Shaw Environmental & Infrastructure

Financing Industrial Efficiency

Joel Freehling

Shaw® a world of Solutions™

Corporate Profile

The Shaw Group Inc.® is a leading global provider of engineering, design, construction, technology, fabrication, remediation and support services for private sector and government clients in the energy, chemicals, environmental, infrastructure and emergency response industries.

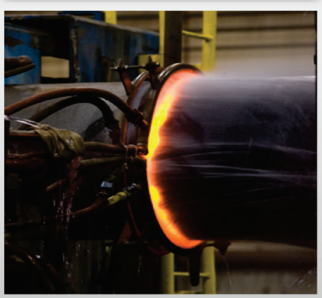
- **Headquarters:** Baton Rouge, LA
- **Stock Ticker:** NYSE: SHAW
- **Number of employees:** 27,000
- **FY 2010 Revenue:** $7 billion
- **Website:** www.shawgrp.com

FORTUNE 500

TOP 500 | LARGEST US FIRMS

#309

Operating Segments

Power (formerly Fossil, Renewables & Nuclear)	Plant Services (formerly Maintenance)	Energy & Chemicals	Fabrication & Manufacturing	Environmental & Infrastructure
				

Energy Management Services

- Comprehensive energy management services at the facility level for end use customers
- Portfolio level energy, water, and waste audits
- Financial analysis and incentive optimization
- Engineering and financial feasibility assessments
- Commissioning and recommissioning services
- Utility management system design and implementation
- Employee engagement and training programs

U.S. Immigration and Customs Enforcement

DR PEPPER SNAPPLE GROUP

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SERVICE EMPLOYEES INTERNATIONAL UNION, CTW, CLC

at&t

SMG
Worldwide Entertainment and Convention Venue Management

Industrial Companies Target Energy Efficiency Programs

- Industrial firms recognize the value of energy efficiency
  - Closely manage input costs
  - Industrial firms are big energy users
  - "Efficiency" is a key element of industrial culture/practices
- These firms often are large users of utility incentive programs
  - Often a key element of their capital plans
- But efficiency is often related to process improvements
  - Savings come from "customized" measures tailored to that firm and industrial process
  - Makes savings less assured and collateral less robust

Industrial Firms are a Good Fit for Finance Programs

- Project sizes and large annual energy savings can make them attractive targets for private investment
  - Most capital providers looking for projects of $5-50MM
  - Fit well with “custom” incentive programs
- Downsides related to credit and performance risks
  - Most projects are smaller than $5MM
  - Industrial firms may be highly leveraged and face significant competition
  - Customized savings measures may be considered risky

Typical Capital Structures & Providers

- Shared savings models can be effective
  - Makes projects attractive since payment tied to savings
  - Especially useful for emerging processes or technologies
- Private capital increasingly targeting the sector
  – Typically, seeking above market returns
- Development Finance Agencies eager to expand
- Utilities increasing on-bill and leveraged offerings
- SBA looking to grow its presence

Government and Utilities Offer Important Support Mechanisms

- Private capital is limited & focused exclusively on highly rated credits
- Due to the typical size of most projects (<$1MM), as well as credit and performance risks, support mechanisms are helpful
  - Aggregate smaller projects
  - Help offset risks for smaller, non-rated companies
  - Incentives to reduce paybacks to required thresholds
  - Create nonbank funds to offer more flexible structures

Example - CleanTech Partners Technology Investment Fund

- Financing initiative capitalized by the Focus on Energy program in Wisconsin
  - Led by a WI-based 501©3 organization
  - Financing of emerging technologies that offer good prospects for gaining market-share
  - Structures used include capital leases, operating leases, and subordinated loans

Questions and Contact Information

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