ESCO development in China 
---drivers and barriers

China ESCO Industry Association (EMCA)
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China ESCO development

Introduce EPC & Pilot ESCOS

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National support polices

Build-up ESCO system

Upgrade

Develop

promote

Pilot

Introduce EPC & Pilot ESCOS

Establishment of EMCA

National support polices

Build-up ESCO system

Upgrade
China ESCO development

- EMCA members: 
  - 2004: 59 members
  - 2013: 950 members
  - Growth: 16 times

- Energy service company total value: 
  - 2003: 17.67 billion yuan
  - 2013: 2155.62 billion yuan
  - Growth: 122 times

- Energy management investment: 
  - 2003: 8.51 billion yuan
  - 2013: 742.32 billion yuan
  - Growth: 87 times

- Industry employees: 
  - 2005: 160,000 employees
  - 2013: 508,000 employees
  - Growth: 32 times

- Energy management project energy savings: 
  - 2003: 55.99 million tce
  - 2013: 2559.72 million tce
  - Growth: 46 times
China ESCO development

ESCO annual turnover

EPC investment
100 million RMB

注：数据来源于EMCA2014年度节能服务产业发展报告
China ESCO development

- 70%节能量保证型
- 21%能源费用托管型
- 9%节能效益分享型
- 14.10%融资租赁及其他复合型

- 59.20%east
- 26.70%middle
- 9%west
China ESCO development

1. Listed companies
2. State-owned
3. Joint-venture
4. Foreign
5. Private
China ESCO development

- 90% Small-medium private enterprises → state-owned enterprises and multi-international enterprises
- Energy consumer funded ESCOs
- Public-listed company founded ESCOs
- Market-oriented ESCOs with Chinese features- Guanxi
Drivers and barriers

Government PUSH

Drivers

Market DRIVE

Economic DRIVE
National supportive policies

1. Direct financial award
2. Tax incentives
3. Public accounting system
4. Green financing policy
A: financial award

- Financial support: national + local financial reward
  - RMB240 per tce saving from central government
  - RMB60 + per tec saving from provincial government
- Registered ESCOs are qualified to apply for financial reward with completed EPC projects
- 2 billion budget — 2014
B: Tax- reduction & exemption

- Operational tax: exemption
- Corporate income tax: 0 for the first 3 years with profit and 50% for the next year
- VAT: exemption when fixed assets are transferred to customer

- 500 ESCOs enjoyed 1 billion RMB tax exemption-2014
C: green financing to EE financing
Market drivers

- National 5-year plan: EE target
- National program: thousands enterprises EE program, mandatory EE standard for buildings etc.
- Energy pricing: time & quantity of energy consumption
- Economic drive: ESCO industry as new strategic economic growth
Customer demand

- State-owned enterprises – practice social responsibility and keep key competitive advantages in the slowed economic growth
- Private enterprise – reduce cost and energy consumption to avoid close-down
- Public buildings-municipal regulation
Drivers for ESCO business

- **EE products/technology** - new business models
- **Capital market** - new green market with great and sustainable potentials
- **Energy consumers** – less consumption more efficient
- **Public facilities** – professional energy management resource
Main barriers

- Awareness Acceptance
- Sustainable policies
- Credit system
- Capacity Building
- ESCO
Thank you

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