



MF Case 13: Stuttgart, Germany

"Intracting" - internal municipal contracting

Stuttgart is the capital city of the German regional state (Land) of Baden-Württemberg; the regional state, located in the south-west of Germany and home of Mercedes. Like in many municipalities, budgetary constraints have been preventing the performance of effective and necessary energy conservation investments for several years now. In the past, in many cases the individual local authority departments have not been in a position to implement proposed improvements. Departments have rather focused upon user satisfaction, attractiveness or image. Thus often only small measures could be realized within the context of ongoing building maintenance. Also, those departments that realized energy savings did not get the benefits in terms of higher budgets.

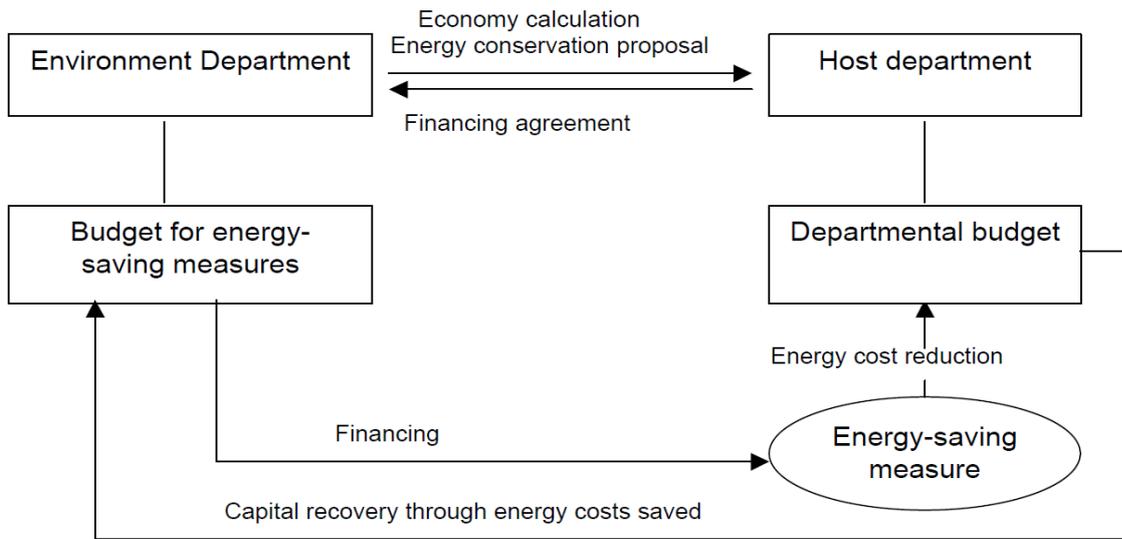
Funding sources:

In 1995 the City's Energy Management Department introduced the 'internal contracting (intracting)' model together with the City Treasury. It takes up the idea of contracting, but operates exclusively with the budgetary funds of the city. The clients are host departments or city-owned enterprises. Investments are financed by the Environment Department from a special budget item, to which the energy cost savings are later returned. Consequently, such an item can be set up for a limited period of time. The budget item is replenished from ongoing savings, so that, after an initial start-up phase, further funds can be made available for new interacting measures. The Environment Department thus grants an earmarked, interest-free loan to the host department. No mark-up for business risk and profit or for interest on capital deployed is incurred.

Examples of internal contracting includes

1. New controls for heating, ventilation or lighting
2. Insulation of walls or top floors
3. Cover of swimming pools
4. Heat recovery systems
5. Renewal of light
6. Combined heat and power plants

Structure of the Stuttgart Financing model, Stuttgart, Germany

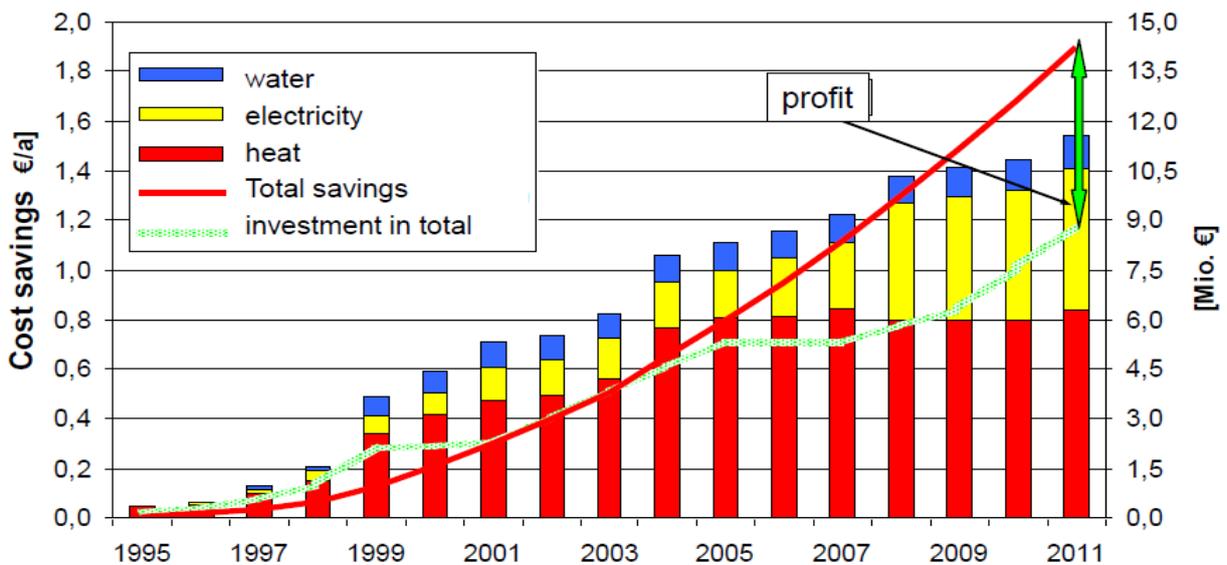


Source: www.energy-cities.eu/db/stuttgart_136_en.pdf

In the period of up to 2011 more than 200 contracts were signed. About €14.2 Million were saved in costs from a budget of € 8.8 Million (= the revolving fund). A financial benefit of €5.4 Million was achieved.

From 1995 up to 2011 water in the amount of 435 000 m³, energy of 196 000MWh heat and 33 000 MWh electricity were saved, resulting in GHG reductions of 87 000t CO₂.

Cost savings through the Stuttgart financing model



Source: www.energy-cities.eu/db/stuttgart_136_en.pdf

Lessons learned:

1. It is important to keep the time of the tendering process in check in order to manage the projects and get results
2. For the internal budget it is important to understand, at what time the customer would pay from the savings back to the revolving fund in order to be able to manage the pipeline of projects.
3. The user profile will change over time. It is necessary to keep a certain degree of flexibility in the scope of contracting.
4. It may be necessary to provide internal trainings/capacity building to some clients. Some clients may have difficulties in defining the quality standards they want to chive (and keep them over time).

References and further information/sources:

http://www.energy-cities.eu/db/Stuttgart_Intracting_2013_en.pdf and
http://www.energy-cities.eu/db/stuttgart_136_en.pdf (source of the above)

Credentials

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