costs associated with a project that does not include a performance guarantee. We believe that in most cases, the costs will be lower as private industry is more efficient, cost-effective and able to sustain the knowledge/infrastructure to deliver results over the long term. In support of this, we would draw your committee's attention to the following three points:

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- **Competitive Industry** – As I mentioned in my testimony, there are eight active ESCO's offering EPCs in Canada. This has resulted in a very competitive industry that would make it impossible to demand such premiums.
- **NRCan Experience** – As you heard in my testimony, NRCan has been managing the Federal Building Initiative program for 20 years. They have concluded that when all staff and management costs are included, the cost for an EPC is not necessarily more expensive than the cost for a conventional project. Attached to this letter is a slide developed by NRCan that summarizes this.
- **Private Energy Savings Warranty** – For the last few years, Energi Inc has been offering an Energy Savings Warranty that provides performance guarantees for energy efficiency retrofit projects. Backed by Hanover Re, a major reinsurance company, they operate Energi of Canada, Ltd and offer this warranty through insurance brokers in Canada. Although the rate they charge for this service varies, it tends to be in the range of 2-5%. I have attached a copy of a report from a broker who offers this product who confirmed this range. As our members consider this a relatively high premium, most do not use this product so the 5% premium can be considered an upper limit to the cost of providing an energy performance guarantee. Further information on this product can be found at [www.energi.com/esw.php](http://www.energi.com/esw.php)

We thus do believe that there is a need to evaluate the administration overhead costs and premiums before entering into a performance agreement (recommendation 9) but are confident that such an evaluation will clearly show the many benefits of using Energy Performance Contracts. We would welcome the opportunity to provide whatever information may be required if the government decides to follow up on this recommendation.

Thank you again for the opportunity to meet with and follow up with your committee and congratulations on an excellent final report.

Yours truly,



Peter Love  
President

# EPC NOT MORE EXPENSIVE THAN TRADITIONAL PROCESS

EPC Procurement	Traditional "Piecemeal" Procurement
 Performance Guarantee Fee  Financing Charges	 Additional Procurement Processes  Additional Human Resources  Opportunity costs for differed projects  Less Energy Savings resulting from: <ul data-bbox="1032 1023 1564 1226" style="list-style-type: none"><li>• Lost time</li><li>• Fragmented Approach</li><li>• No Monitoring and Verification</li><li>• No Savings Guarantee</li></ul>

