OPPORTUNITIES IN ENERGY EFFICIENCY PROJECT FINANCING

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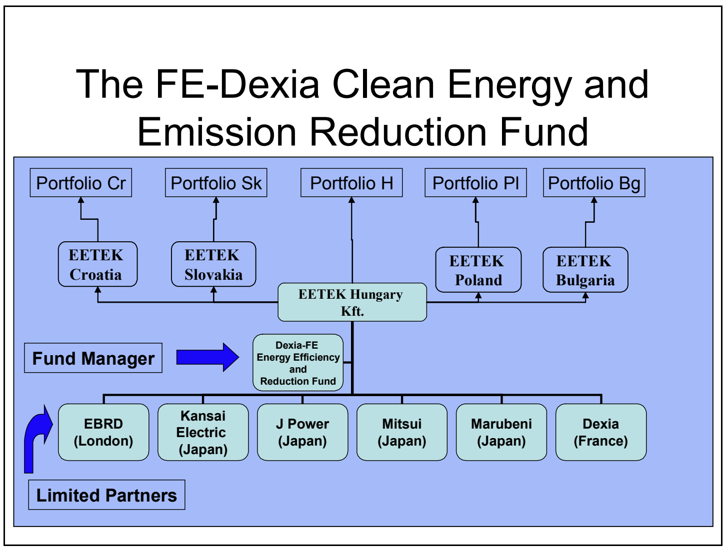
1) Investment in energy efficiency related projects requires:

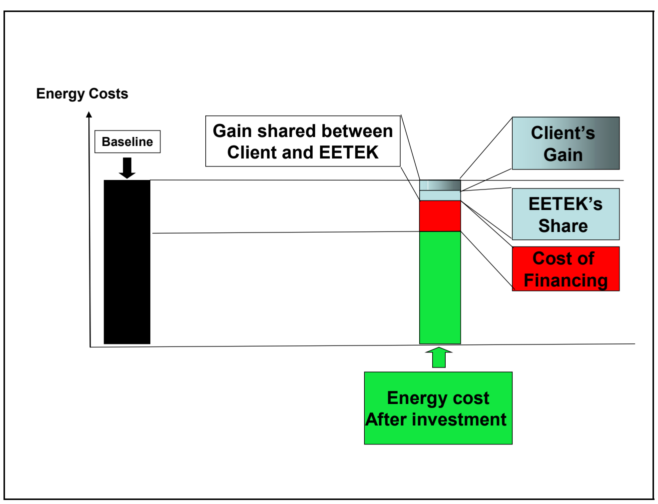
- the right type of money and
- the right type of investment vehicle



2) ESCO and problems with ESCO type financing

a) What is ESCO: project costs can be financed from savings and gains are shared between the parties

b) Financing scheme based on ESCO principles



c) Experiences with ESCO type financing

A. Why in certain cases ESCO financing can not be the right solution: improving efficiency vs. improving safety of the system, or level of service

(1) Simple cases

(2) Problematic cases

(3) The problem with setting the „baseline”

B. Financing solutions:

Solution A: Saving risk shared by client and contractor:

(i) Operations with fixed, scheduled energy consumption (e.g. public lighting)

(ii) Operations with alternating energy consumption: Savings calculated using exact engineering methodology: measurable/accountable differences between the efficiency of replaced vs. new system

Solution B: Flat financing fees

3) The role of an intelligent Energy Management System

a) Achievable savings: direct and indirect

- Can measure energy consumptions
- Can regulate energy consumption
- Can identify losses and locate leakages
- Can reduce consumption by optimizing consumer behaviour

b) Potential cost savings: 1-3% of total energy costs (conservative estimates)

4) Energy outsourcing:

- the efficient way of combining financing and operation of an energy system
- Targeted savings can be assured by complex services consisting of
    - Financing
    - Monitoring
    - Operation
    - Maintanance
    - Follow-up investments

5) Sharing savings risk:

A. Both EETEK and Client is exposed to saving risk: savings shared b/w client and EETEK – Energy Performance Contract (EPC) – post contractual hazard

B. Client only faces savings risk: flat yearly financing fee payable to EETEK over the term of the contract – similar to a lease contract, when at the end of the term of the contract ownership is transfered to the Client

C. EETEK only is exposed to saving risk: energy sales contract

6) Sources of financing: equity vs. debt

- Stand alone projects: non recourse financing
- Providers of both the equity and debt exposed to client risk
- Availability of bank financing is a good indicator of managable client risk
- Refinancing part of the total investment (usually 50-70%)
    (1) Post – implementation: not preferred
    (2) Pre-implementation: precondition to entering into the contract with the potential client

7) Monitoring customer's financial performance

A. Portfolio monitoring – reporting to owners of EETEK

B. Reporting to financing bank