

# ESPA™ Energy Retrofit Financing

Alberta Energy Efficiency Alliance

Edmonton Conference

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# Introductions

- **Toronto Atmospheric Fund (TAF)** – Arms-length City of Toronto agency investing in solutions to climate change and air pollution
- TAF developed the **Energy Savings Performance Agreement (ESPA™)** performance based, non-debt, retrofit financing model to address barriers to energy efficiency investment and GHG reduction
- **Efficiency Capital Corp.** – Launched by TAF to scale-up energy efficiency across North America by means of ESPA™
- **Ænergy Capital** – Bringing ESPA™ financing to Alberta commercial, institutional and multi-family properties

# Disruptive Market Factors

- **Robust building completions into a decided downturn** will leave real property owners in survival mode
- Section 9.36 Energy Efficiency, **Alberta Building Code 2014**
- Alberta **Carbon Tax** from 2017
- **Goodbye coal**, hello demand reduction augers for rising power costs
- *And possibly...* Alberta green behaviour **Carrots**, particularly incentives to Energy Efficiency?

# Energy Efficiency



- 80% of 2050 buildings have already been built
- **Not retrofitting** for performance is **costly** to owners and environment
- **Sinking capital** into EE retrofits is **silly** in light of ESPA™ non-debt performance financing

# Energy Saving Performance Financing

- A crafted association of building owner, energy auditor/engineer, vendors/constructors, financier and insurer
- Managed delivery of most impactful Energy Efficiency improvements with post completion performance monitoring
- Building owner receives ~10% of savings on energy usage for the duration of the program and then 100% thereafter
- Sharing of performance risk between building owner (limited to 10%), energy auditor/engineer and third party insurance



## Self Financed vs. ESPA™

	<u>Self-Financed</u>	<u>ESPA</u>
Total Project Cost*	\$ 1,012,500	\$ 1,012,500
Amount Paid by Building Owner	\$ 1,012,500	\$ 12,500
Savings To Building Owner		
Year 1 Energy Savings	\$170,000	\$17,000
Interest Earned on Reserves Not Spent**	\$0	\$30,000
Total Savings to Building Owner***	<u>\$170,000</u>	<u>\$47,000</u>
<b>Net Present Value:</b>	<b>\$461,734</b>	<b>\$509,207</b>
<b>Internal Rate of Return:</b>	<b>14.2%</b>	<b>382%</b>

# Building Owner Takeaways

- Miniscule cash investment
- Off-balance sheet approach
- Total outsourced Energy Efficiency delivery, monitoring and maintenance
- 3<sup>rd</sup> party insurance includes robust due diligence to ensure energy savings are achievable
- Risk to building owner is limited to status quo operating costs
- Long term relationship based on mutual success
- All ESPA<sup>TM</sup> to date are on, or exceeding, targets



## FLEXIBLE BUSINESS MODEL

Use our money or yours for guaranteed performance

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