

# MUSH Market ESCO Financing

ACEEE Financing Forum

Newport, Rhode Island

May 23, 2016

# Overview of Presentation

- Introduction to NAESCO
- NAESCO/LBNL ESCO Market Survey
- Energy Savings Performance Contracts (ESPC)
- How ESCO Customers Pay for Projects
- Types of Financing
- Problems and Issues

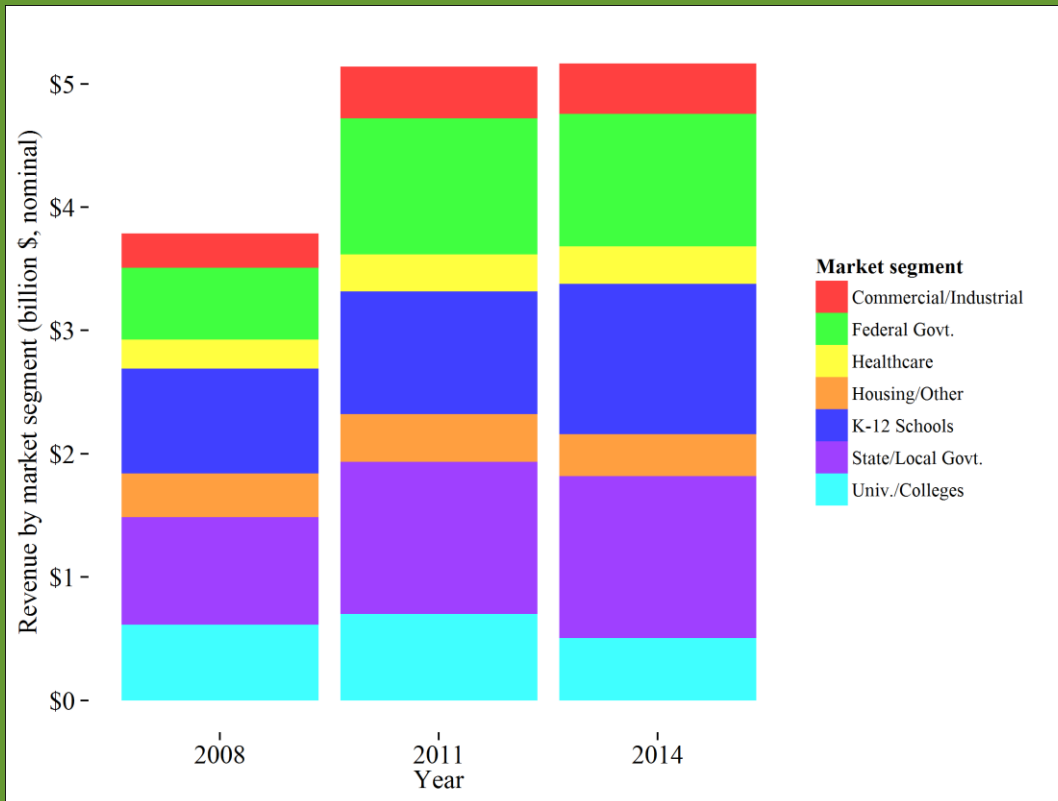
# Introduction to NAESCO

- National Association of Energy Service Companies
- About 70 companies
- Aggregate annual revenues about \$6 billion
- History of the ESCO Industry
  - \$45 billion in projects paid from savings
  - \$50 billion in savings – guaranteed and verified
  - 400,000 person-years of direct employment
  - \$30 billion of infrastructure improvements in public facilities
  - 450 million tons of CO2 savings at no additional cost

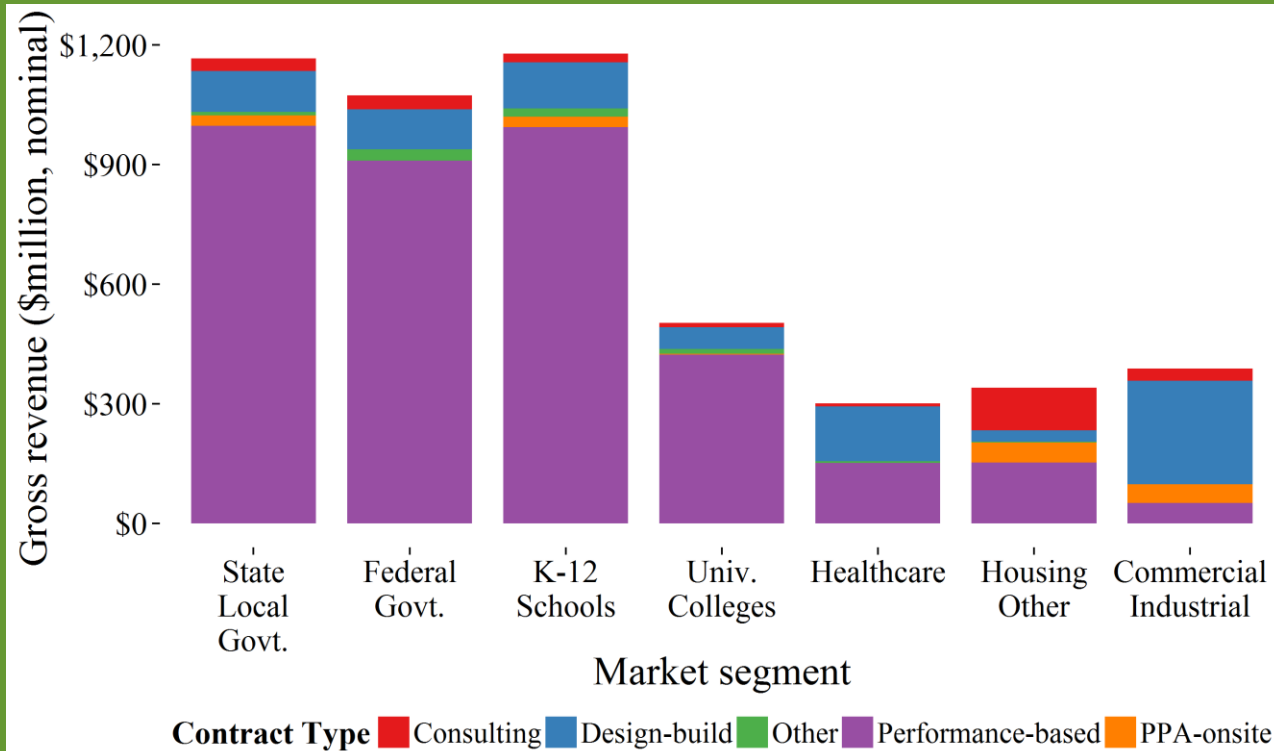
# NAESCO/LBNL ESCO Market Survey

- Performed every three years
- Survey all companies that meet LBNL ESCO Definition
  - *A company that provides energy efficiency-related and other value-added services and for which performance contracting is a core part of its energy-efficiency services business.*
- Last survey – 2015 – Gathered Data from 2014 Performance
  - 91% response
  - Report out this summer

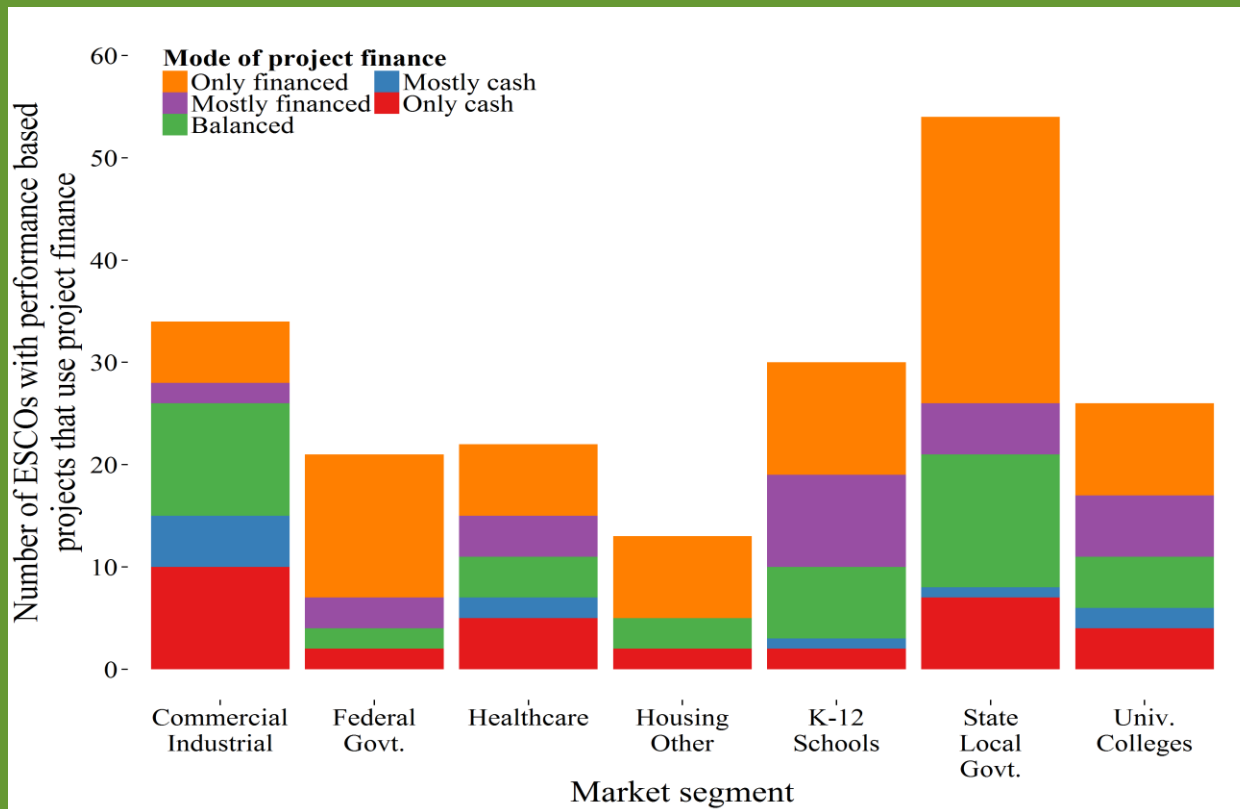
# Revenue Share by Market Segment



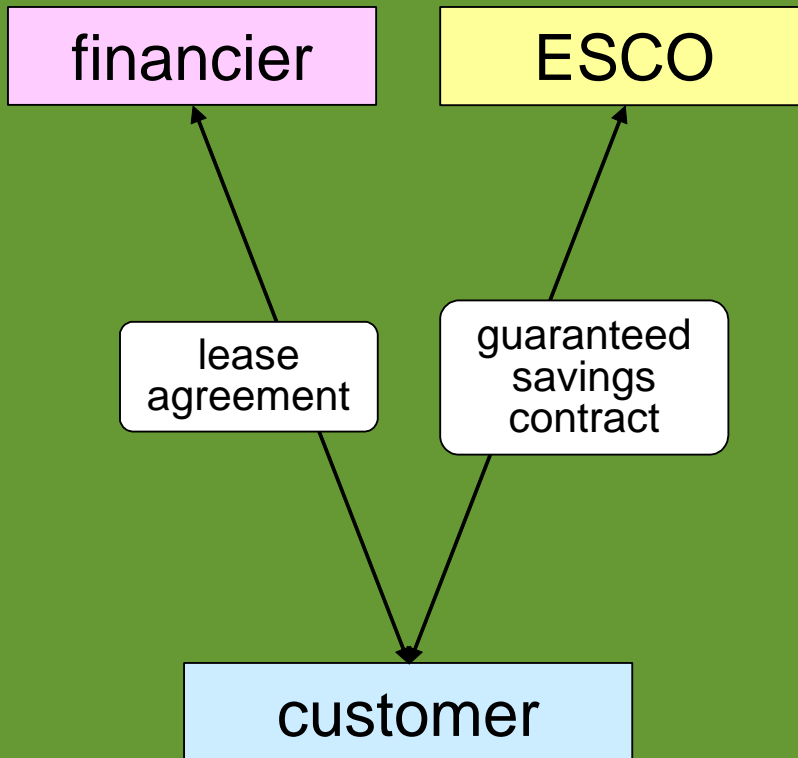
# Revenue Share by Contract Type



# How Do ESCO Customers Pay for Projects?



# Energy Savings Performance Contracts Use Guaranteed Savings Financing



- Customer finances project & assumes **debt obligation** on balance sheet
- ESCO assumes **project performance risk** & guarantees that savings will be sufficient to cover customer's annual debt obligation
- Lender assumes **credit risk**



# Type of Financing Used



# Financing Problems and Issues

- Difficult to Finance Small Projects (<\$500k)
  - Large ESCOs can't implement economically
  - Lenders don't want to underwrite customers and ESCOs
- New SEC rules limit the ESCO role
  - Can't "arrange financing" unless registered with SEC
  - Dependent on customers' attorneys and financial advisers to understand and package loans, leases, rebates, tax credits, etc.
- New accounting rules eliminate operating leases
  - Liability has to be on customer or ESCO balance sheet
  - Extend federal Special Purpose Entity structure to MUSH market

# Questions?

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