

# BUILDING A SUSTAINABLE ENERGY FINANCE (SEF) PROGRAM

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# *FOUNDATION FOR RENEWABLE ENERGY & ENVIRONMENT (FREE)*

## *Mission*

A non-profit, international organization established to promote energy, water and materials conservation, renewable energy use, and environmental resilience through the spread of sustainable energy financings (SEF)



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# THE SEF PROGRAM

- FOR COMMUNITIES AND ORGANIZATIONS WHICH WOULD LIKE TO USE EXISTING ADMINISTRATIVE AND AGENCY STRUCTURES TO BUILD THEIR SUSTAINABLE ENERGY FUTURE
- CUSTOMIZABLE TO FIT A JURISDICTION'S AUTHORITIES AND EXPERTISE
- PATTERNED AFTER THE SUSTAINABLE ENERGY UTILITY MODEL CREATED BY DR. JOHN BYRNE AND IMPLEMENTED IN THE U.S. IN DELAWARE, WASHINGTON, DC, AND SONOMA COUNTY, CALIFORNIA (INTERNATIONAL APPLICATIONS UNDER DEVELOPMENT)

THE SEF MODEL IS RECOGNIZED BY  
U.S. GOVERNMENT  
&  
ASIAN DEVELOPMENT BANK



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The White House

Office of the Press Secretary

For Immediate Release

December 02, 2011

**In the White House press release on the President's *Better Buildings Challenge*, the Delaware Sustainable Energy Bond finance program was recognized for accomplishments meriting national attention.**



**Asia-Pacific Dialogue on Clean Energy  
Governance, Policy, and Regulation**



Collaborating Partners



GE Energy



International  
Energy Agency



International  
Partnership for  
Energy Efficiency  
Cooperation

Lemay  
Foundation



sern  
a reep initiative



UNITED NATIONS  
ESCAP  
Economic and Social Commission for Asia and the Pacific



WORLD  
RESOURCES  
INSTITUTE

### Communiqué

**Special Roundtable to Develop a Regional  
Plan of Action for Clean Energy Governance, Policy, and Regulation**

June 24, 2011  
ADB Headquarters, Manila

**At the 6<sup>th</sup> Clean Energy Summit in Manila (2011), the Asian Development Bank recommended the SEB Model to the region's policy-makers.**



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# HOW AN SEF PROGRAM WORKS

# Barriers to Success

## Fragmented Decision Making

Answer: Create a Program dedicated to sustainable energy problem-solving (24/7)

## Scale of Investment is Too Small

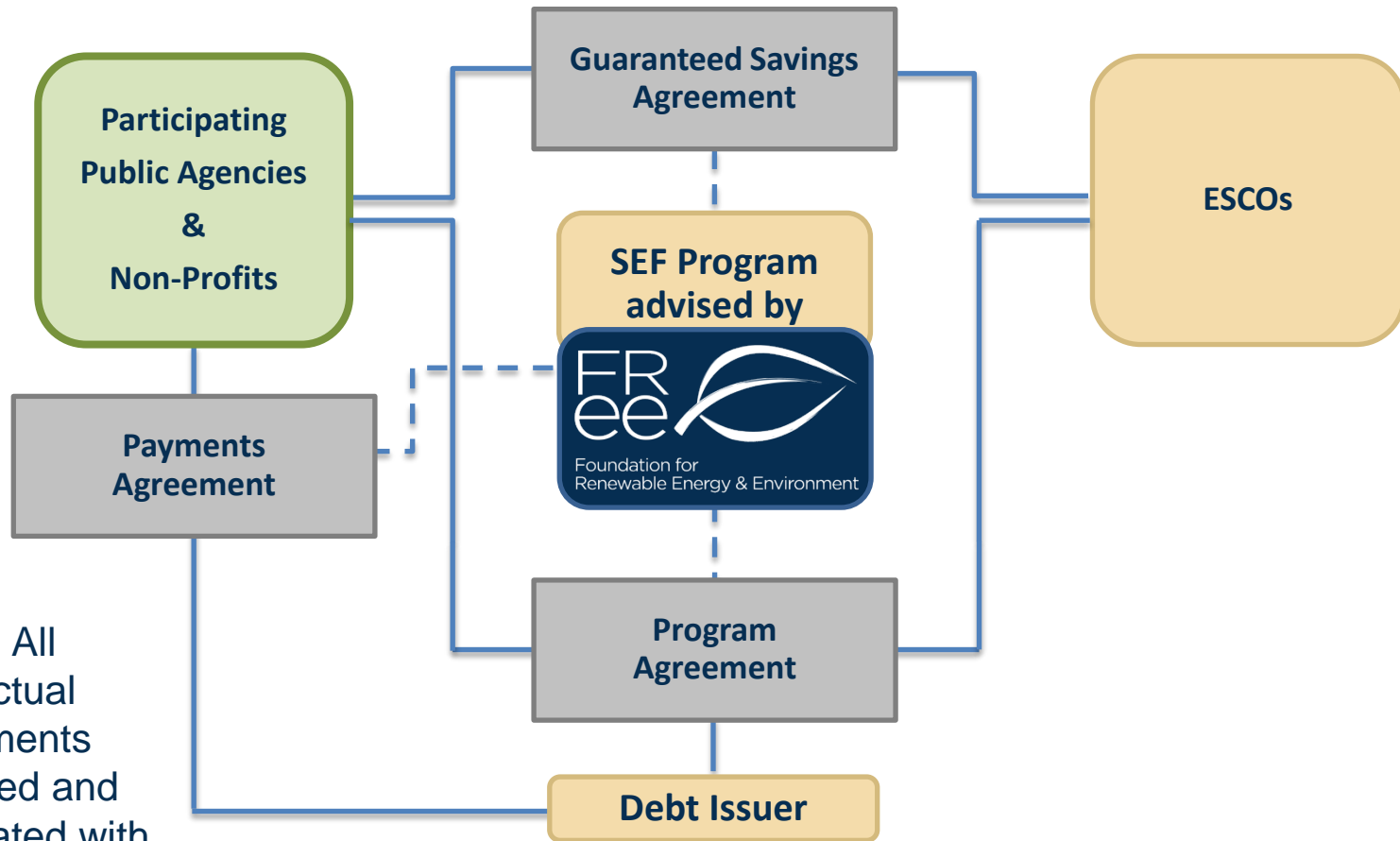
Answer: Create a Program able to pool project investments into cost-efficient financing scales

## No Trusted Advisor

Answer: Create a Program that can provide independent, objective monitoring and verification of investment performance and identify actions needed to comply with the savings guarantee



# Sustainable Energy Financing for Building Retrofits



NOTE: All contractual agreements prepared and negotiated with the assistance of FREE.



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# A PROVEN MODEL



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# SNAPSHOT OF THE DELAWARE ENERGY EFFICIENCY BOND SERIES

TRANSACTION: TAX-EXEMPT BOND    SOLD ON AUGUST 1, 2011    AA+ by S&P  
PAR VALUE = \$67.45 MILLION            WITH PREMIUMS = \$72.55 MILLION  
SERIAL BONDS: maturities from 1 year (borrowing rate = 0.65%) to 20 years (rate = 4.37%)  
EFFECTIVE BORROWING RATE = 3.7%    AVERAGE SIMPLE PAYBACK PERIOD: ~ 14 yrs

## SIX STATE PARTICIPANTS

	BOND PROCEEDS (incl. Premium)
Department of Children, Youth and Their Families	\$ 1.667 million
Department of Correction	\$39.699 million
Department of Natural Resources and Environmental Control & Carvel State Office Building	\$ 6.205 million
Legislative Hall, State of Delaware	\$ 5.199 million
State Courthouse	\$ 1.012 million

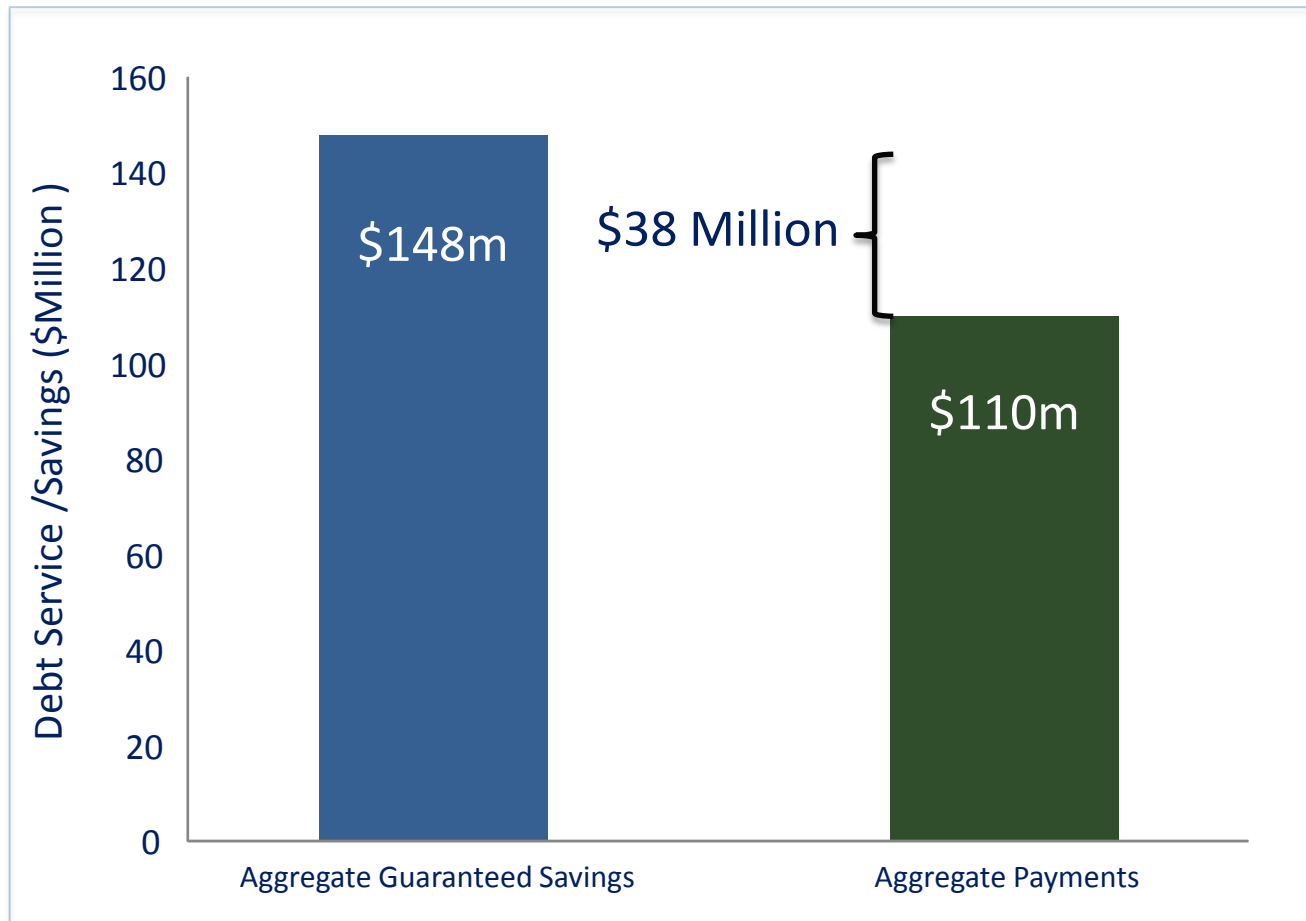
## TWO HIGHER EDUCATION INSTITUTIONS

Delaware State University	\$12.108 million
Delaware Technical and Community College (3 campuses)	\$ 6.661 million

Contracting Companies: Ameresco, Honeywell, Johnson Controls, Noresco, Pepco Energy Services, Trane

MAJOR BUYERS: Definitive Capital, Lord Abbott, First New York Securities, Merrill Lynch

# SUSTAINABLE ENERGY BOND – AUGUST 1, 2011



~ 1,000 Jobs

S&P AA+ Rating

# Sonoma County Efficiency Financing Program

[sonomacountywater.org/scef](http://sonomacountywater.org/scef)

Created in partnership with the *Foundation for Renewable Energy and Environment (FREE)*, the SCEF Program is a tool to arrange low-cost financing for:

- 16 school districts (including nearly 100 school buildings)
- 3 municipalities (improved performance of city buildings)
- 1 municipal lighting district (outdoor lighting)
- 1 community college
- 1 state university (tentative)
- 1 hospital (tentative)

Anticipated financing: \$50 million      Spring 2013

NO government or ratepayer subsidy

**FREE** & **SCWA** have assembled an expert team of energy and water engineers, financial advisors, legal counsel and M&V specialists with the goal of getting the best results for a diverse portfolio of technologies & participants.



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# MULTIPLE BENEFITS



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# SUSTAINABLE ENERGY Finance PROGRAM

NO NEW LEGISLATION OR NEW PROGRAM APPROPRIATIONS REQUIRED

**FOCUS:** Public AND NON-PROFIT CREDITS

**TRANSACTION:** TAX-EXEMPT FINANCING OF SUSTAINABLE ENERGY INVESTMENTS (based on demonstrated market success of the SEU Energy Efficiency Bond Series) \*  
LOW-COST FINANCING WHICH INCENTIVIZES 'DEEP RETROFIT' CHOICES  
AMONG THE BEST & FASTEST MEANS TO CREATE JOBS (4X more jobs per million\$ invested compared to conventional energy projects)

**FEATURES:** CUSTOMIZABLE TO LOCAL CONDITIONS  
NET SAVINGS ACCRUE TO PUBLIC PARTICIPANTS  
\$\$\$\$-DENOMINATED VERIFIABLE SAVINGS  
PRE-APPROVED ESCOs/CONTRACTORS  
COMMON DOCUMENTS  
MONITORING & VERIFICATION PROTOCOLS THAT SUPPORT PARTICIPANT GOALS  
LOW COST CAPITALIZATION OF E-E OPPORTUNITIES (by taking advantage of pooling and standardized transaction model of *FREE*'s SEF Program)

- Taxable financing can be arranged when, for example, renewable energy options are selected and tax equity is needed to secure federal and other tax credits and favorable depreciation treatment.



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# SUSTAINABLE ENERGY Finance PROGRAM

## MORE BENEFITS

**NO UPFRONT CAPITAL COSTS**

**PUBLIC PARTICIPANTS OWN ALL IMPROVEMENTS & ASSOCIATED BENEFITS**

**LOWERS THE COST OF GOVERNMENT IN THE SHORT & LONG RUN**

**PROJECT FLEXIBILITY (selection of Conservation Measures [or CMs, including actions to save energy, water and materials] & repayment terms customized to meet Participant needs)**

**EASE OF PARTICIPATION: JUST 5 STEPS**

- 1) **Sign Letter of Intent (LOI)**
- 2) **Request ESCO/Contractor Bids**
- 3) **Receive Investment Grade Audit & select CMs**
- 4) **Execute Agreements (including the GSA – Guaranteed Savings Agreement)**
- 5) **Start Project !**



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# Experts already in place

*FREE* has a full team of experts who work directly with a jurisdiction to build SEF programs and formulate customized projects that deliver best results.

Experienced and knowledgeable on all aspects of clean energy technology, sustainability metrics and low-cost financing, the team guides participants through the creation of an SEF program and actual project financings from start to finish.

## *Team Structure:*

- Team Lead
- Legal Counsel (with international experience)
- Financial Advisor
- Monitoring & Verification Experts
- International ESCO and Investment Partners



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# For further information...

<http://freefutures.org>

<http://freefutures.org/seu-initiative/free-sustainable-energy-financing-advisory-service>

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