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Katherine Tweed
February 23, 2015

Property-assessed clean energy loans for homes rebounded in a big way last year. PACE looks to continue to gain steam in 2015, but it is being joined by other investment vehicles bringing new life to residential energy efficiency.

San Francisco-based startup Renewable Funding is bringing its Warehouse for Energy Efficiency Loans program, dubbed WHEEL, to New York with the help of the state's Green Bank. Citi and Renewable Funding, along with New York Green Bank, will provide a \$100 million medium-term-note financing program. Lending is scheduled to begin in spring.

The goal is to expand the availability of loans to homeowners and promote the creation of a marketplace for the securitization of residential energy-

01 Let's Get Real: The Energy Efficiency Industry Can Do Better 23

02 Roundup: Fuel Cell Microgrid Project Joins NRG Yield; Ceramic Fuel Cells Is Bankrupt 13

03 LED Lights Tailored For The Booming Marijuana Industry 6

04 Known Unknowns: All The Ways Congress Could Tackle Energy Before 2016 3

05 Japan's Solar Boom Falter As Utilities Balk And Government Support Fades 3

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efficiency loans. But there is a contentious ongoing debate over whether the availability of capital at lower rates (ideally sub-10 percent) is the key hurdle in unlocking energy efficiency in homes.

“My job is not to convince someone they have an efficiency problem that needs to be solved,” said Cisco DeVries, CEO of Renewable Funding. “Most people are making reactive improvements.”

At a green bank summit last fall in New York City, financiers and green bank leaders acknowledged that lowering the cost of capital might not be a panacea for the home efficiency market. But even if it’s not the only impediment facing the industry, green banks are hoping they can bring enough money to the markets to create innovation not just in financing, but also in how retrofits are packaged and sold.

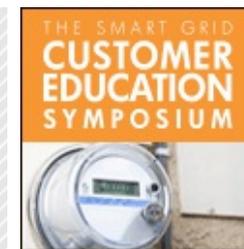
“Energy efficiency is incredibly difficult to get people to take up,” Oliver Yates, CEO of Australia’s green bank, Clean Energy Finance Corporation, said at the summit in New York. “Hopefully, as we all try to work it out, one of us will crack it big-time and we’ll all benefit.”

New York is hoping its green bank will be the one to do it. DeVries said there has to be a move beyond traditional, prescriptive utility efficiency programs that offer loans or rebates for one-off improvements.

The WHEEL program instead offers project financing for contractors so that when they go in to replace a furnace or HVAC, for instance, they can offer a more complete package of energy-efficiency improvements with attractive financing.

The program strives to move contractors toward being able to offer more of an Amazon One-Click experience with the same level of sophistication and ease of use, said DeVries.

The loans in New York will average about \$10,000. WHEEL is already active in



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Pennsylvania, where it emerged from the Keystone Home Energy Loan Program. “We are providing a financing option that has not been available before,” said DeVries, adding that New York Green Bank’s focus on unlocking private markets is a necessary step. “We’re making sure this large reactive market will now have great finance options.”

Because Renewable Funding is already working in other states, it has a method for creating a network of qualified contractors, as well as for automating and simplifying the execution of these programs.

DeVries would not speculate about how long it would take to lend the first \$100 million. But the plan is to mobilize much more than that. “The energy-efficiency market is 20 times larger than the solar market,” he added. “This is just the starting point for adopting these financing models.”

And just as the solar market has recently evolved from third-party financing to solar loans, there could be various options for contractors and homeowners depending on the projects, including on-bill financing, PACE programs and loans.

As states like New York begin to prove that these loans perform well, other states and regions are likely to follow suit. The goal is for the markets to be self-sustaining, without the need for government intervention. Unlike programs run by utilities or other entities, the ultimate aim is to engender a market that is continuous and does not start and stop on two-year program cycles.

“We want to create standards and an approach that can be used across the states. We need a large-scale, replicable, sustainable model that goes on forever.”



Katherine Tweed





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