Standard protocols for a new approach to energy efficiency financing

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CEO at SEA Servizi Energia Ambiente S.r.l.

Financing energy renovation of buildings in Italy, Croatia and Slovenia
Sustainable Energy Investment (SEI) Forums

Milan, 16 November 2017
Summary

- The Italian ESCo market
- Bridging the gap between project developers and investors: the H2020 SEAF Project
- The Investor Confidence Project (ICP): standardized protocols for energy efficiency
About us

SEA Servizi Energia Ambiente S.r.l.

First Italian Project Developer accredited by the Investor Confidence Project Europe

ESCo founded in 2005 and certified according to the Italian Standard UNI CEI 11352

Main activities

- EPC
- Engineering
- Energy Audit
- Italian TEE

Research projects

- G.R.E.T.A. Project
- Furfural from biomass
- Plastic sector
- Oil & Gas Sector

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The Italian ESCo Market

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ESCo approach and EPC

Customer benefits

Sources out the energy efficiency service (outside core business)
Guarantees of results
No direct investments
No direct labor
Savings start from 1st year of EPC
Specialized service
At the end of the EPC all the refurbished/replaced equipment stay in his property
The Italian ESCo market

A rapid growth in the past 2 years

Year of foundation

- 0 - 2 years: 48%
- 3 - 5 years: 18%
- > than 5 years: 34%

Source: Indagine Accredia - Isnova 2016

ESCo certified according to UNI CEI 11352

Italy vs EU

European ESCo market size in EU
Source: JRC, 9th International Conference Improving Energy Efficiency in Commercial Buildings and Smart Communities Report, 2016

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### Policy vs results in energy efficiency sector

#### General scorecard

source: ACEEE, The 2016 International Energy Efficiency Scorecard

<table>
<thead>
<tr>
<th>Country</th>
<th>National Efforts</th>
<th>Buildings</th>
<th>Industry</th>
<th>Transportation</th>
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</table>

**Standard protocols for a new approach to energy efficiency financing**
Bridging the gap between project developers and investors: the H2020 SEAF Project
MACRO ISSUES

Big Contractors + BIG Investment + Strong Customers

Small Contractors + SME or private people

SME

Investment

A COMBINATION OF FACTORS

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Finance

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LANGUAGE ISSUES

Customers

Contractors

Finance + Insurance

- Fear of changes
- Avoid technicalities
- Complex contracts keep away from main focus

- Necessary to speak about finance issues
- Complex due diligences
- Complex contract
TRUST IS THE MOST IMPORTANT THING

CUSTOMERS — TRUST — CONTRACTOR

work together to build a strong relationship

FINANCE & INSURANCE SUPPLIERS

A ready to go solution helps a lot to increase trust

If investor and insurance trust the project, the customer will too.

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BRIDGING THE GAP

EPC BIG Investment

Contractors
ESCos

EPC Small Investment

Finance

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HOW CAN eQUAD RAISE TRUST

ICP Protocol
Project Diligence
Performance insurance
Continuous contact with investors

Contractors
ESCos
Finance

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The Investor Confidence Project Europe: standardized protocols for energy efficiency
Why do we need standardization?
What is generating risk?

- Poor or non-existent baseline data
- Variety of project types and outcomes
- Unexpected changes to demand
- Variable level of expertise
- Project host engagement
Building owners and investor demand transparent, consistent and trustworthy projects
The IREE™ Certification

IREE is the quality mark for a BUILDING RETROFIT PROJECT

European Commission in the “Winter Package” cites the ICP Europe as “best practice” to maximize investor interest in buildings requiring energy efficiency upgrades.
The IREE™ Certification

An international framework for reducing owner and investor risk, lowering due diligence costs, increasing certainty of savings achievement and enabling aggregation.
Based on existing technical standards and investment milestones

Pre-financing
- Baselining
  - Initial model
- Savings
  - Risk analysis
  - Final model

Design Construction Commission
- Comparison of actual performance against model

Operations Maintenance Monitoring

Measurement & Verification

Servicing
- Term sheet
- Financial close
- Inspection

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The ICP protocols

Protocols are available in 31 countries
Standardisation

Consistent Documentation

Third-Party Quality Assurance

Certified Professionals

Best Practices and Standards

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The ICP Investor Network

ICP Investor Network represents over €4 billion in energy efficiency project capital. They are looking for quality projects built to IREE standards and some provide incentives for IREE projects.

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Benefits of IREE™ Certification

- Owners approve more projects as confident in outcomes
- Developers get recognition for best practice approach and proven performance
- Reduced due diligence costs and risks for investors and increased dealflow
- Market can scale through aggregation
**IREE™ Certification in Europe – case study**

**Consortium of 3 NHS Trusts, Liverpool**

The **Investor Confidence Project’s Investor Ready Energy Efficiency™ certification** has been awarded to a project consisting of a consortium of three NHS Trusts in Liverpool: Aintree University Hospital NHS Foundation Trust, Liverpool Women’s NHS Foundation Trust, and The Walton Centre NHS Foundation Trust.

This is a £13m project to improve the energy and carbon performance of the three hospitals, through the installation of a number of energy efficiency and low carbon measures. These include new gas-fired CHP energy centres, and a range of energy efficiency measures such as new variable speed drives for motors, plant optimisation, and an extensive lighting retrofit programme.

The Project Developer is the NHS initiative, the Carbon and Energy Fund, who facilitate and manage the project. Carbon and Energy Fund (CEF) is an investor and project developer of energy infrastructure upgrades on behalf of the NHS and the wider public sector. The project investor is Macquarie Bank, and an Energy Performance Contract has been awarded to Engie (formerly known as Cofely), a leading contractor, specialising in decentralised energy.

<table>
<thead>
<tr>
<th>Project</th>
<th>NHS Trusts - Liverpool, England</th>
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</thead>
<tbody>
<tr>
<td>Project Developer</td>
<td>Carbon and Energy Fund</td>
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<tr>
<td>Quality Assurance Provider</td>
<td>Verco</td>
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<tr>
<td>Investment</td>
<td>£13,000,000</td>
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<tr>
<td>Contract duration</td>
<td>15 years</td>
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<tr>
<td>Predicted annual savings</td>
<td>£1,850,000</td>
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<tr>
<td>Average annual energy savings</td>
<td>50%</td>
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<tr>
<td>Average annual carbon savings</td>
<td>33%</td>
</tr>
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</table>

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