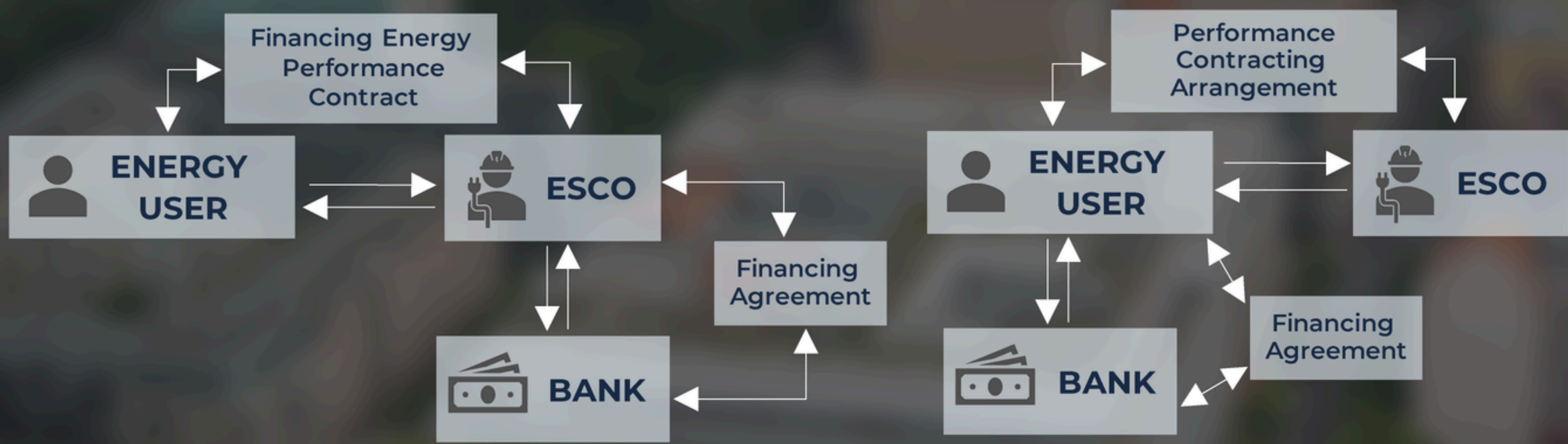
What is **third-party financing?**

Third-party financing is a form of debt financing which is sourced from third parties, such as investors, banks and financial institutions. In developed EPC markets, third-party financing is the most common financing model for EPC.

In this model, the building owner acquires financing resources from a third party instead of internal funds or from the ESCO. ESCOs offer guaranteed savings to accommodate the repayment of the debt during the entire duration of the contract.

How does third-party financing work?



What are the advantages?

1. Third parties have professional and technical expertise
2. ESCO manages the performance risks
3. Protection from indirect forces which affect energy prices.
4. Minimize risk of repayment to the bank due to saving guarantees

PROSPECT

Charecteristics

- Guaranteed energy savings offer positive project cash flow
- Interest costs during the period of construction and installation are included in the financing agreement
- Long-term contractual structure with agreements typically extending over 10–20 years
- Price certainty and financial predictability
- The third-party developer retains ownership of the asset
- No upfront capital requirement for the LRA

Example

2020TOGETHER, Turin, Italy

The project aims at implementing measures to improve energy efficiency of buildings and public lighting of the municipalities of the Metropolitan City of Turin through new forms of partnership between public administrations and private investors.

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