



ENERGY EFFICIENCY TECHNOLOGIES LTD.
ENERGIA-HATÉKONYSÁG TECHNOLÓGIAI KFT.

EETEK Hungary Kft.
-
Moving Beyond ESCOs

September 27, 2004



Energy Efficiency – Saving Cash and Emissions

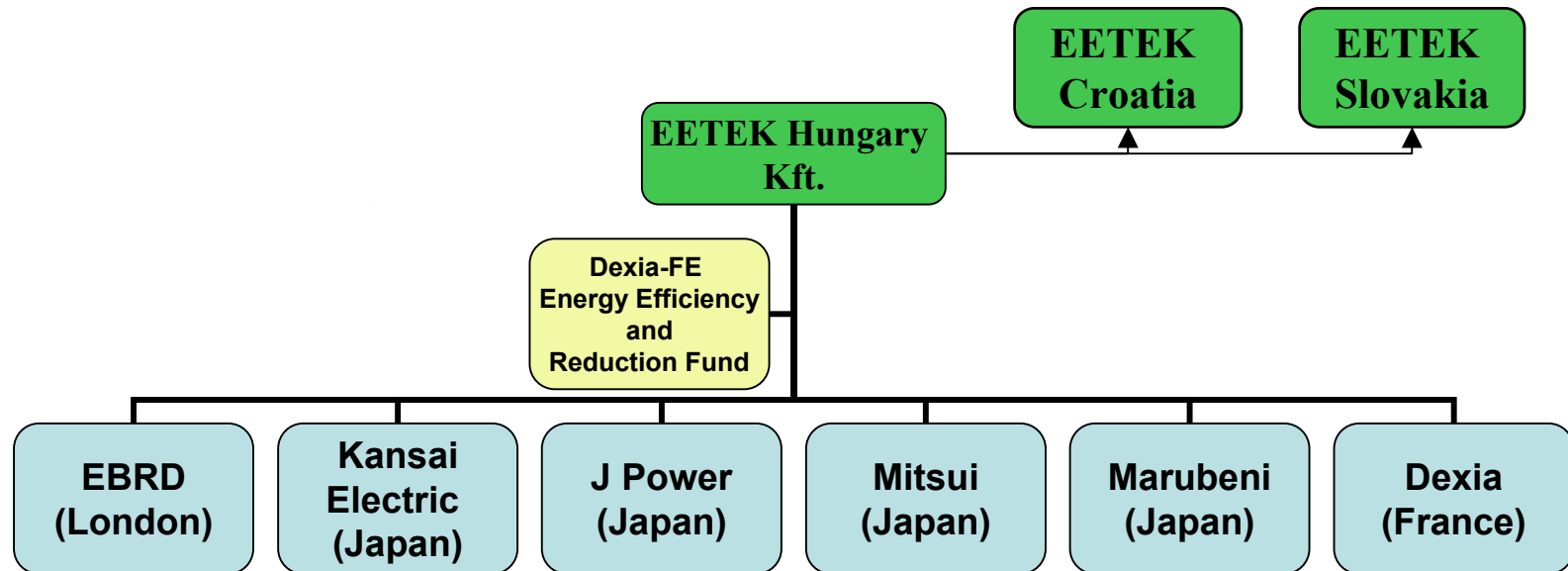
Drivers

- Lower Emissions (Kyoto, European Trading, etc)
- Lower Costs (consumption management)

Ingredients

- Government Commitment (subsidies, regulations)
- Financing (debt, equity)

EETEK's Corporate Structure & Ownership



EETEK – A Regional ESCO in CEE

Hungary

Drivers: EU accession in '04, liberalization of energy markets, preferential tariffs for cogen & renewables

Opportunities: municipal & industrial cogen, energy outsourcing, renewable (biomass) power generation

Slovakia

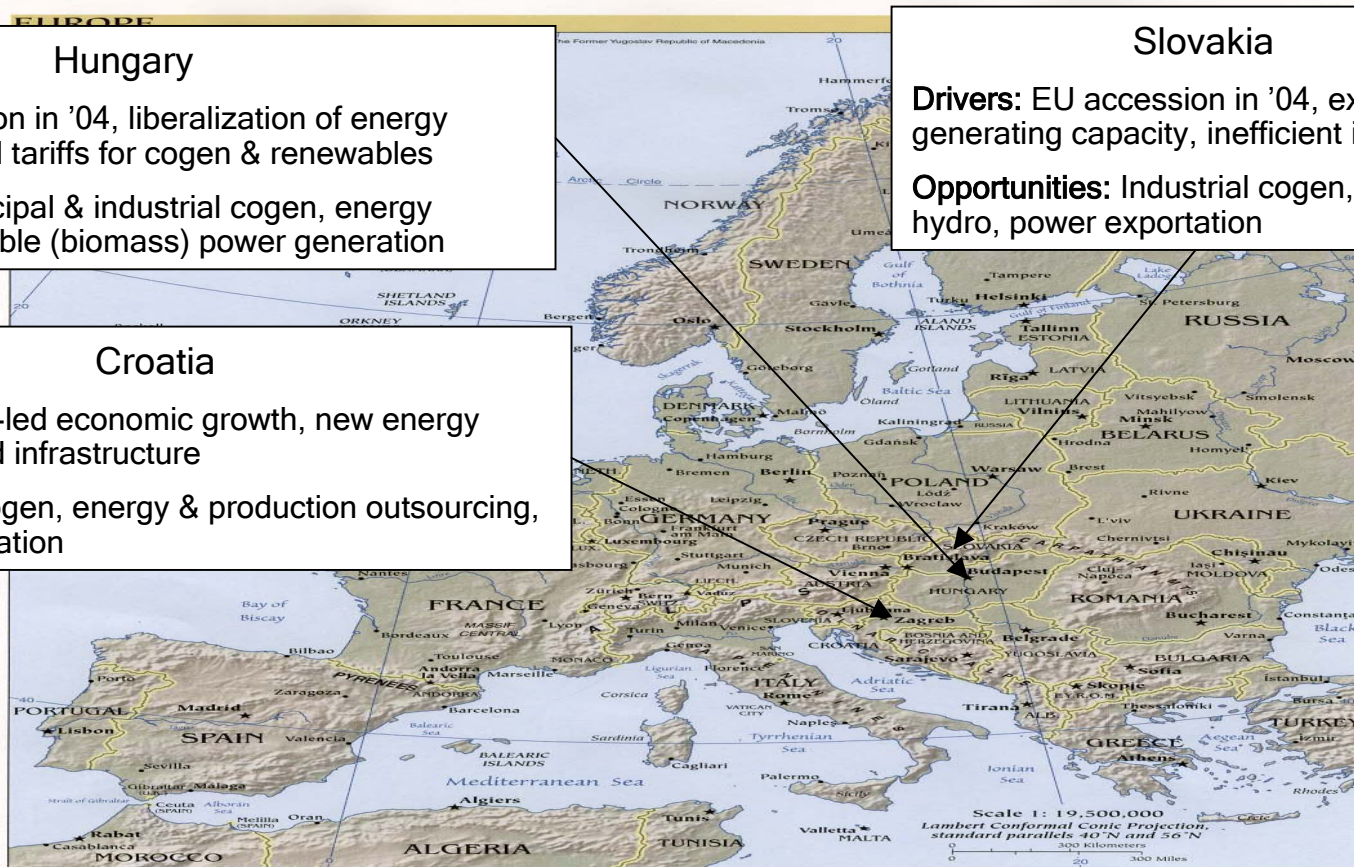
Drivers: EU accession in '04, excess generating capacity, inefficient industry

Opportunities: Industrial cogen, small hydro, power exportation

Croatia

Drivers: Tourism-led economic growth, new energy tariffs, antiquated infrastructure

Opportunities: cogen, energy & production outsourcing, municipal illumination



Integrated ESCO – Stages of Evolution

- I. **Pure ESCO:** consulting services w/ in-house engineers
- II. **Fully-Funded ESCO:** financing demand-side measures w/ own equity
- III. **Supply-Side Services:** financing w/ own equity
- IV. **Securing Debt Financing:** based on collateral, equity cushion, and track record
- V. **Integrated Product Lines:** complementary demand and supply side solutions in outsourced product

The Issues of Energy Performance Contracting

- **Control:** many operational and maintenance requirements are difficult to enforce unless you operate the assets
- **Optimization:** adjustments to automated equipment often requires specialization, which is difficult without access to the full energy system
- **Variability:** multiple product lines without set scheduling make baseline estimation problematic

The Move to Outsourcing - Drivers

- **Focus:** firms want to focus on their manufacturing process, not energy production
- **Rising Costs:** higher energy & operating costs plus the deregulated market an increasing burden
- **Capital Constraints:** many firms in CEE lack access to capital, both on and off balance sheet
- **Aligned Interests:** traditional suppliers of energy are not interested in lowering energy consumption

The EETEK Way – Steps to Project Completion

- I. **Business Review:** clients are selected on the basis of need and ability to pay
- II. **Preliminary Audit:** energy measurements and credit review performed to structure project
- III. **Initial Proposal:** project structure given to customer
- IV. **Full Audit & Contracting:** final terms of project solidified while comprehensive audit performed
- V. **Implementation:** tendering for equipment suppliers and subcontractors for project construction

EETEK Services – A Typical Solution

- **Refurbishment:** new piping, rebuilt boilers, etc
- **Management:** IP-based system linking production & consumption data to computers in control room
- **Measurement:** additional metering installed to ensure high quality system feedback
- **Additional Capacity:** extra electrical and heat capacity added to ensure overall system safety

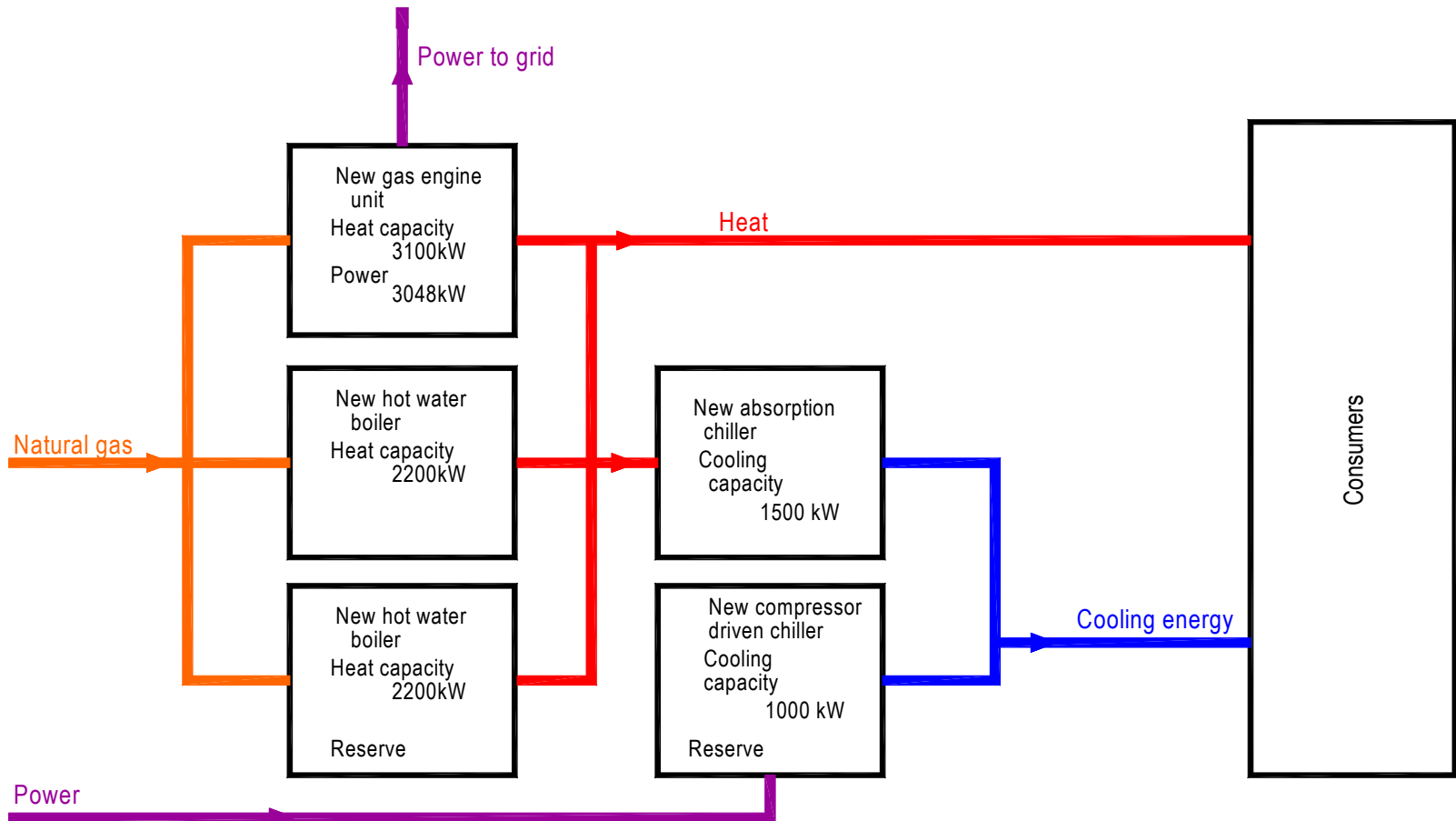
Refurbishment – Boilerhouse Reconstruction



Refurbishment – New Piping & Insulation



Management – Schematic Linked to Network



Measurement – New Piping & Metering



Capacity – New Gas Engine for Trigeneration



Lessons for Energy Efficiency Investing

- **GOVERNMENT SUPPORT**
- **FLEXIBILITY**
- **QUALITY PEOPLE**
- **CONTROL**

Thank you for your attention!

