

Performance Contracting

Gaining the Competitive Edge

Adaptation to Brazil

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Performance Contracting

Wasting energy is the same as



Burning

MONEY

* When it's gone, *it cannot be recovered!*

The loss of *REAL* is very real.

Performance Contracting

While burning money and wasting energy, Brazil adds to its

* Competitive **DIS**advantages

* Economic **DIS**advantages (Job losses)

* Damage to the environment

* Loss of finite resources

Is there any good reason to burn all that wasted energy?

Performance Contracting

BASIC CONCEPT ...

Energy efficiency is an investment; not an expense

And it's an investment made with money now going for wasted energy.

Performance Contracting

If there are so many benefits, why aren't we saving energy?

- * We don't realize its critical role
- * Don't really realize it's finite
- * Management has other demands on its time
- * Lack of expertise
- * **MONEY**

Risk adverse

Performance Contracting

The Concept

A contract with payments based on performance. Generally, future energy savings.

A simple concept ...

A complex process.

Performance Contracting

Customer Benefits

* Use **FUTURE** energy and operational savings **NOW**

* Upgrade facilities with front-end capital cost

* Cut operating costs; be more competitive

* Improve comfort; productivity

Performance Contracting

Customer Benefits

* Capture a positive cash flow

* Use money now paying for wasted energy

* Gain opportunity value of money

* Get guaranteed performance; results

* Shed risks

Performance Contracting

Value Chain



Business solutions

Integrated solutions (chauffage)

Supply efficiencies

**Comprehensive demand
efficiencies**

Single measure

Performance Contracting

Looking at the supply side fit:

Supply efficiencies

**Integrated solutions
(chauffage)**

Business solutions

**Cogeneration (CHP) and
Distributed Generation have
natural fits**

Performance Contracting



Is offered by energy service companies
(ESCOs).

ESCOs guarantee results.

Energy service providers (ESPs) offer the same
services -- but without any guarantees.

**ESCOs and ESPs create value through
energy efficiency.**

The difference is the guarantee.

Performance Contracting

How ESCOs Work



Gain the Competitive Edge!!



Know your customer...



Facilities and processes are part of a company's investment portfolio.



A major part of the job is to maintain and improve the value of that portfolio.



Audits should be an investment guide to enhance that portfolio.

Performance Contracting

How ESCOs Work



Gain the Competitive Edge!!



Know your business ...



Really know your business



Know the services you should offer

And ...



Understand the risks you take and how to manage them.

Performance Contracting

Business Perspective

* Serve existing customers better

* Sell to customers with “no money”

* Increase business at low incremental cost

* Increase jobs; contribute to local economy

Performance Contracting

Business Perspective

* Make more money: savings & service

* Demonstrate confidence

* Be green

* Manage increased risks; complex sale

Performance Contracting

➤ Services Offered

* Energy auditing for cost-effective savings; investment grade

* Financing

* Construction management

* Project management

How ESCOs Work

Performance Contracting

➤ **Services Offered**

* Maintenance: on new &/or existing equipment

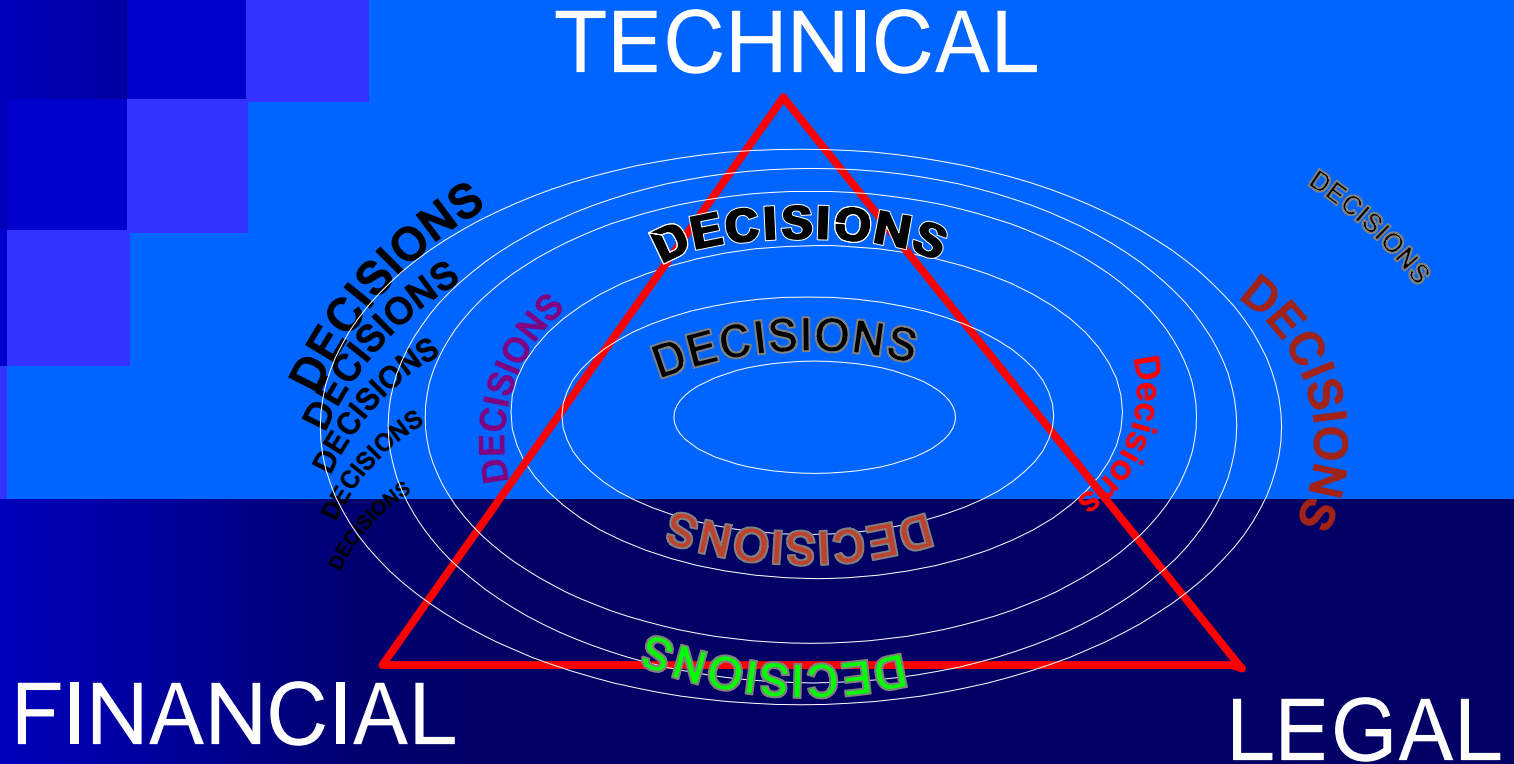
* O&M personnel training

* Monitoring; savings persistence (M&V)

* Guaranteed results; *and risk acceptance*

How ESCOs Work

Performance Contracting



Performance Contracting

**Apply performance contracting
... beyond energy? ? ?**

baseline

O&M?

WATER ?

SOLID WASTE?

WASTE WATER ?

Performance Contracting

➤ How the Deal is Structured

- Customer pre-qualification
- Planning Agreement
- Investment Grade Audit
- Measures approved
- Financing arranged
- Energy Services Agreement
- Project implementation
- Project Management

How ESCOs
Work

Performance Contracting

Final thought ...

Shake the rose colored glasses

Government programs ... including the “1%” ... don't last forever.

Use the current opportunity to build a competitive business – that doesn't rely on government subsidies.

Performance Contracting



Questions?

Comments?

Discussion time ...