CCI'S ENERGY EFFICIENCY BUILDING RETROFIT PROGRAM

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CLINTON FOUNDATION

CLINTON CLIMATE INITIATIVE

AMERICAN COLLEGE & UNIVERSITY PRESIDENTS CLIMATE COMMITMENT

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INTRODUCTION

The Clinton Climate Initiative's (CCI) Energy Efficiency Building Retrofit Program (EEBRP) was the first program launched by CCI in May 2007, and brings together many of the world's largest energy service companies (ESCOs), global financial institutions, the suppliers of energy efficient equipment, and municipal, commercial, and educational building owners in a landmark effort to reduce energy consumption in existing buildings.

Initially designed as a program to serve CCI's partnership with the C40 – an association of 40 of the world's largest cities committed to reducing greenhouse gas emissions (www.c40.org) – the EEBRP team negotiated best practice terms and conditions with energy service companies (ESCOs) for Energy Performance Contract (EPC) project development and implementation, and developed partnerships with financial institutions to design financing mechanisms to further expand the market for retrofits. In addition, CCI's Purchasing Alliance leverages the buying power of the C40 to achieve affordable pricing on – and thus faster adoption of – the latest energy efficient and clean energy products and technologies. CCI has negotiated discounted pricing agreements with more than 25 manufacturers of energy efficient products used in buildings, and is continually adding more partners and products to the list. The benefits of all of CCI's EEBRP current and future agreements will be extended to all of its building owner partners, including The American College & University Presidents' Climate Commitment (ACUPCC) signatories.

CCI is not paid for its efforts by the building owner, and does not directly or indirectly benefit from the participation of any supplier, ESCO or financial institution with whom they have previously negotiated preferred terms and conditions.

ESCO COMMITMENT

The Clinton Climate Initiative has negotiated agreements with major ESCOs that offer energy performance contracting to support "best practices" in EPC. In the past, large ESCO clients with significant leverage – typically the federal government – have received similar terms and conditions on EPC projects. These best practices conditions provide guidance to EPC clients for procuring ESCOs and defining contract stipulations that can help minimize project costs and risks and maximize benefits. These terms and conditions promote transparency, protect building owner financial and operational interests, align the financial interests of the building owner and ESCO, and encourage an open partnership and shared mission. Table 1 lists each term and condition and describes their primary benefits.

These ESCOs have agreed to offer the best practice terms and conditions on all projects associated with CCI, including ACUPCC projects. However, ACUPCC signatories do not have to work only with CCI ESCO partners to receive these terms and conditions. Many other ESCOs are fully capable of providing them. CCI recommends that EPC clients educate themselves on the best practices and inform prospective ESCOs at the onset of the EPC process what terms and conditions may be negotiated.

EPC BEST PRACTICE TERMS AND CONDITIONS (T&Cs)

All of CCI's partners, including ACUPCC signatories, are entitled to negotiate the following terms and conditions and should discuss these T&Cs during the earliest stage of project development and ESCO selection.

In no way are these terms and conditions legally binding as provided in this document. It is the obligation of the institution to negotiate any applicable terms and conditions relating to the energy performance contracting process in their contracts. In addition, where a university is bound by state laws governing EPC in their jurisdiction, the following EPC Best Practice T&Cs may or may not be applicable.

TABLE 1

TERM	BENEFIT TO OWNER
GUARANTEED SAVINGS At the end of the investment grade audit (IGA) process, the ESCO will provide the owner with a fixed minimum guaranteed monthly or annual energy savings, measured in kWh, BTUs, or other appropriate unit of energy. The energy savings are guaranteed by the ESCO. If these savings are not realized during the guarantee period, the ESCO will reimburse the owner for the shortfall.	A savings guarantee ensures that the risk of equipment underperformance is the ESCO's. It allows the building owner to calculate the real return on the investment in the project, and enables definitive modeling of future cash flows to create a financial model with confidence. In some cases, this guarantee can also assist the building owner in getting 100% up-front financing for the project. This guarantee will be backed by the ESCO and the contract will make clear how and when the owner is made whole in the event of any shortfall in guaranteed savings.
GUARANTEED MAXIMUM PRICE (GMP) At the end of the IGA process, the ESCO will provide a GMP for the recommended project. The owner and the ESCO will sign a contract to implement a project with a known, fixed maximum cost.	Like the savings guarantee, this standard construction method allows the owner to make investment decisions with confidence and predict returns and financing scenarios.
TRANSPARENT PRICING ESCOs will use transparent pricing methods. The exact pricing methodology will be negotiated on each project, but as a suggested minimum, ESCOs will provide: • At IGA phase: a breakdown of project costs that includes a fixed price for individual measures, breakdown of each measure's cost-structure (e.g. labor, material) and the project's "soft" costs (e.g. project management, training) • At project completion: a breakdown of final cost for each Facilities Improvement Measure, as well as total amount of soft costs, ESCO overhead and profit • Additional information to ascertain that competitive bidding and CCI Purchasing Alliance requirements have been met	Transparent pricing allows owners to understand the project costs before committing to proceed, to negotiate project cost structure, to take advantage of gain sharing opportunities, to access CCI Purchasing Alliance prices, and to satisfy bidding requirements.

TERM	BENEFIT TO OWNER
CCI PURCHASING ALLIANCE PRICES CCI will provide Purchasing Alliance discount and product information to the ESCOs.	CCI negotiated favorable pricing on over 1,000 energy efficient and renewable energy technologies for buildings from over 25 suppliers. Building owners undertaking an EPC under CCI Best Practices can request that their ESCO partners consider these products in their retrofit. Owners can determine, through the transparent pricing arrangement, whether CCI's Purchasing Alliance prices are lower than alternative sources.
GAIN SHARING Any reduction of project cost below GMP will be shared between the ESCO and the owner in a negotiated percentage split.	Gain sharing (sometimes called the "cost reduction incentive") provides incentive to the ESCO to minimize project costs, as they receive a share of the savings that comes from reducing these costs. This process also ensures that the building owner receives some set share of the benefits of delivering a project below cost.
STANDARD MEASUREMENT AND VERIFICATION (M&V) PROTOCOL ESCO will use the International Performance Measurement and Verification Protocol (IPMVP) to measure and verify energy savings.	These protocols are internationally recognized as best practice guidelines for the measurement and verification of savings from energy efficiency retrofits. They were created by the Efficiency Valuation Organization (EVO), a CCI partner. The IPMVP has four levels of M&V. The ESCO and building owner will determine together the most appropriate and cost-efficient system to use for each project, and sometimes for each FIM within a project.

PURCHASING ALLIANCE PRODUCT SUPPLIERS

The CCI Purchasing Alliance (PA) was conceived to accelerate the adoption of the best and latest energy efficient products and technologies by CCI's city, university, and ESCO partners worldwide. (CCI's PA refers to these partners as "Demand Partners.") The PA negotiates forward pricing agreements with CCI's Supplier partners by leveraging our Demand Partners' potential aggregate purchasing volumes. Through direct negotiations and eventual creation of concrete purchasing deals, CCI seeks to accelerate reductions in the cost of energy saving technologies in the global marketplace. To date, 26 suppliers manufacturing 1000+ products have joined the CCI PA, while negotiations with additional suppliers are currently underway. The PA selected technologies primarily for their energy saving and GHG reducing properties. Other factors include lack of representation in the market, applicability to retrofit projects, and the induced needs of CCI's Demand partners. CCI PA discounts are viewed as price ceilings. CCI encourages competition (between our Supplier partners and other suppliers) and provides a favorable price negotiation starting point to CCI's Demand Partners that will result in their receiving the best pricing possible on energy saving technologies.

The following suppliers and product types are included in the CCI Purchasing Alliance:

TABLE 2

CATEGORY	SUBCATEGORY	TYPICAL DISCOUNTS
Envelope Products	Solar Control Window Films	25% – 50%
	Reflective Roofing	17% – 20%
	SPF Roofing Systems	25% – 35%
Cooling Products	Chillers	5% – 20%
	Chiller Optimization	25% – 35%
Lighting Technology	Fluorescent Lamps	5% – 20%
	Fixtures	5% – 20%
	LED	Up to 70%
	Sensors	5% – 15%
	Specialty (e.g., emergency)	5% – 30%

ACCESSING CCI NEGOTIATED DISCOUNTS

ACUPCC signatories can access the Purchasing Alliance's negotiated price discounts in two ways:

METHOD 1: As part of an energy performance contract (EPC) being undertaken with CCI's Building Retrofit Program, in which the ESCO or other service provider will be procuring the products on the client's behalf.

METHOD 2: Through the traditional procurement process the school would normally use, in the case of a school procuring products directly rather than through an ESCO or other provider.

HOW THE PROCUREMENT PROCESS WORKS:

METHOD 1: Inform prospective EPC bidders in the procurement documents that the selected ESCO(s) will consider CCI's PA technologies and associated pricing discounts, and coordinate with CCI to ensure that CCI PA products are considered during project development. CCI staff are available to provide support on issues including achieving pricing transparency, PA technology offerings, and supplier contacts.

METHOD 2: CCI staff will provide supplier contacts. The school should use its CCI contacts to assist based on the school's normally prevailing channels. CCI will play a supporting role, making sure the school is recognized as a CCI Demand partner and thereby entitled to CCI's negotiated pricing.

VERIFYING DISCOUNTS

Once an ESCO has been selected for a project, CCI PA staff will be available to coordinate with the building owner and the ESCO to ensure that the ESCO can develop a project price estimate utilizing the agreements that the CCI PA has secured.

FINANCIAL INSTITUTIONS

In general, CCI works with financial institutions to increase building owners' access to capital for energy efficiency projects. Leading financial institutions working with CCI are committing expertise and capital to funding well-designed retrofit projects undertaken by creditworthy building owners. CCI is also working with lenders and other institutions to develop innovative finance structures for owners with unusual needs or objectives. These may include credit-enhanced loan funds, non-traditional approaches to conduit financing or energy efficiency revenue bonds. It should be noted that CCI does not provide capital of its own to projects nor can it guarantee that the projects which it sponsors will successfully procure financing.

In the higher education sector, CCI can help institutions weigh the costs and benefits of various financing options early in the project development process. It also has relationships with the financial institutions that are most familiar with building retrofits and the unique challenges that schools encounter when contemplating financing for such projects. It should be noted that for all projects which CCI sponsors, financing terms are negotiated between the lender and the building owner directly, with terms primarily dependent on the school's creditworthiness. As with the ESCO selection process, CCI does not require building owners to engage any of CCI's own financial partners. In fact, for some schools, it may be more advantageous to seek financing from lenders with whom a banking relationship has already been established.