

Realising energy efficiency and renewable projects in industry

The TrustEE project

Financing Energy Efficiency in the Industry Sector

Webinar for the Sustainable Energy Investment Forum, 13th December 2018

2018-12-13 • TrustEE presentation • Winfried Braumann

TrustEE



Co-funded by the Horizon 2020 programme of the European Union

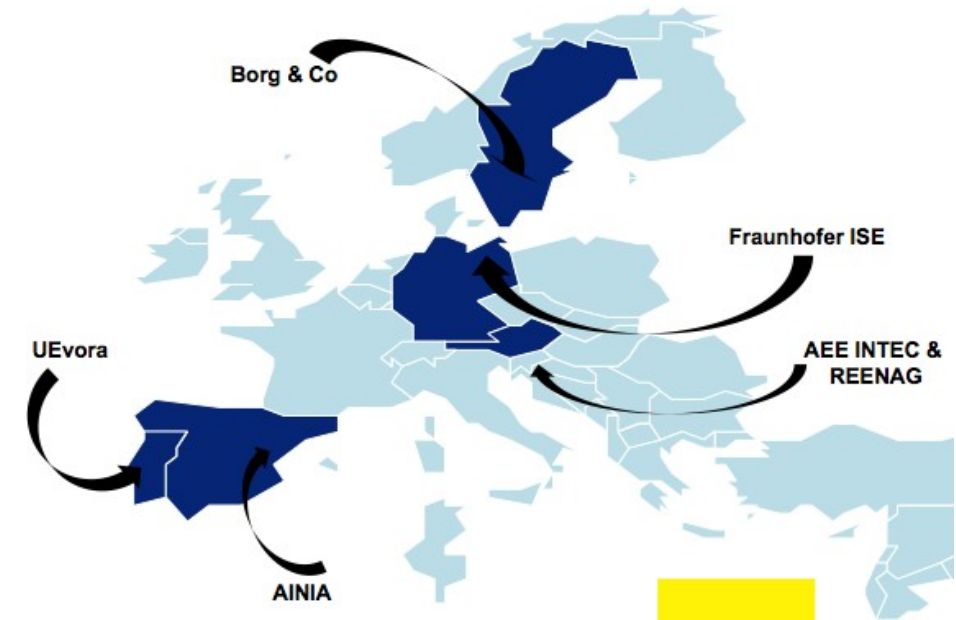
Project overview

- *Funding: Horizon 2020 Framework of the European Union*
- *Duration: Feb. 2016 – Aug. 2019*
- *Six project partners: AUT, DEU, SWE, ESP, PRT*
- *Project coordinator: AEE INTEC (AUT)*

Objectives :

- *Development and implementation of an innovative market based third-party financing scheme*
- *Definition and implementation of technical support tools*
- *Lowering IRR requirements*
- *Gathering a portfolio of investments*
- *Market penetration of EE and RE technologies in industry*

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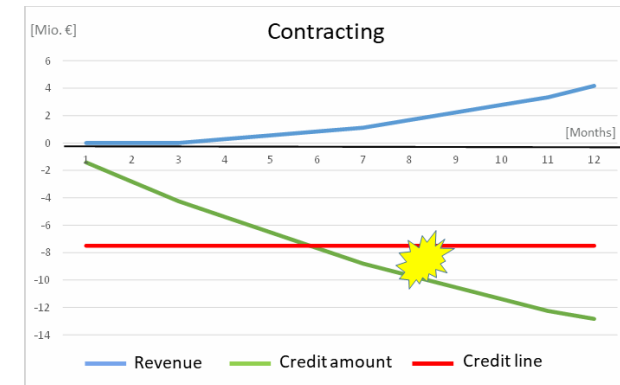
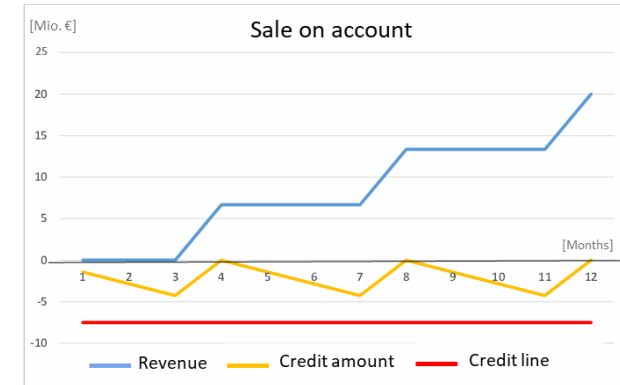
Why Suppliers cannot afford long term EPC in industry

No sufficient **credit lines** to provide long term financing to customers

Lack of **guarantee credit lines** to submit bank guarantees for endorsing guaranteed energy savings

Repayment by the asset owner means assuming the **credit risk of the asset owner**

Dependence of repayment on metered energy savings means depending on **asset owners' production risks**

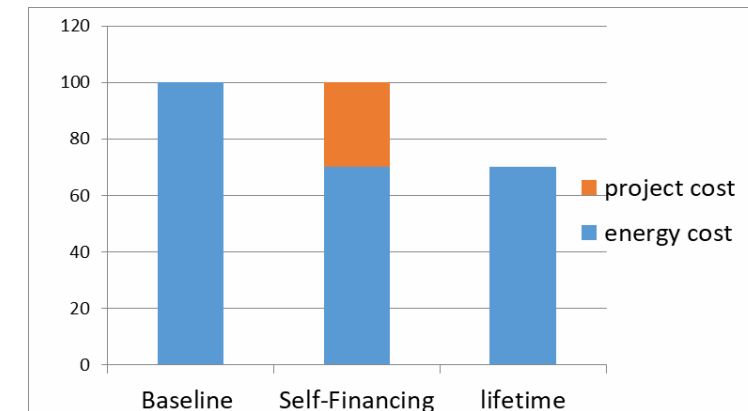


Why Investors hesitate to finance EPC in industry

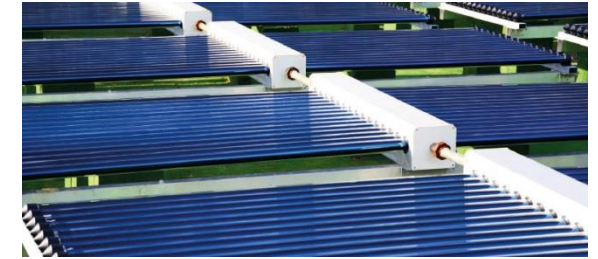
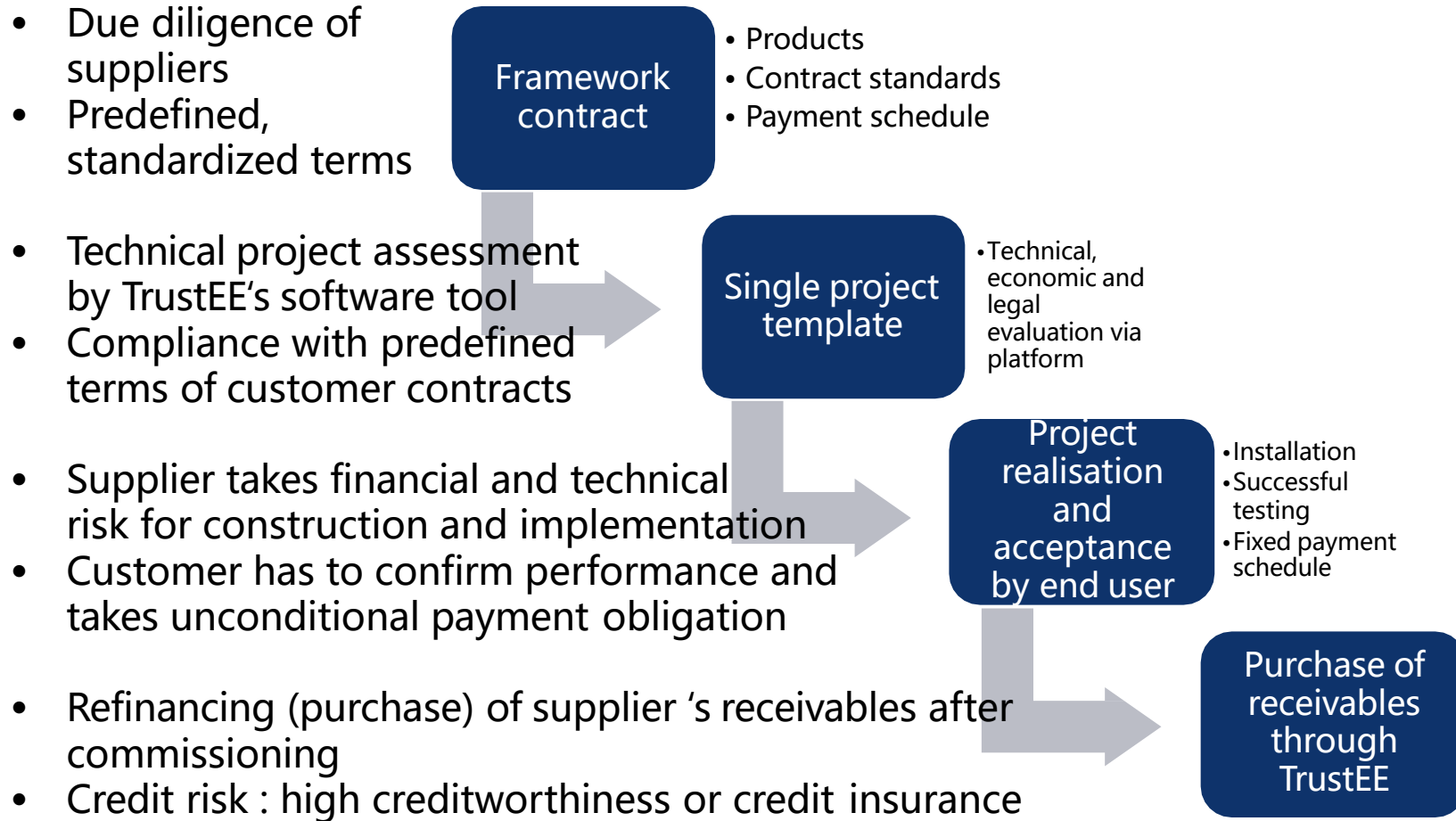
Banks and financial investors are reluctant to take **performance risks** – they are not able to assess **technical risks** or not willing to bear the costs for this assessment

Banks and financial investors avoid the **dependence on performance** (metered energy savings) because they do not want to assume asset owners' **production risks**

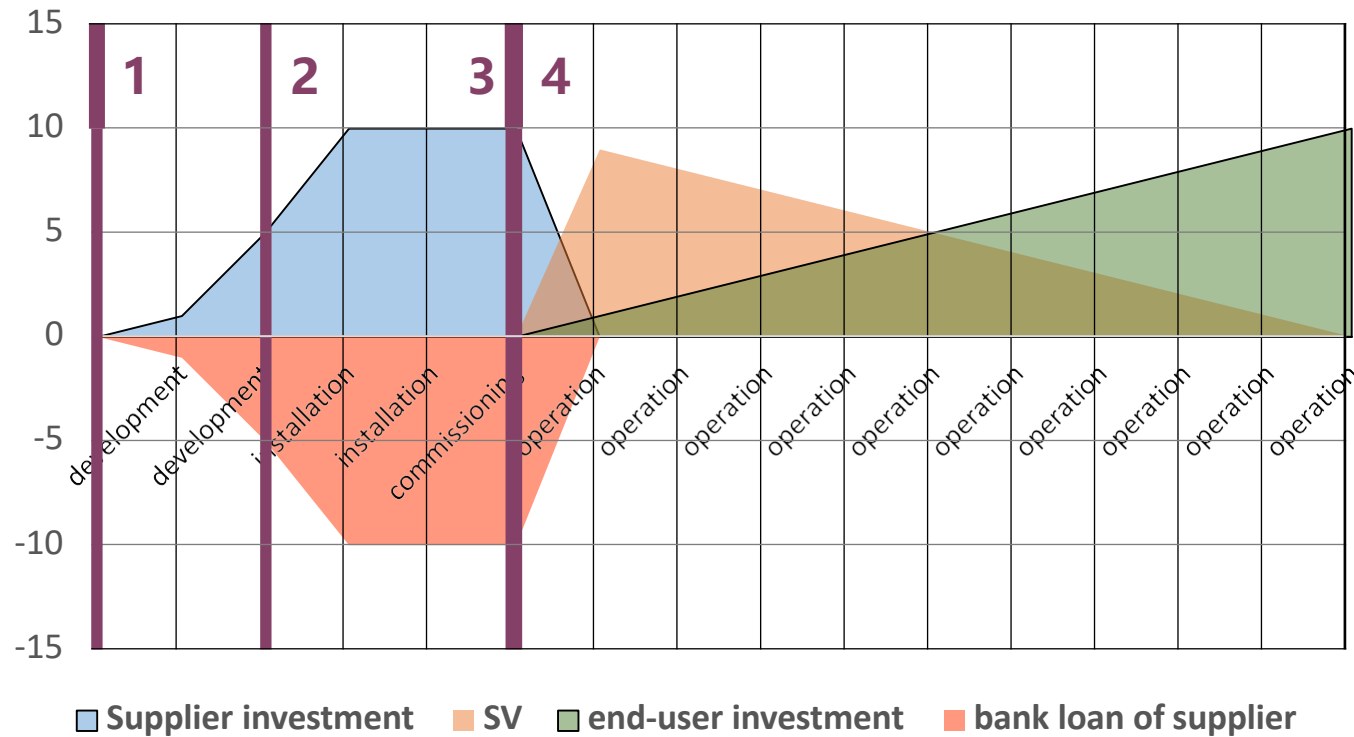
Banks and financial investors look at repayment by the asset owner as a **long term credit risk**



TrustEE's risk management approach



Financial Exposure of involved parties



Phases of refinancing through TrustEE:

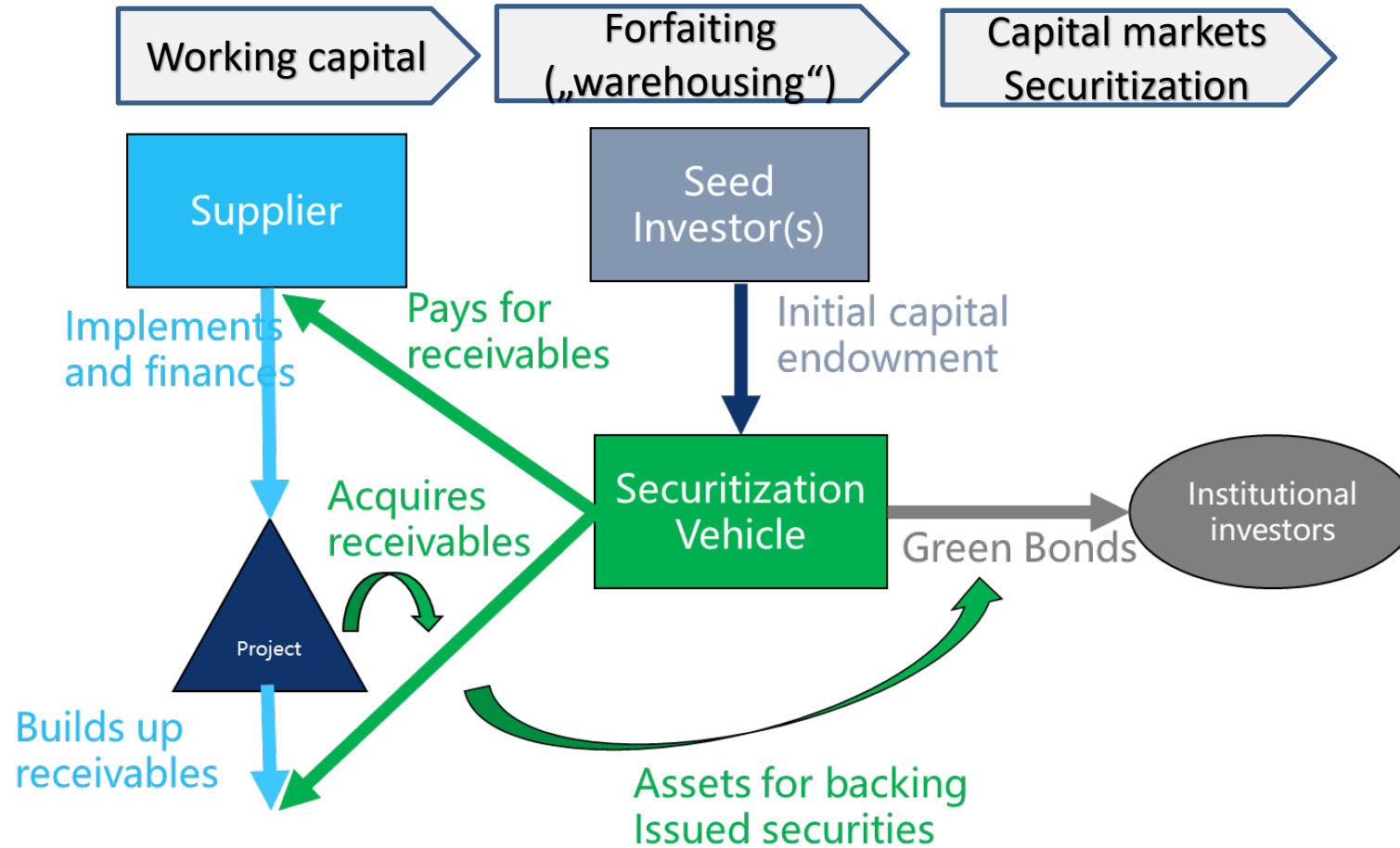
(1) Framework contract, (2) project assessment via platform and purchase agreement, (3) project realisation, (4) purchase of receivables

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- Purchase of customer receivables after successful project launch (post commissioning)
- Customer has unconditional repayment obligation independent from metered energy savings
- Credit risk of customer assumed by SV (credit insurance)

Capital requirements for project financing:
Sales on account (above) and Contracting – ESCO (below)

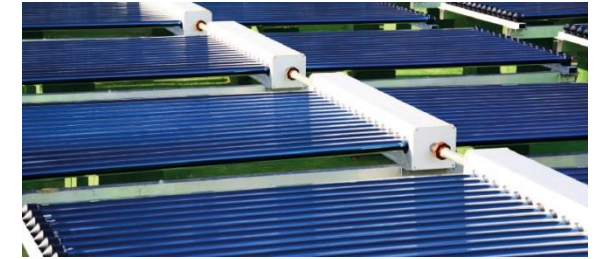
Financing and Refinancing



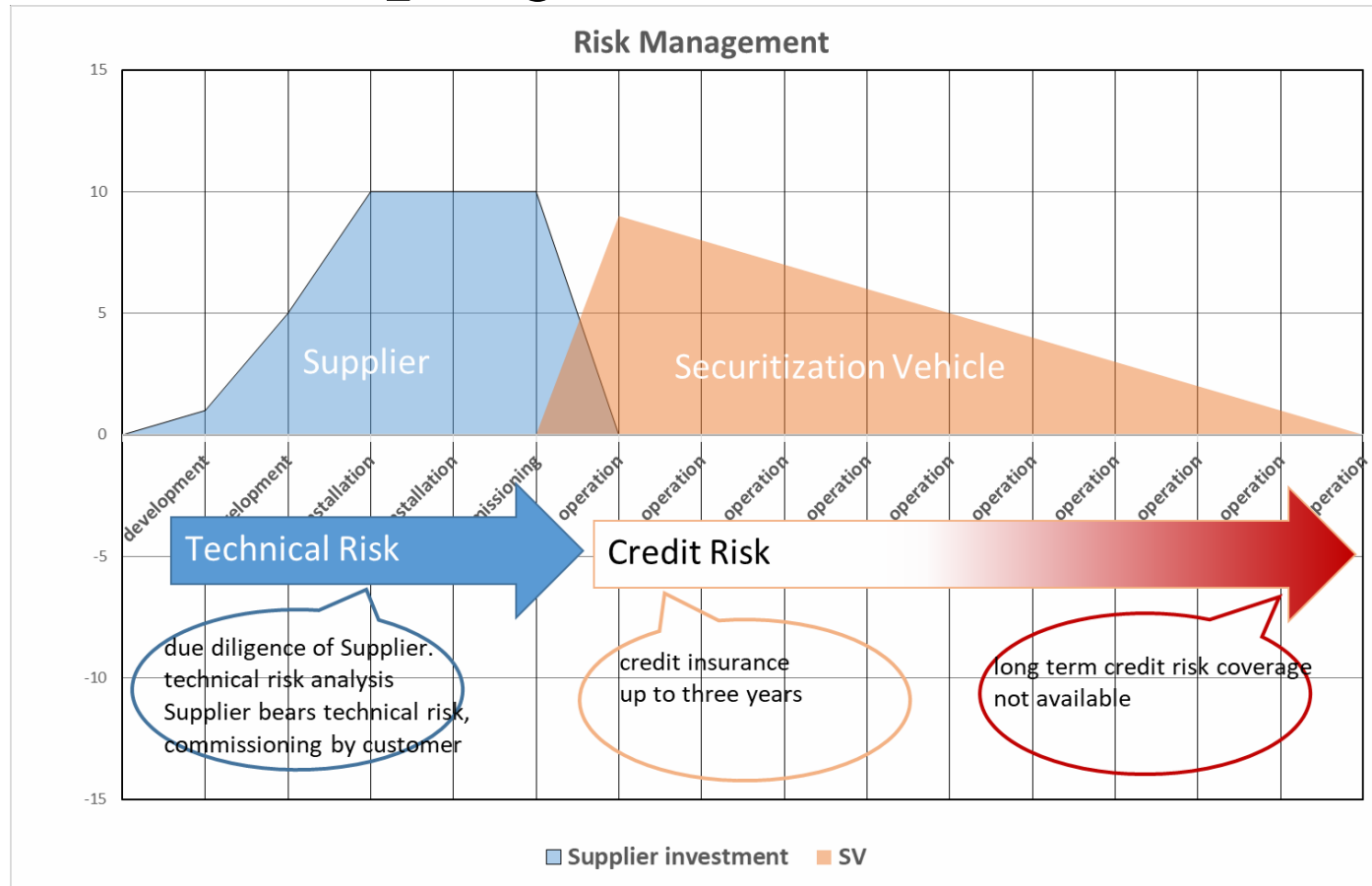
TrustEE :Project focus & scope

Small to mid-size industrial energy efficiency and renewable energy projects, including:

- **energy saving** components and tools
- **Process heat investments** : Waste heat recovery, solar thermal, biogas, biomass, and heat pumps
- **SME-projects** sponsored by owners/end-users, engineers and planners, technology suppliers and manufacturers
- Well-developed projects having **attractive amortisation times**
- State-of-the-art and innovative projects in industrial sectors
- Performance-based project models, such as energy performance contracts or energy sales agreements



The credit risk gap for long-term projects



Credit insurance cover for up to three years is sufficient for many energy efficiency projects, but too short for renewable energy projects/energy supply contracts

Financing such projects and other deep decarbonization projects in industry will **require long term credit risk guarantees and PPA guarantees !**

TrustEE Project results

| Objectives | Solution |
|--|--|
| <i>Development and implementation of an innovative market based third-party financing scheme</i> | Securitization Vehicle to purchase EE or RE based receivables and issue Green Asset Backed Securities |
| <i>Definition and implementation of technical support tools</i> | TrustEE's Software Tool for automated technical and economic assessment of EE/RE projects |
| <i>Lowering IRR requirements</i> | Risk management: DD of supplier, standardization of contracts and reduction of risks by assessment, commissioning and credit insurance |
| <i>Gathering a portfolio of investments</i> | Registration of suppliers on the TrustEE platform for TrustEE's "Sales Financing" Offer |
| <i>Market penetration of EE and RE technologies in industry</i> | Roll out in Member Countries, expansion to other countries subject to local financial market regulation for securitization |

Thank you!

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