

ECOINNOVATION

Topics Online „Eco-Innovation“ presents cutting-edge and fascinating best practices for increased resource productivity. In the tradition of „Factor Four“ they show what is possible, present obstacles and how green lead markets can emerge.

Best Practice

Eco-Innovations in Public Administrations: »» Intracting Helps

Intracting is a financing tool that is being used for implementing energy or water-saving measures.

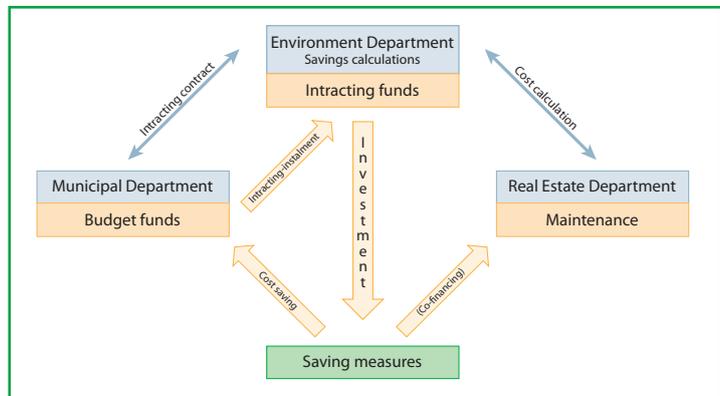
It has first been implemented in Stuttgart in 1995.

The idea behind intracting is simple: the initial investment costs are recouped through the cost savings achieved by implementing energy-saving measures.

The saving measures are not planned, financed and realised by an external third party, as it is the case with contracting, but within one and the same organisation or through a unit within the public administration, an „internal contractor“.

There are various intracting models: For instance, a specifically launched public fund finances the measures, continuously replenished by the achieved savings; or the environmental protection office plans the energy-efficient renovation of public properties.

To date, various cities have gained experience with intracting models for energy and water efficient measures. Intracting is also of interest to all other public authorities (e.g. district administrations, the federal states), housing associations and industry. An expansion into other areas, e.g. waste avoidance, is also quite conceivable.



Sustainability-effects

ECOLOGY	In buildings considerable increases in efficiency can easily be achieved. In cities and municipalities with different structural conditions the potential can be even greater. Savings in energy bring about a reduction in CO ₂ and other emissions. Burning less fossil fuels means that more energy resources are conserved. Buildings often have great unexploited water- and waste-saving potential that intracting measures can realise.	<ul style="list-style-type: none"> ✓ Energieverbrauch ✓ Emissions ✓ Water consumption ✓ Resource use ✓ Waste
ECONOMY	Falling net costs for municipalities release funds for other expenditure and additional steps towards energy efficiency. Profits remain in the municipality. Rising energy prices increase the profitability of intracting measures. Transaction costs with external contractors do not apply. Dependence on coal, gas and oil imports is lessened and price fluctuations on international energy markets therefore have less impact. Renovation measures stimulate local trades and business.	<ul style="list-style-type: none"> ✓ Costs ✓ Independence from imports ✓ Promotion of economic development
SOCIAL	Renovation of buildings improves indoor air quality and the living environment. Reducing the costs of local services for tenants opens up opportunities for other expenditures in the long term. Renovation raises the attractiveness of the buildings in question and has positive effects on the image of the users. The people involved in planning and implementing intracting measures become aware of the issues of energy and resource consumption.	<ul style="list-style-type: none"> ✓ Health ✓ Quality of life ✓ Financial freedom ✓ Jobs ✓ Positive image ✓ Consumer behaviour

Obstacles and drawbacks

There are restrictions on net borrowings in times when budgets are in deficit and fettered by fiscal emergency measures. Intracting measures cannot be financed by initial funding because all funds are tied up in essential expenditure.

Administrative obstacles can arise through lack of clear institutional responsibility, limited staff resources, uncooperativeness, poor information flow and technical snags in financing.

The efficiency potential that is technically achievable is not exploited to the full because many cities and municipalities aim only for particularly profitable measures with relatively short amortisation periods. They seek immediate net benefits to balance the budget burdened by the initial funding.

There is no guarantee for the projected savings – other than with contracting. Experiences show that most measures do need a start-up phase of about 3 years until they are fully effective.

Potential

Intracting allows the implementation of smaller projects for which external contracting would be too expensive. The two instruments complement each other ideally and allow real saving potentials to be tapped. Apart from the savings, cities can keep the expertise and promote business thinking in their administration when using intracting.

More widespread information on intracting would facilitate the realisation of a large spectrum of applications. This would have a strong positive effect on the economy, the environment and social affairs. Municipalities are interested in intracting mainly as a cost-saving instrument. The monitoring office of the city Linz has approved the profitability of their intracting model in 2003 and 2004 and recommended to go on.

Basically, intracting is just one of several instruments to achieve environmental efficiency. In each case a previous analysis should check which one of them can be implemented in the most effective way.

Policy recommendations

In 2005, the project PICOLight – coordinated by the Wuppertal Institute – ended. It aimed at increasing the degree of awareness of the instrument intracting, which has been developed in Germany. Their policy recommendations comprised e.g. implementing intracting on a higher political level which serve as role models. Internal publicity in the administrations is of high importance in order to create the necessary acceptance.

Fiscal inspectors could grant cities and municipalities the possibility of raising credits for profitable intracting measures outside the regular budget and so create additional leeway for them to finance intracting measures. In many cases, the budget act needs to be adopted in order to spread investments over several years. Additional finances for intracting measures could be provided through government-funded programmes for CO₂ reduction and modernisation of old buildings, e.g. loans from a national Reconstruction Loan Corporation (such as KfW) or programmes of the federal states.

Links and contacts

Further information:

[Projecthomepage PICOLight](#)

[PICOLight - Final Report](#) (PDF)

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