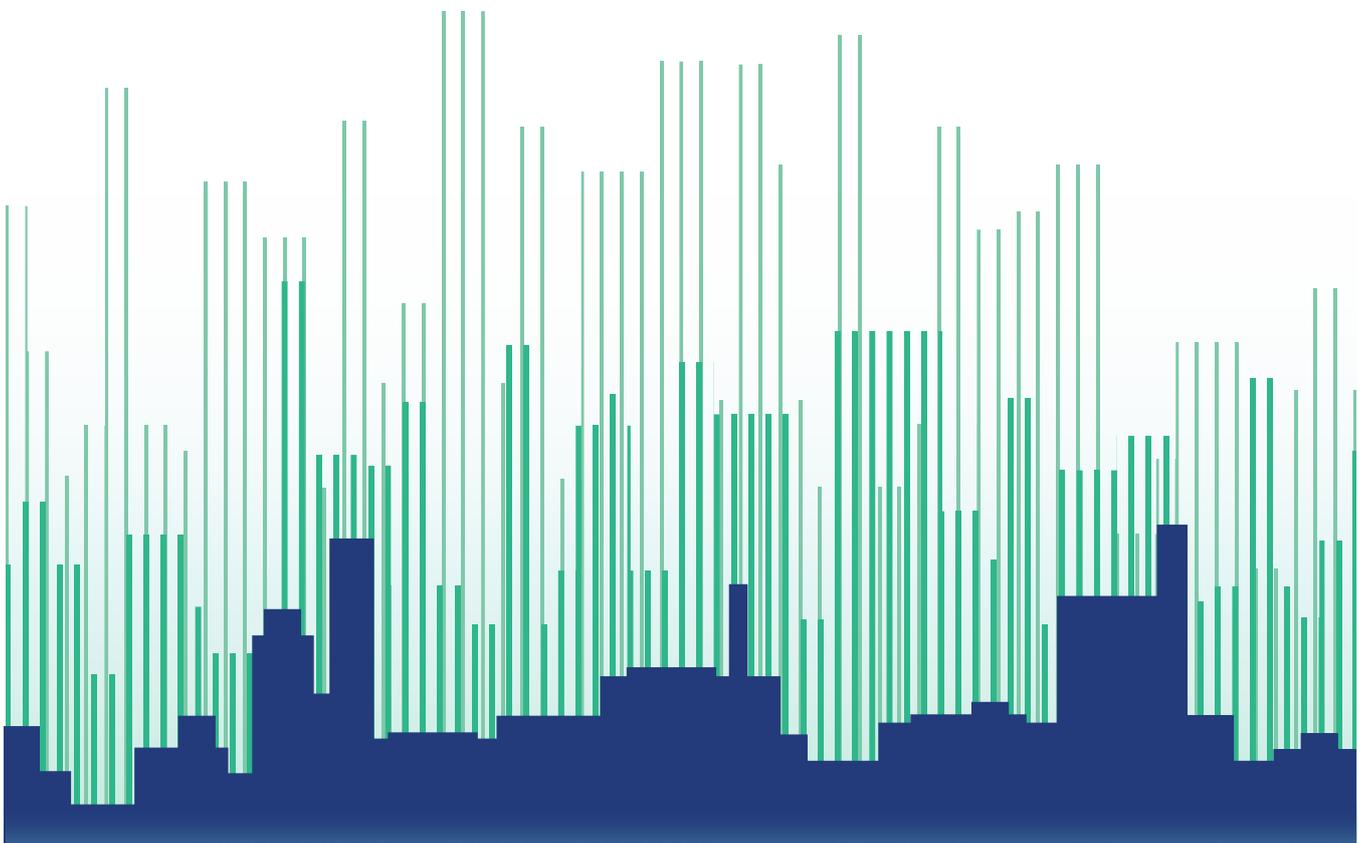




**Bloomberg**  
NEW ENERGY FINANCE

## Energy Efficiency Trends Vol.6

Essential insight for consumers and suppliers  
of non-domestic energy efficiency



## About EEVS



EEVS is a leading global provider of independent performance information and analysis services for energy efficiency.

Our core service is high quality performance measurement and verification for energy efficiency projects. Since 2011 we have evaluated the performance of over 400 energy-saving schemes to the global good practice standard – the International Performance Measurement and Verification Protocol (IPMVP).

This impartial and good practice analysis is vital for the industry's development – enabling suppliers to prove their

performance credentials, whilst giving consumers all-important comfort that they are getting value for money from their investments.

Our wider information services complement this project-level analysis and aim to support greater market transparency, improving the attractiveness of energy efficiency as an investment and accelerating the uptake of the best performing technologies and services.

For further details about EEVS and our services, please visit [www.eevs.co.uk](http://www.eevs.co.uk)

## About Bloomberg New Energy Finance



Bloomberg New Energy Finance (BNEF) is the definitive source of insight, data and news on

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BNEF Insight Services provide financial, economic and policy analysis in the following industries and markets: wind, solar, bioenergy, geothermal, hydro & marine, gas, nuclear, carbon capture and storage, energy efficiency,

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For more information please visit [about.bnef.com](http://about.bnef.com)

## Endorsed by:



## Preface

**We've been running the *Energy Efficiency Trends* survey for 18 months now and it has not always been a case of delivering good news. The survey results have consistently suggested that when it comes to energy efficiency organisations are wary of making long-term investments, drawing on third-party financing or installing multiple measures. Perhaps this shouldn't be surprising – this is, after all, a relatively new market emerging against the backdrop of a global recession.**

It is important, therefore, to recognise positive signs when they are there. This quarter may have not seen a dramatic shift in the responses consumers have been giving, but there has been a noticeable change in industry sentiment: for the first time, our Market Monitor has seen a significant up-swing in supplier confidence. Survey responses suggest that they see themselves taking on more staff, doing more work and agreeing more lucrative deals in the coming quarter. Those whose business is the delivery of energy efficiency – in whatever form – see an improving outlook.

Is this the start of a real trend, or just a random statistical blip? It's a little too early to say, but if it is real, it is interesting to ask what could be behind it. There have been no significant new policies announced to support energy efficiency in recent months – and the survey results suggest sentiment towards government energy efficiency strategy is largely negative. There has not been a change in the types of deals being agreed. The technologies being installed are more or less the same as ever. So surely this can't be real?

Well, it may be that we're overthinking this. Energy efficiency doesn't exist in isolation from the rest of the economy, and in recent months there have been some tentative suggestions among commentators that a broader recovery is on its way. So we should expect a more optimistic outlook among all industries – including energy efficiency. In previous quarters suppliers cited lack of customer demand as the biggest barrier to market growth, but this time round this was not the case. If some of the immediate financial pressures facing businesses are beginning to ease, it stands to reason that they can start turning their attention towards longer-term concerns, such as energy efficiency.

Until we see if this positive trend continues, this is all speculation. The coming quarters will provide a real indication as to whether the outlook for the energy efficiency industry is improving. Watch this space!



**Tom Rowlands-Rees**  
Bloomberg NEF



**Ian Jeffries**  
EEVS

# Executive Summary

The EEVS/Bloomberg *Energy Efficiency Trends* Survey (Vol.6) was conducted between **19 February 2014 and 14 March 2014** and completed by a total of **98** respondents (59 consumer organisations and 39 energy efficiency technology and service providers). The majority of respondents were UK-based, with the remaining quarter of respondents coming from other European territories.

## Consumer Trends

- Commercial and public sector respondents have consistently reported high take up of energy efficiency (c.75%). This rate was forecast to dip, however, during this quarter and this played out in the results, with a materially lower 64% of respondents reporting having commissioned energy-saving initiatives in the last 3 months. This may however prove to be a temporary dip – taking into account the Christmas period – as commissioning is expected to increase again (to 71%) in the next quarter.
- Expectations for financial returns remain high with little change on the need for the majority of projects (76%) to payback within 5 years.
- Lighting continues to dominate the top spot in the technology list. Taken together high efficiency lighting and controls accounting for c.25% of all energy saving initiatives.
- Trends in project costs remain broadly stable this quarter with a broad range of projects filling all cost categories (other than zero cost projects). While larger projects were taken up, around 60% of all projects had a reported cost base of £100,000 or less.
- Offices re-gain the top spot of property type being upgraded (21%). Taken together schools and universities accounted for 15% of projects, with public buildings and manufacturing each accounting for 11.5%.
- Funding trends have again remained steady, with around 80% of all energy efficiency projects continuing to be financed using in-house sources of capital. Third-party finance from banks and other finance providers continues to experience relatively low take-up at 8%.
- Project measurement and verification (M&V) remains relatively poorly utilised by consumers within the sector, with less than a third of projects incorporating some kind of M&V process. Over 70% of respondents either had no awareness of a performance measurement process or reported that their projects' savings performance was not measured.

## Supplier Trends

- A key insight from this quarter's research comes from our composite Market Confidence Indicator (which combines trends in supplier Order Books, Staffing Levels, Sale Prices and Government Action). This shows that overall confidence within the sector has been boosted, with a material jump in confidence observed in this quarter's results. Until now our research has shown a fragile sense of confidence – although it has always erred on the side of optimism. This quarter, by contrast, has seen a striking sense of 'measured confidence' being reported through a clear uptick in the composite score. In the context of economic recovery, it will be interesting to see whether these levels are sustained into 2014.
- The industry was upbeat on order book growth last quarter with 82% reporting either stable or growing national orders, and 72% expecting outright growth from within home markets in the forthcoming quarter. Overseas orders also saw a rise with 44% reporting order book growth in the last quarter of 2013. These trends were largely expected to continue into 2014.
- Perhaps as a result of the above, concern around the level of customer demand within the sector has dipped this quarter (from 32% to 15%). Instead, Subsidy/Policy Uncertainty has been highlighted as the main concern for 18% of respondents. In general terms, however, the results show that there is no single issue of stand-out concern within the sector.
- The overriding trend in staffing numbers continues to be positive with the vast majority of organisations seeing either stability or growth in headcount (92%). 44% reported outright growth in headcount this quarter, with 51% expecting outright growth in the next quarter.
- Suppliers continue to report low volatility in sale prices with 6 out of 10 suppliers keeping pricing unchanged in the last quarter. A material 26% did however report some growth in prices and 28% are expecting to make increases next quarter.
- Clear support for government action remains limited. In this quarter's survey, only 20% of suppliers considered government action to be effective in relation to energy efficiency. However, we have seen support for government action in relation to the wider economy jump from 6% to 33%, perhaps reflecting the uptick in confidence observed within the sector.

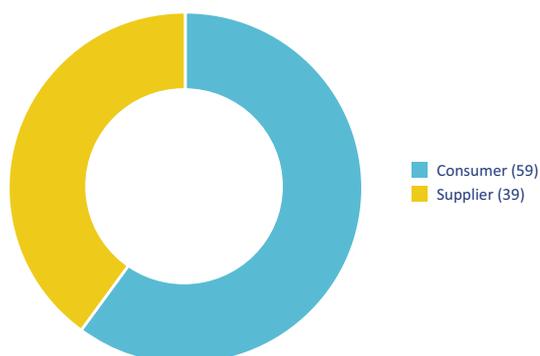
# Full Results

The report below presents the results of the EEVS *Energy Efficiency Trends Survey*, a quarterly update on the status of the energy efficiency sector and the outlook for future, from both consumer and supplier perspectives.

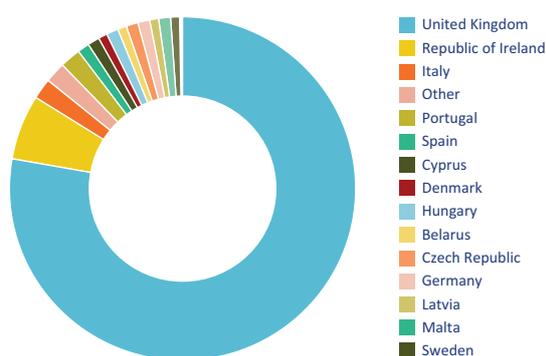
The survey was undertaken between **19 February 2014** and **14 March 2014** and was completed by a total of **98 respondents**.

## Introduction

Who completed the survey?



Respondent location



These context-setting charts show that in terms of responses, there remains a broad 60:40 split between consumers (59 public or private sector organisations purchasing energy efficiency) and suppliers (39 energy efficiency technology and service providers).

The majority of responses continue to come from UK organisations (78%), with a good proportion (22%) coming from a broad range of European countries.

# Part 1: Consumer Trends in Energy Efficiency

This part of the report presents feedback from energy and environmental professionals within public and private sector organisations ('consumers') who are purchasing energy efficiency technologies and services in relation to the built environment on behalf of their organisations. This quarter's survey was completed by 59 consumers.

## Overview

Chart 1.1 – Consumers by Sector

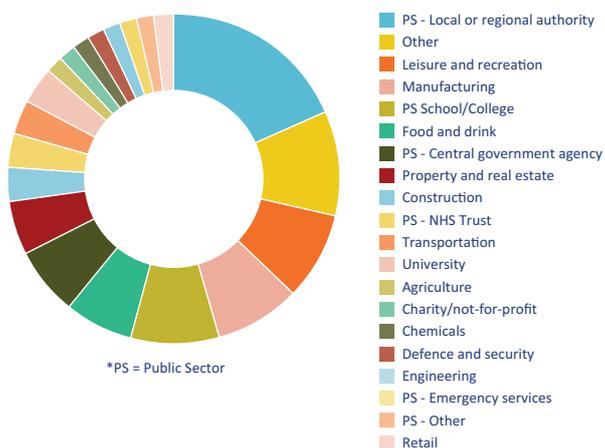
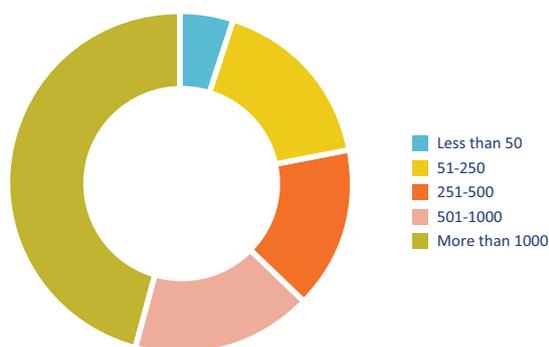


Chart 1.2 – Consumer Size (No. of Employees)

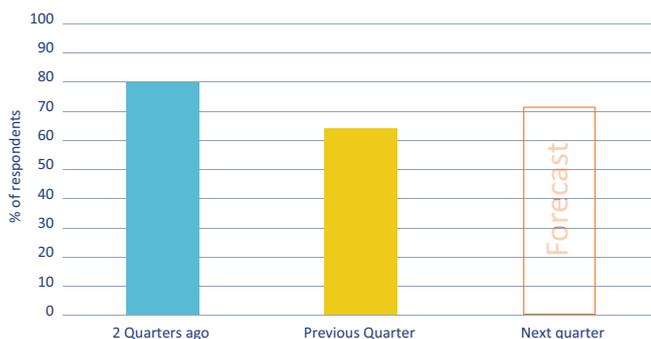


**Chart 1.1** shows that the survey continues to achieve good coverage across a wide range of sectors and the private to public sector split remains around 60:40. In this quarter Local Authorities have moved up to be at the top of the respondent grouping with 19% of all responses, while manufacturing is now sharing its position as the leading private sector grouping with Leisure and Recreation (9%).

**Chart 1.2** shows that the survey sample remains well balanced in terms of organisation size; SMEs are well represented (22%), with large organisations (1000+ employees) the principal respondent grouping (46%).

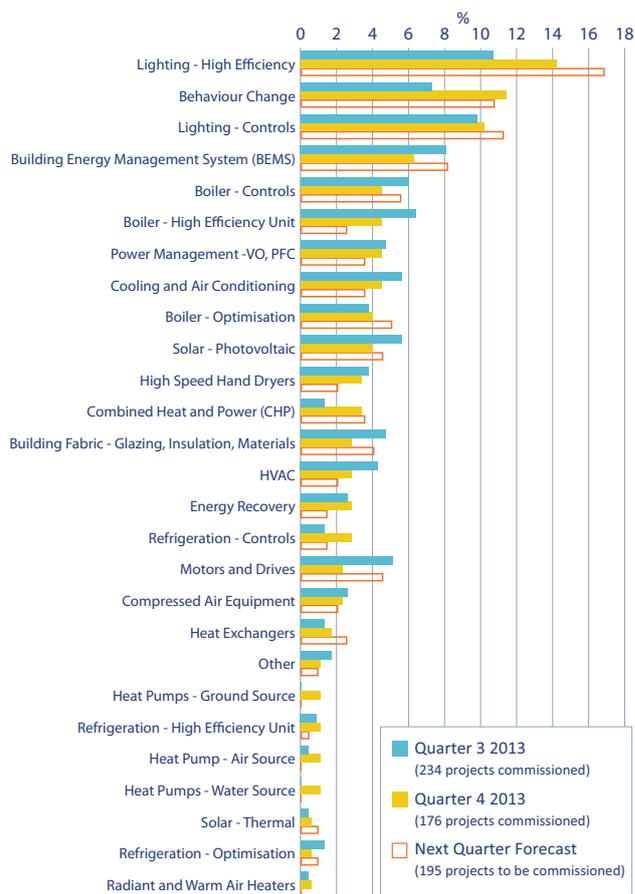
## Uptake of Energy Efficiency

Chart 1.3 – Consumers commissioning energy efficiency projects



## Technologies and Measures

Chart 1.4 – Technologies commissioned

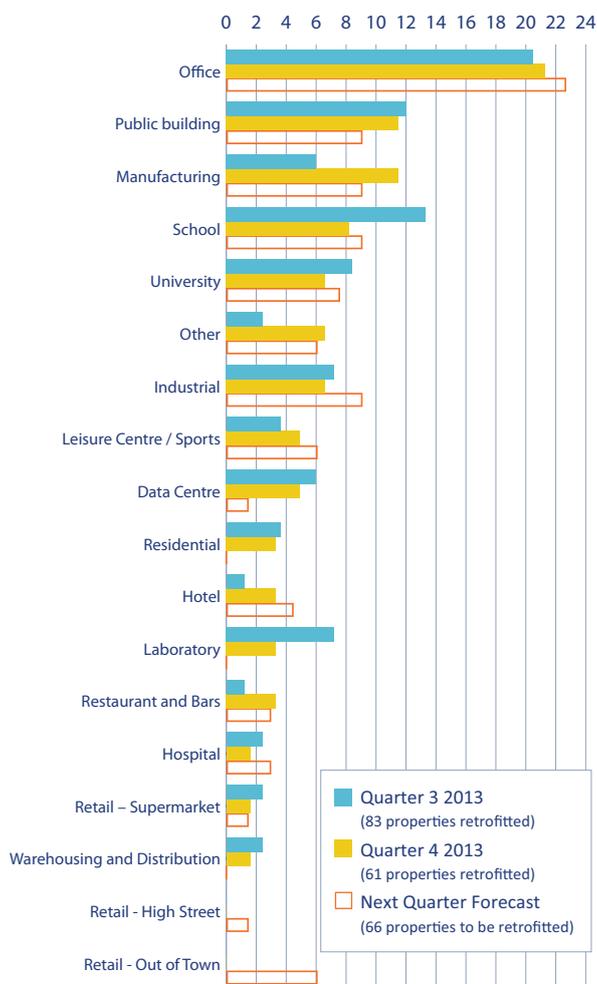


**Chart 1.3** shows that the take-up of energy efficiency has dipped this quarter (Q4, 2013) to 64% following the Q3, 2013 peak of 80%. However, this may be a temporary dip as 71% of respondents reported that they expect to commission projects in the next 3 month period.

**Chart 1.4** shows that consumers continue to deploy a wide range of energy-saving technologies. High efficiency lighting and controls remain very popular, now accounting for a quarter of all energy saving projects. There is also consumer confidence that this trend will continue into the next quarter. Behaviour change has replaced Building Energy Management Systems as the next most popular measure at 11%.

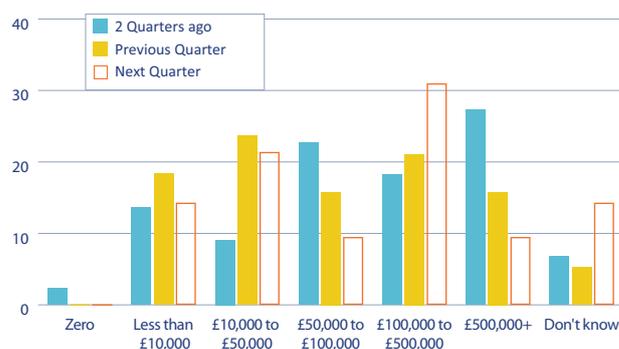
## Property Types

Chart 1.5 – Energy efficiency retrofit by property type



## Project Costs

Chart 1.6 – Capital cost of energy efficiency projects

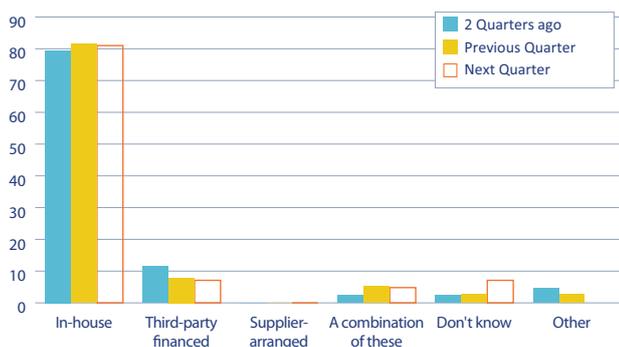


**Chart 1.5** shows that Offices continue to be the main commercial property type to benefit from energy efficiency upgrades (21%). They are also forecast to remain in this position for the next quarter. Public Buildings are another key focus along with Manufacturing sites, each accounting for 12% of projects. An uptick in High Street and Out of Town Retail is predicted for the next quarter, with both increasing from zero projects in Q3 and Q4 2013, to a forecast 8% in Q1, 2014.

**Chart 1.6** continues to show a broad range of project costs – as forecast in the previous quarter there has been a shift towards lower cost projects, resulting in an approximate 50-50 split this quarter between those over and under £50,000. This trend means that low-cost projects (between £10,000 and £50,000) now account for around one-quarter (24%) of all projects.

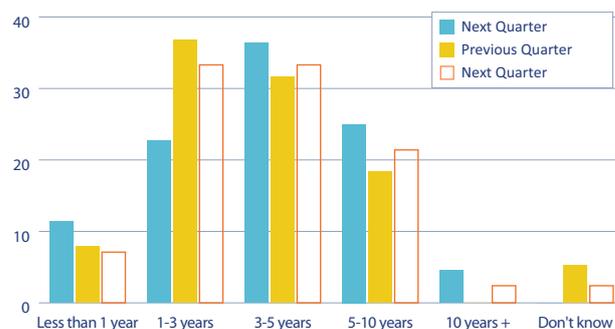
## Project Finance

Chart 1.7 – Finance models for energy efficiency



## Financial Payback

Chart 1.8 – Expected payback period for energy efficiency

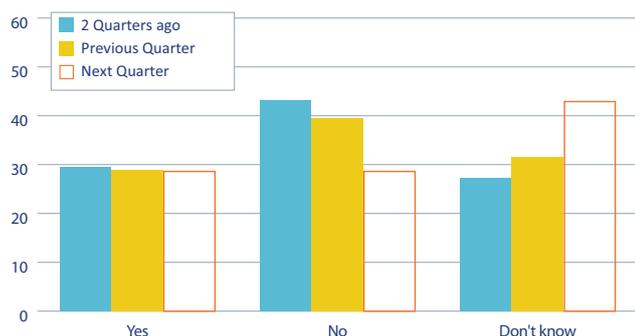


**Chart 1.7** shows little change in funding arrangements for energy efficiency projects. The vast majority of consumers continue to finance projects using in-house sources of capital (82%). Third-party finance has dipped with 8% of consumers utilising the capital markets. This trend is expected to continue into the next quarter.

**Chart 1.8** shows that the preference for projects to pay back within 5 years is still very strong, with 76% of projects falling within this banding. The softening of customer payback expectations observed in the Q3 2013 report has also reversed, with 45% of consumers now demanding payback within 3 years. The percentage of projects with longer paybacks (from 5 to 10 years) has dipped slightly, but remains a material 18% of all projects. However, no projects with paybacks over 10 years have been reported in Q4, 2013.

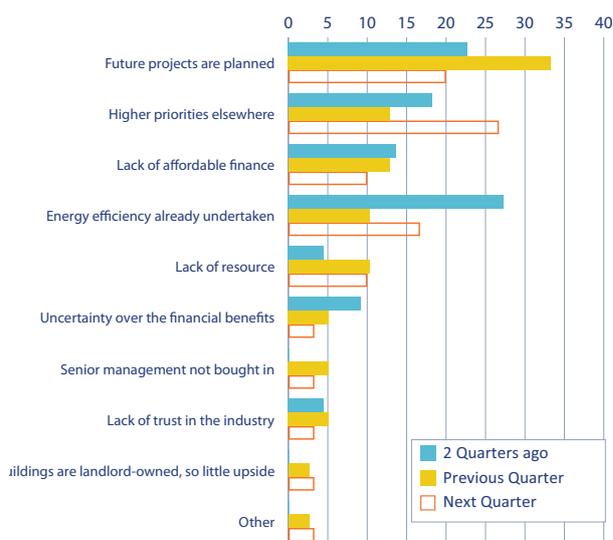
## Measurement & Verification

Chart 1.9 – Use of good practice measurement and verification for energy efficiency projects



## Consumers not undertaking energy efficiency

Chart 1.10 – Reasons for not undertaking energy efficiency



**Chart 1.9** shows a continuing trends whereby approximately 7 out of 10 consumers are either not utilising, or do not know if they utilised, a good practice form of performance measurement as part of their energy efficiency project(s). This is a reminder that robust proof of energy and financial savings performance is likely to be lacking within a large number of projects.

As a precursor to Chart 1.10, Chart 1.3 shows that 36% of respondents did not deploy any energy efficiency initiatives in the last 3 months (29% are not planning projects in the next 3 months either). **Chart 1.10** shows that within this grouping the principal reasons could be interpreted as 'positive' i.e. 10% of respondents had already undertaken energy efficiency investments, 33% were waiting on future projects to begin. However, a Lack of Affordable Finance and Higher Priorities Elsewhere also accounted for a material proportion (25%) of stated reasons for not undertaking energy saving projects.

## Part 2: Supplier Trends in Energy Efficiency

This section of the report presents the survey finding for the supply-side of the industry (organisations delivering the broad range of building-related energy efficiency

technologies, measures and services to the non-domestic market). The survey was completed by **39** supplier organisations.

### Overview

Chart 2.1 – Breakdown by Supplier Type

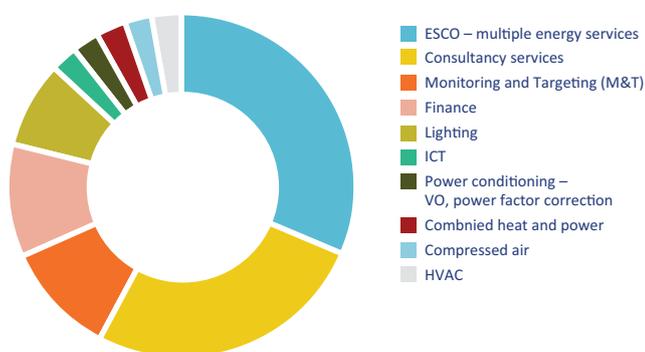
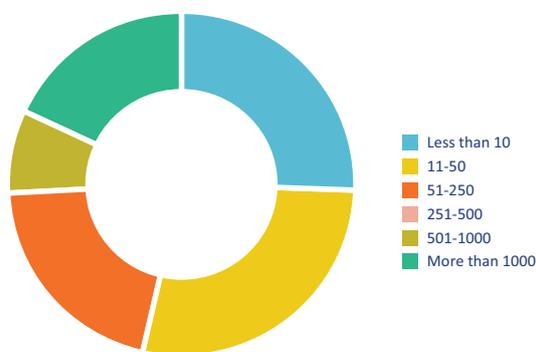


Chart 2.2 – Organisation Size (No. of employees)



**Chart 2.1** shows that ‘ESCO’ providers (of multiple products and services) are still the largest sub-sector grouping (32%) with consultancy services also comprising a major proportion of respondents (26%). Finance houses now comprise a material 10% of the supplier community.

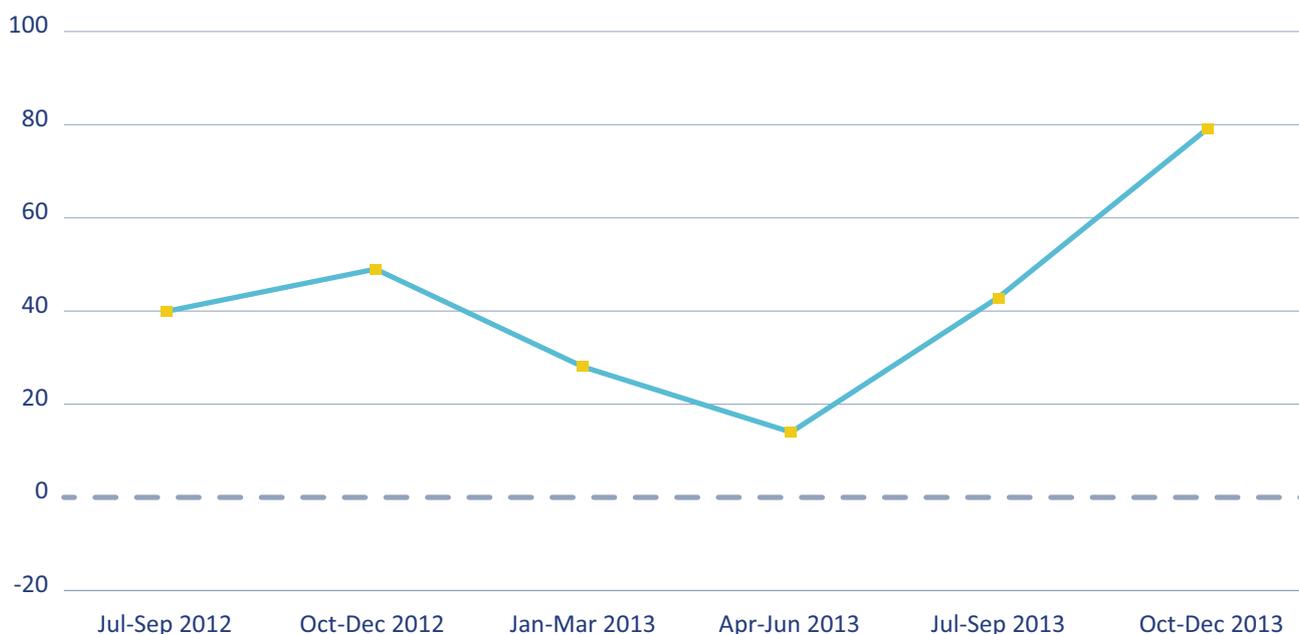
**Chart 2.2** shows that supply-side organisations tend to be SME sized organisations, with around three-quarters of respondents employing 250 staff or less.

## Market Monitor - Tracking industry confidence

This quarter our composite Market Monitor shows that confidence within the sector has received a significant boost. Until now the research has observed a fragile sense of confidence within the sector (with scores hovering just above the zero line, suggesting very modest optimism). This quarter, by contrast, we have seen a sense of 'measured confidence' reported through a clear uptick in the composite score. Indeed, a score of 79 (out of a possible 500) suggests a more concrete degree of

optimism throughout the industry and a major improvement on the average score of 35 that has been observed until now.

In the context of economic recovery, it will be interesting to see whether these levels can be sustained into the upcoming quarters, and if this is the start of a new trend towards 'measured confidence' displacing the more 'fragile optimism' observed to date.



Above zero = positive sentiment    Zero = neutral    Below zero = negative sentiment

Note: The EEVS/Bloomberg Supplier 'Market Monitor' brings together responses to questions 2.3 to 2.6 (order volumes, staffing levels and sale prices) and 2.8 (government action on energy efficiency) to form a composite and balanced measure of industry confidence or 'sentiment'. The results have been calculated for each quarter since the survey began and the trend can be observed in the chart above. The maximum score – were every respondent to answer every question with the most positive (or most negative) possible answer – would be +/- 500. A score of zero represents a neutral position. For more information on the calculations and weightings used, please contact Ian Jeffries.

# The Order Book

Chart 2.3 – Orders received from national customers

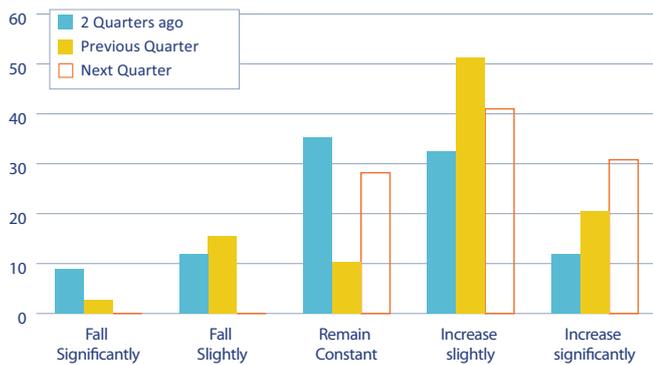
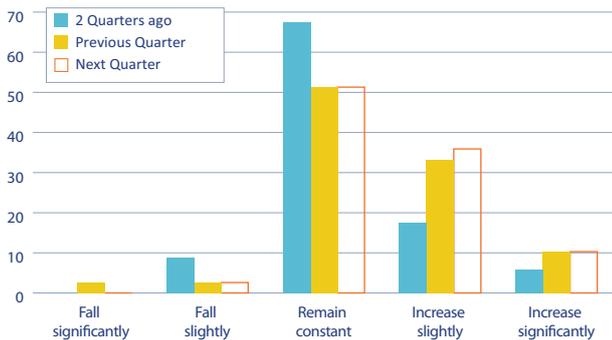
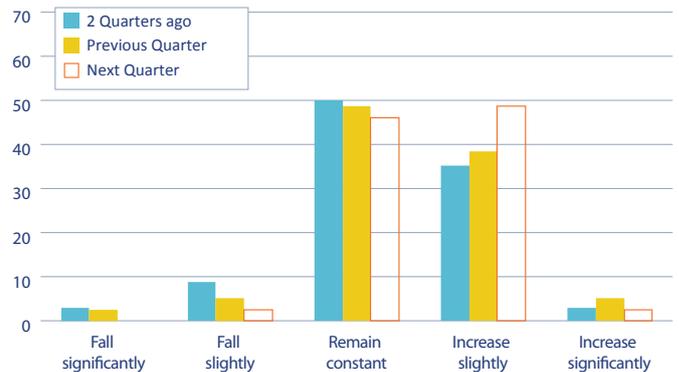


Chart 2.4 – Orders received from overseas customers



# Staff Numbers

Chart 2.5 – Staffing trends in the energy efficiency sector



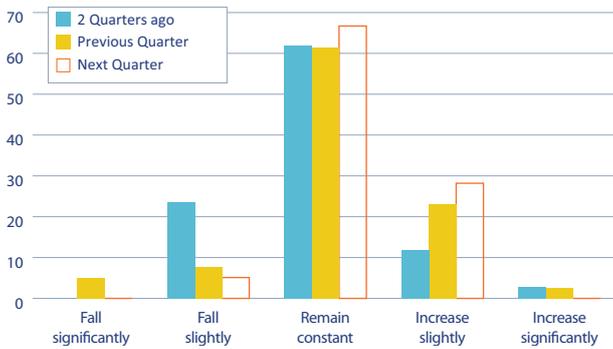
**Chart 2.3** shows a trend towards growth and improving confidence within the sector. Overall, a healthy majority (82%) of respondents reported that their national order books had grown or had remained constant over the last 3 months. Moreover, respondents were bullish about future growth prospects; every respondent expecting this positive trend to continue, and more than 7 out of 10 expecting outright growth in national orders in the next 3 month period.

**Chart 2.4** shows a similarly positive trend in relation to international orders. 51% saw no change, with 43% reporting outright growth in the last 3 months. 46% reported that they expected this trend to growth to continue into the next quarter. Only 5% reported decreasing volumes of international orders.

**Chart 2.5** shows that staffing levels continued to see modest growth with the sector, 87% reporting no change or slight increase. This trend towards cautious headcount growth is broadly expected to continue into the next quarter.

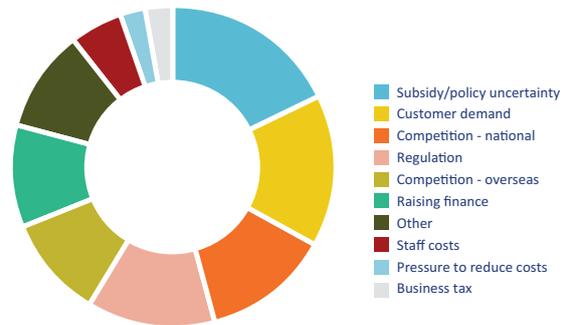
## Sale Prices

Chart 2.6 – Sale prices achieved



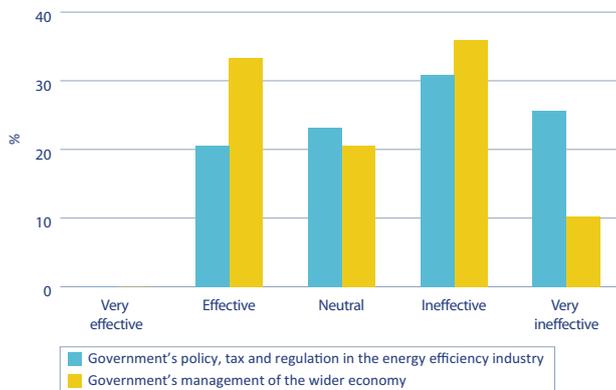
## Industry Risk

Chart 2.7 – Key issues of concern to the industry



## Government Effectiveness

Chart 2.8 – Industry views on Government energy efficiency policy & management of the wider economy



**Chart 2.6** shows that the proportion of respondents reporting consistent sale prices has remained stable (6 out of 10 broadly reporting no change). There has however been a material shift toward price inflation – so while 23% of respondents had previously reported slightly falling prices, by this quarter this trend had reversed, with 23% of respondents now reporting slight price increases. This trend towards modest growth in prices is forecast to continue into the next quarter.

**Chart 2.7** shows an even spread of issues of concern within the sector, with no single stand-out issue reported. Whilst Customer Demand remains a key issue, this has reduced from 32% to 15% this quarter. This is perhaps not unexpected given the growth in customer orders observed in Charts 2.3 & 2.4 above. The issue of Subsidy/ Policy Uncertainty has now become the main concern for around 1 in 5 respondents.

Finally, **Chart 2.8** shows that support for the government's management of energy efficiency policy remains limited, with 8 out of 10 respondents returning neutral or negative feedback. Sentiment was slightly more supportive in relation to the Government's management of the wider economy with around one-third providing outwardly positive feedback on government action.



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April 2014

## Contact us

If you have any questions in relation to this report  
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