Creating the Marketplace for Sustainable Energy Assets

Bridging the Finance Gap

Creating the Marketplace for Sustainable Energy Assets

22 May 2019
Energy Efficiency Conference Athens
Company Offering Joule Assets Inc.

- Based out of New York, offices in London and Italy
- Began as a financial fund manager of Energy Reduction Assets (ERA)
- US deploys PV and clean energy with municipalities as clients
- Today acts as conduit for finance in Europe, a project developer and financier in the US
- Runs the eQuad platform
- Forwards policy: Board Member and Chair of Smart Homes and Buildings Committee at SmartEn association in Brussels
"The EU Commission estimates that “the mobilisation of an extra €177 billion from public and private investment sources is needed annually from 2021 to 2030 to reach the 2030 climate and energy targets.”*

**What if ALL viable projects successfully accessed finance?**

- **Fund managers:** successfully finance only 5%-15% of all projects reviewed – representing a significant upfront cost and reduction of profits

- **Project developers:** often self finance their projects or use bank loans due to perceived difficulties in accessing appropriate finance

*eQuad is active today in: Italy, UK, Ireland, Slovenia, Spain, Portugal and Greece.

*Assessing the European clean energy finance landscape, with implications for improved macro-energy modeling. European Commission, 2017*
Bridging the Finance Gap

- The SEAF Project was funded by the European Commission*
- **Budget**: €1.700.000
- **Duration**: 28 months

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The Journey: Project Developer

A project’s journey toward finance

ESCOs, engineering firms, and construction companies can swiftly tap into innovative project financing solutions for Sustainable Energy Assets.
Investor requirements

Main criteria:
• Strong project pipeline to pay for upfront engagement
• Credit worthiness of end-client
• Credit worthiness of the ESCO
• Low payback time (3-7 years depending on technology type)
• Longer payback time may be accepted for larger projects with higher returns (in the millions)
• Robustness of the project design
• Project investment is part of ESCO’s core growth strategy
eQuad launched
May 2018
Investment Case I: Shared Savings

Energy efficiency upgrades for retail chain in Italy

<table>
<thead>
<tr>
<th>FUNDS REQUIRED</th>
<th>€4 million</th>
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</thead>
<tbody>
<tr>
<td>CLIENT</td>
<td>Italy retail establishment</td>
</tr>
<tr>
<td>NUMBER OF SITES/BUILDINGS</td>
<td>500+ (64 sites already completed – ESCO self finance)</td>
</tr>
<tr>
<td>TECHNOLOGIES</td>
<td>Lighting, HVAC, Refrigeration, Other (dependent on individual site)</td>
</tr>
<tr>
<td>OBJECTIVES</td>
<td>Replicate in all buildings the project already implemented and operational in 64 buildings (CAPEX provided by Contractor)</td>
</tr>
<tr>
<td>ANNUAL SAVINGS</td>
<td>€3 million</td>
</tr>
<tr>
<td>CONTRACT DURATION</td>
<td>7 years</td>
</tr>
<tr>
<td>ROI</td>
<td>3 years</td>
</tr>
<tr>
<td>CLIENT FINANCE NEEDS</td>
<td>Set up SPV for “ramp up” period of project</td>
</tr>
</tbody>
</table>
Investor response - YES

✓ ESCO track record – Contractor had proven years of experience with the same technology and projects of similar scale in different markets.

✓ Strong credit rating of contractor and end client. Contractor also had strong balance sheet and was willing to take on performance insurance as additional guarantee against any shortfall in performance.

✓ Equipment was proven and from a trusted, internationally recognized company.

✓ Repeatability of projects, easy to aggregate.

✓ Timeline of installation fit well with timing of fund.

✓ A large portion of CAPEX was already behind.

✓ CHALLENGE: Credit worthiness of parent company (end client)
Case Study II: Lighting-as-a-service

eQuad

- **Due Diligence**: 7 days
- **Performance Insurance**: 10 days
- **Finance offer of £5 million**

**Standardized investor-agreed LaaS agreements**

**Off balance sheet finance**

- **LED supplier**: Product warranties
- **LUMENSTREAM**

**PROJECT 1**
**PROJECT 2**
**PROJECT 3**
**PROJECT 4**
**PROJECT 5**

**Pipeline £370k**
Investment Case II: Lighting-as-a-service

Process

✓ Financing Process: lighting-as-a-service well understood and safe. Fund was interested and the negotiations were simple.

✓ Criteria: we have £5 million to spend in 1 year – “you spend it for us on lights”. Contractor had clients to make this realistic.

✓ Key Risk Concerns: 1) Pipeline risk, 2) Credit risk of various end clients

✓ CHALLENGE: Fund is large, took over 5 months to complete 3 simple agreements with ESCO

Outcomes

➢ Financial deal secured - £5 million SPV secured for ESCO for 1 year
➢ BUT – ESCO lost pipeline due to long investor process that was not fit for purpose and had to start building their pipeline from scratch.

Main Learnings

• Contract standardization matters! ESCO-client, ESCO-fund, Fund-Client
• The Fund’s experience level matters
• The ESCO: Will use this as a launching pad for their business. Gain clients and attract an equity investor in their company
Joule’s Vision Remains
to remove finance as a barrier to the growth of the green economy

TO DO THIS

LAUNCH H2020

Look to develop the market in a way that standardises risk assessment and contracts for investors

• Standardised, investor-grade Energy Performance Contracts
• Standardised risk assessment protocols
• Pathway to pipeline growth – growth capital and market-tested sales messages
Thank you!

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