

# Current Size and Remaining Market Potential of U.S. ESCO Industry

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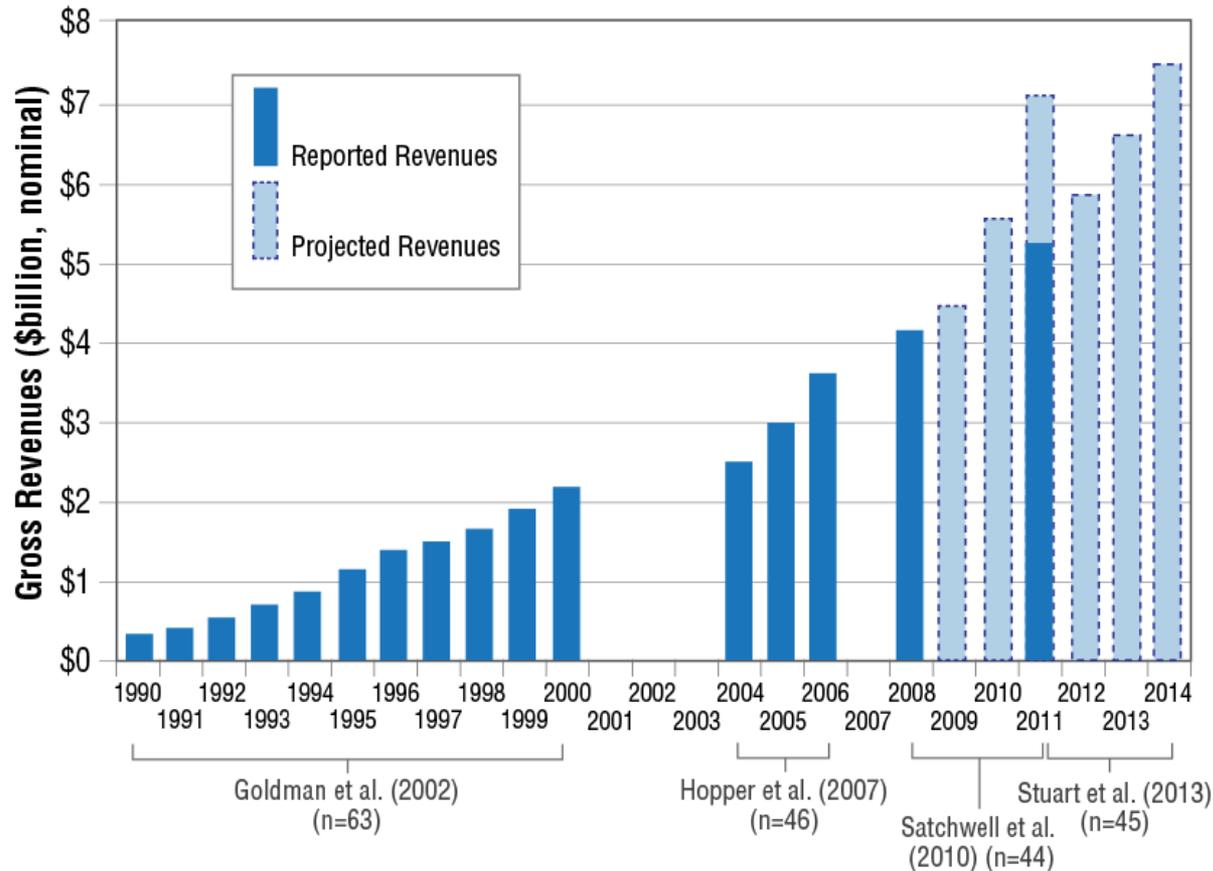
# INTRODUCTION to NAESCO

- **NAESCO is 30 years old**
- **Trade association of the ESCO industry**
- **About 80 members**
- **About \$5 billion of projects annually**
  - EE, RE, DG, DR, CHP
- **About \$45 billion of projects since 1990**
  - Created 425,000 person-years of work
  - Avoided 470 M tons of CO<sub>2</sub>

# OUTLINE

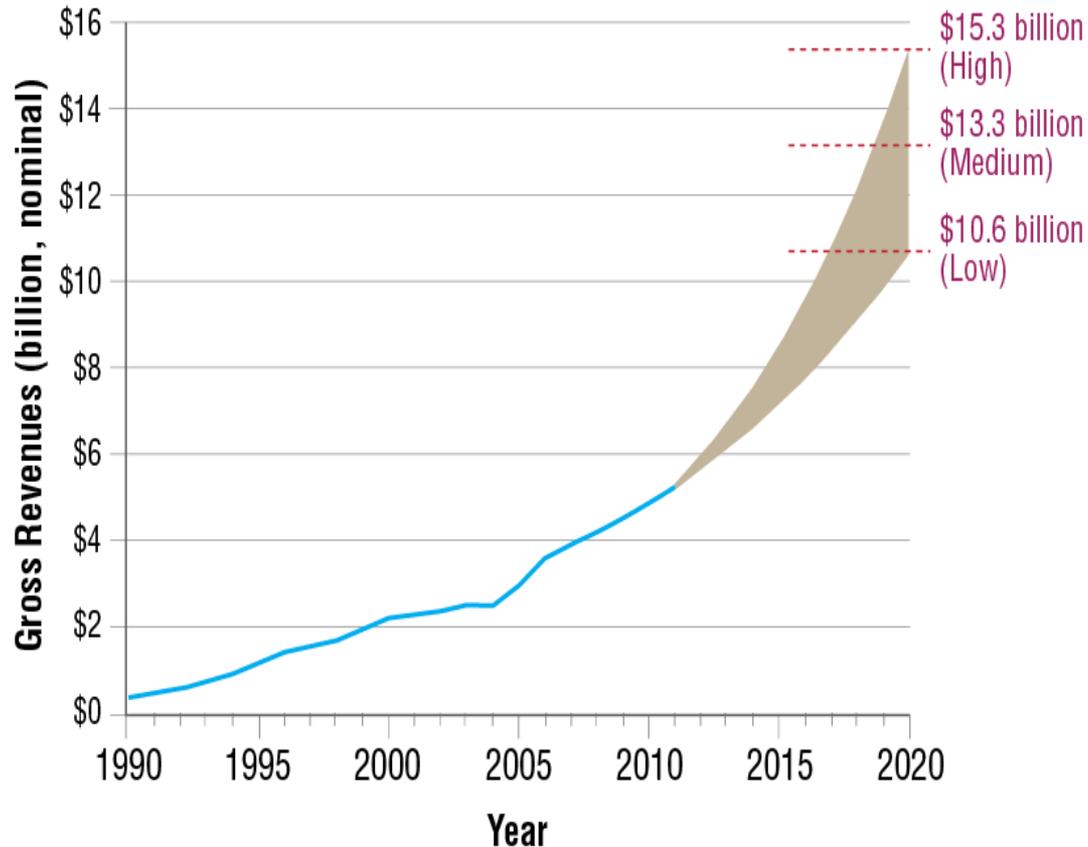
- **U.S. ESCO Industry Size and Growth Projections**
- **Revenue Sources, Contract Types and Technologies**
- **Market Penetration and Remaining Market Potential**
- **Types of Project Financing**

# CURRENT INDUSTRY SIZE



The ESCO industry continued to grow at a steady pace-- despite the onset of a major recession-- revenues of approximately \$5.3 billion in 2011.

# PROJECTED INDUSTRY SIZE

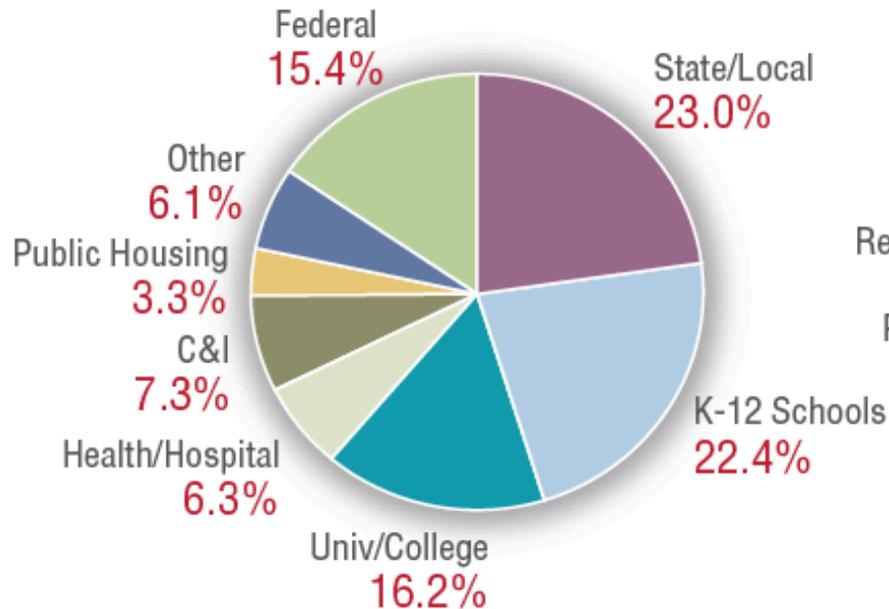


**We project that the ESCO industry will more than double in size from ~\$6 billion (2013) to \$11-\$15 billion (2020).**

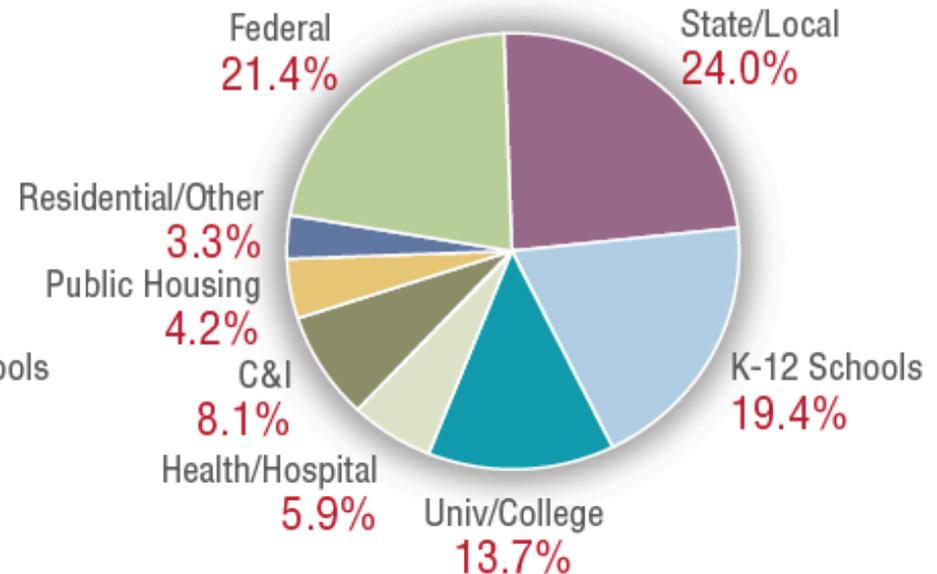
# ESCO REVENUE SOURCES

~85% revenue from “MUSH”+ Federal market

2008 Revenues (n=29)

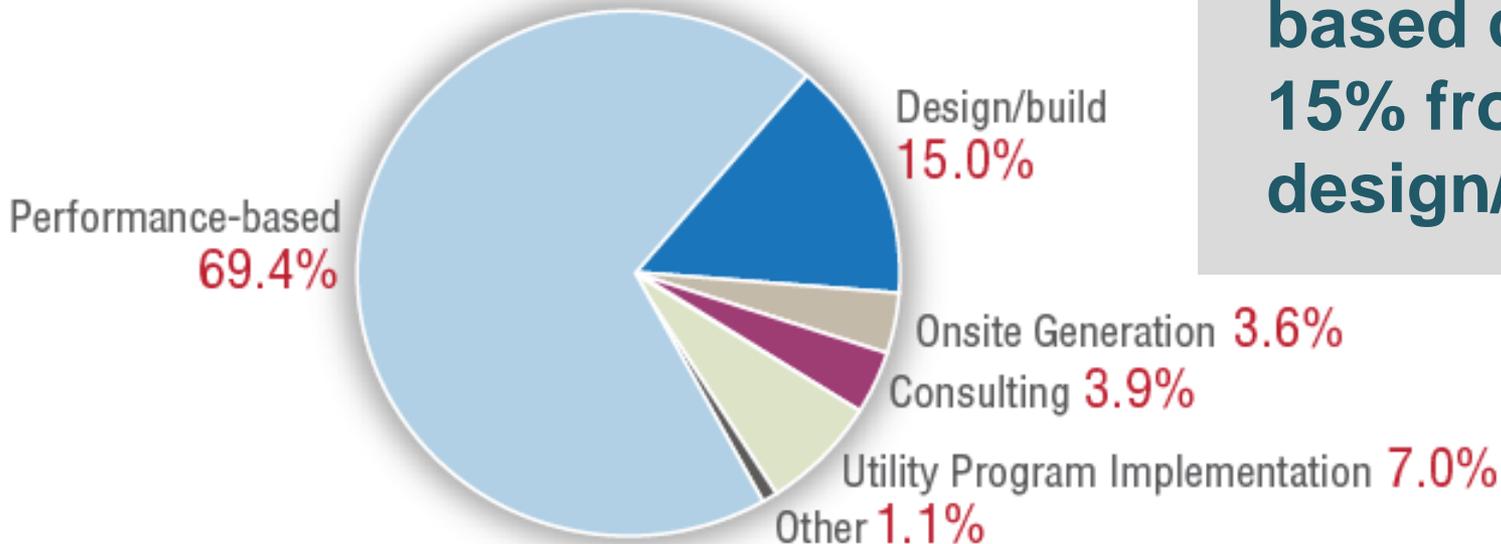


2011 Revenues (n=35)



# ESCO CONTRACT TYPES

2011 Revenues (n=34)

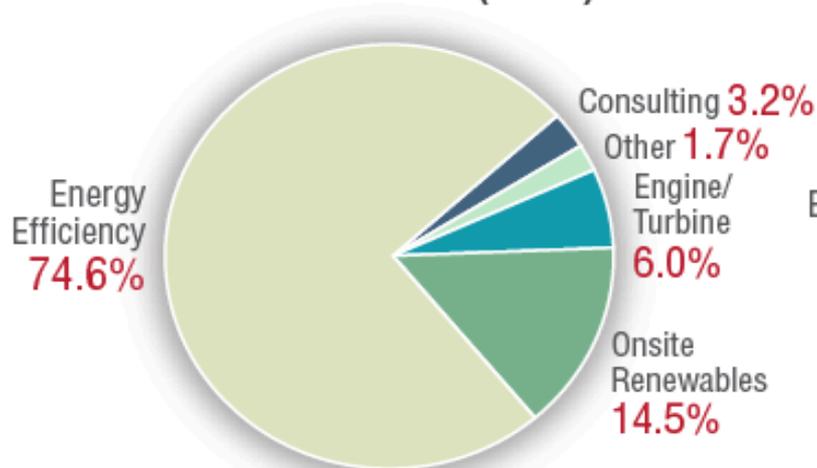


**~70% of 2011 revenue from performance-based contracts; 15% from design/build.**

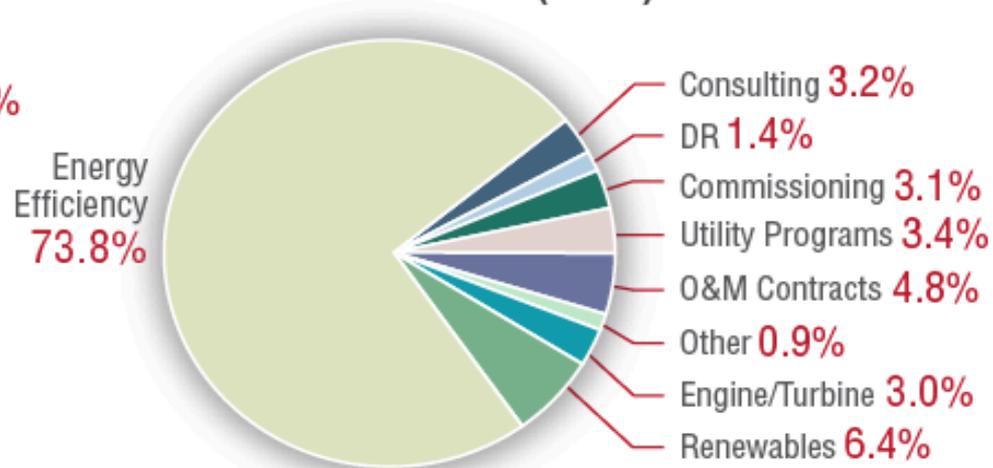
# TECHNOLOGIES

- EE activity accounted for ~75% of revenue
- DG and RE decreased from 2008-2011

2008 Revenues (n=29)



2011 Revenues (n=34)

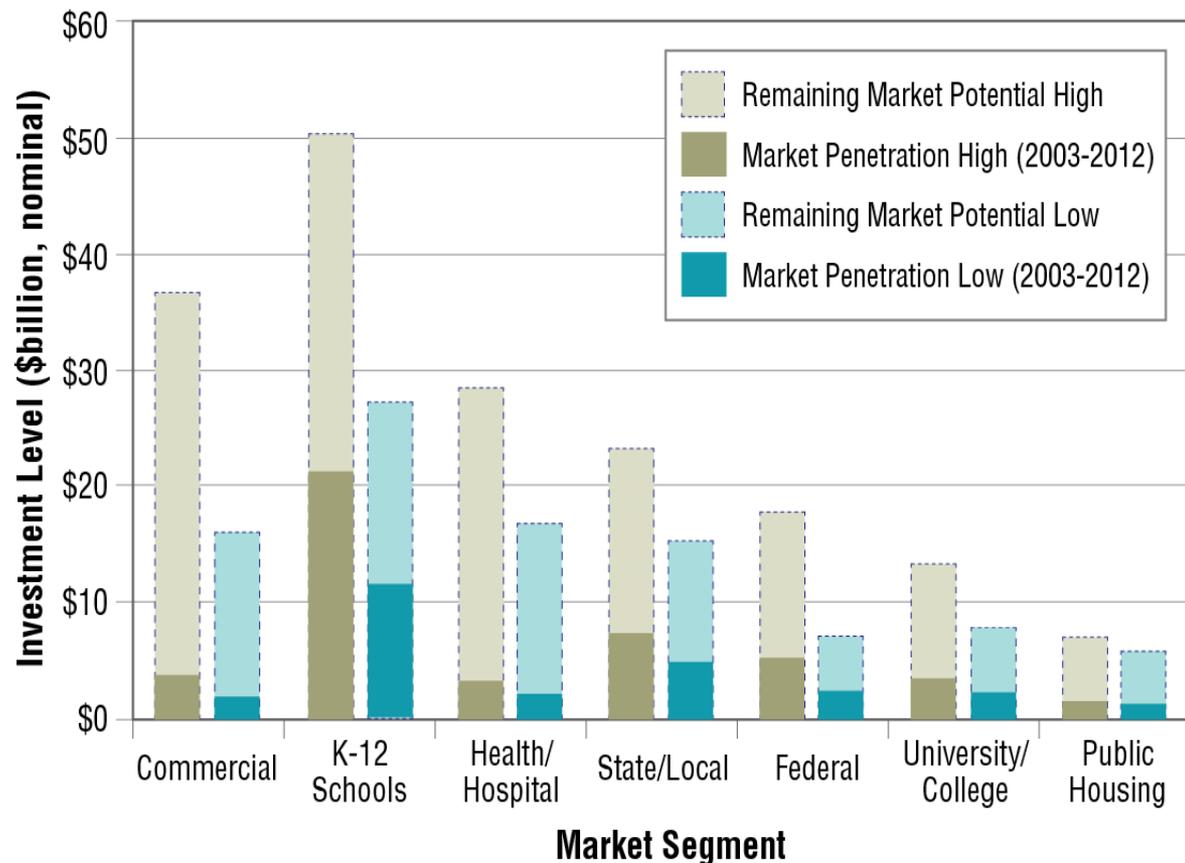


# MARKET PENETRATION

Market penetration of performance contracting is highest in the K-12 schools sector and lowest in the C&I and healthcare sector

| Market Segment        | U.S. Census Region |         |       |      |            |
|-----------------------|--------------------|---------|-------|------|------------|
|                       | Northeast          | Midwest | South | West | U.S.       |
| K-12 Schools          | 45%                | 40%     | 42%   | 30%  | <b>42%</b> |
| State / Local         | 39%                | 30%     | 30%   | 45%  | <b>30%</b> |
| Federal               | 27%                | 28%     | 25%   | 27%  | <b>28%</b> |
| Universities/Colleges | 25%                | 25%     | 23%   | 30%  | <b>25%</b> |
| Public Housing        | 20%                | 15%     | 18%   | 18%  | <b>18%</b> |
| Health/Hospitals      | 10%                | 10%     | 15%   | 15%  | <b>10%</b> |
| Private Commercial    | 10%                | 6%      | 8%    | 9%   | <b>9%</b>  |

# REMAINING MARKET



**Remaining investment potential in facilities typically addressed by this industry ranges from ~\$71 to \$133 billion.**

# REMAINING MARKET

| Market Segment        | Low Estimate  | High Estimate  |
|-----------------------|---------------|----------------|
| K-12 Schools          | \$15.8        | \$29.4         |
| Health/Hospital       | \$15.0        | \$25.6         |
| Private Commercial    | \$14.4        | \$33.5         |
| State/Local           | \$10.6        | \$16.3         |
| Public Housing        | \$4.7         | \$5.7          |
| Universities/Colleges | \$5.7         | \$9.8          |
| Federal               | \$4.9         | \$12.7         |
| <b>Total</b>          | <b>\$71.2</b> | <b>\$133.0</b> |

**These are rough estimates with substantial uncertainties**

# FINANCING VEHICLES

State or local bonds and tax-exempt municipal leases were most common in *state/local government* projects.

| Market Segment         | Cash | Partial Cash | Term Loan | State/Local Bond | Lease | Other | Total |
|------------------------|------|--------------|-----------|------------------|-------|-------|-------|
| Federal (n=19)         | 40%  | 7%           | 0%        | 3%               | 19%   | 31%   | 100%  |
| State/Local (n=24)     | 15%  | 14%          | 16%       | 31%              | 23%   | 0%    | 100%  |
| K-12 Schools (n=25)    | 7%   | 8%           | 18%       | 34%              | 28%   | 5%    | 100%  |
| Univ/College (n=23)    | 20%  | 16%          | 22%       | 22%              | 19%   | 0%    | 100%  |
| Health/Hospital (n=16) | 33%  | 16%          | 28%       | 1%               | 21%   | 1%    | 100%  |
| Public Housing (n=6)   | 17%  | 3%           | 5%        | 4%               | 58%   | 13%   | 100%  |
| C&I (n=16)             | 50%  | 4%           | 23%       | 2%               | 5%    | 16%   | 100%  |



## ***Acknowledgments:***

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## ***Citation:***

*Stuart, E., P. Larsen, C. Goldman, and D. Gilligan. 2013. Current Size and Remaining Market Potential of U.S. ESCO Industry. LBNL Report 6300-E, July.*

# Questions?

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