



Singapore Energy Efficiency Investment Forum

Scaling Up Energy Efficiency Financing

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Energy Efficiency Barrier

One of the most significant barriers to the “Global” implementation of “clean” and “proven” EE Technologies is:

Lack of Commercially-Viable Financing

Cause of EE Financing Barrier

- Problem is **NOT** a lack of available funds!
- Problem is getting access to available funds at Local Financial Institutions (“**LFI**s”)
- Caused by a “**DISCONNECT**” in current lending practices of LFIs and needs of Energy efficiency & Savings-based renewable Projects (“**ESP**s”)

“DISCONNECT” is that LFI typically:

- Provide “asset-based” lending limited to 70% - 80% of asset value
- Do not acknowledge (or believe) cash flow from ESPs = increased credit capacity
- Not familiar with unique “intricacies” of ESPs
- Do not have the internal capacity to properly evaluate risks/benefits of ESPs
- Are unwilling to invest in building capacity due to relatively small dollar size of ESPs

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The “PERFECT” EE Financing Structure

Provided by LFIs on a Project Basis:

- **No Collateral requirement beyond EE cash flow and equipment from Developer or “Creditworthy” Hosts**
- **Minimum 7-yr. Term + Construction Period**
- **Construction Financing provided**
- **Repayment in Local Currency**
- **“All in” costs must relate to Market Interest Rates.**
- **Must be able to clearly measure & verify savings**

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Solutions Needed to Scale Up EE Financing

- **Train LFIs how to evaluate the benefits/risks and to understand the “intricacies” of financing ESPs (International Energy Efficiency Finance Protocol “IEEFP”)**
- **Provide new EE performance and credit risk guarantee products to LFIs that promote their willingness to finance ESPs from savings**
- **Aggregate multiple ESPs within SPEs that utilize standardized documents and methods to reduce transaction costs and increase financed amounts**

IEEFP Summary

- A Global “blue print” for LFIs to finance ESPs;
- A “grassroots”, consensus and market-based “*Bottoms Up*” vs. “*Top Down*” approach
- Focuses on the “Savings Value” of ESPs for loan repayment and credit capacity review
- Provides standardized procedures, guidelines and criteria for evaluating ESPs
- Mandates savings M&V based on “**IPMVP**”
- Utilizes an expanding repository of Case Studies

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\$100M China EE Fund

- **Raise a US\$100 Million EE Fund that invests equity and alongside debt to fund “paid-from-savings” ESPs for ESCOs in China**
- **Purchase ESPs from ESCOs at a price that provides them a construction profit and share of long-term realized savings**
- **Assist ESCOs to increase technologies implemented and project size**
- **Utilize SPEs to aggregate ESPs and “CERs”**

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“Scaling Up” Benefits

- **Accelerated implementation of energy efficiency**
- **Reduced EE market barriers for end-use Hosts**
- **Market-based, sustainable Commercial Lending sector that promotes energy efficiency**
- **Capacity Building of LFIs to finance ESPs:**
 - Decreased risk perception of EEP Savings
 - Reduced loan process & transaction costs
- **Aggregated financing of ESPs**
- **Delivery of long term Energy & GHG reductions**