



Streetlight-EPC

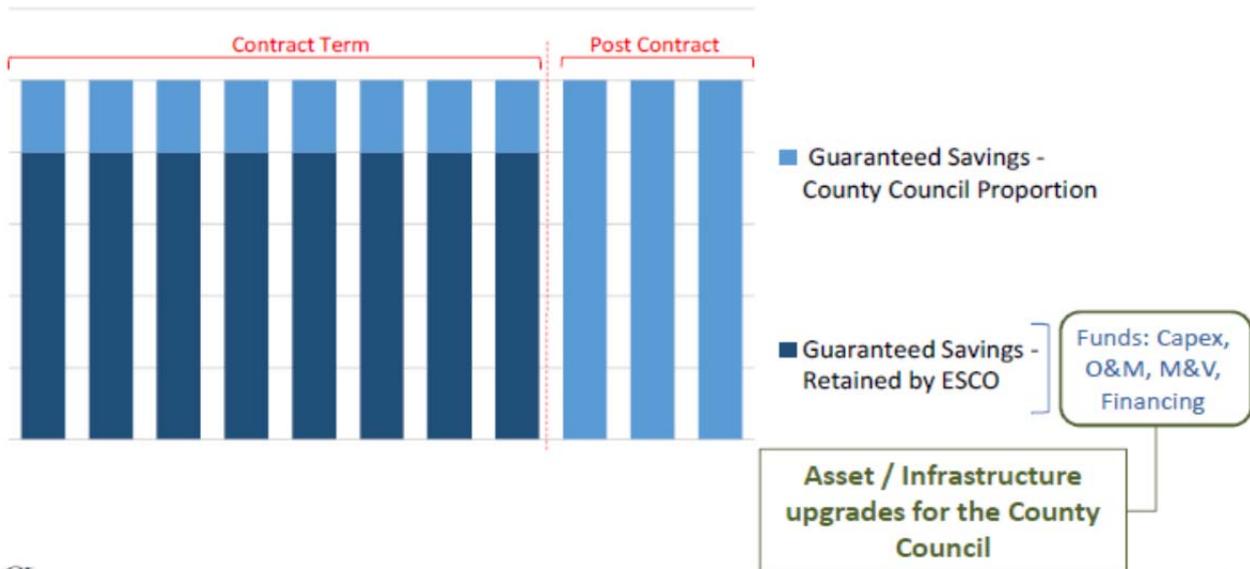
Report on bi-lateral meetings with regional/national funding institutions

Carlow Kilkenny Energy Agency

Name of the institution	Location	Date of meeting
Sustainable Development Capital LLP (SDCL)	Energy Show RDS Dublin	26 th March 2015

What kind of funding is given
<p>The Irish Government has facilitated the creation of a €70m Energy Efficiency Fund by committing €35 million to finance energy efficiency projects across Irish public and private sector buildings and urban infrastructure on a commercial basis. The remaining €35m is self-financed by private investors and pension funds.</p> <p>Sustainable Development Capital LLP SDCL was procured by the Government to act as the investment adviser to the Fund – Ireland Energy Efficiency Investments plc. The €35m Government commitment is matched by private sector investment raised by SDCL, including London & Regional Properties and Glen Dimplex Group. The Fund through SDCL will work with energy services companies (ESCOs), contractors, equipment suppliers and/or the client organisations to provide a fully funded solution that delivers energy savings to the client organisation, typically through a services contract, resulting in optimal performance and best value for money for the client organisation. The fund is aimed at non-residential energy efficiency projects.</p> <p>SDCL can finance up to 100% of the up-front capital cost of installing energy efficient systems and equipment. They can also make equity or equity-like investments to finance projects, customised to the needs of the project. For retrofit projects, the structure of the return is based on a share of the savings achieved through the project term. At the end of the project term, the end user (the “Host”) benefits from 100% of the savings achieved.</p>

Main issues discussed/inputs & information received regarding financing ESCOs
<p>The fund is aimed at financing public sector projects including public lighting. SDCL has previous experience in public lighting having carried out the largest private sector lighting project in the UK, a car park retrofit to LED. The fund is only interested in retrofit and not new build.</p>



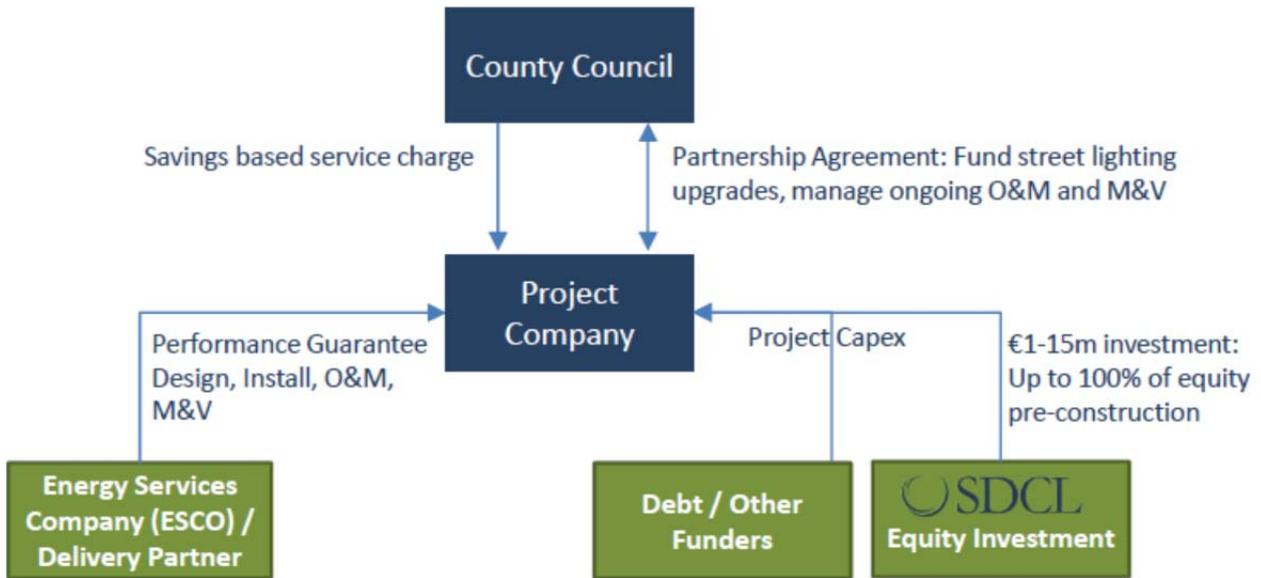
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The Fund will invest in projects that reduce energy consumption, recover useful energy from waste streams and distributed renewable energy generation. These types of projects typically include: public and private building retrofit; industrial energy efficiency; combined heat and power; biomass renewable heat projects; and, urban infrastructure, including street lighting and district heating networks. The SEAI Framework discussed previously helps develop quality projects in a standard format. SEAI are working with the public sector and commercial bodies to deliver a pipeline of projects for application for funding through the fund, and other sources of finance.

SDCL have recognised the need to invest in street lighting projects in Ireland and deliver value for money projects. The lack of available funding to pursue energy efficiency public lighting retrofits in local authorities has been identified as a potential funding opportunity. The SDCL model allows for the supply installation and maintenance, guaranteed savings and full construction risk.

The following is the SDCL project approach;

- Project Identification
 - ESCO
 - Hosts (End user, client)
 - Financial Institutions
- Financial Solutions
 - Investment and Financing
 - Tax & Accounting Treatment
- Contracting and Delivery
 - Project Agreements
 - Performance Contracts
 - Operation & Maintenance



The funding mechanism also allows for off balance sheet financing for local authorities. SDCL have identified the challenges faced by street lighting in Ireland, unmetered supply and tariff structures and moving local authorities away from traditional operation and maintenance contracts to long term contracts.

Target groups: Public and Private Sector

Type of financial scheme: Performance contract guaranteed savings over 15-25 years.

Financing rate: Savings cover cost of financing, installation, operation and maintenance.

Minimum requirements (technical or financial): Both technical and financial supports available. Supply, install, maintain and fund energy efficient street lighting projects.

Name of the institution	Location	Date of meeting
European Energy Efficiency Fund (EEEE)	Energy Show RDS Dublin	26 th March 2015

What kind of funding is given

The EEEF is a public private partnership dedicated to mitigating climate change in the European Union. The fund finances small and medium sized projects, especially in the energy efficiency sector.

A fund of €265m was established in 2011. To date the EEEF has invested €100m on 9 projects across Europe. For realisation of sustainable energy projects, EEEF can provide debt or equity in the range of €5m to €25m. The fund offers various financing instruments including senior debt, mezzanine, equity, leasing structures and forfeiting loan. EEEF also operates as the sole investor in projects (single investor transactions) to simplify implementation and lower delivery costs. The fund is flexible with respect to maturities, debt can be provided for maturities up to 20 years, equity or mezzanine capital can be provided to act as co-sponsor or long term subordinated risk later.

Main issues discussed/inputs & information received regarding financing ESCOs

The EEEF targets investments in the member states of the European Union. The beneficiaries of the fund are municipal, local and regional authorities. It focuses on financing energy efficiency, small scale renewable and clean urban transport projects.

There are a number of stipulations to be eligible for project eligibility, public authority, mitigate climate change, reduce energy by a minimum of 20%, investment of €5m to €25m. There are two projects currently ongoing in Ireland, biomass district heating and 50 school buildings deep energy retrofit.

Project examples	Characteristics	Project structures
Building upgrades	<ul style="list-style-type: none"> Energy audits completed, vast energy savings potential Sufficient know-how of ESCO in case of big projects Savings guarantee required Depending on counterparty risk additional parental/municipal guarantee required 	<ul style="list-style-type: none"> Senior debt Mezzanine / equity Funding via co-investments in SPV or NewCo Forfeiting Leasing (mostly for clean urban transport projects)
Street lighting	<ul style="list-style-type: none"> Only light bulbs, switch boards plus EE related measures can be financed, not the light pole itself Ownership of lighting points need to be in municipal hand Technology with good track-record only 	
Biomass plants	<ul style="list-style-type: none"> Contracts for input (feed-stock) / output (e.g. electricity/heat) in place Substitution of input possible Technology with good-track record (e.g. boilers, turbines etc.) O&M concept 	
Photovoltaic	<ul style="list-style-type: none"> Land ownership in municipal hand Grid connection secured Feed-in tariff secured O&M concept Bankable module supplier 	

EEEEF have experience in the area of funding street lighting projects. The city of Venlo in the

Netherlands is currently undergoing a large energy retrofit, they have upgraded 10,000 LED lights to date. The total investment is approximately €9m of which €8.5m funded by EEEF and technical assistance of €425k (5%) funded by EEEF also. The energy savings on the project is 1,700,000kWh thus far.

Example City of Venlo, Netherlands;

- Total project volume: €8.5m
- eeeef funded volume: €8.5m via a senior debt loan covered by the City of Venlo
- Duration of financing: 15 years

Target groups: Municipal, local and regional authorities and entities acting on their behalf.

Type of financial scheme: The fund offers various financing instruments including senior debt, mezzanine, and equity, leasing structures and forfeiting loans. The fund can also operate as the sole investor in projects (single investor transactions) to simplify implementation and lower execution costs.

Financing rate: Depends on project. Flexible with respect to maturities. The debt can be provided for maturities up to 15 - 20 years. Equity or mezzanine capital can be provided to act as co-sponsor or long-term subordinated risk taker

Minimum requirements (technical or financial): One-stop shop from project development support via grants from the technical assistance facility to tailor-made financing of projects.

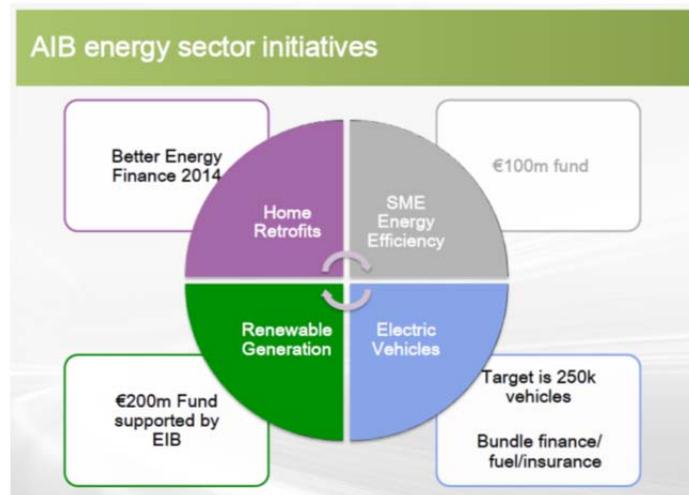
Name of the institution	Location	Date of meeting
Allied Irish Bank (AIB)	Kilkenny	20 th November 2014

What kind of funding is given

AIB have set up an energy efficiency fund for business. The key focus of the fund will be energy efficiency that will allow business to invest in energy efficiency projects. The fund will also allow the ESCO sector to avail of funding to invest in energy efficiency projects identified by SME's and local authorities. AIB have identified that energy efficiency projects can help companies significantly reduce their energy costs. AIB have set up an energy team to help businesses reduce their energy costs and identify energy saving projects.

Main issues discussed/inputs & information received regarding financing ESCOs

The energy efficiency fund has sanctioned €15million in Q1 of 2014 with a further €100million on the balance sheet. A pilot scheme was set up in the summer of 2014 to allow contractors to identify energy efficiency projects.



AIB could borrow money from the European Central Bank at a rate of 5.4%. The AIB fund would allow the investment of funding to support SME's and potential ESCO companies to enter the Irish market. It may also provide direct capital funding to the Local Authority sector to implement energy efficiency projects in particular street lighting projects. The fund enables companies to keep cash in their business and take control of their energy bills and enable them to take on energy efficiency projects.

Ray also outlined that the various stakeholders in the industry together with the different government agencies need to realign their respective messages in a more structured, cohesive and effective manner before mass adoption of energy efficiency projects takes place. AIB has also garnered a greater understanding of the issues facing SMEs when it comes to energy efficiency projects and initiatives. Increased awareness and understanding of these issues within AIB will enable the bank to lend more into the sector

Target groups: Small and medium sized business in Ireland

Type of financial scheme: Green loan Scheme

Financing rate: 5.4%

Minimum requirements (technical or financial): Both a technical and financial grade audits required.

Name of the institution	Location	Date of meeting
St Canice's Credit Union	Kilkenny	20 th November 2014

What kind of funding is given
<p>St Canice's Credit Union is a member of the League of Credit Unions in Ireland. The primary purpose of St Canice's Credit Union is to promote frugality amongst its members and by the accumulation of savings it creates for members a source of credit at a fair and reasonable rate of interest. Income charged on loans, investment income and other income provide for the day to day expenses and necessary reserves.</p> <p>St Canice's Credit Union is a not for profit, community based co-operative that exists only for the good of the people of Kilkenny city and its environs. It is owned by its members and each member, irrespective of the value of shares, has an equal vote in deciding how the credit union is run. St. Canice's Kilkenny Credit Union is run by a voluntary Board of Directors that are elected by the members at its AGM each year. CKEA and St Canice's Credit Union discussed the options of borrowing for the Credit Union at 6.4% from the Central Bank Of Ireland.</p> <p>Target groups: Small and medium sized businesses in Kilkenny Type of financial scheme: Green loan scheme Financing rate: 6.4% Minimum requirements (technical or financial): Both technical and financial grade audits required.</p>

Main issues discussed/inputs & information received regarding financing ESCOs
<p>The main issues discussed were the possibility of St Canice's Credit Union funding the implementation of energy efficient public lighting projects in Kilkenny. There are two models that the Credit Union can invest in.</p> <ul style="list-style-type: none"> • Funding energy efficiency public lighting projects in Kilkenny • Funding SME's to facilitate them in becoming ESCO's or to facilitate EPC projects in Kilkenny. • Rate at which the Credit Union can borrow for energy efficiency loan schemes

Name of the institution	Location	Date of meeting
Sustainable Energy Authority of Ireland (SEAI)	Kilkenny	13 th February 2015

What kind of funding is given

CKEA met with the SEAI in February 2015 following a site visit to view the energy efficiency works in Kilkenny that included streetlighting. The SEAI traditionally offer financial support through grant aid to fund energy efficiency works under the Better Energy grant schemes. The grant is administered and overseen by SEAI. This funding is dependent on government grant allocations and is divided amongst a number of community organisations. SEAI, with the Department of Communications, Energy and Natural Resources (DCENR) has developed a National Energy Services Framework to help develop the energy efficiency market in the non-domestic sector throughout Ireland.

The Framework provides a structured approach to the development of energy efficiency projects and is supported by a comprehensive range of guidance documents, tools and templates. The key aim of the Framework is to develop robust projects which are investment-ready for financing entities (such as the National Energy Efficiency Fund). This will stimulate the development of an Energy Services Company (ESCO) market, consisting of small, medium and large ESCOs, thereby supporting sustainable employment in construction and professional services. The Framework also provides best-practice guidance to public and private sector client organisations when procuring energy services and engaging ESCOs. The technical assistance fund supports up to 75% of €50,000 to implement a full EPC project.

Main issues discussed/inputs & information received regarding financing ESCOs

The main issues discussed were grant aiding projects and getting the inventories for local authorities in Ireland to an appropriate level. The following graph outlines the process that the framework usually takes. From discussions with SEAI the streetlighting projects can go directly to Stage 3 appraisal. In order to satisfy the Stage 2 Initial Appraisal a preliminary energy audit was carried out based on the inventories available for Carlow, Kilkenny and Galway local authorities. The technical assistance fund will allow each local authority to invest external time and resources in compiling an accurate inventory and preparing the lighting for a possible EPC/ESCO project.

