Memo

To: MEETS Coalition Members  
From: Rob Harmon, Director  
Date: November 3, 2016  
RE: Market Assessment

I recently received a request for an assessment of the potential market for MEETS in the U.S. Needless to say, the market is "huge" and just how huge is dependent on many variables. Below is an assessment I did in late 2014. I don't believe the numbers would need much updating.

Industry and Market Analysis

Market Size

Market size estimates for the energy efficiency market vary, and are dependent on the analyst’s view of how much savings is cost-effective. Policy advocates tend to value the investable opportunity in the United States at hundreds of billions. ($279 Bn. investment opportunity with ten-year savings on the order of $1 trillion\(^1\), according to one source; $580 Bn. investment opportunity according to another.\(^2\))

Market and Growth Drivers

Near-term growth will be driven by a combination of factors including:

- Desire by utilities, energy service companies, building owners and others to “pay for performance” (metered energy efficiency), to insure they only pay for realized value rather than relying on deemed savings.
- More generally, desire to reduce dependency on both domestic and foreign fossil fuels for energy production, energy security, and to augment other sustainable energy sources.

Long-term growth will be driven by the desire of:

- Utilities to re-characterize energy efficiency as part of a growth strategy in which they can invest and grow revenues and returns.
- Building owners to substantially upgrade buildings with outside capital.
- Investors to capture long-term cash flows from stable assets.


\(^2\) McKinsey, 2009
Underlying the growth of the market is a consistent, long-term, sustained push at national, state, and local government levels to maximize efficiency as a resource.

The views of Michel Florio, Commissioner of the California Public Utility Commission, are illustrative.

“Long term, California has very aggressive carbon reduction goals and there’s just no way to get to the 2050 targets without energy efficiency being a key component of that.”

"We have an institutional market failure here, where no actor is in a position to capture the [full value of efficiency as realized by the building].”

This institutional market failure is exactly what MEETS was designed to allow the capital markets to address. New York and other states have similarly ambitious goals.

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3 Mr. Florio spoke on June 17, 2014 at Equilibrium Capital Group, LLC’s Forum in San Francisco. His remarks are available at http://vimeo.com/106023463. Mr. Florio also spoke to the MEETS transaction system: “What is exciting to me about the MEETS concept is for the first time we are... able to measure the change in consumption that an energy efficiency investment creates, and monetize that investment so a third party investor or the utility itself can capture that full 20-30 year value stream.”

Historically the national governments of the world’s largest energy consuming economies – the U.S. and China – were laggards in this policy process worldwide, but in November, 2014, the world saw tangible evidence that China – now the world’s largest energy consumer and world’s largest greenhouse gas emitter – intends to step up its efforts on efficiency and energy consumption growth, with the announcement of the U.S.-China compact on climate.

In addition, the 2015 Paris Climate Agreement calls for significant cuts to GHG emissions globally. As of October 2016, 192 UNFCCC members have signed the treaty, 94 of which have ratified it.5

5 https://en.wikipedia.org/wiki/Paris_Agreement