How to get your building energy project funded

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Investor Confidence Project
Background: the BEA Finance Work Group

• Help cities understand energy efficiency finance, pathways to initiate energy efficiency finance activities in their jurisdictions and how to attract capital to fund programme and project activity.

• Identify investor needs and provide tools, training and resources to cities to help them meet their needs.

• The group focuses on assistance related to city programme design, project guidelines and public and private stakeholder capacity building.
Key take-aways from conversations with investors: their main challenges in energy efficiency investing are:

- Lack of political leadership
- Lack of project standardization
- Lack of building data
- Lack of City capacity and leadership
Demand and Finance

Projects

Investors
More than 100 banks managing a total of $4 trillion in assets called for a doubling of energy efficiency by 2030.
ICP Investor Network offering over $4.5 billion in energy efficiency project capital.
Investors demand transparent, consistent and trustworthy projects.
“Energy efficiency is in a category by itself, energy efficiency projects do not yet meet the requirements of capital markets.

The industry is just too disaggregated. No two projects or contracts are alike. Securitization is not practical or possible under these circumstances.

Say you have 1,000 energy efficiency projects. Standard & Poor’s would have to read 1,000 documents to assess the risk. Fees won’t pay for that level of review.”

Michael Eckhart
Managing Director and Global Head of Finance and Sustainability at Citigroup
Top Demand and Supply Drivers of Energy Efficiency Investment:

- Standardisation
- Clear Business Case
- Increased Investor Confidence & Change in Risk Perception
- Transaction costs, simplicity
- Measurement, Reporting & Verification (MRV) and Quality Assurance
Lack of Standardisation
Cities need to create **standardized mechanisms for implementation** of projects and **project financing**

= cut costs, train work-force, make returns visible and trust-worthy and allows aggregation

= attract capital.
Transparency and Consistency

Baseline
- Existing Building
- Drawings
- Weather File
- Energy Usage
- Energy Rates
- Occupancy

Savings
- Model File
- Calibration Data
- Bid Packages
- Certifications

Design, Construction, Commissioning
- Cx Plan
- Cx Authority
- Test Procedures
- Facilities Req.

Operations, Maintenance, Monitoring
- BMS Points
- Fault Plan
- Maintenance Plan

Measurement & Verification (M&V)
- M&V Model
- Regression Model
- Adjustments
- Impact
- Baseline Adjustments
Baselining
Savings Projections
Design, Construction, Verification
Operations, Maintenance, Monitoring
Measurement & Verification (M&V)

Elements
- Standards
- Data Elements
- Qualifications

Procedures
- Best Practice Workflow
- Standard Industry Practices

Documentation
- Standard Documentation Package
- Itemized Outputs Required
Energy Efficiency and Financing Process Alignment

Baselining
- Initial model
- Risk analysis
- Final model
- Model refinement

Pre-financing
- Term sheet

Savings

Design, Construction, Commission
- Comparison of actual performance against model

Operations, Maintenance, Monitoring
- Inspection

Servicing
- Financial close

Draw down
- Draw down
Trustworthy

Project Proposals must specify performance and data collection based on robust Measurement & Verification to ensure returns.
What investors want

• Clear and transparent renovation project plan based on industry **best practices**
• Evidence of the **qualification of professionals**
• Third-party **measurement and verification**
• Consistent **documentation**
• A **project label** that represents these components and can live with the project
Example
Ensures transparency, consistency and trust-worthiness through **best practice** and independent verification.
Investor Ready Energy Efficiency

Consistent Documentation

Third-Party Quality Assurance

Certified Professional

Best Practices and Standards
32 countries
Commercial and Institutional

Multi-family
IREE is the quality mark like BREEAM or LEED but for a building retrofit project.
Underwriting Period

Performance Period
IREE’s independent review and certification of proposed projects gives building owners confidence in project development and savings achievement. It enables the comparison of projects and access to more project investment. It can function as a “Tender in a box” and underwriting criteria for buildings and portfolios.
Reduces due diligence costs and speeds underwriting for investors.

It opens access to quality projects through ICP Credentialed Project Developer channel and increases confidence in project fundamentals and engineering.

Standard projects and document packs with third party review allows for the aggregation of projects across borders and programs.
Internationally recognized and off-the-shelf technical standards ready to deploy at no cost. Ready made provider credentialing and training program. Allows for the ability to distribute Quality Assurance costs to the market and aggregate projects to attract capital.
Offers a **repeatable project process** and enables **more project approvals** due to use of industry standards and third party review.

**Differentiate your company** and increase credibility with customers.

Increases ability to **connect with finance, insurance, utility programs**, without additional transaction costs.
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Summation
Investors demand transparent, consistent and trustworthy projects.
What That Means

- Clear and transparent renovation project plan based on industry **best practices**
- Evidence of the **qualification of professionals**
- Third-party **measurement and verification**
- Consistent **documentation**
- A **project label** that represents these components and can live with the project
Cities need to create **standardized mechanisms for implementation** of projects and **project financing**

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Possible Future BEA Finance Webinars

• How to Design A Renovation Programme that Attracts Investors
• How to Build Finance Capacity Within your City Staff
• Training a Workforce to Deliver Bankable Projects
• Financing Frameworks That Actually Work
• Others you would like to see?
Thank you, Questions?

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