



# Efficiency Capital Corporation FAQ

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**1. What is Efficiency Capital Corporation?**

Efficiency Capital Corporation is a Toronto-based, privately-held Canadian corporation owned by its management team, strategic capital partners and TAF.

**2. What does the company do?**

Efficiency Capital works with owners of commercial, industrial and multi-residential buildings to install performance-guaranteed energy retrofits. The retrofits increase overall building profit by reducing energy costs while also achieving significant reductions in greenhouse gas emissions.

**3. What is TAF's involvement in this company?**

TAF is a founding investor in Efficiency Capital, and the company has exclusive licence to use a specialty finance approach, called the Energy Savings Purchase Agreement, or ESPA, that TAF invented and developed.

**4. Why is TAF, a City of Toronto agency, supporting private business interests?**

TAF's mandate is to help develop climate solutions – including financing solutions – that could bring significant greenhouse gas reductions. Attracting private capital to fund climate solutions like energy efficiency is one of TAF's objectives, so we must work with private financiers who have the resources to fund new ideas at scale. As a bonus, TAF has a profitable arrangement with Efficiency Capital that will generate additional resources for TAF's work.

**5. Why is energy efficiency in buildings important?**

Energy used in buildings is the largest source of greenhouse gas emissions in Toronto. If Toronto is to reach its Council-approved greenhouse gas emission reduction goals, we

must accelerate energy retrofits in all buildings across the city. Doing so will bring profitable investment opportunities, create jobs, and give our local economy a boost.

**6. If energy efficiency makes good business sense, why aren't others investing in it already?**

TAF has been exploring this question with building owners and stakeholders for five years. What we discovered is that an aversion to borrowing money and a lack of confidence in the performance of energy retrofits are preventing investment by large building owners. So we specifically created the ESPA to remove these barriers.

**7. How does the ESPA work?**

The ESPA is a "shared savings" platform. Typically a 10-year agreement, it is structured so that an owner's annual utility bills remain the same, or are reduced slightly, compared to before the retrofit. Retrofits include everything from new toilets to new building-wide heating and cooling systems. Due to the greater efficiencies of the new equipment, energy costs might be 30% or 40% less after installation. The bulk of these savings, usually about 90%, get paid to Efficiency Capital, to recoup the cost of the upgrades and generate a return. After the term of the agreement, the full energy savings are kept by the building owner.

**8. What if energy savings don't work out as planned?**

One of the unique features of the ESPA is that it carries a guarantee from the project engineer and an insurance policy that allows the energy savings to be guaranteed. The policy is carried by the engineering company that designs the retrofit. If savings are lower than modelled, the engineer's insurance kicks in to top up the savings to the predicted amount.

**9. Who has used ESPA financing so far?**

ESPA deals have financed retrofits at Harbourfront Centre, several YMCA facilities, two co-op housing sites and seven multi-residential buildings owned by Toronto Community Housing.

**10. How big are these projects and how are they performing?**

Projects generally range in size from \$500,000 to \$2,000,000 and most are generating overall energy savings of 30% or more.