

Energy Efficiency Finance for Commercial Buildings: Insights from Lenders

Commercial Energy Efficiency Retrofit Market Potential¹

\$72B

investment opportunity

175M

metric tons annual GHG reduction

848T

BTUs in energy savings

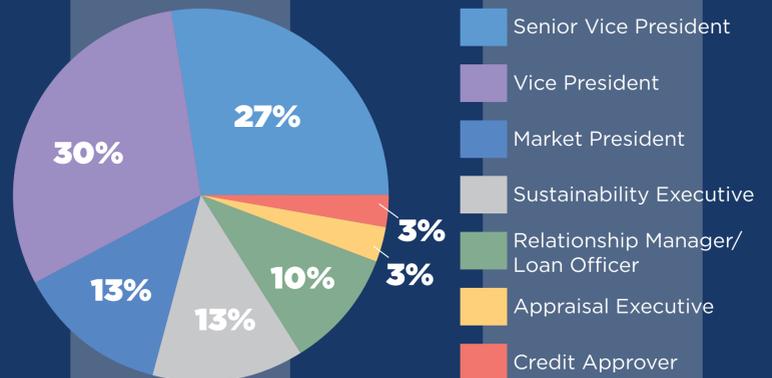
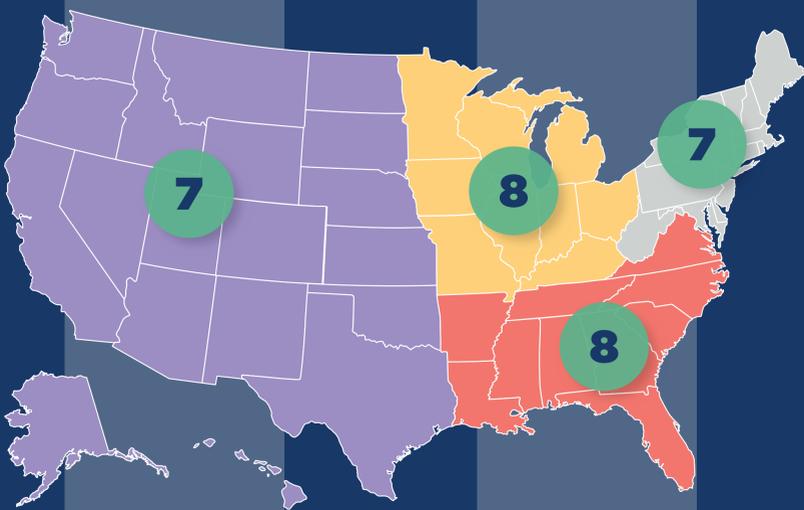


46

Equivalent to shutting down 46 coal-fired power plants²

30

lenders from across the country contributed to our survey by providing their perspective on the opportunity to finance building energy efficiency projects.



Lenders on...

(zoom in for details)

Lack of Demand

"We have not had anyone say, 'I need a loan because I want to make my building more energy efficient.' What they do say is, 'I bought this older building and I want to renovate it.' Sometimes that includes HVAC and lighting systems and other efficiency measures. But we have never had someone ask for money specifically for energy efficiency. It's always driven by other building improvements."

Risk

"We analyze [energy efficiency] as part of the offset to risk. It may make a property more desirable and better suited for sale or tenancy. We like when customers are incorporating some type of energy efficiency into their properties, although we don't require it."

Energy Data

"I think having the data would be fabulous. The more information that is gathered over a period of time, the more valuable it is. It's one of the line items on the income statement. When you do a comparative, particularly if you provide that information to the appraiser, it could impact value, so I think it would be a good thing to have."

Certifications

"With Class A developers, this is standard operating procedure now...we are hearing that there is basically no major metropolitan area in the US where Class A developers are building anything other than LEED certified buildings."

Financing

"[Energy improvements] generally will be developer or investor-driven. If a developer or investor wanted to incorporate energy efficiency into a budget, that would be another line item we'd consider. We don't offer anything specifically to incent people to do energy efficiency."

EE Programs

"We have a utility that's facing load issues in areas of the city – it's looking to improve energy efficiency so it doesn't have to build substations. Where we've gotten involved has been more driven by our partnerships with city government, or the utility, or non-profit intermediaries, rather than in response to demand from building owners."

Enviro. Policies

"We have an environmental policy, but nothing that's related to energy efficiency per se. I don't know of any bank that does include energy efficiency in their environmental policy, which is more related to mold, asbestos, groundwater contamination, and other things like that."

Guidance

"If there were regulations coming into the banking industry regarding energy efficiency, I think there would have to be a clear value proposition addressing what the banks can gain from that and I'm not sure if there's anyone out there articulating what that is. If something is going to come to be across the industry, then regulation will make it happen..."

Appraisal

"It would be my hope that over a period of time understanding energy performance would become a part of the skill set of any appraiser involved in the commercial real estate industry."

OPPORTUNITIES AHEAD

- 1 Federal banking regulators issue guidance on appraising high-performance commercial buildings
- 2 Motivate owners to provide sufficient and quality whole-building energy data to increase lender confidence in project performance.
- 3 Expand Environmental, Social, and Governance policies to incorporate goals and strategies related to clean energy project finance.
- 4 Engage Community Reinvestment Act (CRA) specialists to better understand potential impact of proposed CRA revision on energy efficiency finance.

For more info see IMT's "Energy Efficiency Finance for Commercial Buildings: Insights from Lenders" (2016).

1. United States Building Energy Efficiency Retrofits; Rockefeller Foundation, March 2012.
2. EPA GHG Equivalency Calculator