EMSc Asia Pacific

ENERGY EFFICIENCY FINANCE

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BOOT scheme

EMSc Asia Pacific Pty Limited
Suite 205
17-33 Milton Parade
Malvern VIC 3144 Australia

Tel: 1300 659 463
Web: www.emscap.com.au
Web: www.powerstar.com

Energy Efficiency Financing

BOOT

Overview

Build–own–operate–transfer (**BOOT**) is a form of project financing, wherein a private entity receives a concession from the private or public sector to finance, design, construct, and operate a facility stated in the concession contract. This enables the project proponent to recover its investment, operating and maintenance expenses in the project.

Due to the long-term nature of the arrangement, the fees are usually raised during the concession period. The rate of increase is often tied to a combination of internal and external variables, allowing the proponent to reach a satisfactory internal rate of return for its investment. EMSCAP's BOOT model has a fixed base fee during the concession period, and a performance reward.

Summary terms

EMSCAP offers the BOOT model with these advantages:

- EMSCAP Ownership during term
- Fixed term
- Capped risks
- Guaranteed minimum performance
- No maintenance cost
- Customer has the right to acquire at term, or extend

Detailed terms

Initial Term	10 years
Extension Term	A further 10 years
Base Fee	Fixed during initial term
Extension Fee	Fixed during extension term, and significantly reduced below Base Fee
Guarantees	Guaranteed % kWh saving during the term of the BOOT
Performance Fee	The customer shares a small part of the energy savings achieved with EMSCAP
O&M	During the term of the BOOT, the facility is fully maintained by EMSCAP
Warranty	Should the customer acquire the facility after the Initial Term, the facility will be warranted for a further 5 years.

Risk management

Under the BOOT scheme, EMSCAP bears a substantial part of the project risk. These are some of the most common risks involved:

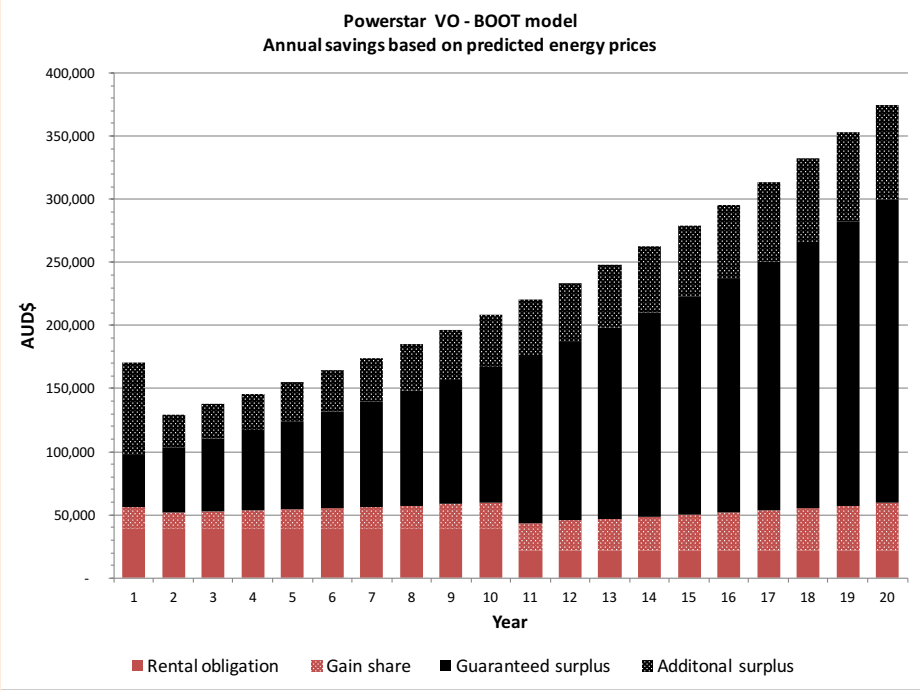
- Technical risk: construction difficulties, for example unforeseen installation conditions, breakdown of equipment.
- Financing risk: foreign exchange rate risk and interest rate fluctuation, market risk (change in the price of raw materials), income risk (over-optimistic cash-flow forecasts), cost overrun risk, equipment availability, equipment performance.
- Political risk: especially in the developing countries because of the possibility of dramatic overnight political change.

Case Study Example

Powerstar LV Max installation at a site

Key points for BOOT

1. **Proposal is guaranteed Positive Cash Flow throughout the term**
2. **Incentives and penalties for Energy Savings**
3. 100% Energy Savings Guarantee exceeds the annual instalment cost
4. 15 year factory warranty provides certainty of operations and equipment performance post term
5. Verification based on EVO IPMVP international gold standard



Case study summary

In this case study the following applies:

Guarantees	The guaranteed energy savings are more than 2 x the financial cost of the BOOT scheme
Financial cost	The annual cost to the customer comprises the Base Fee and the Performance Fee (Gain Share)
Gain share	10% of energy savings and 10% of CO2 offsets
Cash flow result	The BOOT scheme is Cash Flow Positive for the customer from day one

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