



Where is the Money? Unlocking Capital for Real Estate Energy Efficiency Improvements

California's Efforts to Scale-Up Demand-Side Investment by Adding Finance Tools


A \$200 Million spark to ignite a potential \$80 Billion market

Jeanne Clinton

Governor's Special Advisor for Energy Efficiency
 @ California Public Utilities Commission (CPUC)
jeanne.clinton@cpuc.ca.gov T. 415/703-1159

Giant Market, Cheapest Resource – How Will We Get It?



CA's Opportunity / Challenges

- \$8-25 Bil minimum market investment
- \$80 Bil potential EE/DG market
- Jobs, local economy
- How serve 30%+ rentals or leased space:
 - 4 million households,
 - 2+ billion sq. ft. commercial & governmental space


Drivers? Wanted!

- Competitive markets?
- New utility GHG auction \$?
- Building retrofit statute; mandates?

Enablers ...

- Workable interest %, terms
- Transferable "negawatt" payments via meter, tariff?
- 8 finance pilots via ARRA 2010-12
- *4 new finance products by 2013

* 1. Single-Family residential: credit enhancement; 2. Multi-Family credit support & on-bill repayment or tariffs; 3. Small business credit support; 4. All Non-residential on bill repayment





California CPUC Ups the Ante \$200 Million via *Leveraged, Market-offered Financing Mechanisms*

<h3>Balance Policy Objectives</h3> <ul style="list-style-type: none"> • Cost-effective mandate = <u>zero-sum</u> ratepayer \$ for rebates, finance support, programs • Ratepayer wallet finite. Get <u>capital market leverage</u> & efficiency. • Target <u>right tool</u> or \$ for each market segment's need • Robust database to inform loan risk, investment performance • Consumer protection <i>and</i> private market profit <i>and</i> value to customer 	<h3>Recognize Market Perceptions & Demands</h3> <ul style="list-style-type: none"> • High risk premiums – credit & performance • Utility On Bill Repayment – cost efficient? Value prospect? • Best paths to <u>attractive terms</u> for borrowers? • KISS + F(ast) ≠ utility or government program? • Finance pilot recommendations: http://www.caieefinance.com
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Financing as Tool; Not “Silver Bullet”

- **We still need to drive demand**
- Determine right balances from public/ ratepayer funding:
 - Rebates and incentives
 - Risk or price support for finance mechanisms
 - Defining the new “asset class”
 - Technical assistance (audits, diagnostics, quality assurance)
 - Promotion, administration, “cost of sales”
- Incorporate other values contributed by:
 - Benchmarking, labeling, capturing value in appraisals
 - Investments timed to “trigger” points
 - Efficiencies and terms of first-lien or lease finance products

