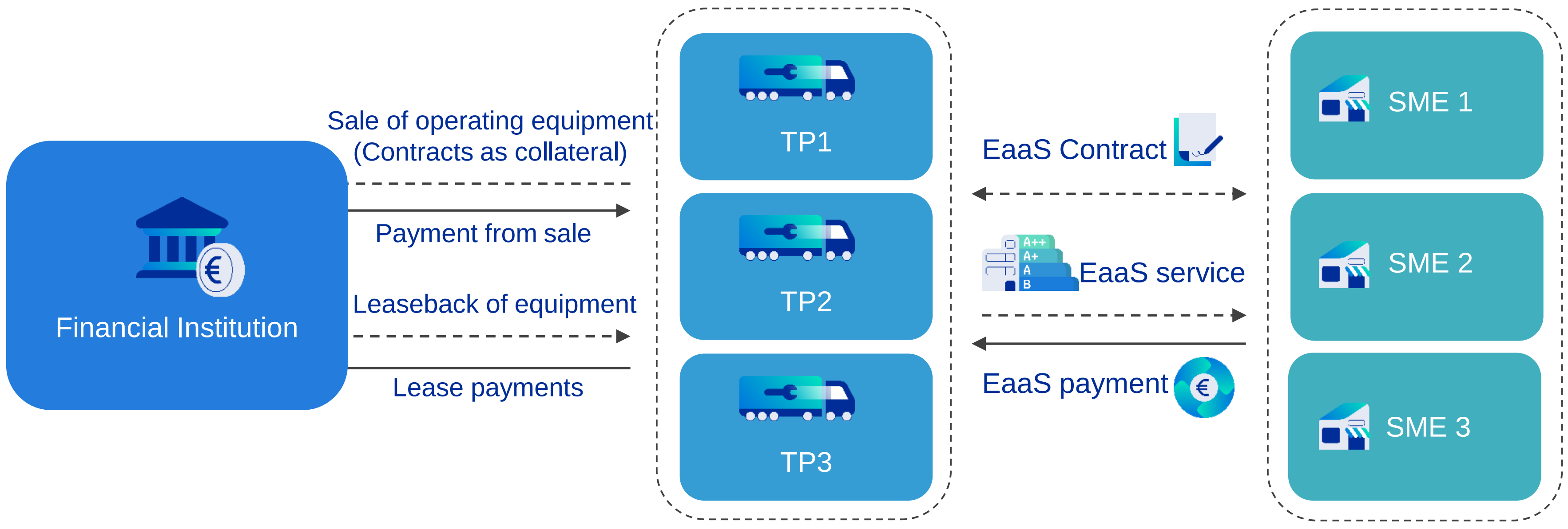
Servitisation model in energy efficient equipment: implementation study in the Netherlands, Belgium and Spain

Start of EU funded H2020 project Efficient Equipment as a Service (EaaS): June 2020.
Consortium: BASE, Agoria, InnoEnergy and ANESE.
Aims: deploying the servitisation model to enable the market adoption of energy efficient solutions by SMEs in three countries: the Netherlands, Belgium and Spain.
This poster describes potential financing and recapitalisation structures.

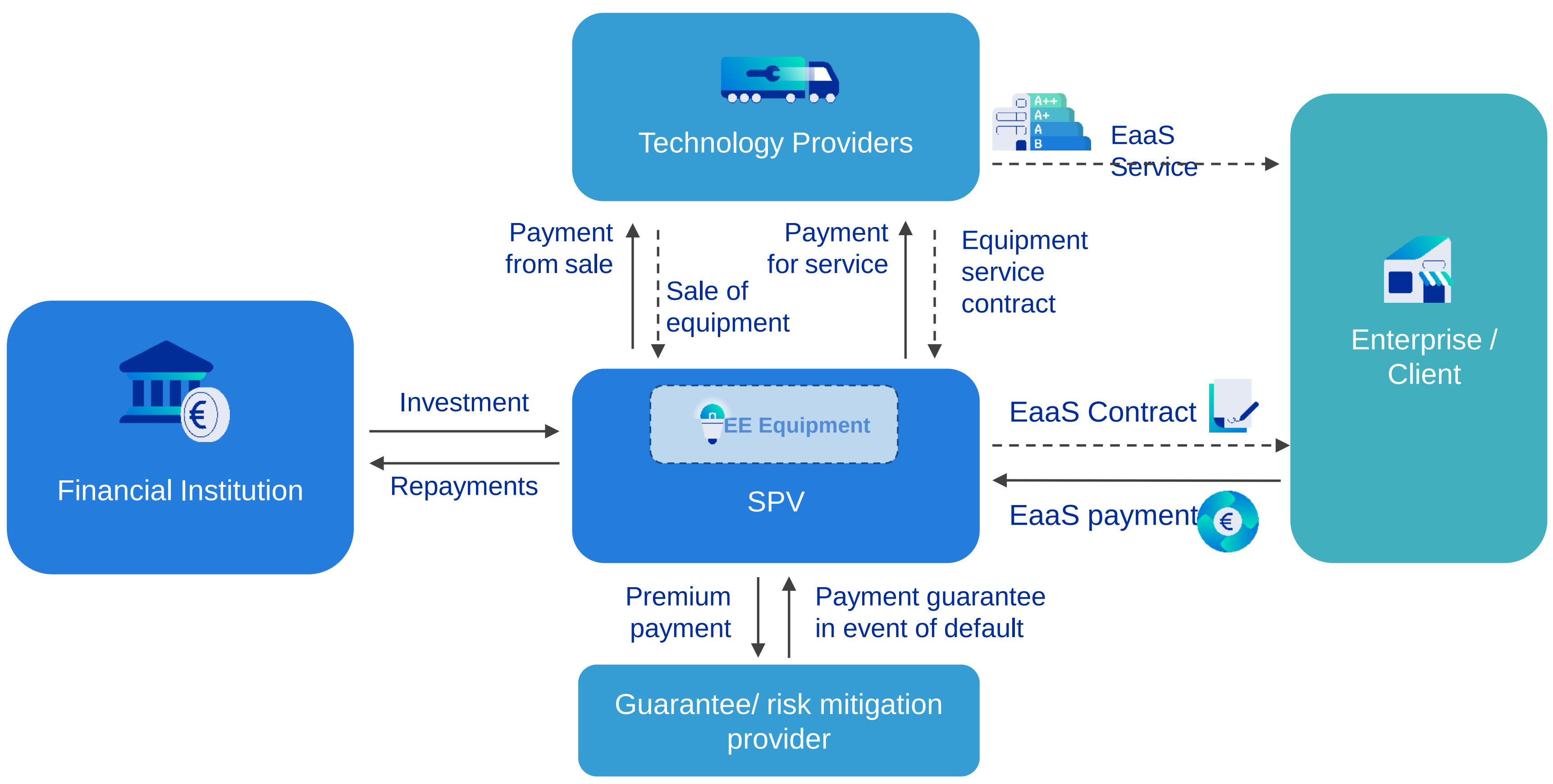
Financial Structure
Sale and Lease back



Factors to consider when choosing an external financing mechanism for energy efficiency measures:

- ✓ Cost of financing (interest rates, fees, extend of financing, subsidies...)
- ✓ Legal aspects (conditions of contract, flexibility, property aspects, ownership, ...)
- ✓ Collateral/Securities (cash flows, equity, assets, land register, personal liability, ...)
- ✓ Taxation and fiscal incentives
- ✓ Management expenditures/Transaction cost
- ✓ Balance sheet & accounting aspects
- ✓ Characteristics of the asset and technology, business track record and provider maturity

Financial Structure
Special Purpose Vehicle (SPV)



EaaS services and cash flow
End customers pay for the service they receive, rather than the physical product, therefore avoiding the upfront costs of expensive modern efficient systems.

The technology providers install and maintain the equipment, recovering the costs through periodic payments made by the customers. This fee includes maintenance, repairs, and running costs – such as electricity and water.

Balance sheet treatment
In order for the transaction to remain off the balance sheet of the customer (avoiding limitations to the customer's credit capacity) the transaction must be characterized as a service arrangement as opposed to an embedded lease and the equipment supplier must be able to achieve sales treatment for the equipment (i.e., ownership transfer to the financier).

A variety of approaches are proposed in relation with the tax and legal aspects of the standardised EaaS contract: Multiple off-taker model, non-amortization of equipment, asset identification and control.

Financing structures
The technology provider can recapitalise through innovative mechanisms such as sale and leaseback, SPV (special purpose vehicle) or the securitisation of cash flows.

A payment guarantee can be established to reduce the risk of default from the end- client, which can be endorsed to the banks to reduce their exposure to payment default by technology providers seeking the use of the above-mentioned financing mechanisms.

EaaS
Efficiency as a Service
Plugging a new energy model

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