PROPEL
Energy Efficiency Finance

sefa
Sustainable Energy Finance Association

Csaba de Csiky Chairman EnerSave Capital

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 101033810.

The key for scaling energy saving measures

- ✓ Needs to be implemented and financed by a third party – the wigged manufacturer will spend his funds on building a better wigged but not on better lighting
- ✓ Needs to be off-balance sheet for end client and implementer – balance sheet is a limiting factor across the value chain
- ✓ Needs to pay for itself – possibly leave money on the table
- ✓ Needs to be easily re-financeable : standardization

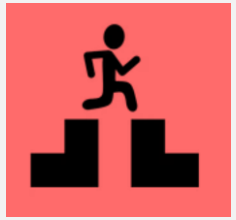
This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 101033810.

Institutional Investor Logic

- ✓ minimum issue size of € 50 Mio (preferably € 100 Mio.)
- ✓ a minimum ticket size to subscribe to individual investor of € 5 Mio.

- ✓ preferably a credit rating
- ✓ possibly a green bond certification
- ✓ a listing – liquidity
- ✓ ESG compliance

- ✓ preferably a tenor of 5 to 10 years.
- ✓ from the € 5 to 100K measure to a 100 Mio. Note which investor are willing to subscribe to, **there is a large gap**.



Such gap can only be bridged if we are able to co-mingle assets generated by various project developers to a standardised quality and within a standardised legal contractual framework.

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 101033810.

Standardization as a key requirement

- ✓ Finance is the key to the rollout to scale of sustainable energy assets such as lighting, cooling, PVs, heating measures within the EU's B2C and B2B market (i.e. building sector, industry sector)
- ✓ For scaling, standardization of contractual arrangements is mandatory.
- ✓ Standardized contracts, are the base for the aggregation of Sustainable Energy Assets into tradable securities via securitization.
- ✓ This in turn accelerates deal closure and market growth within the energy efficiency arena.
- ✓ This grant's ESCo's the opportunity to accelerate pipeline growth, deleveraging of their balance sheet, improving liquidity, and reallocation of credit risks to the bond buyers whilst granting companies in the energy efficiency arena access to capital markets.

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 101033810.

What is an “As a service” contract?

Typically, contractors sell a technology

In the “as a service model” contractors sell the output of the new installations e.g: Lumen per kWh

The contractor/installer has the responsibility of the installation, design, maintenance and operation of the equipment to ensure it’s proper functioning

In case of non-performance the client has the right to withhold payment, at the same time should the client not pay, ESCo has the right to stop the supply of services

This project has received funding from the European Union’s Horizon 2020 research and innovation programme under grant agreement N° 101033810.

Standardized Contract Logic

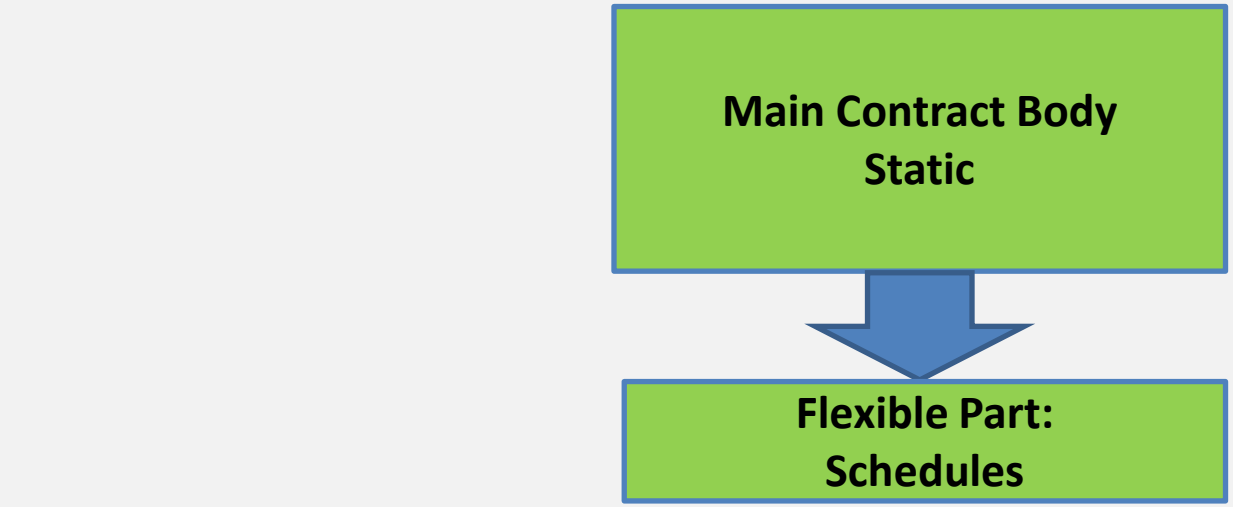
Creating a contract with 3 key elements:

- Static legal Body, covers all the terms of the contract (one can't redraft the BMW Finance leasing contract neither)
- A flexible part, which allows for the technical equipment description, leading to a monetary output and a tenure
- At the end the technical solution results in a "monetary output", which is the key driver in the final schedule of payments and remedies.

Similarly to a car leasing contract, our terms are balanced and defined, as such there will be no room for changing any of the terms

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 101033810.

What are the mechanics of a standardized contract?

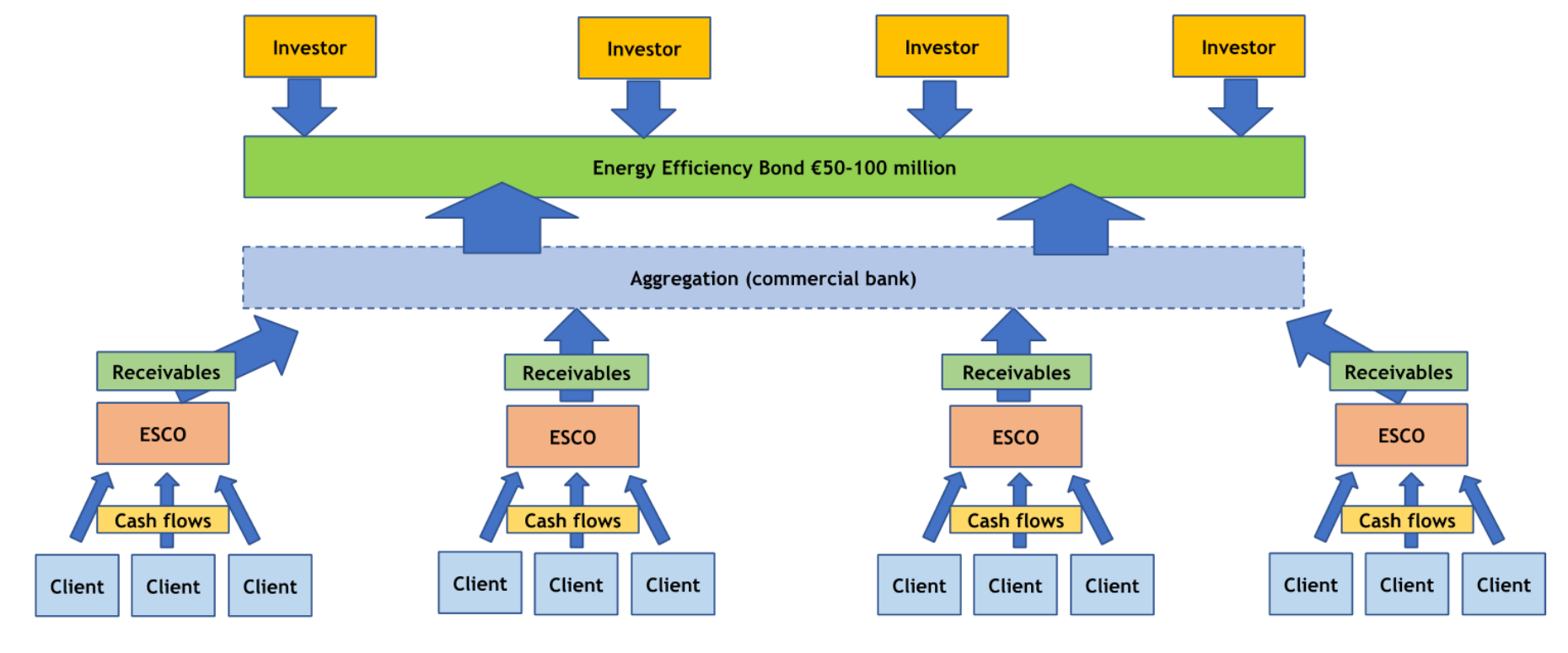


Schedule 1 Services, Equipment, Premises, Term	Schedule 2 Service Fees and Fees Structure	Schedule 3 Support Service Levels	Schedule 4 Mandatory policies	Schedule 5 [Output] Plan	Schedule 6 Change Control Process	Schedule 7 Accepted Offer of Services	Schedule 8 E from ESG

Monetary output = Payment

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 101033810.

Aggregation of energy efficiency projects



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 101033810.

Key benefits of securitization for ESCo's

- ✓ The "As a service" aspect is for many end clients, which are having high debt levels or are limited by lenders covenants, to take on further debt, the way to engage in energy saving retrofits.
- ✓ Ability for sale of receivables from the contractors books, reducing credit exposure, and frees up capital for the core business
- ✓ At the same time it allows the contractor to focus on their core business activities, and not be preoccupied with arranging the finance to do so
- ✓ Receivables represent the investment plus the contractors commercial margin, thus as soon as the receivables are sold, the contractor can take on new business and scale up
- ✓ Securitization vehicles in Luxembourg are taxed at a nominal rate, rendering profits "de facto" tax free
- ✓ Securitization creates a 'conveyor belt' for projects: you can support the energy efficiency market growth and create new business opportunities

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 101033810.

Stakeholder input and current state

Feedback received from :

- ✓ ESCo's and aggregators (all over Europe)
- ✓ Universities
- ✓ Banks
- ✓ LAUNCH Investor Board -13 Bio worth
- ✓ EIB
- ✓ Big 5 Audit firm

Currently: transposed into 9 EU national legal systems: UK, Italy, France, Germany, Austria, Greece, Belgium, Netherlands, Spain, and translated into 8 languages.

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 101033810.

Conclusions

Advantages of a Standardized contract:

- ✓ **Enables** the **multiplication** and **replication of contracts**
- ✓ Allows for an **off-balance sheet** treatment for end client
- ✓ Offers **standardized flexibility**
- ✓ Is **multipurpose**
- ✓ **Verified** and **approved** by **key industry players**

Securitization:

- ✓ Allows for **comingling of ESCO's receivable**s, to **meet the size requirements of the institutional investors**
- ✓ In turn **to refinance their credit lines** potentially **at better terms via the capital market** with this, **the funding taps can be opened for the ESCO industry**

Securitization creates a 'conveyor belt' of projects: you can support the energy efficiency market growth and create new business opportunities

---

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 101033810.

PROPEL
Energy Efficiency Finance

sefa
Sustainable Energy Finance Association

Thank you!

Csaba de Csiky
Chairman & Senior Partner
cdc@enersavecap.com

EnerSaveCapital

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 101033810.