



# Singapore Energy Efficiency Investment Forum

## Session Three: ESCOs and Business Models

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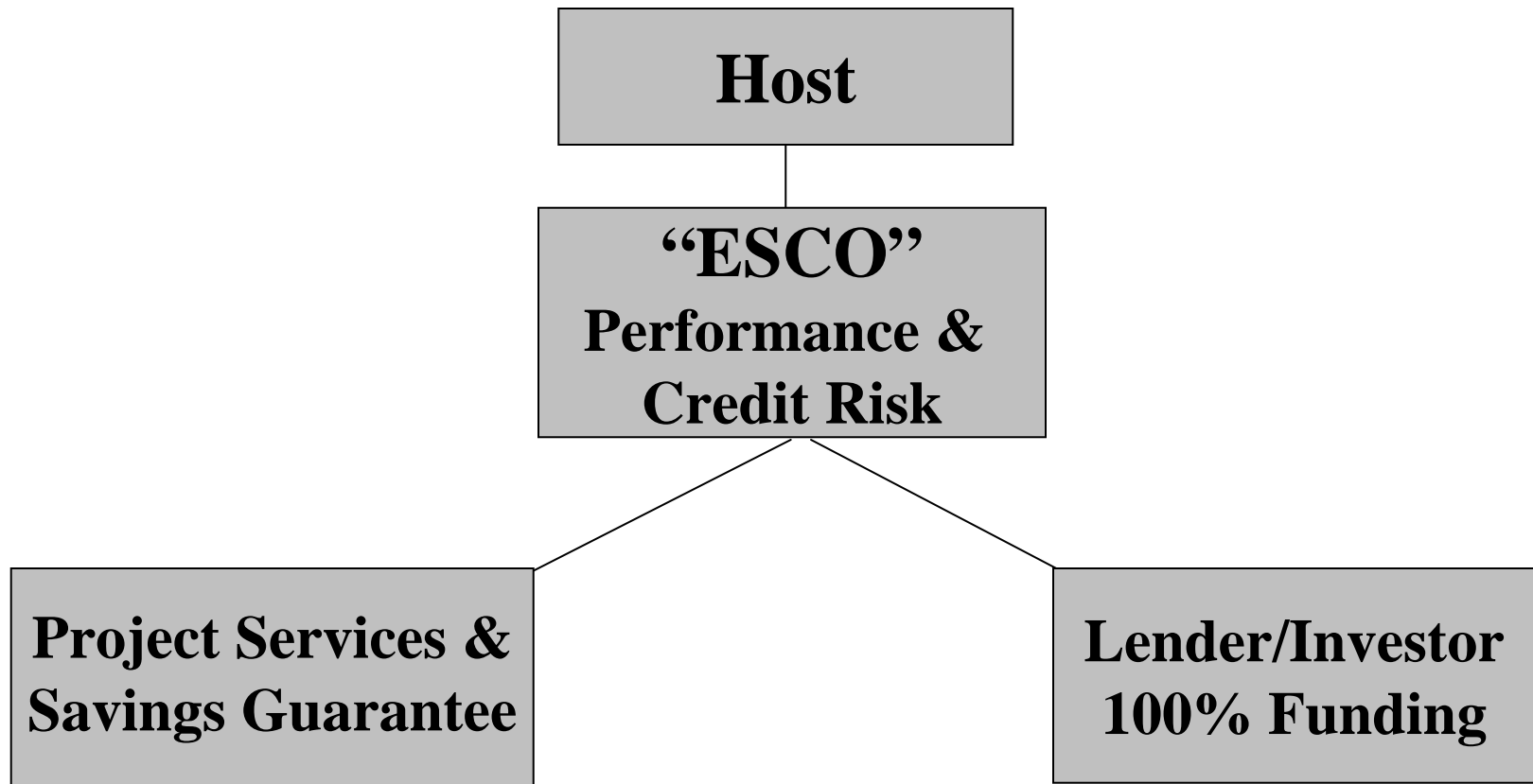
Supporting an  
Energy Efficient Singapore  
programme

## *Energy Services Company (“ESCO”) Definition*

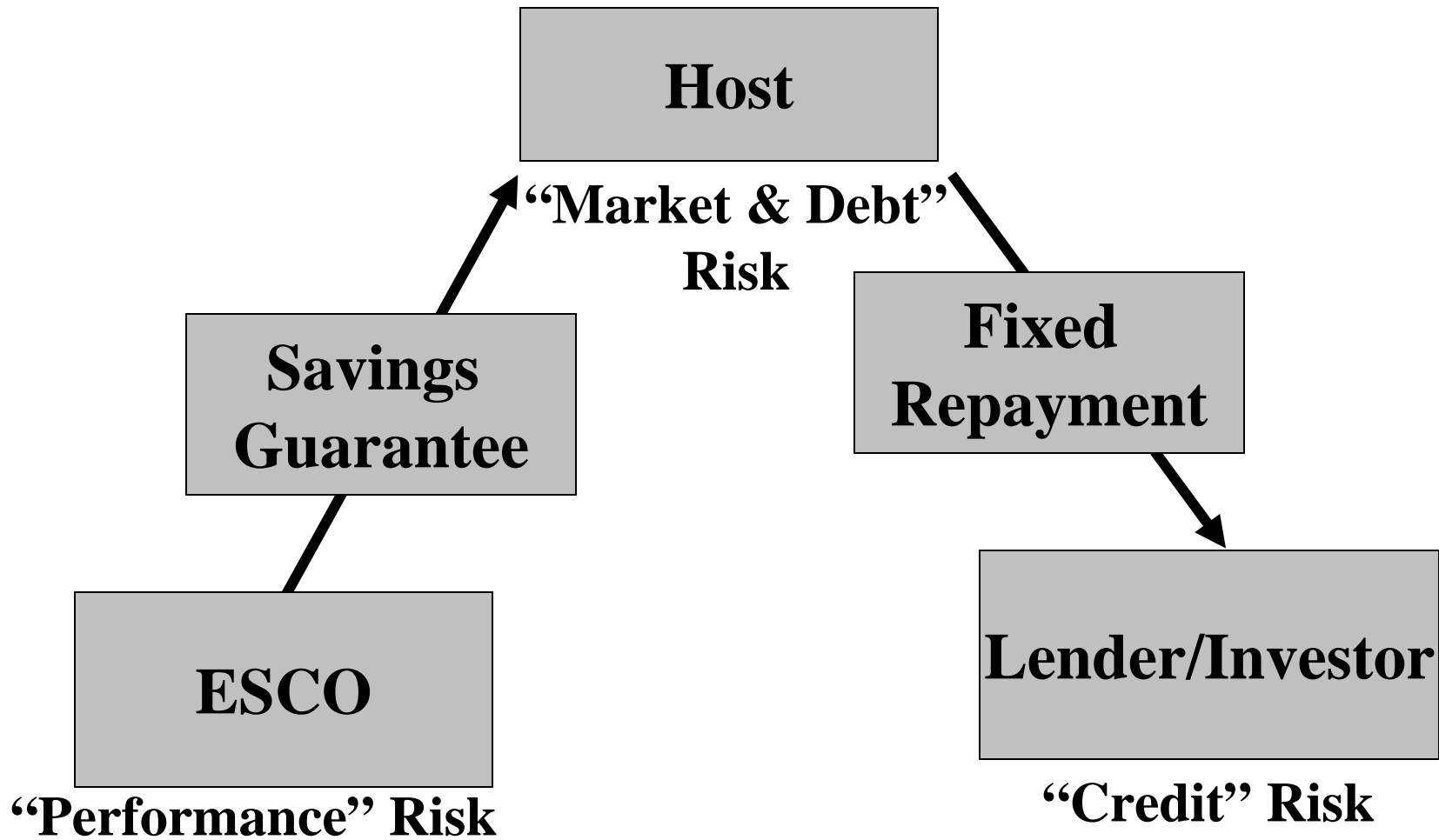
**A Company that:**

- **develops, finances & implements Energy efficiency and Savings-based renewable Projects (“ESPs”) on a “turn-key” basis.**
- **risks payments for its services on actual savings performance of ESP equipment installed.**

# *Shared Savings Structure*



# *Guaranteed Savings Structure*



## *Market Application Summary*

- **Shared Savings Structure:**
  - Good introductory model for developing markets because Hosts assume no risk
  - Limits long-term growth and competition within the ESCO industry
- **Guaranteed Savings Structure:**
  - Difficult to use in introducing the ESCO concept for developing markets because it requires Hosts to assume investment repayment risk
  - Fosters long-term growth of the ESCO Industry.

## *Fundamentals of ESCO Structure*

<b>Construction Price to ESCO</b>	<b>\$1,000,000</b>
<b>Construction Interest (12 months @ 14%)</b>	<b><u>70,000</u></b>
<b>TOTAL AMOUNT FINANCED:</b>	<b><u>\$1,070,000</u></b>
<b>Annual Savings</b>	<b>330,000</b>
<b>Debt Services - 7 years @ 14% on \$1,070,000</b>	<b><u>(240,000)</u></b>
<b>CASH AVAILABLE TO SHARE</b>	<b><u>\$ 90,000</u></b>

**Assumes 100% DEBT FINANCED**