

EPS

Energy Services Model for Energy Efficiency

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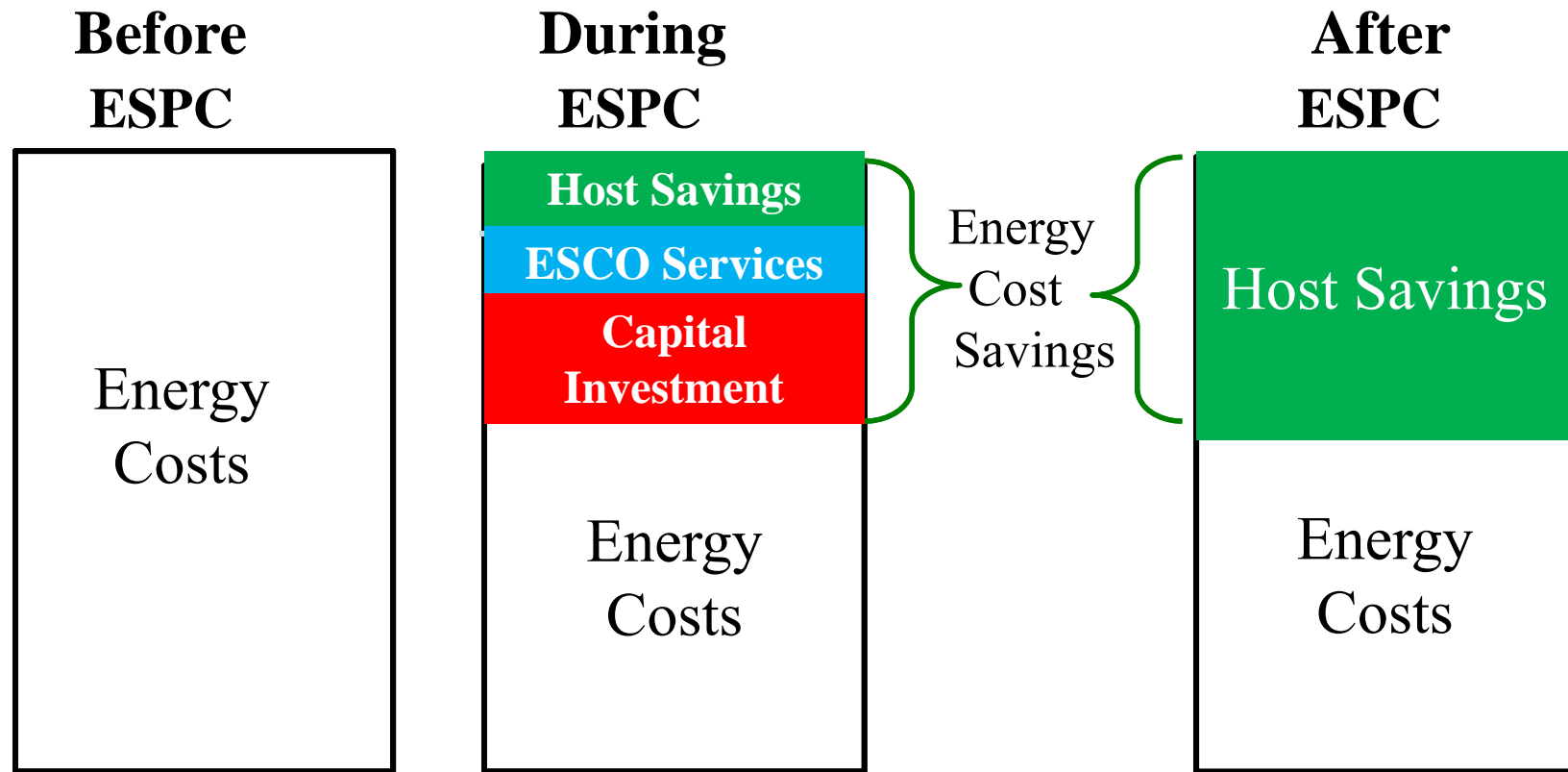
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Energy Services Company (ESCO) and Energy Savings Performance Contracting (ESPC)

A Service Company that:

- develops, finances & implements energy efficiency and savings-based projects on a “turn-key” basis in end-use facilities.
- risks payments for its services on actual savings performance of EEP equipment installed.

ESPC Illustration



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Financing is Key to ESCO Business

- ESCO is a Service Company not a Bank
- ESCO cannot invest its Working Capital to Develop & Implement EEPs unless “Reliable” and “Commercially Viable” Long-term Project Financing is Available
- Project-based EE financing is mandatory to allow them to deliver “Shared Savings” business model
- ESCOs are ‘**SMEs**’; who cannot provide the credit and equity needed to access debt from LFIs

Host Benefits from “ESCO” Model

- Capital Cost for new efficient and proven EE technologies are paid from existing operating costs
- Virtually no financial risk for development, implementation and performance of EEPs
- Measured reductions in operating costs and GHG emissions (including CO₂) from EEPs
- At end of term of the Energy Services Agreement with ESCO, Host owns EEPs and receives 100% of savings for long useful life of EE equipment

Status of ESCOs in Indonesia

- Huge opportunity but no EE market penetration due to market-wide '*EE Knowledge Void*'
 - Not aware of EE opportunities
 - No confidence in energy savings
 - Limited technical capacity
- No commercially-viable EE financing
- ESCO performance-based approach is great solution but industry is new and hampered by no project-based financing and limited technical capacity
- New ESCO Regulation (29 May 2016)

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Purpose of ESCO Regulation

Provide credibility to ESCO industry:

- Standard Definitions
- Guidelines
 - Energy Investment Grade Audits (**IGAs**)
 - Measurement & Verification
- Template Contract
- Registration of ESCOs

Current Action: Demonstrate ESPC model in Government Facilities

Barriers

- Multi-Year Contracts
- Procurement Procedures
- Budget Disincentive

Solution: (ADB TA funding)

- Develop roadmap of modifications to existing government regulations that preclude ESCOs from providing ESPC services to government facilities

Current Action: Overcome Financing Barrier with new Project-Based Products

Develop acceptance of existing EEP Finance Products that enable ESCOs to apply the ‘*Guaranteed Savings*’ Model which are attractive to Facility Owners and reduce barriers, risks and transaction costs for Banks:

1. **EEP Loan Product**
2. **Energy Savings Insurance Product**