

The life of ESCo Project Facilitators

If only the client knew,
understood, trusted, cared and
engaged...

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Introduction

An ESCo (Energy Service Company) is a company that supports its client organisations in their energy management by providing energy solutions, installing energy systems and formulating favourable financial constructions¹. ESCo services increasingly also offer interesting opportunities for organising and financing more sustainable property investments. At the same time, however, the demand for ESCo services appears to be hampered by a lack of awareness, knowledge and trust in the ESCos. Project Facilitators (e.g. energy agencies, knowledge centres and consultancies undertaking energy audits) can intermediate between ESCOs and (potential) clients to lower these barriers. As such, they can help realise the latent and apparent demand for ESCo services and contribute to achieving more sustainable, low-energy and future proof property portfolios.

This paper focuses on possible solutions and practical guidance for (Project) Facilitators in dealing with potential clients' perspectives, expectations and possible barriers concerning the outsourcing of comprehensive energy service packages (either Energy Supply or Energy Performance Contracting or other business models) to an ESCo. Successful market development for comprehensive ESCo models requires a strong commitment and a 'driving position' on the client's side. In Bleyl et al (2013), many of the complex issues clients face when dealing with outsourcing to ESCos are discussed². The importance of enabling independent intermediaries in stimulating market and project development on the demand (and supply) side, e.g. in processes around the outsourcing to ESCos, are also recognised by the European Union's Energy Efficiency Directive³.

Our study is based on both, a quick literature scan and semi-structured interviews with ESCos, ESCo clients and experts on ESCo practices. In total, 11 interviews were held in the spring of 2014. Respondents were recruited from organisations in several European countries. We use direct quotes from the interviews to illustrate our findings. This paper is a publishable summary of a full report⁴, which describes our study in more detail and contains additional findings that are not presented here (such as the lack-of-time issues client organisations often face).

We present our solutions and guidelines by answering five main questions which also provide the structure of the paper.



"What gives you an edge as Facilitator is not the technical know-how. The technology is of secondary importance, everyone can do that. What sets you apart is the building of a relationship, trust and acceptance. "

- ESCo Facilitator

1. What are the most promising tools to be used by Facilitators for accompanying the change process and implementing energy services in the areas of organisation, information and communication?

Most ESCo services are related to technical energy saving installations and financial business models such as Energy Supply Contracting. We found, however, that the most promising tools to be used by Facilitators are very much non-technical. They are mainly focused on the human side: trust building, communication and sharing knowledge. Moreover, we found that energy and financial motives are often not the (primary) drivers for energy or building facility managers.

So what motives should be addressed? And which tools could Facilitators use?

Connect and experience

Energy or building facility managers may feel that new processes or technologies pose significant risks to ongoing business practices and consequently prefer to continue with their current processes and

technologies.⁵ The use of best practices is presented as a potential solution. The literature proposes that a skilled Facilitator can draw on previous expertise to showcase similar projects that have significantly saved energy and money without increasing their business risks.⁶

Sometimes, however, hearing about best practices is not enough; people need to connect with the stakeholders involved and experience what this practice entails in real life. Facilitators need to stage an environment where clients and other stakeholders can get to know each other, learn from each other and from each other's best practice.

Step-by-step

Both the literature and the interviews point out that (a lack of) trust is potentially one of the most important issues around successful outsourcing to ESCOs.⁷ Interviewees mention that potential clients can express experiencing the feeling of "what's the catch?" or that they 'heard' that "ESCOs just rip you off", and that potential clients experience a lot of insecurity, for example, from not understanding the pricing processes and ESCo margins, etc.

Our study revealed several methods to overcome these trust issues. One of them is to 'break' the ESCo services into smaller steps. The first step is aimed at the inventory of energy use and potential savings. This step is also known as 'ESCO Light'. Trust is thus slowly built up between client and the ESCo and understanding is gained with respect to the energy use.

Workshops

ESCOs and ESCo services are perceived as quite complex. A first step in creating demand is to get clients to start understanding their energy use and (the use of) ESCo services. Workshops are a useful tool for Facilitators to increase that understanding. Some interviewees highlighted two critical success factors: to collect energy data before the workshops and to visualise the energy cost and savings potential. In addition, it helps if the workshop

is in a familiar environment "where customers dare to ask the questions which they don't like to admit that they don't know." (ESCO Facilitator)

Connect and experience

"...putting all stakeholders in a bus and organising a trip to a concrete location a little further away [worked really well...] There is a need to comprehend how, for example, a passive house functions, walk through a building, and talk to those who live there. Sometimes mistrust is a deeply emotional issue and you need to provide an alternative physical experience."

- Former head of energy department ESCO client

Step-by-step

"The first step is the verification and establishment of the baseline. This is a relatively small process with small amounts of money that customers could purchase separately from ESCOs. The next step is the actual contracting and the implementation and calculation of energy saving measures. The first step is a non-binding stepping stone towards the second step, since they now know in more detail how much money can be saved. In addition, they are getting acquainted with the process gradually, lowering the barrier for each step."

- ESCo Facilitator

Tailoring to the interests of clients

What can a Facilitator do in order to overcome the 'inertia despite knowing better', e.g. that most clients do understand that their energy performance could be increased in a cost-effective manner? Both the literature and our interviews suggest that analysing and understanding the clients' needs, and particularly the non-energy related needs and using these as the unique buying reason is absolute key. In other words: clients do not need more technology or energy services, they need comfort, cost savings, a more valuable property, increased employee productivity, production efficiency, increased capacity and more efficient processes.⁸ This issue of actually finding out what really matters to the client and tailoring Energy Efficiency (EE) interventions and the ESCo to be a solution to that specific need is something that many of the interviewees mentioned as a key strategy.

Furthermore, the tailoring strategy is useful to work with different types of clients. Schools, hospitals, municipalities, private organisations – they all have different mandates, values and needs. The tailoring strategy allows Facilitators to anticipate these diverging issues. However, prior knowledge on the general organisational differences (in relation to EE services) might be relevant as a starting point to save time and efforts on preliminary research.

While these tools focus mainly on interaction with and between stakeholders, our study also identifies a role for Facilitators within the ESCo client organisations and a role for champions within client organisations. We will elaborate on this role in the following sections.

2. What can be done to strengthen the driving forces and overcome hurdles in clients' organisations? What are process drivers? What are no-go's?

The biggest hurdles in client organisations are the lack of commitment at all levels of an organisation, and lack of trust in Facilitators or ESCos. Another issue many Facilitators face in the project development phase is that the potential clients are insufficiently willing or motivated to think about Energy Efficiency, let alone think about ESCOs or outsourcing.

Strengthening the driving forces: choose the right audience

Addressing this can be done by, firstly, choosing the client and timing well, and working with early adopters/early movers – those who are willing and motivated. These niche markets are primary and secondary schools, universities, local administrations, hospitals and public housing as possible main customer categories in the institutional sector; and hospitals, offices and retailers, industry and residential buildings as possible main customer categories in the private sector.

No Go: assuming you know what needs exist

Secondly, for those Facilitators that wish to create a new market beyond first movers, a key solution is to learn what the potential clients' needs are – including the non-energy related ones. Learning what matters to the client and how energy efficiency is (part of) the solution, and how outsourcing to an ESCo is a means to achieve that solution, are important steps.

Taking it seriously is a process driver: listening and understanding

The key to success is spending time to know upfront what the inter-human, social and emotional make-up of a company - the organisational culture - is.⁹ Listening and spending solid time talking to the clients is essential for understanding their activities, fears and motivations. Paying particular emphasis on emotional wording to uncover what may be underlying resentment or historical issues and keep asking 'why' until the underlying cause has been uncovered (a so-called Laddering Approach¹⁰) is a useful tool for Facilitators. Reflecting back on what you have heard/understood and provide flexible solutions to the key issues that you have uncovered is going to contribute to building up trust.

Tailoring to the interests of clients

"We have too often made the mistake of using a push approach. It is essential to know what the real issues and problems of your client are, and then you need to make sure that your ESCo proposition is about much more than only energy. You need to integrate what matters to the client. This can be a reorganisation or remodelling, or personnel issues or indoor climate."

- ESCo Facilitator

Listening and understanding

"...Demonstrating that you are a good listener that understands the client and his position in the market dynamics builds trust. And then you can start discussing how something as uninteresting as an ESCo can provide a solution to the perceived problems."

- ESCo Facilitator

3. What psychological and organisational changes are conducive to success?

Once an organisation is interested, the next step is to get all people within the organisation to become enthusiastic about the project. The psychological and organisational culture changes that are conducive to success include getting people to share and tell stories and making it 'personal'.

Storytelling

Allowing the use of stories in an organisation is conducive to create buy-in and managing expectations on all levels within a company. The interviewed Facilitators, ESCOs and clients agree that telling some good success stories and having testimonials from similar clients or businesses lowers the barrier to cooperation between ESCOs and clients. At least five different types of stories that appeal to the needs of different staff types and levels can be distinguished, focusing on the impact on society, on the customer, on the company/shareholder, on the working team, and on "me". This storytelling approach supports the provision of a clear and comprehensive picture of the transformation ahead.

Multipliers

Another organisational and low cost proven method is the use of ambassadors as multipliers of the stories within the organisation. The champion or ambassador should not be left alone to the task of implementing the commitment through the whole organisational hierarchy but have the Facilitator (and preferably also someone on the leadership team) as a partner.

4. What is the role of Facilitators in this process?

Knowledge broker

Creating support for innovations is largely a matter of understanding and disseminating success stories. Understanding is increased through 'connect and experience' activities and educational workshops as discussed in the first paragraph. Actively searching for best practices and suitable ambassadors to tell a convincing story are successful dissemination activities. An important additional task for the knowledge broker is to stimulate governments to act as ambassadors as well. Taking the lead with measures in public buildings would be a powerful example.¹¹ Part of the dissemination activities should focus on and lobby for standardisation guidelines for measurement and verification.

Bridge builder

ESCo services are focused on energy saving measures and financial models to realise them. However, potential clients struggle with other issues, such as the complexity of services, mistrust and lack of interest. The Facilitator's role is to build a bridge between ESCOs and potential clients, in other words, lowering the barriers of clients to engage in ESCo services. On the one hand, this is done by generating trust (step-by-step cooperation) and increasing interest (storytelling; added benefits like comfort improvements). On the other hand, the Facilitator should formulate some specific requirements for ESCOs and cooperate with ESCOs that can fulfil these requirements. An ESCo should, for example, be flexible to anticipate the needs of clients. Consequently, ESCOs are expected to have a certain independence in the choice of technology to best suit the client. Furthermore, an ESCo should be willing to invest in a relationship with the customer to build trust. They must thus be prepared to e.g. perform a free energy scan or use a 'no cure no pay' strategy as a first stepping stone towards cooperation.

Intermediary

At a strategic level, a clear role for Facilitators is to mediate between ESCOs and clients. As an intermediary, the Facilitator can enhance societal and client trust through the facilitation of partnering with research projects, with professional organisations or energy agencies. A Facilitator should ensure the full spectrum of relevant stakeholders each with their own relevant puzzle piece are represented in such partnerships. This can contribute to reinforcing the sector and builds societal trust.



Communication Facilitator / relationship expert

A Facilitator does not merely act between organisations, but also within organisations. A Facilitator needs to work with all levels within the organisation to help create the right change movement. Finding the champions in a company is a first step but relationship management is key. Clients need to feel Facilitators and ESCos are partners for the long run, good listeners that are able to understand the strategic issues and needs of companies and are able to understand the emotional make-up of a client and its entire staff. Most importantly, they need to feel that they can trust them to act on this information in an appropriate manner.

5. Who to partner with?

Governments and research centres

While Facilitators have expertise in behavioural and organisational change, they are not necessarily specialised in technology or legislation and the regulatory regime. This knowledge, however, is essential when looking at the ESCo market as a system.

Partnering with institutional actors – governments on different levels – will keep Facilitators informed about the developments on regulations and allows them to lobby (e.g. for standardisation of saving measurements¹²). In addition, partnering with technology developers or (technical) research centres enables Facilitators to better assess ESCo services in terms of best solutions and state of the art measures.

Client organisations

Partners within client organisations are to be found on all levels. It is important to work both top-down and bottom-up to create the right change movement in both management and other staff hierarchies in companies or in a civil administration¹³. Successful outsourcing comes down to appreciating that an essential part of a successful ESCo outsourcing process is the phase before the standard project development and procurement phases. It is about finding and partnering with the champions in a company, and helping them create the change.

Ambassadors

It's not only about what you tell, it's also about how you tell it and who tells it. Ambassadors in the form of 'front running stakeholders' or champions already involved in a successful ESCo project should be put up as 'first choice partners' for Facilitators. Partnering is also related to creating trust. Facilitators can play an important role as intermediaries between commercial parties and clients. Trust can be created in Facilitator expertise through partnering with research projects, or with professional organisations or energy agencies. In addition, it is conducive to trust building when Facilitators partner with the full spectrum of relevant stakeholders each with their own relevant piece of the puzzle. This also reinforces the sector and builds societal trust and provides a more integral approach to a project.

Trusted intermediary

"I think we as Facilitator play an important role in trust building between organisations and ESCos due to our objective intermediary position. It is not us who deliver the service, we merely advise. We do not represent one ESCo specifically, but we accompany the process to select the most economical offer out of a group of competitors, given the conditions of the client."

- ESCo Facilitator

Ambassadors

"What we do is we create our own ambassadors. We make sure the CEO or CFO of our client is interviewed by professional magazines. We take potential clients to a location where we already implemented an ESCo. We walk them through the building, and ask them who they would like to talk to and arrange that talk, be it residents or civil servants. For corporations for example it is really important that they rest assured that there will be no future complaints from residents, so we make sure they can speak to residents who have undergone such a project."

- ESCo Facilitator

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