

# Financing Energy Efficiency Challenges and Opportunities

Baruch College, CUNY  
The Steven L. Newman Real Estate Institute

Legally Green

Bruce Schlein  
December 3, 2009



## Challenges and some answers (opportunities)

Low hanging fruit – but heavy lifting



### Level 1

(from initial uptake to...)

- Split incentive  
*green leases (sub-meters)*
- Tenor length  
*PACE*
- Aggregation/transaction cost  
*Delaware SEU*

### Level 2

(secondary market/liquidity)

- Debt limits/capacity  
*operational encumbrance*
- Less tangible benefits  
*health and space (valuation)*
- Distribution of benefits  
*asset building/CRA*

# **Multiple Market Segments – Unique Conditions/Needs**

## **Citi Energy Efficiency Working Group**

**Goal: develop a suite of complementary products and services to help jurisdictions, and their residents, businesses and institutions realize their energy efficiency goals**

- **Municipal Securities**
- **Commercial Finance**
- **Commercial Real Estate**
- **CitiCommunity Capital**
- **CitiMortgage**
- **Corporate Banking**
- **Operations & Technology**
- **Export Agency Finance**
- **Cards**
- **Financial Education**

## **Case: Municipal Securities**

### **Delaware Sustainable Energy Utility (SEU): bond issuance**

- **Delaware SEU is a non-profit corporation develops end-user markets for energy efficiency and conservation, customer-sited renewable energy, and affordable energy services for LMI families.**
- **\$30MM bond is not guaranteed by the credit of the state; investors will be repaid from a portion of the SEU's shared earnings generated from the customers' energy savings and RECs. The tax-exempt bonds will not add to the State's General Obligation Bonding.**
- **In addition to the issuance of the bond, Delaware's SEU will be funded by a 36 cents per month surcharge on electric bills. No new taxes; no ratepayer impact beyond surcharge.**
- **SEU will invest in voluntary participants energy needs at a rate equal to the full incremental cost of purchasing cost-effective high-efficiency and customer-sited renewables options compared to current market prices (no economic difference for purchaser).**