

Credit Enhancements

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What is the oldest energy efficiency joke?



Toronto City Council created the Toronto Atmospheric Fund (TAF) in 1991

First municipal climate agency in the world

\$23 million endowment for grants & mandate-related investments

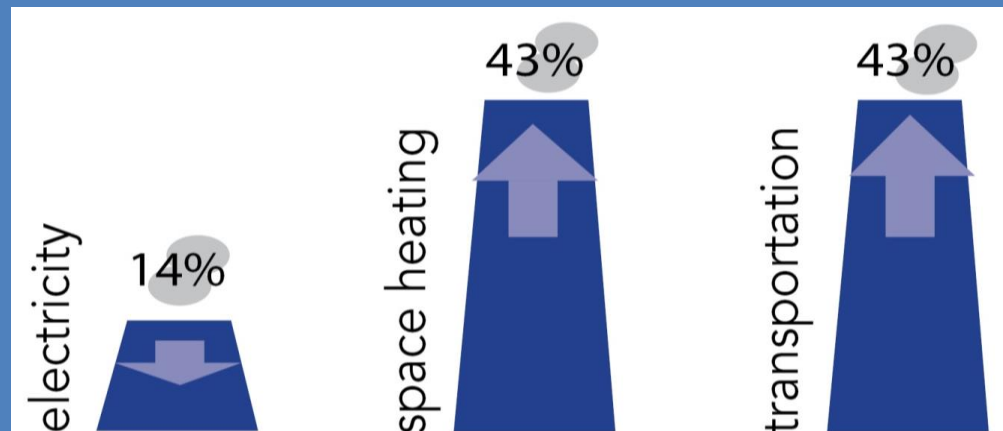
Independent (arm's length)



Support local initiatives that significantly reduce greenhouse gas and air pollution

Toronto's GHG reduction targets are

- 30% reduction by 2020 and
- 80% by 2050



Why is TAF investing in energy efficiency?

Almost 60% of GHG emissions are from buildings. TAF seeks to accelerate energy efficiency in the high-rise residential market by reducing the many barriers.

Over 6,500 buildings in GTA
(Market is North America)



EC and TAF Financing and Processing Solution

- EC/TAF develops, finances and manages energy efficiency retrofits in various real estate sectors including:
 - multi-unit residential
 - commercial, retail and cultural
 - mid-sized institutional
- EC/TAF offers non-debt financing through the proprietary Energy Savings Performance Agreement (ESPA™)
 - Provides up to 100% of project costs (equipment, installation, monitoring, insurance)
 - Structured as an insured performance agreement
 - Re-payment on a monthly basis as a share of savings, typically 90% “right not to pay shortfall”
 - Retrofitted assets provide security until end of agreement
- Building owners increase efficiency and realize an immediate return with limited up-front cost



Our Key Partners

ΕΣΟΙΟΓΕΒ



Our Key Partners



Our Key Partners

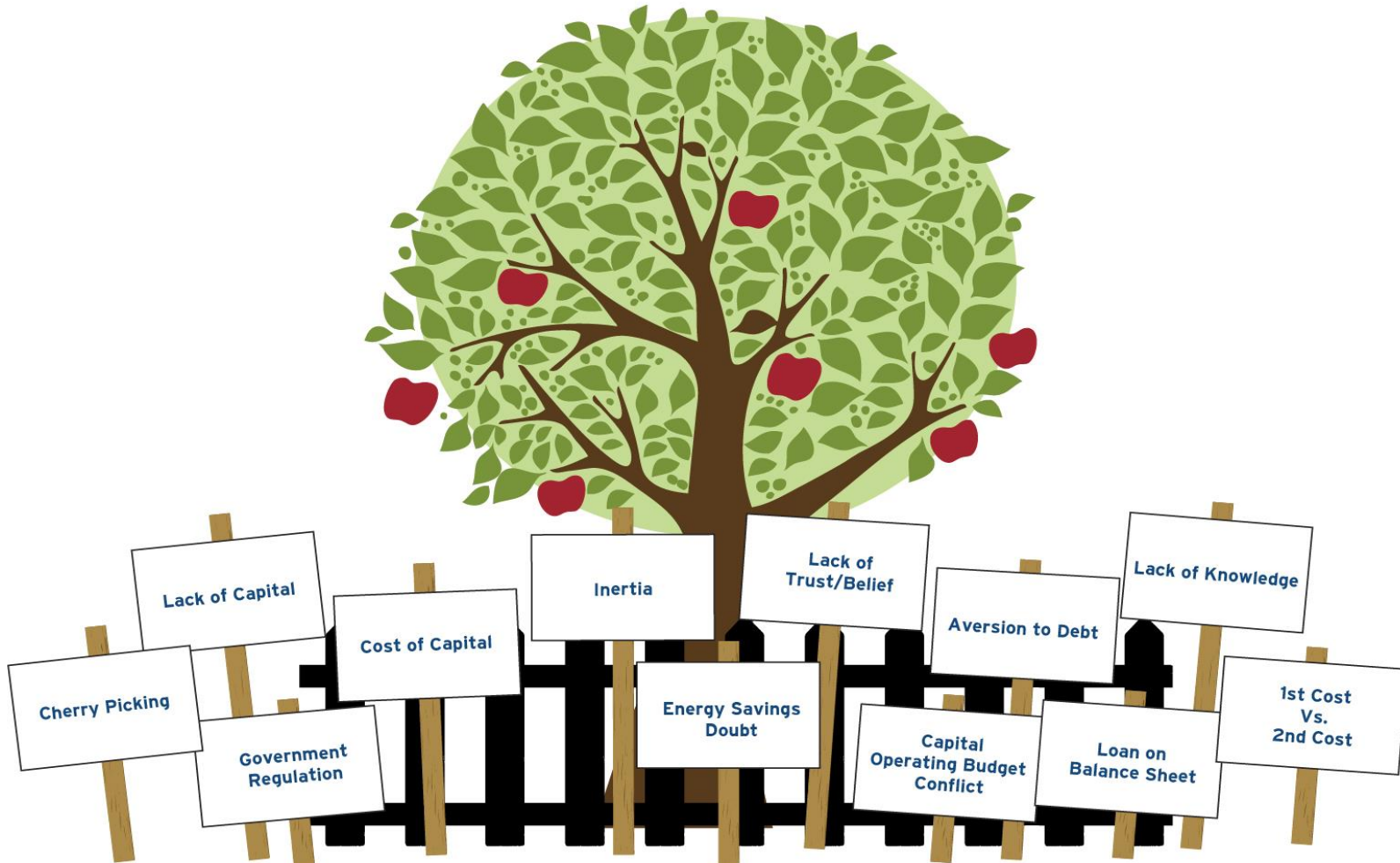


What is an Enhancement Program's Fundamental Role?



- Accessible
- Available to those most in need
- Flexible
- Eliminate barriers and constraints
- Ability to service multiple sectors

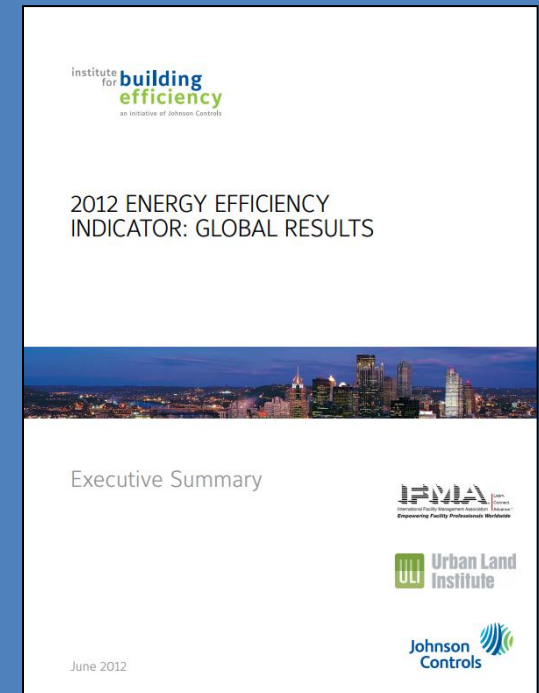
The low hanging fruit myth



Energy efficiency barriers

“What is the top barrier to pursuing energy efficiency at your organization?”

- **Lack of funding to pay for improvements (37%)**
- **Insufficient Payback ROI (21%)**
- **Uncertainty regarding savings/performance (11%)**



Energy Savings Performance Agreement

- The ESPA is a financing structure designed to eliminate the barriers
- Essentially a service agreement – non debt (equipment is security)
- Up to 100% financing
- Energy savings shared
- “right to not pay shortfall” if targets missed
- Performance is guaranteed to us by the contractor and insured

- **Quality:** Retrofit plan optimized for savings by TAF/ECC and insurer
- **Monitoring and Verification:** Mandatory
- **Maintenance:** Regular maintenance commissioning and re-commissioning required to ensure that new equipment is **installed and operating correctly**
- **Aligns stakeholders** :(building owners, investors, insurer, engineers)

(Insured) Energy Efficiency Finance as a Credit Enhancement

- Preserves capital
- Enhances cash flow
- Reduces energy cost price risk
- Adds value to property
- Brings confidence to forward projection of debt service ratio calculation - lower rate?
- Demonstrates good management

Our Financing Model

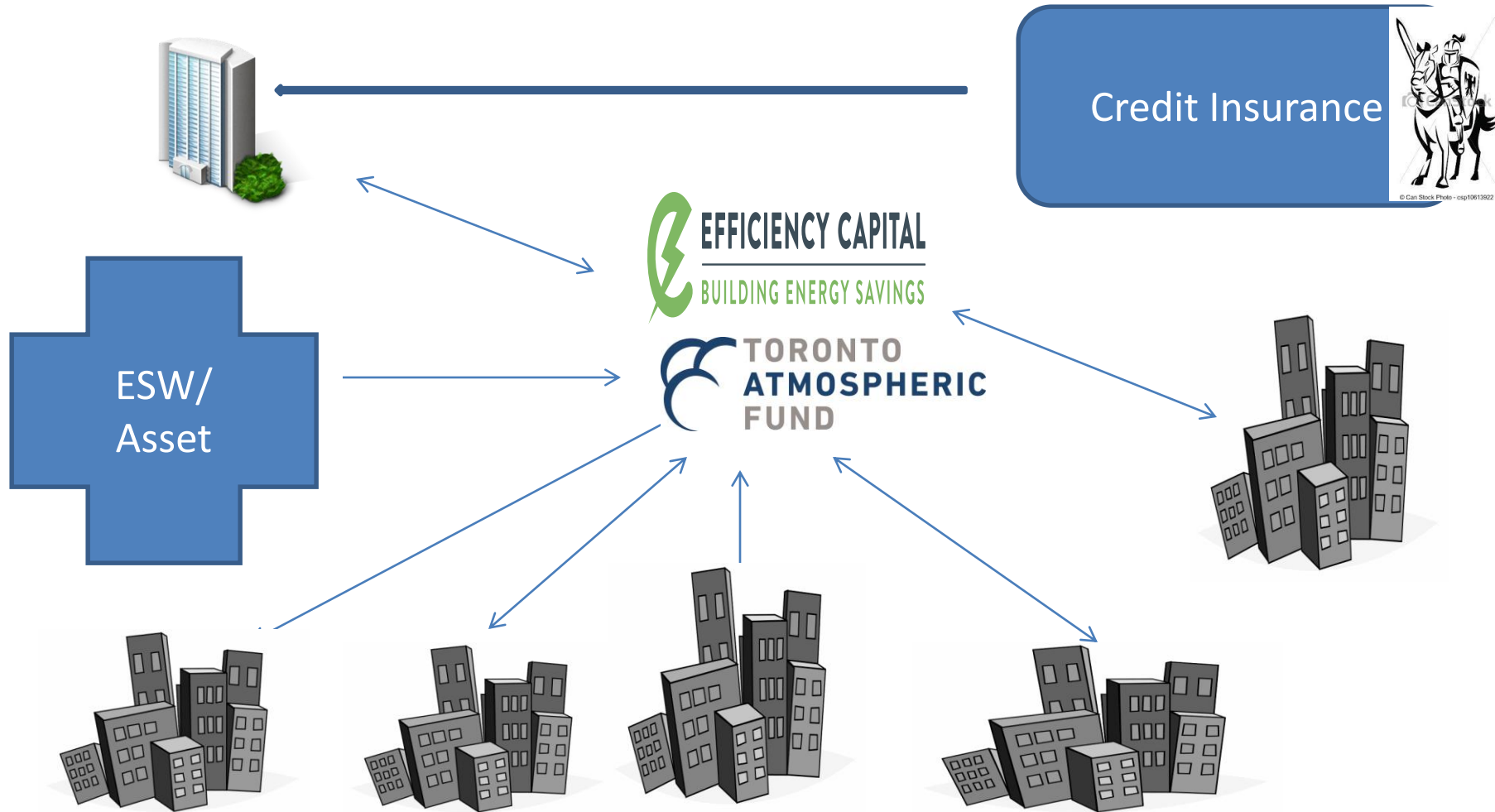
Aggregation – Portfolio

- +Very low delinquency rates
- + Nominal (1%) failure rates
- +Mission critical equipment
- +Portfolio approach - diversification
- + Incremental add – strengthens portfolio
- + Take out financing only -each transaction commissioned

- +60% - 70% of the portfolio is capable of debt servicing the debt of the whole portfolio
- + Each project is cash flow positive
- +Track record of success
- +10-20% first loss equity in each project
- BUT no real estate as security - no “back door”

Credit Enhancement may be needed to scale major bank financing

Unlock \$ With Credit Insurance



\$117,000 in financing
9 energy efficiency measures
\$54,000 annual energy savings
80% to TAF, **20%** to Harbourfront
200 tonnes/yr of CO₂ reduced



Robert Cooke Co-Operatives Homes

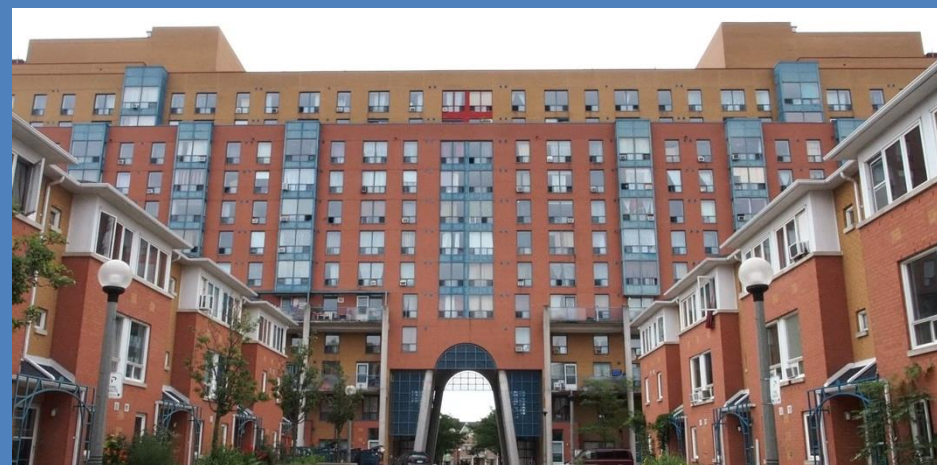
\$485,000 in financing

7 energy efficiency measures

\$75,000 annual energy savings

90% to TAF, **10%** to Building

170 tonnes/yr of CO₂ reduced



Cost of Carbon?

Cost of carbon - 200 tonnes -NPV Positive Investment



Thank You & Merci!

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