



The Sustainable Energy Asset Framework

*Bridging the gap in energy efficiency finance, connecting
opportunity to capital*

A review of capital sources available for energy efficiency projects, key enablers and barriers for ESCO and investor success.



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Executive Summary

There is no shortage of projects for Energy Efficiency improvements in Europe – buildings currently account for 40% of total final energy consumption and 36% of CO₂ emissions¹. Investing in energy efficiency is therefore fundamental to Europe’s transition toward a more competitive, secure, and sustainable energy system.

However, both investors and Energy Service Companies (ESCOs) have repeatedly named the “finance gap” as a critical roadblock to scaling up Europe’s energy efficiency market, to the detriment of the environment, private investment, Small and Medium-sized Enterprises (SMEs), and crucially, the growth of Energy Service Companies (ESCOs). Credit liabilities and fixed assets burden the balance sheets of building owners and ESCOs alike, requiring more equity capital, all the while deterring financial institutions from engaging. At the same time, Energy Performance Contracting (EPC), the key contracting model used by ESCOs to sell energy efficiency to end clients, is not well understood by many financial institutions.

Based on two years of fieldwork with over 150 ESCOs and investors in Europe, this paper explains the concrete reasons the finance gap exists and presents eQuad – a holistic approach to overcoming market barriers and helping ESCOs and investors thrive.

The analysis presented here has therefore been written primarily for ESCOs, but also for investors in energy efficiency projects. This white paper provides ESCOs with a guideline of investor expectations, available financing structures, and key criteria to successfully reach a deal with a financial institution. For financiers who are looking to identify viable projects to invest in, this paper describes how opportunities are pre-selected by eQuad to meet a given investor’s appetite. Finally, this paper will be of interest to other stakeholders working in policy or academia, who are looking to understand, at a granular level, the complexity of Europe’s Energiewende (transition to a zero-carbon energy system); why transition takes time – what are the barriers, and what is being done to overcome them.

¹ ESCO Market Report 2013, JRC Science and Policy Reports

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Introduction

Defining the finance gap

The term “finance gap” is common terminology in the European energy efficiency sector. However, what does it mean in practical terms for the stakeholders involved – Energy Service Companies (ESCOs), building owners (end clients), and investors? What are the *real* challenges each stakeholder group faces that contribute to this gap? This document unpacks this question in order to give both ESCOs as well as investors a better understanding of the needs of the market, and to propose a solution with the potential to bridge the gap and scale up investment in energy efficiency.

The eQuad story

The above-mentioned “bridge” is precisely where eQuad comes into play. eQuad is the final outcome of SEAF – the Sustainable Energy Asset Framework – a European Commission funded project that ran from February 2016 to May 2018. The main aim of SEAF was to face the finance gap head-on and to build a practical tool – a *bridge* - that contractors and investors could use to overcome persisting barriers to finance and project uptake in Europe, finding a middle ground.

In this context, eQuad is a holistic online platform designed to bridge the finance gap, enabling a swift and accurate evaluation of an energy efficiency or renewable energy project in financial terms in order to expedite deal closure with third-party finance providers. This streamlined solution automates and standardizes project pre-qualification processes through the inclusion of third party valuation, insurance, and internationally recognized project certification. The work of eQuad is carried out by Joule Assets Europe, in partnership with ICP Credentialed Quality Assurance Provider, Verco Global, and internationally recognized insurance provider, HSB Engineering Insurance Ltd.

In addition to the automated platform, the “human” element is vitally important. The platform is meant to be a springboard from which beneficial new business relationships can be fostered. The eQuad team therefore supports both project developers and investors throughout their journey towards closing a favourable deal.

Terms and definitions

The following definitions set the context for this document, covering basic concepts in both energy efficiency services and finance. The definitions have been sourced directly from EU legislation as well as the online finance portal Investopedia. It should be noted that differences in the interpretation of certain concepts related to energy services, particularly with regard to the definition of Energy Service Company (ESCO), persist among experts in the field. The Energy Services Directive (2006/32/EC) describes an ESCO as a natural or legal person that delivers energy services and/or other energy efficiency improvement measures in a user's facility or premises and accepts some degree of financial risk in so doing. It stresses that the payment for the services delivered is based (either wholly or in part) on the achievement of energy efficiency improvements and on the meeting of the other agreed performance criteria.

The Energy Efficiency Directive (2012/27/EU), on the other hand, does not provide a definition of ESCOs but instead refers to the general term of energy service providers, which includes any natural or legal persons delivering energy services and/or other energy efficiency improvement measures in a final customer's facility or premises.

Energy Efficiency Contractual Terms

ENERGY PERFORMANCE CONTRACTING (EPC)

An Energy Performance Contract is a contractual arrangement between the beneficiary (client/project owner) and the provider of an energy efficiency improvement measure, verified and monitored during the whole term of the contract, where investments (work, supply or service) in that measure are paid for in relation to a contractually agreed level of energy efficiency improvement or other agreed energy performance criterion, such as financial savings (Directive 2012/27/EU)

ENERGY SERVICES (ES)

The physical benefit, utility or good derived from a combination of energy with energy efficient technology and/or with action, which may include the operations, maintenance and control necessary to deliver the service, which is delivered on the basis of a contract and in normal circumstances has proven to lead to verifiable and measurable or estimable energy efficiency improvement and/or primary energy savings (Directives 2006/32/EC, 2012/27/EU)

ENERGY SERVICE COMPANY (ESCO)

A natural or legal person that delivers energy services and/or other energy efficiency improvement measures in a user's facility or premises and accepts some degree of financial risk in so doing. The payment for the services delivered is based (either wholly or in part) on the achievement of energy efficiency improvements and on the meeting of the other agreed.

CLIENT / END CLIENT

This refers to the end client, or project owner, of a set of energy efficiency services. This is the party at the end of the EPC stakeholder chain, who benefits from the measures installed, and is responsible for the financial payback.

MEASUREMENT AND VERIFICATION (M&V)

Measurement and verification of energy savings is equally important to contractors and project investors. The International Performance Measurement and Verification Protocol (IPMVP) is widely regarded the benchmark method for M&V.

Financial Terms

INTERNAL RATE OF RETURN (IRR)

Internal Rate of Return (IRR) is a metric used to estimate the profitability of potential investments. Internal rate of return is a discount rate that makes the net present value (NPV) of all future cash flows from a particular project equal to zero.

Generally speaking, the higher a project's internal rate of return, the more desirable it is to undertake. IRR is uniform for investments of varying types and, as such, IRR can be used to rank multiple prospective projects a firm is considering on a relatively even basis. Assuming the costs of investment are equal among the various projects, the project with the highest IRR would probably be considered the best and undertaken first.

DISCOUNT RATE

Discount rate is the interest rate used in discounted cash flow analysis to determine the present value of future cash flows.

NET PRESENT VALUE (NPV)

Net Present Value is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. NPV is used to analyze the profitability of e.g. a project investment.

RETURN ON INVESTMENT (ROI)

Return on Investment is a metric used to evaluate the performance of an investment or to compare the performance of a number of different investments. ROI measures the amount of return (the benefit/profit) on an investment relative to the investment's cost. To calculate ROI, the benefit (or return) of an investment is divided by the cost of the investment, and the result is expressed as a percentage or a ratio. The ratio's simplicity is both its strength and its weakness, as it ignores the value of money (compared e.g. to a metric such as IRR).

NON-RECOURSE DEBT

Nonrecourse debt is a type of loan secured by collateral (property or other assets). If the borrower defaults, the issuer can take ownership of the assets but cannot require further compensation of the borrower, even if the collateral does not cover the full value of the defaulted amount. This is one instance where the borrower does not have personal liability for the loan.

BALANCE SHEET

A balance sheet lists a company's assets, liabilities and owner's equity. Assets are what the company owns (or controls). More formally, assets are resources controlled by the company as a result of past events and from which future economic benefits are expected to flow to the entity. Liabilities are what the company owes. More formally, liabilities represent obligations of a company arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the entity. Equity represents the owners' residual interest in the company's assets after deducting its liabilities. Commonly known as shareholders' equity or owners' equity, equity is determined by subtracting the liabilities from the assets of a company. The information contained in a company's balance sheet is a good way for stakeholders, particularly potential investors, to measure a company's liquidity and its ability to handle unexpected expenses or undertake expansion projects.

Methodology

The data used here is based on qualitative, deductive fieldwork with stakeholders, and supplemented with additional desk research, carried out over the two-year duration of the SEAF project. The data was also fed directly into the development of the eQuad platform and services. It was gathered in the following ways:

1. One-to-one interviews with 128 ESCOs from 10 European countries - Italy, Spain, Portugal, France, the United Kingdom, Ireland, the Netherlands, Greece, Slovenia, and Latvia².

The main questions to ESCOs were:

- What are the main difficulties you face in growing your business?
- What are the main difficulties you face in securing finance and investor relations?
- What are the types of projects that you currently have in your pipeline? What is the typical project size, location, technologies used? Who is the client?
- Do you have projects that you are looking to get financed now?
- What is the average Internal Rate of Return (IRR) and payback time?
- Where are you in negotiations with the client - have you signed a contract?

² The interviews were conducted at different points during the project and built on earlier findings. Therefore, interviewees at the end of the project were informed about the interviews performed at an early stage in the project

- Do you have a checklist of documents you require of your client to verify their financial health/ability to pay their bills?
 - Do you cover operation and maintenance (O&M)?
 - What is your preferred financing structure (leasing/debt/EPC)?
2. One-to-one interviews with 25 investors – including both large and small private investment firms, public funds, and banks. The main questions asked to investors were:
 - What are the main barriers to investing in EPC projects?
 - What are your main criteria for project investment, including
 - project/technology type,
 - geographical location,
 - project size,
 - desired ROI, IRR, and payback time,
 - willingness to set up SPV, and
 - bundling of projects?
 3. Feedback sessions during 5 stakeholder webinars which included a total of 133 participants
 4. 30 one-to-one demonstrations and feedback session of the eQuad platform
 5. Discussion panels with 20 ESCOs at 4 high-level stakeholder events
 6. 10 one-to-one eQuad demonstration sessions with live feedback from investors
 7. Discussion panels with 23 investors at 4 high-level stakeholder events

Outline

Chapter one defines the “finance gap” that exists between ESCOs and financiers. The main challenges both parties face in relation to one another are systematically identified, and the main points of failure in a typical ESCO’s approach to finance alone, are discussed.

Chapter two describes the investor community that the eQuad team has built, including a description of the types of investors, repeated requirements across funds, and a discussion of Special Purpose Vehicles (SPVs), a model favoured by many investors.

Next, chapter three outlines the main types of finance offered, including Energy Performance Contracting (EPC), equity, leasing, and on-balance-sheet financing, with a brief explanation of the most preferable solutions.

Chapter four then describes how eQuad aims to tackle the gaps in the market through contract development support, preliminary due diligence, standardization, energy efficiency insurance, portfolio creation, and preparation and review of investor contract and definition of terms.

I. Understanding the Finance Gap from both sides

This chapter discusses the barriers to energy efficiency project uptake, specifically related to Energy Performance Contracting (EPC), named by ESCOs and investors throughout the two-year duration of the SEAF fieldwork. While projects under Power Purchase Agreements (PPA), Energy Supply Contracts (ESC) and Managed Energy Service Agreements (MESA) are also funnelled through the eQuad platform, according to SEAF stakeholders, EPC is the most frequently used contract model as it facilitates the attractiveness of energy efficiency projects to building owners and industrial clients who are responsible for utility costs at the premises they manage. This document and the following discussion pertains particularly to energy efficiency projects that are contracted using EPC.

In an EPC, the end client (energy user) enters into a long-term agreement with the ESCO, which is based upon guaranteed performance of installed equipment to achieve energy savings – the initial investment and its financing cost must be paid back through the savings made on the client's energy bill. In this model, the ESCO performs the energy audit, project development, technical design, construction, commission, and provides the savings guarantee through Operation and Maintenance (O&M) of the equipment installed. The guarantee is the critical element here, as the energy savings are considered the means of repaying the project investment.

Concerning the upfront investment, the end client may choose to finance the project directly with its own capital, or the ESCO provides the financing, taking on the costs itself. (Payments can be either fixed or calculated in accordance with the expected savings on the energy bill). This model is especially attractive to ESCOs as it strengthens their sales message and boosts the attractiveness of energy efficiency upgrades for potential clients. However, most ESCOs do not have the financial means to undertake the upfront investments for their clients' projects. In this case, the clients invest either its own capital or the ESCOs have to provide third-party financing. Clients tend to self-invest mostly in projects with short pay-back periods. Because of this, many relevant projects are not implemented, if the ESCO is not able to provide attractive financing.

For these reasons, ESCOs need reliable sources of funding from reliable third parties. This financing must be off-balance sheet for the ESCO. If not, the paradox is that, the more the ESCO is successful in promoting and implementing EPC projects, the more debt will be loaded on its balance-sheet, making its business completely unviable and in a constant need of capital calls to balance out the new liabilities.

In this context, in one-to-one interviews and discussion panels at SEAF events, both ESCO and investor stakeholders identified the following as key barriers to project uptake using EPC:

- On the ESCO side, selling the project to building owners/end-clients (ESCOs) and securing capital from financial institutions
- On the investors' side, identifying viable pipeline.

Selling energy efficiency

For the overwhelming majority of ESCOs, energy efficiency remains difficult to sell and the sales cycle is typically 12 to 18 months per project. This can in part be attributed to the fact that most ESCOs lack strong sales teams to work on effectively reaching their customers and developing strong sales messages. ESCOs have cited the following as key difficulties surrounding building client trust and selling energy efficiency.

Firstly, for many corporate clients and SME business owners, energy efficiency is a commitment that does not increase their sales or immediate income. For ESCOs that do not have a reliable finance solution to cover the CAPEX and OPEX, offering an EPC package with finance included is not realistic.

Asking the client to pay the upfront costs using their own equity or credit line is challenging - the concept of investing in a project that provides future, as opposed to instant, benefits, is not convincing to many project owners. Selling straight energy efficiency means that the project owner must choose between efficiency measures and capital expenditure on other more urgent business needs, such as marketing or new hires.

Similarly, for SME business owners in many European member states, the Energy Performance Contracting model and energy as a *service* is still new territory. There is considerable mistrust surrounding the concept of *guaranteed savings*. Many companies prefer to be the owner of the energy efficient assets from day one, as opposed to 3 to 7 years later. Building owners are also wary of entering into a long-term commitment with one provider as they do not have the security that the ESCO will still be a functioning company years later. Additionally, EPCs themselves can have a complex legal structure and contain technical information, including historical baseline energy consumption to model future savings, which are often confusing to communicate to clients transparently. Clients may not fully understand the concept behind these calculations, which instantly puts them in a defensive position and erodes trust, which in return can hinder selling a project to a client.

In the same way, perception of risk surrounding technology is an important factor for most clients. To easily appease a client, technology must have a strong track record and deliver immediate, next-day savings. Efficacious design of projects also falls into the category of technical risk; whether the technology will deliver the promised savings, and whether the proposed technology is the best solution for the given building, also slow progress in sales and investor negotiations.

Finally, lack of finance remains another important missing link. The EPC model surely cannot work if the upfront capital to deliver the project is not ready at hand – delivering a project with “no upfront investment” is ultimately a key driver to closing a sale with a client. Therefore, if the ESCO has not secured capital from one or more financial institutions, tackling the other aspects of the sales message is of little use. This is truly the greatest “chicken-egg” dilemma facing ESCOs. They cannot sell the project without capital, but they cannot secure capital without projects.

Securing capital and identifying investible projects

The second key barrier, cited by 100% of ESCO and investor stakeholders, is linked to project uptake. For ESCOs, this is related to *securing capital from a financial institution*. On the other side of the coin, the issue for investors is a question of *accessing credible experts with viable project pipeline*.

For ESCOs, the lack of a steady stream of upfront capital not only renders EPC difficult to sell to end clients, but also represents a barrier to SME ESCOs meeting their long-term growth objectives. A common scenario across Europe is for an ESCO to take direct bank loans on a project-by-project basis, in order to facilitate selling an EPC to an end client. For every project an ESCO finances under this model, therefore, the ESCO takes more and more debt onto its own balance sheet.

This creates a vicious cycle: reimbursement of interest rates comes directly from the ESCO’s profit margins, and critically, the accumulated debt throws an ESCO’s **debt-to-equity ratio** out of balance. The debt-to-equity ratio indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholders’ equity.

A small ESCO quickly reaches the maximum level of debt it can carry, and accessing finance for more projects becomes increasingly challenging, as financiers will not engage with an ESCO with a problematic debt-to-equity ratio. This situation is crippling to ESCOs, undermining their overall growth objectives. In order to be able to finance current as well as future projects, most ESCOs therefore need to keep their debt ratios low, and look for ways of financing projects that do not lay heavily on their

balance sheet. However, accessing this type of finance itself is an additional challenge, which can be attributed to many reasons.

Firstly, most ESCOs **lack the in-house expertise and resources necessary to adequately prepare for investment**. The overwhelming majority of ESCO stakeholders interviewed for SEAF, expressed a sense of insecurity when approaching financial institutions, and explained that they had limited resources to dedicate to exploring the options available to them. Indeed, for most small ESCOs (with teams of 15 employees or less, made up of engineers), in-house financial expertise is often lacking. While well-established ESCOs with experienced financial experts do exist, this is the exception, not the rule. The workload is concentrated on finding and designing projects, as opposed to finding and negotiating financial contracts with investors. Finding appropriate investment for their projects and companies is a constant struggle – 85% of ESCOs in the SEAF stakeholder group explained that their first option was always a local bank, but the rate of successfully financing projects was less than 1 in 5. This deficit of financial expertise and confidence when approaching financial institutions is therefore the first element blocking ESCOs from securing project finance.

The repercussions of this lack of financial expertise are far-reaching, and closely linked to the **investors' dilemma**, which can be understood as a difficulty in identifying appropriate, investible projects. This dilemma can first be attributed to an absence of trust due to lack of clarity from the side of the ESCO on operation and maintenance (O&M) of a project. When dealing with small ESCOs, investors' number one concern is their reliability from a technical and operational point of view. Investors ask themselves – “is this ESCO able to deliver the savings that they are promising to the client”? The importance of a quantifiably demonstrable O&M plan is therefore not to be underestimated - the ESCO *must* be able to demonstrate a strategic O&M plan that is embedded in the EPC contract. Investors have cited that many ESCOs fall short in this area – lack of clarity on O&M and transparency on projected monthly savings is therefore an immediate red flag for investors and undermine attempts of successful investor engagement.

The investor's dilemma can also be attributed to the high transaction costs of engagement. 80% of investors in the eQuad Investor Community expressed that the success rate in actual investment, compared to projects received, is very low – 1 in 10. Projects are often poorly communicated from the start– multiple excel sheets that are difficult to read and favour with technical project data rather than key financial figures, and a lack of transparency regarding the client and the client's contract from the first meeting, discourages investors from engaging early on. Badly presented projects are sometimes immediately rejected, even if in reality they are well designed and might generate attractive returns. The high transaction costs incurred when dealing with an unknown ESCO or client, which has not presented the project in a clear and understandable way from the very outset, is therefore a key factor that discourages a financial institution from engaging with a project.

Finally, the investor's dilemma can also be attributed in part to a fundamental **mismatch between projects and investor criteria**. The majority of potential projects simply do not match investor requirements. Many private investors have previously invested in infrastructure, and therefore start with unrealistic expectations of the industry. They expect that energy efficiency will be another form of infrastructure. This is reflected in their risk assessment and technical criteria.

They may have a minimum investment threshold above €1 million per project and often of between €2-5 million. They may or may not allow multiple small projects to be bundled and, in the case where investors can bundle projects, the ESCO may not have enough pipeline to bundle projects in one investment. This high threshold for investment can be extremely frustrating for both ESCOs and investors, as the composition of some markets is not conducive to large project sizes. Portuguese SMEs, for example, account for more than two thirds of the country's economic landscape (compared with an

average 57% in the EU). Of these, 95.2% are micro enterprises³. The numbers indicate that large scale energy efficiency retrofits are highly unlikely in this situation, and 100% of Portuguese ESCO stakeholders have confirmed the same – projects above €1 million are exceptional. Similarly, there is less private finance available for energy efficiency projects in countries that were most affected by the financial crisis, such as Greece or the Baltic countries.

The finance gap can therefore be attributed to barriers on the part of both ESCOs and investors. The resulting dilemma is, that finance improves an ESCOs ability to sell, yet a financier does not want to engage unless the project and the ESCO meets a host of criteria that in reality is difficult to fill without first having generated more cash flow (which in return is dependent on third party finance).

Table 1 summarizes the main issues discussed above that contribute to the key barriers to energy efficiency projects uptake: selling energy efficiency projects to end clients (ESCOs) and securing upfront capital for projects. The table demonstrates the interrelated nature of these issues; lack of standardization, for example, impacts both an ESCO’s sales message to ESCO’s end clients as well as its inability to accurately demonstrate the financial returns a project will generate to an investor. The data therefore suggests the need for a holistic solution that targets the main issues: standardization, risk, financial health, investment criteria vs real projects.

Reasons sited	Toward the client	Toward the fund
Lack of in-house expertise	✓	✓
Lack of standardization	✓	✓
Perception of high risks (technology, investment)	✓	✓
Lack of track record	✓	✓
Poor financial health		✓
EPC not well understood	✓	✓
Projects do not match investment criteria		✓
Lack of upfront capital	✓	

Table 1: Key reasons for finance gap barriers

³ European Commission | 2016 SBA Fact Sheet, Portugal.

II. The eQuad Investor Community

The eQuad Investor Community is a growing network of investment funds currently representing over €1 billion⁴ in available project finance. The investors in this community are pre-selected based on their investment criteria and track-record in financing a variety of project types and sizes across a wide geographical area, including Belgium, France, Ireland, Italy, the UK, Portugal, Spain, and Slovenia. Within this community, there is a strong appetite for energy efficiency projects including a broad range of measures: biomass boilers, LEDs, lighting and energy management systems, district heating, ground source heat pumps, water source heat pumps, energy efficiency building retrofits, solar, wind, and hydro.

While investors in the eQuad Investor Community are flexible as to accepted energy efficiency contracts (e.g.: EPC, MESA, ESC, etc.), investment is always driven by risk-adjusted returns and environmental impact. This means that access to investment is often dependent on meeting key criteria. These criteria include: meeting pre-conditions and a positive outcome from due diligence (evaluation of ordinary and extraordinary termination rights, evaluation of changing regulations); risk separation, whereby there is a clear separation of default and technical risks while embedding various risk mitigation measures in the transactions.

This chapter therefore describes the types of available finance, the main categories of investors, and crucially, key requirements repeated across funds. For ESCOs, applying these requirements as early as possible in the project development process (the deal-structuring) lays a strong foundation for quick and successful deal closure.

Types of Third Party Finance

The sections below provide an outline of the structures most commonly used to finance Energy Performance Contracts. It is important to keep in mind that EPC is not a financing mechanism in itself – it is a contract. As such, the same EPC can be financed by the client or by the ESCO either through their own equity or through standard loans, by external investors through project financing, forfeiting or green bonds, or by banks and lenders through renting or leasing.

Client or ESCO self-finance

A typical practice for energy efficiency projects is “self-finance” – where the project is financed either directly by the project owner or the ESCO itself. This is usually done using the ESCO or client’s equity (provided they have enough equity to finance the project without burdening their finances or sacrificing other business development), or, most commonly, through standard interest-based loans (debt) issued by a bank, or a mixture of the two. In the case of debt, debt is always recorded directly on the borrower’s books, an interest rate is always charged, and a payment schedule is always outlined in the contract.

It is very common for ESCOs to take on bank debt for energy efficiency projects, however this scenario has repeatedly shown that it limits ESCO growth. While low interest rates may be attractive and the process of applying for a bank loan familiar, the reality is that this model means that an ESCO takes on debt every time it has an opportunity to provide its valuable services. This debt is counted as a direct liability on the ESCO’s balance sheet, and increases its debt-to-equity ratio. Less equity directly limits the opportunities the ESCO can take on, limiting its growth. ESCOs that rely on debt therefore struggle to scale up the volume of projects they take on per year and find themselves constantly looking to

⁴ This number is an indicator and is subject to change, as different funds close and firms open new funds. The eQuad team also actively looks to add new funds to its network year round.

balance their books, as opposed to growing their equity value. Furthermore, debt does not offer flexibility in terms of payment schedules, or for future financing – it is always a one-off, project-by-project arrangement.

Debt may also undermine EPC in that it complicates the sales process. The finance is a key element of the entire *offering* and should be highlighted in the first communication with the (potential) client. The nature of taking on debt on a per-project basis means that there is no real guarantee that an institution will provide debt a second or third time. The lack of certainty to access the capital therefore complicates the messaging which should be used to sell an EPC and represents a significant Achilles' heel in the ESCO's sales process.

In the case of ESCO self-finance through debt, it is therefore advisable to explore all other financing avenues before turning to standard debt, and the ESCO must also clarify in advance of its outreach to potential clients which model it will use – whether it will offer finance from the beginning or it expects the client to self-finance (this will dramatically influence the messaging and entire sales process).

Straight debt that involves fixed payments and strict debt covenants, forbidding conversion or selling before maturity, should only be treated as a last-resort, one-off option, particularly in the case where a “proof of concept” is required to establish credibility during a business model transition. It is important to analyse the long-term costs/benefits of debt, as it may weaken an SME ESCO's already fragile financial health. Debt usually does not result in a long-term financial partnership that protects the ESCO's financial health, nor does it take into consideration the ESCO's future ability to roll out more projects.

Equity financing and Special Purpose Vehicle

Equity may be considered money that is spent on a project that is not paid back through pre-defined fixed payments; rather, the ESCO, project owner, and investor all own part of the project and stand to benefit or lose depending on its performance. Both capital and expertise are contributed to a project; the contributing lenders and experts then own the assets. As a result of the cash flows generated, the equity owner then receives an economic benefit – whether dividend, disbursement or other.

One of the most desirable types of third party finance offered for energy efficiency and renewable energy projects is through *equity financing*. Equity financing involves raising capital through the sale of shares in an enterprise. In the case of energy efficiency or renewables, the project, or grouping of projects, becomes part of the “enterprise”, held within what is known as a Special Purpose Vehicle (SPV).

In this context, an SPV is the means to providing equity finance to a project. It consists of a joint “company” with shareholders, created on an ad hoc basis that carries the financial risk of a project and holds the assets. The “company” may consist of the investor(s), the ESCO, and project owner, or any combination of these parties. As an SPV is a custom-made structure, there is a high degree of flexibility as to the shareholder structure, and this may vary from project to project.

In place of the financial partner or ESCO, the SPV itself assumes the transaction risk and owns the assets, and transfers the technical risk to the ESCO. All economic consequences generated by the initiative are attributed to the SPV that is designated to secure cash receipts and payments (lenders finance a venture, not an operating firm). The assets of the SPV are the only collateral available to lenders together with the cash flow from the initiative. Approval of the financing is a function of the project's ability to generate cash flow, to repay the invested capital, and also pay dividends on the capital invested at a rate consistent with the degree of risk inherent to the venture concerned.

A key benefit of financing through SPV, is that it is off-balance sheet, meaning that it has its own balance sheet to document its assets, liabilities and equity, and appear on the parent company's balance sheet as an investment asset and not as debt. Stakeholders involved typically prefer this arrangement due to improved management of assets and liabilities, lower risks, higher credit ratings, lower funding costs, and greater financial flexibility and lower capital requirements. For ESCOs, entering into an SPV safeguards their balance sheets and may therefore open the possibility of multiple transactions and projects with investors.

Despite the benefits, however, an SPV is not suitable in all circumstances, particularly for small, standalone projects. Heavy administrative requirements and legal costs mean that an SPV is time consuming and requires a good deal of upfront capital for legal and accounting support (ex: it is necessary to file a tax return on the SPV). The project must therefore be large enough (in general above €2 million) with strong projected cash flows. The partners also must have the resources to withstand the extra administrative costs.

Due to the fact that the majority of energy efficiency projects are smaller investments (under €1 million, and usually under €500,000), an innovative solution that many investors look to structure is bundling several projects into one SPV. Therefore, this may be a viable option for ESCOs with a strong pipeline that would enable them to receive finance for several projects at once, and enter into a financial transaction that frees up their balance sheets, allowing for more growth.

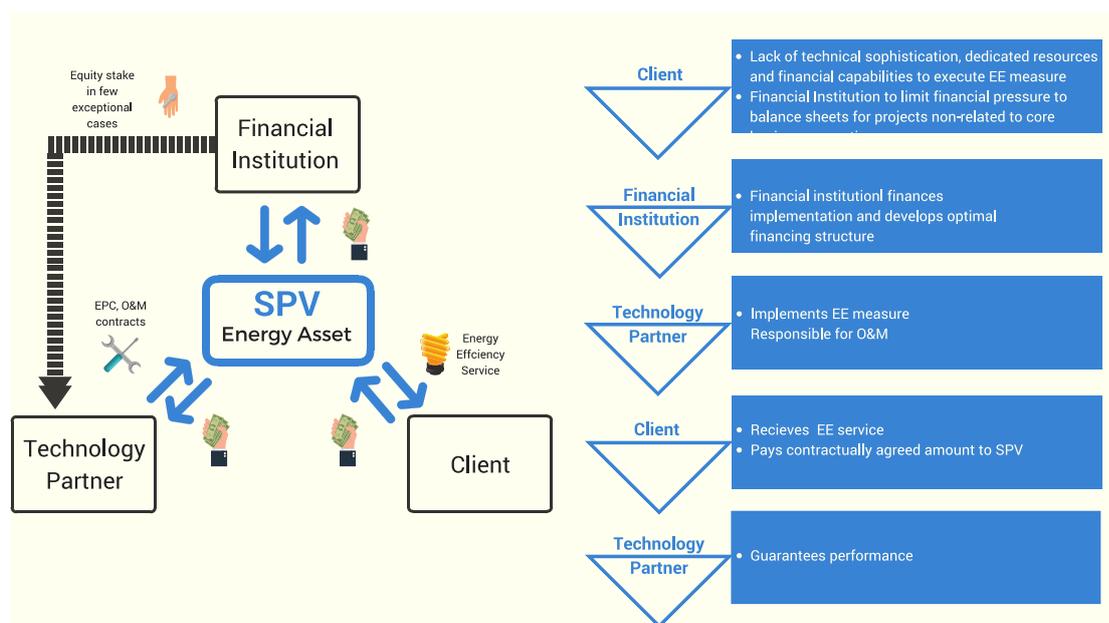


Figure 1: Special Purpose Vehicle

Forfeiting

Forfeiting, also known as *factoring*, involves the sale of (future) receivables, allowing an ESCO to receive cash immediately. This financing option usually takes place after the equipment is installed, with the financial institution covering the cost CAPEX and the EPC project owner returning the capital through fixed payments, defined by specific customer-financial institution agreements. This allows exporters to sell receivables to a forfeiter at a discount and free up cash flows for other investments. This model is a way to refinance EPC contracts which produce long-term stable cash flows and is of particular interest for projects that have a long contract period with the end client.

Green Bonds

Governments and businesses issue green bonds to raise funds for environmental projects. Green bonds allow investors to earn interest and to receive their principal back at maturity. The project assets may be split in various bond tranches with different degrees of risk, using an internal credit enhancement technique known as subordination. Usually issued in the initial stage of a project, the repayment of green bonds is connected to the financial flows that a project, or portfolio of projects, can provide. This instrument is often used to mitigate the construction risk of larger infrastructural projects, where traditional financing solutions are unable to provide the necessary capital, although they may also be available for a portfolio of smaller retrofit projects once a sufficient volume of projects can be aggregated. A set of standardised projects, originated and financed utilising other forms of capital, such as equipment leases or loans, can be aggregated and refinanced through a bond issuance.

Leasing

Leasing is a practical way of dealing with initial cost barriers, assuming the leasing vendor company is willing to take construction risk. In this case, ESCOs or end-customers lease the EE equipment and become their legal owner at the end of the period. The drawback of this model is that under Generally Accepted Accounting Principles such a lease would be considered a capital (or finance) lease, which does not represent an off-balance sheet finance solution. Particularly useful when the equipment lacks collateral value, leasing is the standard financial option for CHP projects, and is often added to different financing options within an SPV.

Characterization of Investor Types

At present, five types of financial institutions can be identified within the eQuad Investor Community – this may change over time, however the two years of SEAF research have indicated that the main players in energy efficiency finance are: 1) specialized energy efficiency funds; 2) family offices; 3) public funds, 4) green banks, and 5) commercial banks. The following provides a description of each type of investment source and in which cases it may be an appropriate option for an ESCO.

Specialized Energy Efficiency Funds

Specialized, private investment firms with energy efficiency funds generally offer a range of financing structures – debt, equity, forfeiting and leasing - to ESCOs based on the mandate of the fund itself and the specificities of a given project. A key task for each fund is raising capital from shareholders; depending on the shareholders, investment criteria may vary greatly from one fund to another, including risk profile, minimum investment ticket, project size, type of projects and geographical location. While many specialized funds have a higher threshold for minimum investment size (usually above €2 million), very often these investors are keen to create an SPV for a portfolio of small projects either of the same type or originated by the same ESCO. Depending on a fund's shareholders, there may also be some flexibility with criteria, although risk-adjusted return on investment remains the priority.

The funds usually have some in-house technical expertise on energy efficiency/renewable energy projects, which means they possess a greater understanding of the technical aspect of projects than more traditional financial institutions such as commercial banks. In this sense, specialized funds often have more flexibility regarding accepted technical and performance risks associated to a project.

Family Offices

A family office is an investment group that is owned by a high net worth family (single family office) or group of high net worth families (multi-family office). The sole function of these organizations is to centralize the management of a significant family fortune. These organizations are typically operated like regular firms (often limited liability or LLC), with a president, CFO, CEO and support staff and look to invest a family's money, manage its assets, and disburse payments to family members as required.

While engaging with a family office may appear untraditional for many ESCOs, family offices have the benefit of greater flexibility in their investment criteria than most traditional investment sources; some margin for negotiation regarding project type or size may be possible if the project or portfolio of projects in question can demonstrate attractive future returns. Investment may also be available for a wide range of projects, including a range of project sizes (within limits), customer type and technology. A variety of financing structures are also available – debt, equity, and mezzanine financing. Family offices may be useful in a number of cases, but in particular in the case of unusual or complex projects that are difficult to finance through more traditional sources. It should be noted that these firms generally have very large minimum ticket sizes – making engagement with these firms possible only in the case of high volume projects or project portfolios.

Public-Private Partnership Funds

Numerous large public-private funds dedicated to energy efficiency exist in Europe. These types of funds are based on a partnership between three or more public and private bodies including commercial or investment banks, as well as national or European authorities. The funds generally pool investments from a wide range of shareholders: institutional and private investors, donor agencies, governments, and international financial institutions.

Given the high visibility and the players involved in public-private partnerships, these funds represent the marriage of political and private goals, which translates to a strong emphasis on robustly designed projects lead by large companies. Rigorous eligibility criteria concerning project type, size, risk, and return on investment are strictly enforced. Specific sectors or building types may be favoured depending on the fund, such as for example public hospitals or public lighting projects, and the level of CO₂ savings must meet a high minimum threshold. In order to meet these criteria, the size and duration of the project must be larger; the minimum is frequently above €5 million, generally with a duration of up to 18 years. These funds are therefore suitable for larger energy efficiency projects that can make a proven impact on a wide number of stakeholders. Finally, performance risk and capital risk must be minimal; the financial health of the ESCO and end-client is of crucial importance as these funds will not consider engagement with a company with a high debt-to-equity ratio. The technology used must also be proven.

In spite of the strict project criteria, receiving funding from public-private partnership funds represents two key benefits to ESCOs (assuming it is accessible to them at all). Firstly, in the case that a project fits the investment criteria, these funds may be flexible in terms of contract structure – debt, equity, EPC, mezzanine, and leasing are all viable options for most fund types. Secondly, the geographical scope of these funds is often wide; public private partnership funds exist at both national and European level, which mean that finance is available in most European member states for larger projects.

Green Banks

Green banks are dedicated to investing in socially and environmentally beneficial projects. Unlike commercial banks, green banks have the benefit of understanding energy efficiency and EPC in more detail and are more receptive to these types of projects. These financial institutions put a strong emphasis on CO₂ savings as well as monetary savings; most green banks have a strict threshold of minimum CO₂ savings; this must be kept in mind when drafting a proposal. Projects may be funded one at a time depending on their size, however these institutions are also looking for repeatable business models in terms of technical, contractual, and project management elements.

Green banks may therefore be a good solution for ESCOs looking to finance a standalone project that makes a demonstrable environmentally and socially positive impact. If the project is smaller (generally under €2 million), it should be the first of a pipeline of similar opportunities; may pave the way for a

beneficial partnership and enable more project finance. It should however be kept in mind that a green bank is still a bank and therefore significantly more limited in its range of options and risk appetite than a dedicated fund.

Commercial Banks

Funding for energy efficiency projects by commercial banks has been slow to materialize despite a significant increase in demand in recent years. A large part of the problem lies with the complexity of EPC projects (impossible for most banks), and banks' currently limited understanding of the business model behind it. Guaranteed savings, essentially a saved cash-flow on the side of the business owner, the key element as a risk mitigation instrument, is not valued or fully understood by banks. Especially, having applied increasingly cautious policies since the financial crash, banks have been averse to financing these types of projects. If the project is miscalculated or the technologies installed do not work as anticipated, the savings are unlikely to be achieved, resulting in a possible default on the loan. ESCOs turning to banks as a finance solution need to be prepared to present a very strong, low-risk business model or accept debt.

However, progress is slowly materializing in banks across the EU. Numerous banks from different member states have either proposed alternatives or are in the exploratory phase. Successful measures that have been achieved include dedicated departments promoting renting and leasing financing on EE assets. These types of financing may be a good option in the case of projects using simpler technology (e.g. LED lighting), and for young ESCOs who are looking to build their track record.

III. Repeated Requirement across Funds

Each financial institution in the eQuad Investor Community has specific targets in terms of technology, geographical location, project size, and beneficiary type (i.e.: commercial, industrial, public etc). While diversity in investors' specific criteria and due diligence practices is to be expected, the eQuad team has identified key, repeatable criteria ESCOs must be aware of from the earliest stages of project development. This set of requirements includes formal as well as *informal* investment criteria, the informal criteria being the *expectations* and *value* given by an investor to a specific formal criterion. For example, while an investor may have ten formal criteria listed publicly, one of those may be of particular value to the firm due to expectations of shareholders or any other number of factors, with the power to "make" or "break" a deal. The following therefore represents the most commonly repeated criteria that are highly valued by investors and should be kept in mind from the earliest stages of project design.

Investment Risk vs Expected Return

For the potential investor, investment risk and return are closely linked. In order to be attractive to an investor, riskier projects must offer higher expected returns than less-risky alternatives. For the risk-averse investor considering two possible investments offering the same predicted investment returns, the investment offering less risk will likely be preferable. Some investors may be willing to tolerate more risk in order to achieve higher returns. The ESCO must therefore consider how it will deal with key risks including credibility of the end client, performance, and technical risk, from the earliest stage of project development.

Credit worthiness of the end client

Beyond the technological and financial description of a project, the credit worthiness of the end client is one of the first risks an investor will investigate prior to active engagement. Although an investor

usually does not engage directly with the ESCO's client, an investor may approve (or disapprove) an investment upon certain adjustments in the ESCO's contract with its end-client.

While it is necessary to demonstrate that the project is well designed and has attractive returns, of equal importance to securing finance is to prove the debtor's ability to pay throughout the duration of the payback period. High levels of debt on a building owner's books should be duly considered by the ESCO before project design has begun (assuming this information can be made available); financiers will not be willing to engage a project if there is any doubt as to the end client's ability to pay its future energy bills⁵. The ESCO must therefore give careful consideration to the end client's financial health and demonstrate this to the investor. A good practice for ESCOs is to communicate the name of a company to investors to verify if it is a client that can be financed or not and under which conditions. Only if investors give the green light should the ESCO then offer an EPC and financing of the investment. If not the ESCO should only propose an EPC that is self-financed by the end client. Doing the reverse means losing a tremendous amount of time and resources in deals that eventually cannot be financed, while generating false expectations in clients.

Key provisions missing from EPC contract

In reality, the contract between the ESCO and end client should be developed in partnership with the investor prior to the end client's signing; in many cases standard EPC contracts drafted by ESCOs miss key provisions that are essential for the investor prior to structuring a deal with the ESCO. A great number of missing or incomplete provisions can represent a "deal breaker" with an investor, or can dramatically slow down the negotiation process, especially if the contract is signed by the end client prior to the investor review. The following are common examples cited by financiers:

- **A robust Maintenance and Operation plan should be explicit.** A contract should not have an "install and walk away" policy, as investors expect EPC contracts to have a clearly defined Maintenance and Operation strategy in place, especially when the project duration is not short term and given that repayment is based on energy *performance*.
- **The project owner should be specified.** In an EPC it is of great importance for investors that the ESCO verify that the client is the actual owner of the project site. It is important to keep in mind that the investor will have to do a much deeper level of due diligence than the ESCO and will require the deed for the building. The contract should therefore clearly outline that the client is the site owner.
- **Step-in rights should be defined.** Most eQuad investors require clearly defined terms under which they can select a different ESCO to take over the EPC. This is often left out of standard EPC contracts.

Performance and Technical Risk

The majority of investors in the eQuad Community do not accept project performance risk in an EPC structure; this must be taken by the ESCO, client, manufacturer or other third party. Performance risk is connected to a project's failure to perform as intended or meet business requirements, which in turn can extend the duration of the project and increase technological costs. In the case where performance risk is accepted, much higher returns from the project are generally expected (for example within an equity arrangement in an SPV).

Like performance risk, the majority of eQuad Community investors do not accept technical risk – the risk that the technology may break or not perform the way it is supposed to, or the project may not be designed in a correct way – the term "double dipping" (i.e.: using different measures to save the same energy twice) has become a common term for investors. The project must be robustly designed using

⁵ Over 50% of ESCO stakeholders reported that negotiations for investment in a project stalled due to the balance sheet of the client.

certified, proven technology and ideally independently evaluated. The level of risk – whether it is low or high – is of less importance than the fact that the risk be managed by a third party – either the ESCO, client, technology manufacturer, or insurance provider.

Portfolio creation

Project volume (in terms of total project investments) depends largely on the investor; some investors in the eQuad Investor Community are willing to invest in single projects of a small size (under €1 million), however many have a minimum threshold of €1-2 million. Most investors address this fundamental mismatch between smaller project size and minimum investment volume through bundling a number of projects in one financial deal. In this case, ESCOs must look to create a portfolio of credible projects to present to the investors.

Strong internal rate of return (IRR)

In order to attract an investor's attention, a strong internal rate of return (IRR), of at least 10%-12%, is necessary. IRR is a metric used to measure the profitability of potential investments. The IRR is the interest rate percentage that produces a net present value of zero when calculated for the expected stream of future cash flows. For a financial institution, an expected project IRR that is greater than its minimum required return on investment (this minimum return is also known as a firm's "hurdle rate"), suggests that the project could be undertaken.

The IRR is calculated for a given time span, and for a project with up-front costs and a steady stream of positive cash flows continuing for a number of years. Unlike a simple payback, which is the ratio of first costs to annual returns and measures of how quickly initial project investments are recouped, IRR takes into account the long-term nature of energy efficiency upgrade project benefits. Therefore, the higher a project's internal rate of return, the more desirable it is for an investor to undertake the project. Faced with projects with equal IRRs, the project with a higher NPV would be chosen by an investor. The underlying assumption with IRR is, that all returns are reinvested at the same rate (which might not always be granted!).

Average Payback Time

The majority of funds that engage with eQuad, have an average expected payback time of 5 years. (The range is in general 3-8 years, with a median of 5 years.) Longer payback times are generally avoided, and this payback time must coincide with a strong IRR. The longer the payback time, the more the financial health of the end client is of critical importance – the client must demonstrate its solvability as well as a long-term growth strategy.

IV. A repeatable model for success

Chapter two highlighted that the primary difficulty ESCOs face is securing capital, which in return impacts selling projects to clients. For all types of investors listed in this document, the main difficulty remains finding viable pipeline from a trustworthy ESCO, which can be understood at first glance. At the heart of the finance gap, therefore, is the issue of *securing capital and identifying viable opportunities*. This chapter addresses precisely what it means for ESCOs to connect opportunity to capital, outlining the three critical stages in the process of matching projects to capital, which have been identified by the eQuad team. These stages include:

1. **Identifying suitable investors** whose vision and investment criteria matches the projects the ESCO is looking to originate
2. **Attracting the investor’s attention** in order to open negotiations.
3. **Holding the investor’s attention.** From the first meeting, it is essential to demonstrate that the project is in the financial institution’s interest to invest and avoid any obstacles that will hinder deal closure.

Table 2 outlines the steps the eQuad team steps has identified to securing the upfront capital needed to sell and rollout an energy efficiency project.

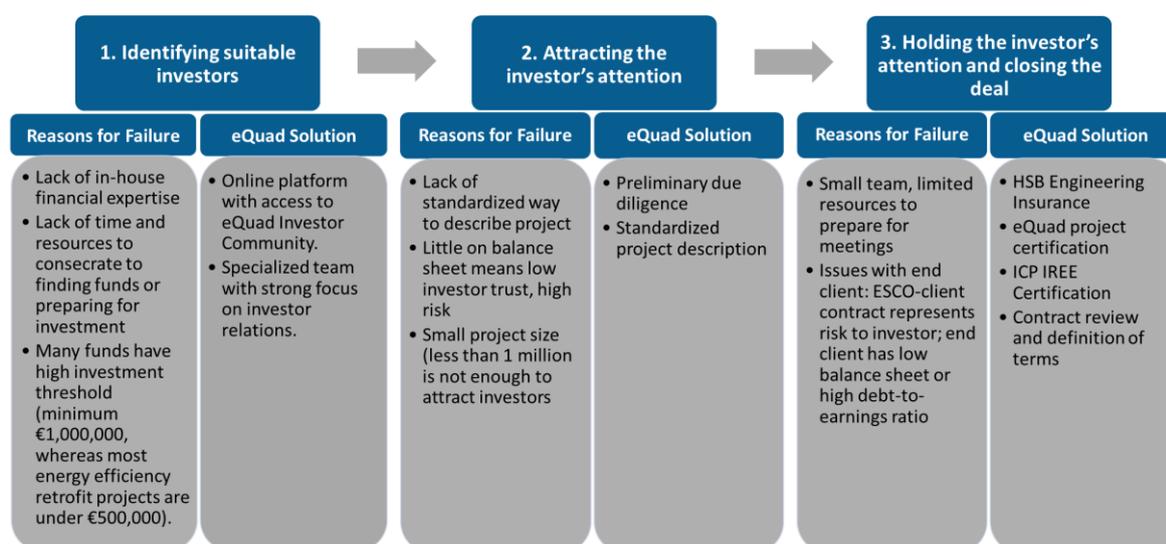


Table 2: Steps towards securing capital

The eQuad Platform and Investor Relations

The eQuad team has a strong emphasis on investor relations. Detailed interviews – and face-to-face meetings if necessary - are undertaken with each investor in order to understand their specific criteria in depth. Through the eQuad platform, ESCOs have access to this network of investors, which instantly cuts down on the time and resources spent looking for viable finance. This solves the common problem of scarce time and resources facing most ESCOs – the eQuad team has done the work of finding and building an appropriate network of investors ready to invest in energy efficiency projects. Based on the specifics of a project, project developer and building owner, the eQuad team will first pre-select the best investors likely to invest in the project.

Due Diligence – Evaluation and Verification

A critical element to ensure investors' interest in a given project that is peaked early on – and then held throughout negotiations – is due diligence. This due diligence is carried out in two stages: the evaluation stage and the verification stage.

The evaluation stage is carried out by Joule Assets Europe as soon as a project is submitted to the platform, and is critical to attracting investor interest as well as confidence in a project. This stage consists of a first inspection of the integrity of a project's technical design and financials in order to ensure investors can be confident in the projects they receive. The level of inspection at this stage depends on the complexity of the project but generally it is quite swift and is reviewed with the ESCO.

The verification stage takes place after an investor has voiced interest. This stage is not mandatory, but rather depends on the investor's specific requirements. While each investor must undertake their own process of due diligence, some may require additional verification prior to signing a contract with an ESCO. This stage is therefore essential in cases where a project may be particularly complex and holding an investor's interest in the project requires extra effort. For the verification stage, the project will be sent to an Investor Confidence Project™ (ICP) Credentialed Quality Assurance Provider, who performs ICP's internationally recognized technical due diligence, inspecting the structure of the project, and the methodologies used to calculate the savings.

Where applicable, eQuad underwriters may prepare a statement that is designed to support the ESCO in building trust with clients and prospective investors. This statement confirms that preliminary due diligence has been completed and the ESCO Customer is compliant with specified investment standards appropriate to their business model, financing needs and the complexity of the project. The statement will also indicate if the project has qualified for HSB performance insurance and if it is ICP compliant.

Energy Efficiency Insurance

One of the main pillars of the eQuad platform is risk assessment and offer of Energy Efficiency Insurance (EEI), provided by HSB (Hartford Steam Boiler) Engineering Insurance Ltd. Like ICP technical due diligence, this stage is not mandatory, but it addresses the often-voiced need by many eQuad investors who do not take on the performance or technical risk themselves.

Through the platform, a project can fill in an insurance statement of fact that can be directly submitted to HSB for a risk assessment, and a subsequent insurance quotation. Including insurance in turn translates into increased availability of project funding and reduced costs from credit risk enhancements, as well as an improved ability of the ESCO to deliver a strong sales message to end clients.

Upon completion of all data inputs into eQuad for a given project, HSB underwriters perform an in-depth analysis of each ECM proposed. This includes an analysis of the best and worst-case scenarios, and of the correlation between ECMs in order to ensure the robustness of the project design.

At the end of the analysis, a level of coverage is offered to the project, translated in local language by local insurance brokers. The policy is available for periods of up to five years and provides cover for material damage to the assets installed, business interruption, and crucially – asset performance, guaranteeing a minimum level of savings for that project.

EEI allows the lender to concentrate on credit risk. Bringing EEI to the negotiating table with an investor (or client) removes the issue of performance and technical risk, strengthening the ESCO's position. EEI also strengthens the ESCO's sales message to the end client and facilitates end-user confidence in the

project's design; for building owners, insurance provides security in terms of savings – they have an insurance-backed guarantee that the shortfall is covered.

A final added benefit of insuring the performance of the project with a highly rated insurer is reducing the ESCO's financial exposure. This results in improved credit worthiness and may lower interest rates and funding costs. Finally, the ESCO's assets, revenue, and performance are protected – meaning that in the worst-case scenario (project failure to perform), the shortfall is covered, and the ESCO's finances are protected.

Standardized contract development

As discussed in chapter three, an investor may disapprove an investment based on missing provisions in the ESCO's contract with its end-client. Each investor has particular criteria regarding the contract with the client as well as specific project type. When an ESCO looks to share its projects with investors, eQuad can provide heads of terms as well as a sample contract for the appropriate funds with the eQuad community of investors. It also supports ESCOs in keeping key legal provisions in the EPC contract, consistent with investors' expectations and criteria.

eQuad in turn reviews these to craft investment-appropriate contracts with the ESCO that are pre-approved by investors. This not only increases confidence from both parties, but also facilitates the development of a long-term investor-ESCO relationship: contractually, future projects will be pre-agreed.

Portfolio Creation (bundling projects)

The eQuad team supports ESCOs to bundle projects in a portfolio whenever possible. In the case where an ESCO has several smaller projects in its pipeline, the eQuad team will provide due diligence on each one and offer the entire portfolio toward investors who have specified that investing in multiple projects in one structured deal is of particular interest. In this model a larger sum may be made available to the ESCO for a defined period of time sufficient to cover its pipeline.

Conclusion

This document is the result of two years of working with over 150 ESCO and investor stakeholders from across Europe, undertaken by the Sustainable Energy Asset Framework (SEAF) consortium. The engagement with stakeholders brought to light that at the heart of the “finance gap” for energy efficiency remains the ability of ESCOs and investors to connect, largely due to widely separated areas of expertise and indeed separate languages, one technical and the other financial.

For ESCOs key challenges can be summarized as follows:

- **A lack of financial expertise and resources** and uncertainty when approaching finance often blocks ESCOs from exploring different finance options and engaging with non-traditional players (i.e.: financial institutions other than banks).
- **Difficulties closing deals with clients** due in part to lack of upfront capital for an EPC, as well as lack of clarity in sales messages
- **Lack of project standardisation**, which discourages trust in both clients and investors
- **Difficulty presenting key financial information** on projects to investors
- Debt on their own balance sheets is among the main reasons hindering trust in investors and blocking ESCOs from accessing a sustainable source of capital for their projects.

On the other end of the spectrum, investors struggle to identify viable opportunities. This is mainly attributed to:

- **Lack of standardised method to clearly present projects** (especially important for complex projects using different technology types)
- **Lack of transparency of project financial information**
- **Uncertainty surrounding the project (and ESCO’s) ability to deliver the guaranteed savings**, which is the defining factor of the EPC. An investor cannot invest when the projected cashflows that will cover the payback are uncertain.
- **Opportunity costs of engagement are too high** - at first glance the ESCO, end client, or project itself may represent too much risk.

In response to these challenges, the SEAF consortium has developed eQuad – a platform that removes the uncertainty of a project and ESCO’s value from the investor’s side and enables ESCOs to transparently communicate their projects to investors, maximizing their chances to receive finance. The platform facilitates this matching through providing standardized project descriptions, standardized due diligence, performance insurance and standardized contract development support. Not only does this contribute to establishing a sense of trust between both parties, but it ultimately facilitates the development of long-term, mutually beneficial relationships, resulting in increased investment and a growth in the market for energy efficiency.

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