

ENERGY PERFORMANCE SERVICES

EPS

“Reg. U.S. Pat. & Tm. Off.”

“Promoting Private Investment in Energy Efficiency Projects”

EE Policy Recommendations for Southeast Asia Region

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Energy
Efficiency
Project Finance
Program

A Joint Program by
Indonesia Eximbank &
Asian Development Bank



Status of EE in Indonesia

- Despite major opportunities there is no EE market movement and no offering of commercially-attractive financing for EEPs in Indonesia.
- In addition to experiencing same '*Global*' barriers, there is a significant "EE Knowledge Void" of all stakeholders in the market about EE technologies, benefits and risks leading to facility owners (*Hosts*) and LFIs not having confidence that the estimated energy savings will be achieved.
- *Result: Virtually no implementation or financing of EEPs in Indonesia*

Primary Barrier to EE Implementation is: Lack of Commercially-Viable Financing

- LFIs typically only offer asset-based lending limited to 70% of capital cost requiring:
 - 30% equity investment in EEPs and
 - 100% Collateral or Guarantees on the Loan amount
- Only “Collateral Value” of EEPs is the Savings
- LFIs do not believe savings of EEPs = increased credit capacity for end users (no collateral value)
- Few LFIs or Investors interested in EEPs due to small transaction versus complexities and their lack of experience to evaluate EEP risks and benefits
- PE and ‘*Clean Tech*’ funds typically only invest in companies or technologies with ‘IPO’ opportunity

Private Industry Company EE Barriers

- EEPs viewed as ‘Infrastructure Investments’ - low priority vs. ‘Core Business’ (don’t fix if not broken)
- Funding EEPs with debt impairs ‘Credit Capacity’ from their ‘Core Business’ (No way for SMEs)
- EEPs cannot compete with internal capital for ‘Core Business’ investment hurdle rates (~1 year)
- Benefits are too small to get on CEO ‘radar screen’ and justify ‘perceived’ operating complexities/risks
- Not convinced of actual cost reductions nor aware of proven Measurement & Verification (**M&V**) methods to ensure sustainability of savings

ADB Indonesia EximBank

EE Finance Products

1. **EEP Loan Product**: Direct loans from Eximbank
2. **EEP Savings Guarantee** : To Commercial Banks

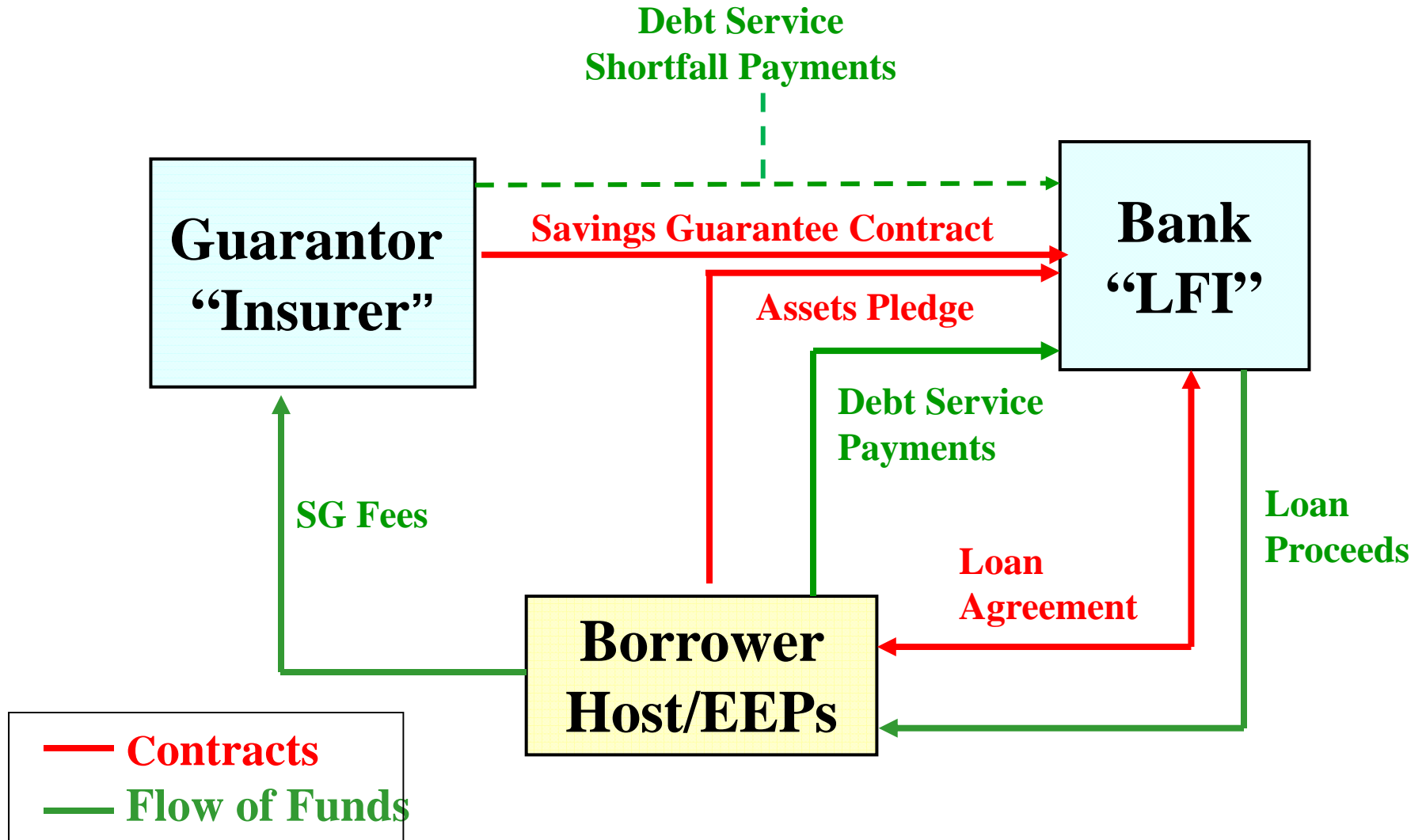
EEP Loan Product

- Eximbank provides loans to Indonesia export companies who implement EEPs, structured to:
 - Not significantly impact Host's core credit capacity
 - Have savings from EEPs accepted as primary collateral
 - Generate a net positive cash flow to Host
- International EE Experts provided to develop EEPs:
 - perform Feasibility Analyses and IGAs
 - develop structured finance documentation
 - At no cost if EEPs financed (first 5-10)

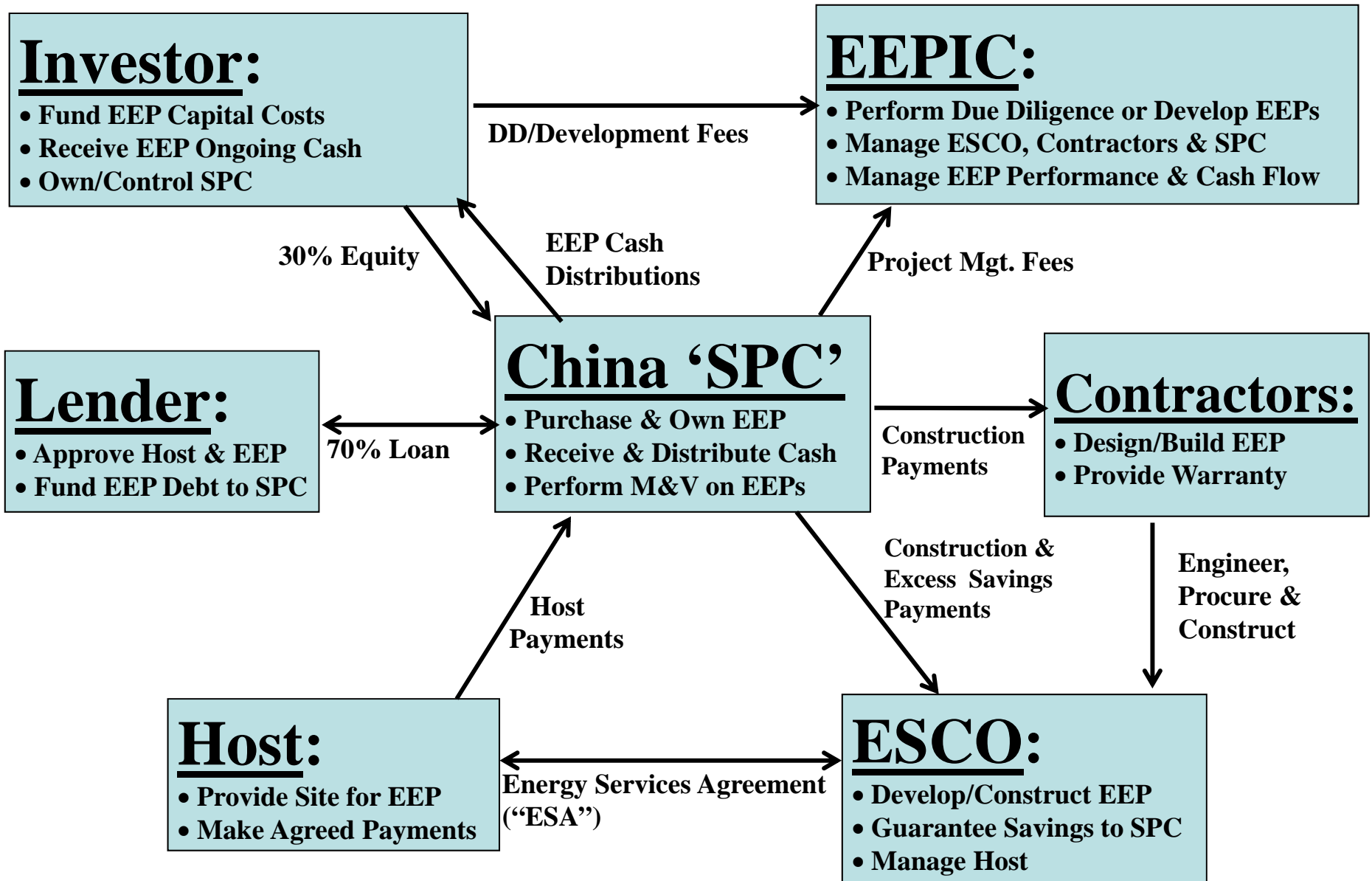
EEP Savings Guarantee (SG)

- Guarantees EEP Savings & *not Host Credit Risk*
- Objective of SG is to encourage and reduce risk for LFIs to accept the new cash flow generated from the EEPs as the primary source of repayment and collateral required from Hosts
- The SG specifically covers any shortfalls in savings from EEPs versus the level needed for Hosts to make debt service payments to the LFIs on EEP loan.
- Provides a guarantee to LFIs that the Host will have increased credit capacity from the new cash flow generated from the EEPs

EEP Savings Guarantee Diagram



EEP Private Investment Structure



Benefits of Debt and Equity Solutions

Industrial Hosts:

- Limits impact on “core business” capital and credit capacity through Savings-based Payment Guarantees
- Measures Energy and GHG emission reductions to verify compliance with China’s Energy Plans
- Increases global competitiveness with improved “green” footprint and operating profits

Project Developers, ESCOs & SMEs:

- Fills funding gap and increases transaction sizes

Benefits of Debt and Equity Solutions

To LFIs:

- A unique EE lending product to finance EEPs at reduced risks and transaction costs
- Access current customer's potential EEPs
- Accelerate the volume and level of EEPs financed
- Measured Energy and GHG emission reductions

Equity Investors:

- Improves IRRs and reduces Host credit risk