Financing Energy Efficiency: Attracting Capital & Mitigating Risk

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### About Energi & Energy Savings Program

- Insurance to energy industry
- Partially owned by Hannover RE
- **Energy Savings Warranty**: Insurance backstop to performance guarantee on EE retrofit project
- Represent Energi’s interest in growing EE market

### Energi Savings Warranty (ESW) Policy

- Named Insured: Contractor

#### Project A
**Endorsement #1**
- Loss Payee: Project Owner
- Loss Payee: Bank

#### Project B
**Endorsement #2**
- Loss Payee: Project Owner
- Loss Payee: Bank

#### Project C
**Endorsement #3**
- Loss Payee: Project Owner
- Loss Payee: Bank
Loan or lease supported by savings guarantee contract

Contractor and Building Owner = High grade credit

Large project size, Federal & MUSH market
What about non-Federal, non-MUSH?

1. **Building Owner Funded**

2. **Direct Bank Loan:**
   - Typically credit based underwriting, mainly considers owner credit

3. **Third-party Energy Services Agreement:**
   - Off-balance sheet financing tool, underwriting considers future cash flows

4. **Legislative-driven Structures**
   - PACE, On-bill, incentive money

• **But, factors dictating financing also dictate scope & sale of project**
Contractors Integrating Financing

Examples

• Fuel Cell Energy project, owner required insurance
• Contractors using insurance to secure bank credit lines in order to fund efficiency projects
• Energy Services Agreement
  – Supported by niche Energy Efficiency ESA Company; or
  – Structured internally using own equity and outside financing (with insurance to attract)
• CA Prop 39: Grant money awarded to schools for retrofits, looking at integrated service-finance offering for schools
An energy service agreement structure (ESA) enables contractors/energy service companies (ESCOs) to offer Hosts energy efficiency services in a manner such that the Host pays only for savings and the ESCO does not have credit exposure to Host.
Services Agreement Structure with Insurance

LLC Ownership Structure

90% Debt

10% Equity

Bank

Project LLC (owns equipment)

Contractor

Host / Building Owner

Residual Savings $$

Savings $$
Flow to Debt

Total Project Savings

Guarantee $ Amount

Services Agreement

Guarantee

Savings

Amount

energi
Coalition for Banks in EE

- **Goal**: To support small/mid-size bank participation in energy efficiency financing
- **Means**: Providing banks **Resources, Access to Supporting Capital** (credit enhancement/co-participation) and **Service Provider Relationships**

**Resources** include:
- Underwriting guidelines
- Standard documentation
- Structuring support
Thanks!

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