

Success of the President's Performance Contracting Challenge

July 29, 2014

Energy Performance Contracts allow Federal agencies to partner with private energy service companies and utilities to implement energy efficiency improvements at Federal facilities by paying for the investment over time from guaranteed savings. In 2011, the President issued a Performance Contracting Challenge (PPCC) that asked Federal agencies to commit \$2 billion in energy savings performance contracts (ESPCs) and utility energy savings contracts (UESCs) through 2013. In May 2014 the President announced the expansion and extension of the PPCC to \$4 billion by 2016. As of June 2014, nearly \$1.5 billion in energy performance contracts were awarded.

Under energy performance contracts, utilities or energy service companies identify energy saving improvements, design a cost-effective project to meet agency needs, arrange for financing, and ensure that sufficient energy and energy-related cost savings are available to pay the project costs up to a 25-year term, after which all cost savings accrue to the agency. Projects may include lighting and HVAC upgrades, energy management infrastructure, water conservation improvements, and construction of renewable power generation such as solar photovoltaics and combined heat and power.

Energy Savings Performance Contract (ESPC) Energy, Cost, and GHG Savings

ESPCs awarded by the Federal government under the PPCC should result in significant energy savings and GHG emissions reductions. Based on the awarded value of ESPCs through December 2013, planned projects will achieve an estimated energy savings of approximately 3.34 trillion BTUs annually, which is equivalent to the annual energy consumption of 37,100 homes¹ and 320,000 metric tons of CO₂ emissions. The average ESPC is anticipated to deliver energy savings of 859 billion BTU over the life of the contract, which is equivalent to GHG reductions of 82,000 metric tons of CO₂.² These ESPCs at Federal facilities should result in energy and related savings of approximately \$93 million annually. These savings are then used to pay off the contracts that enabled the government to make these capital improvements.

Economic Impact and Jobs Creation

Energy performance contracts provide Energy Service Companies (ESCOs) with the ability to create and sustain new technical expertise, manufacturing capacity, and skilled jobs as a result of the new opportunities for private investment brought about by energy performance contracting projects. According to the Council of Economic Advisors (2009), the current awarded value of investments for energy performance contracts (\$1.5 billion) from the President's Performance Contracting Challenge will create approximately 16,045 new job-years in the private sector.³ In all, it is estimated that achieving the initial goal of \$2 billion in awarded energy projects will create 21,739 new job-years (one job for one year). Achieving the expanded goal of \$4 billion in awarded investment by 2016 will result in a total of 43,478 job-years created by private industry through energy performance contract projects.

Geographic Distribution

Energy performance contracts have been deployed at Federal facilities nationwide. Because energy performance contracts cover any number of applications from renewable energy generation, to improving water and energy infrastructure and heating and cooling systems, they can respond effectively to the energy efficiency needs of a wide geographic range of Federal facilities and are found in almost every state.⁴

Federal ESPC Projects in the United States (2009-Present)



Conclusion

Energy performance contracts provide Federal agencies with the opportunity to achieve their energy efficiency goals while supporting a clean energy economy and domestic job growth. These public-private partnerships enable Federal agencies to engage private sector funding and expertise while creating domestic jobs and reducing monthly energy costs for Federal agencies and the taxpayer. By improving the efficiency of existing infrastructure and reducing energy intensity, energy performance contracts also provide opportunities for renewable energy production and ultimately contribute to reductions of Federal agency greenhouse gas emissions.

¹ “2009 RECS Survey Data.” *Energy Information Administration*. December 2012. Average household consumes 90 million BTUs per year.

² “Emission Factors for Greenhouse Gas Inventories.” *Environmental Protection Agency*. April 2014
<http://www.epa.gov/climateleadership/documents/emission-factors.pdf>.

³ “Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009.” Executive Office of the President, Council of Economic Advisors. May 2009.

⁴ “Improving Federal Energy Savings through Performance Contracting.” *National Association of Manufacturers*.