

ESCO LENDING SURVEY 2019

Response Rate

	% of responses
Regional	71%
Local	50%
National	78%
Overall	68%

**Q1: As a lender we have worked with the following:
(check all that apply)**

	Local	Regional	National
Local ESCOs	60%		85%
Regional ESCOs	60%	66%	100%
National ESCOs	40%	66%	100%

Q2: As a lender we consider ESCO projects in the value range of: (check all that apply)

	Local	Regional	National
\$0 - \$250,000			14%
\$250,001 - \$500,000			42%
\$500,001 - \$1,000,000	80%	33%	71%
\$1,000,001 - \$2,000,000	80%	66%	100%
\$2,000,001 - \$5,000,000	60%	100%	100%
\$5,000,001 +	20%	100%	100%

Q3: As a lender we rely on the Investment Grade Audit / business case as a component part of our credit assessment.

	Local	Regional	National
Yes	80%	100%	100%
No	20%	0%	0%

Q4: As a lender we request financial data and operating data on the ESCO providing the energy savings guarantee to a municipality.

	Local	Regional	National
Yes	40%	66%	28%
No	60%	33%	71%

Q5: As a lender we rely on the strength of the energy savings guarantee as part of our credit assessment.

	Local	Regional	National
Yes	60%	50%	56%
Do not know	40%	0%	28%
No	0%	50%	16%

Q6: As a lender we rely on the credit strength of the ESCO, in addition to the credit strength of the municipality, when evaluating a request for project finance.

	Local	Regional	National
Yes	40%	66%	84%
Do not know	40%	0%	16%
No	20%	33%	0%

Q7: As a lender we consider projected operational savings under a performance contract model in our calculation of projected debt service coverage.

	Local	Regional	National
Yes	80%	33%	57%
Do not know	0%	0%	28%
No	20%	66%	14%

Q8: As a lender we consider "avoided cost" in our calculation of projected debt service coverage.

	Local	Regional	National
Yes	40%	33%	28%
Do not know	40%	33%	42%
No	20%	33%	28%

Q9: The dollar value of an ESCO project impacts the level of requirement of assurance / guarantee required of or provided by the ESCO.

	Local	Regional	National
Yes	40%	33%	42%
Do not know	40%	33%	43%
No	20%	33%	14%

Q10: As a lender we rely on the integrity of the project and the ESCO guarantee and forego a security interest in the equipment of facility.

	Local	Regional	National
Never	100%	100%	85%
On occasion			14%
Always			

Key Takeaways:

- 1.) The Investment Grade Audit / business case / scoping document matters.
- 2.) The performance contract and the savings guarantee are important to the local lenders.
- 3.) The credit strength (balance sheet) of the ESCO is important to the regional and national lenders.

4.) Operational savings are relevant only to the local lenders. Few care about avoided costs.

5.) Rarely, 14% across the platform, are lenders willing to rely on the integrity of the project and the ESCO and forego a security interest in the equipment of the facility or project.

6.) Financial sponsors were very willing to provide statistical information and I wish to thank those respondents for their time and input.