



**SUSTAINABLE
MELBOURNE
FUND**

Environmental Upgrade Agreements (EUAs) - A Better Way to Pay!

Scott Bocskay, Sustainable Melbourne Fund

About Sustainable Melbourne Fund

1. Invest

- An investor in innovative approaches to achieve ‘sustainability’ outcomes since 2002

2. Identify

- Work with customers to identify the commercial opportunities in ‘sustainability’ through EUAs and direct investments

3. Enable

- **Third party administrator** – To enable Councils to offer programs for Financiers money to flow to projects, using EUAs



SMF can finance *your* project.

- Matched to government grants
- Direct loans up to \$500,000
- 6 year term
- Products:
 - Owners Corporation
 - No money down LED finance
 - On Bill finance
 - Solar finance
 - Targeting Innovative products and services

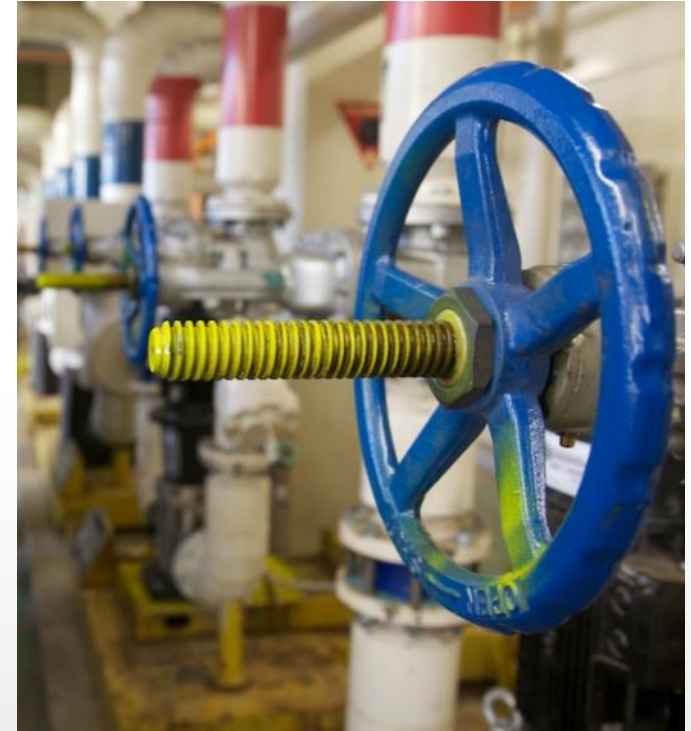
Sustainability Victoria's office buildings program and Sustainable Melbourne Fund collaboration

	1. Opportunities Assessment	2. Building Tuning	Installation	3. Monitoring
Sustainable Melbourne Fund	50%	50%	100%	50%
Sustainability Victoria	50%	50%	N/A	50%

This results in \$0 initial spend from the building owner

WHY? - Environmental Upgrade Agreements (EUAs)

- 3 Main Barriers to energy efficiency
 - Access to capital
 - Split Incentive
 - Not 'core business'
- EUAs offer answers to the above by providing
 - Access to capital
 - Enabling benefits of EE to be shared
 - Can add money to the bottom line



Leveraging government funding to undertake a complete upgrade

- According to 2013 '1200 Buildings' survey 4% of building owners are going to “tune” their building
- Building owners and tenants want “deeper” upgrades – 52% view retro-fitting as an investment
- Typical building upgrades are:
 - Lighting upgrades
 - Building management systems
 - Chiller upgrades
 - Increase in solar installations

What does an EUA achieve?

- Captures wasted money and allocates it to capital improvement



How does an EUA work?

- Loans are repaid through council rates and the Council acts as collection agent



What can an EUA pay for?

- End of life plant equipment (boilers, chillers)
- Lighting upgrades
- Installation of trigeneration plants to produce low-carbon thermal energy
- Natural gas upgrades
- Water upgrades
- And much, much more...





So why bother with an EUA?

- You have an annual budget to deliver projects
 - Its never enough to fix your building!
- With an EUA you can deliver more for less, you need to know how
- As an FM, you have access to Building owners and tenants



Environmental upgrade agreements - economics





Simple Project opportunity

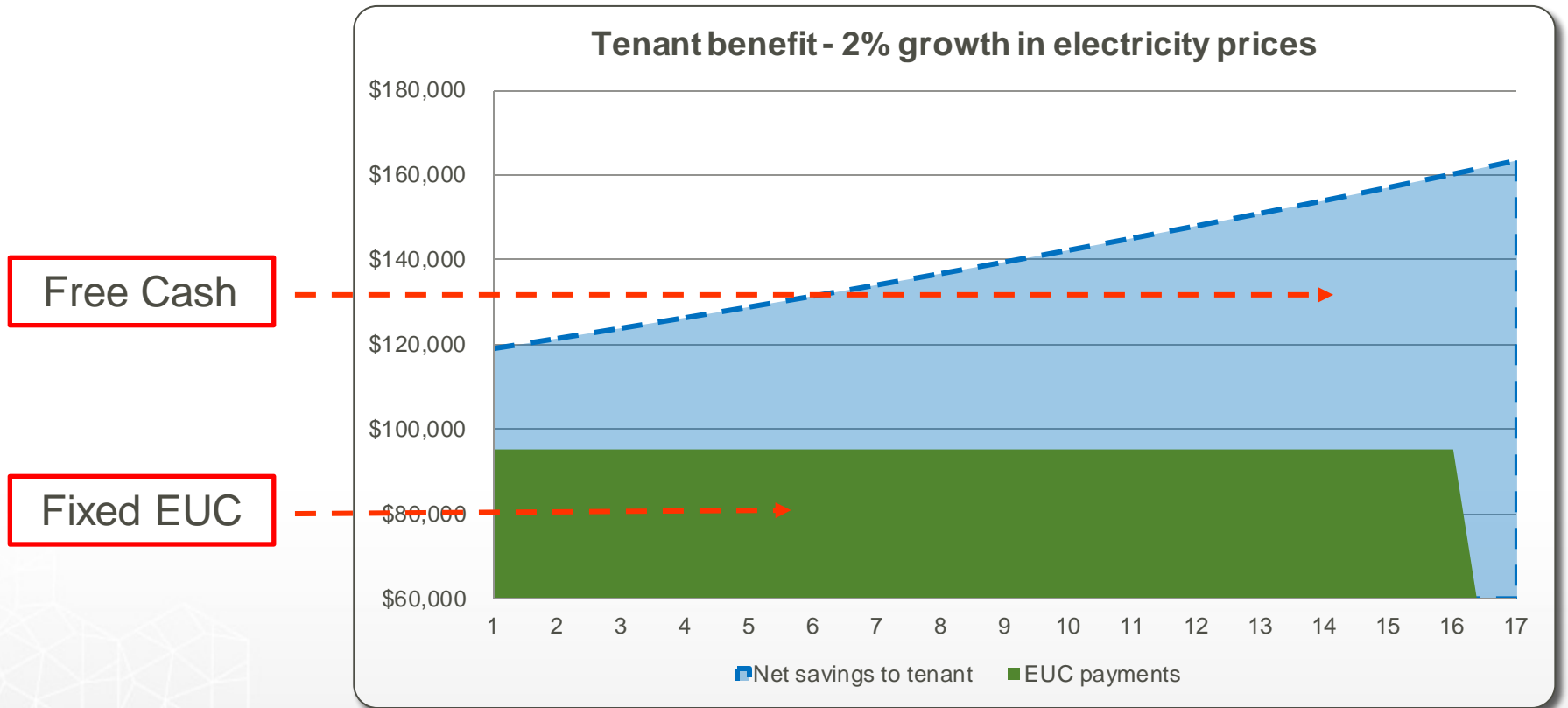
	Debt - Short term low cost
Loan Amount	\$817,600

Tenant Receipts = 80% of savings 

Project Simple Payback 6.9



Simple Project opportunity ... Continued



Tenant NPV: +\$358,836

Environmental upgrade agreement economics - Building Owner

Providing Building Owners real benefit – New revenue, **better cash-flow**.

DEBT TOTAL INITIAL PROJECT COSTS

DESCRIPTION	COST
BASE BUILDING IMPROVEMENT MEASURES	\$817,600
TENANT IMPROVEMENT MEASURES	\$ -
PROJECT FEES	\$60,000
VEET INCENTIVE	\$ -
TOTAL ANTICIPATED COST (+/- 15%)	\$877,600

BUILDING OWNER BENEFIT

ANTICIPATED ANNUAL DEBT PAYMENT (3 YRS, 8% P&I)	- \$330,010
ANTICIPATED RECEIPTS FROM TENANT	\$ -
NET CASH POSITION OF BUILDING OWNER	- \$330,010

EUA TOTAL INITIAL PROJECT COSTS

DESCRIPTION	COST
BASE BUILDING IMPROVEMENT MEASURES	\$817,600
TENANT IMPROVEMENT MEASURES	\$499,827
PROJECT FEES	\$105,000
VEET INCENTIVE	- \$59,979
TOTAL ANTICIPATED COST (+/- 15%)	\$1,362,448

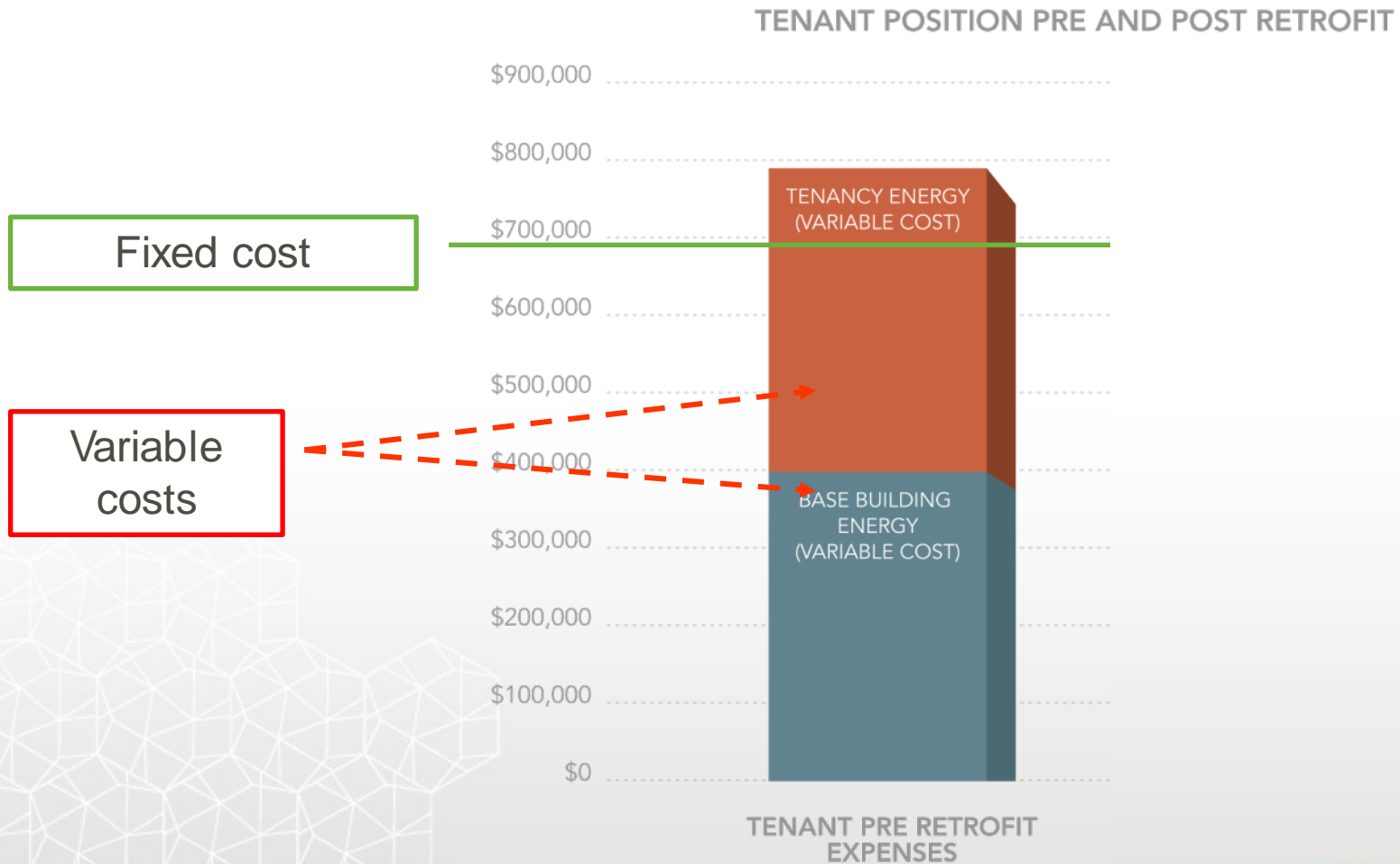
BUILDING OWNER BENEFIT

ANTICIPATED ANNUAL DEBT PAYMENT (10 YRS, 7.5% P&I)	- \$194,879
ANTICIPATED RECEIPTS FROM TENANT	\$195,222
NET CASH POSITION OF BUILDING OWNER	\$343



Environmental upgrade agreement economics - Tenant

Replacing Volatile costs with fixed costs



Environmental upgrade agreement economics - Tenant

Providing tenants with an energy price hedge – other prices increase – EUA stays the same!

PROVIDING TENANTS WITH AN ENERGY PRICE HEDGE			
YEAR ENDING	2012	2013	2014
EXPENDITURE PRE RETROFIT			
EUC PAYMENT TO OWNER	\$ -	\$ -	\$ -
TLP ENERGY BILLS	\$393,108	\$432,419	\$475,660
TENANT OUTGOINGS	\$396,933	\$436,627	\$480,289
TOTAL EXPENDITURE	\$790,041	\$869,045	\$955,950
EXPENDITURE POST RETROFIT			
EUC PAYMENT TO OWNER	\$195,222	\$195,222	\$195,222
TLP ENERGY BILLS	\$309,435	\$340,378	\$374,416
TENANT OUTGOINGS	\$277,853	\$305,639	\$336,203
TOTAL EXPENDITURE	\$782,510	\$841,239	\$905,841
NET POSITION	\$7,531	\$27,807	\$50,108

A new tool to Fix your Building

- Old way of building project
 - Capex. Budget - bidding
 - Base building
 - Let the tenants know
- The EUA way
 - Work with your tenants to deliver greater outcomes for all
 - Capture cash-flows for capital improvements





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