What is financing?

“Financing” (sometimes referred to as “3rd party financing”) is a way to fund your energy projects, if there is not budget or available cash to self-fund the project. The good news is that there are more financing options than ever before; the bad news is that finding 3rd party financing can be difficult and time-consuming. And, explaining financing options to project decision makers (such as CFOs) can be challenging for energy and facility professionals.

What projects can be financed?

Most types of energy projects can be financed, from $10,000 lighting projects to multi-million dollar deep retrofits. Both efficiency and generation (e.g. wind, solar) projects are eligible for financing. Projects can be single measures or bundled together by measures and/or facilities.

How does it work?

Similar to securing financing for big purchases like homes, you have to prepare your application and find the right lender and financing vehicle. (Most lenders specialize in one of the listed options above.) What types of information do they need? Examples include:

- 12 months of utility data to establish baseline
- Project data (detailed scope, costs)
- Project benchmarks
- Company financial information
- Cash flow model & other financial analysis

What are the main ways to finance?

<table>
<thead>
<tr>
<th>Financing Option</th>
<th>Description</th>
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<tbody>
<tr>
<td>Commercial loan</td>
<td>Sometimes called ‘traditional debt’ commercial loans are non-energy-specific lines of credit extended to the business.</td>
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<tr>
<td>Capital/Equipment lease</td>
<td>More like a loan than a lease, capital leases have fixed terms and monthly payments with $0 down. While there is a buyout at the end, it’s usually a nominal amount, like $1. Many lease providers let soft costs (engineering, etc.) be funded through the lease.</td>
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<tr>
<td>Operating lease</td>
<td>More of a traditional lease structure with fixed payments, minimal/no upfront costs and end-of-lease purchase, return or re-lease options. Preferred by some because payments can be made from operating budget which can remain off-balance sheet (vs. capital budget).</td>
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<tr>
<td>Efficiency Performance Lease (EPL)</td>
<td>Offered exclusively by Noesis, the EPL is a performance-based lease for small to mid-sized projects – typically between $150k and $500k. The EPL is structured as a traditional capital lease with a 10% project cost holdback. If the project delivers the savings as forecast, the project developer receives the final 10% of the project costs.</td>
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<tr>
<td>PACE (Property Assessed Clean Energy)</td>
<td>Relatively new financing vehicle where the funds are secured through a property tax lien on the building. Payments are made through property taxes. Lien stays with the building when/if building ownership changes– that is, building is guarantor, not the building owner. Ideal for deep retrofits on buildings where building owners may not have access to commercial loans or other financing Only available in regions with active PACE programs.</td>
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<tr>
<td>ESA/MESA (Energy Service Agreements / Managed Energy Service Agreements)</td>
<td>Financing solutions where energy efficiency is “outsourced” to 3rd party where 3rd party owns and maintains efficiency equipment (like a chiller). Building owner agrees to pay 3rd party based on realized energy savings. ESAs are used by ESCOs, an option popular in the public sector.</td>
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<tr>
<td>PPA (Power Purchase Agreement)</td>
<td>Similar to an ESA, a PPA provider owns and maintains generation equipment (such as solar panels) and the building owner agrees to purchase energy from the PPA provider at an agreed rate (typically below market rates.)</td>
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<tr>
<td>SSA (Shared Savings Agreement)</td>
<td>Offered exclusively by Noesis, the Noesis SSA is similar to performance contracts used by the large ESCOs, but limit the performance risk assumed by the project developer to 10%. Payments over the term of the SSA are variable depending on the actual savings delivered by the equipment, making the project developer assume some of the performance risk of the project.</td>
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</tbody>
</table>

Need help?

Don’t have time or background in finance to apply for financing? Noesis can help.

Noesis finance specialists can be your project “back office” and work with you to get the financing that’s right for you.

Email financingteam@noesis.com
Off-balance sheet means that the project asset and liability are not listed on the company’s balance sheet, such as an operating lease where payments are made from the operating budget and the equipment is effectively rented, not owned by the building owner. For some building owners/CFOs, this is important for various reasons (such as affecting lending ratios). It’s not important that you understand why someone prefers on-balance sheet versus off-balance sheet; it’s only important that you understand which financing options fall into which category.

Project asset and liability must be listed on the company’s balance sheet when using on-balance sheet financing. For example, a loan to purchase equipment would be a liability (the loan obligation) and the asset (the equipment) are added to the balance sheet. Many building owners/CFOs will have a preference; you should know what that is so you can bring suitable options to the table.

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**Did you know?** Over 2/3 of proposed energy efficiency projects don’t get approved to move forward? Get past the lack of funding obstacle and offer 3rd party financing on every project you propose with Noesis Financing Services.

**Noesis Financing Services (NFS)** lets you compete with major players by providing you a team of financing specialists to serve as your financing back office.

With NFS you’ll get:

- A dedicated project finance specialist to help you with all of your proposals
- Unlimited 2-page project finance estimates to help qualify deals
- Unlimited project financing consults with your finance specialist
- Support presenting options to CFO and building owner

Want more information?
Email financingteam@noesis.com and get connected to a Financing Specialist to discuss your project(s).