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Local Governments’ Role in Energy Project Financing.

Driven by a need to foster economic development, create jobs, and address environmental concerns, cities are increasingly recognizing the need to encourage investment in building performance with creative financing mechanisms. Making the largest impact possible with limited funds can be challenging. However, cities now have an abundance of governmental and private sector tools available to finance these investments.

In every city, there are market leaders—institutions or property owners able to access conventional finance or “self-fund” to meet efficiency goals—as well as various other property owners with a more pressing need for financial assistance. This guide by IMT and MIT CoLab aims to help cities weigh various energy efficiency finance strategies and choose policies best tailored to the individual needs of each local market.

Financing tools discussed include:

- Equipment lease financing
- Energy performance contracts (EPCs)
- Energy services agreements (ESAs)
- Metered energy efficiency transaction structures (MEETs)
- Energy efficiency investment corporations (EEICs)
- Energy efficiency loan programs
- Loan loss reserves, interest rate buy-downs, and loan guarantees
- Property Assessed Clean Energy (PACE)
- On-bill repayment and financing
- Tax increment financing
- Property tax abatements

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