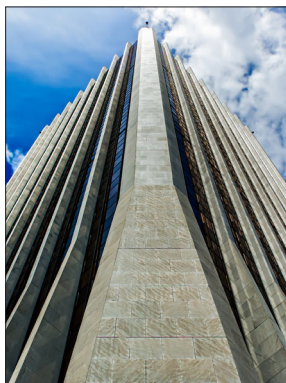


# Fueling investment in energy efficiency

Dave Sanderling 2012-13



Buildings use nearly 40 percent<sup>1</sup> of all energy in the United States and generate more than a third<sup>2</sup> of our country's greenhouse gases. This makes improving energy efficiency in buildings critical to the clean energy revolution.

The potential energy efficiency market is estimated at \$1 trillion<sup>3</sup>, but the perception by building owners and investors that energy savings and financial returns are unreliable has created a major barrier to investment in this critical resource. Environmental Defense Fund launched the Investor Confidence Project (ICP) to increase deal flow and scale investments in energy efficiency by enhancing investor confidence in savings.

## How can ICP help boost energy efficiency investment?

ICP standardizes the way projects are engineered, documented, evaluated and implemented. In other established financial markets, from car loans to home mortgages, standardization has provided the necessary foundation to underwrite and finance investments. ICP's standardization of energy efficiency projects will increase deal flow and reduce transaction costs by certifying projects that adhere to industry-accepted standards and best practices, thereby increasing investor confidence that predicted financial returns will be realized.

ICP accelerates the development of a global energy efficiency asset class whereby standardized projects are aggregated and traded on secondary markets by institutional investors, similar to mortgages or other asset-backed securities. Data standardization will allow investors to evaluate and manage risk as they currently do with other standardized assets. Eventually, these developments could drive the same level of invest-

ment in the energy efficiency sector that renewable energy has witnessed over the last decade.

## What is ICP?

The Investor Confidence Project Protocols make up the foundation of the ICP system. These protocols assemble industry-accepted best practices and standards into a roadmap for project developers to follow when developing projects. Projects that follow the ICP protocols and credentialing process can be certified as Investor Ready Energy Efficiency™, which signifies to investors, building owners, and capital markets that a project has been verified as complying with industry best practices and is ready for underwriting.

## What are the benefits of ICP?

- **Building owners** gain confidence in the reliability of savings, get apples-to-apples proposals, and hold vendors accountable to delivering quality implementations.
- **Investors** can easily package investments for secondary markets, evaluate and underwrite projects with increased certainty, and lower due diligence-related transaction costs.
- **Programs** are able to reduce administration costs, ensure quality project origination, attract additional capital providers, and align technical requirements across programs.
- **Capital markets** will, in the future, trade energy efficiency portfolios in secondary markets, perform analysis on actuarial data sets, and manage the performance risk of energy efficiency investments.

“[ICP will] facilitate a global market for financings by institutional investors that look to rely on standardized products.”

—International Energy Agency

<sup>1</sup> U.S. Energy Information Administration

<sup>2</sup> U.S. Environmental Protection Agency

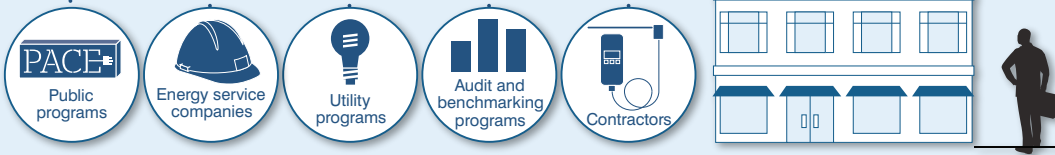
<sup>3</sup> International Energy Agency

# Investor Ready Energy Efficiency™

## Roadmap to Investor Confidence

### ORIGINATION

Energy efficiency projects will come from a range of channels, programs, and businesses.



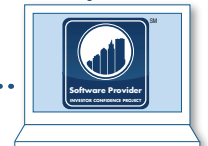
### PROJECT DEVELOPMENT

Credentialed Project Developer develops and documents projects according to ICP Protocols.



### QUALITY ASSURANCE

Third-party Credentialed Quality Assurance Provider reviews project for ICP compliance.



ICP Credentialed Software Providers streamline the process of project development, documentation, certification, and underwriting.

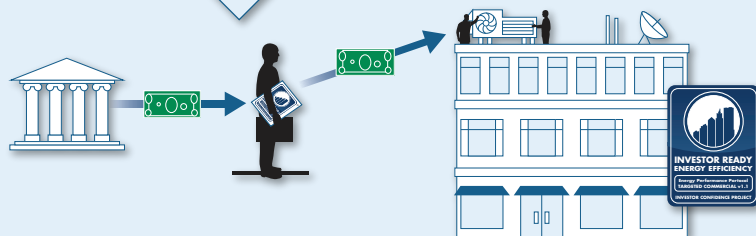
### CERTIFICATION

Project is certified as Investor Ready Energy Efficiency™.



### UNDERWRITING

Building owners and investors can make investment decisions with increased confidence based on predicted savings.



### PERFORMANCE

Building's energy performance is optimized and energy savings from retrofit are measured and verified according to ICP Protocols.

