Columbia University School of Professional Studies  
Master of Science in Sustainability Management

**SUMA PS5197 Financing the Green Economy**  
Fall 2016, Mondays 6:10-8:00pm  
3 Credits

**Instructor:** Curtis Probst, CFA; csp2138@columbia.edu (cell, if urgent: 646 645-6595)
**Office Hours:** Class days (except 9/12, 10/3), 3:00-5:00pm, 2929 Broadway, 5th Floor; otherwise, by appointment
**Response Policy:** Email is my preferred mode of communication. Students should expect a response the same or next business day

**Course Overview**

The green economy has grown significantly in the past several years. The recent Paris climate conference was proof of that growth. Where previous climate conferences lacked a credible path away from fossil fuels, the cost and availability of renewable energy and energy efficiency measures was a key driver in the completion of the recent agreement. However, despite the conference’s momentum, lowering carbon emissions remains one of humankind’s great challenges. While cleaner technology options are growing, so too are the energy needs of the world’s growing population.

At the same time, finance is increasingly being recognized as one of the key levers to drive the implementation of clean energy technology. For example, in June 2015, the US Department of Energy announced the Clean Energy Impact Investment Center to facilitate investor participation in clean energy initiatives. Later, in November 2015, the White House introduced the Breakthrough Energy Coalition, a group of private investors organized by Bill Gates to commit capital to catalyze clean energy innovation. In April 2016, a consortium of financial institutions and investors unveiled a new partnership under the Catalytic Finance Initiative to direct $8 billion toward high-impact sustainable projects. Additionally, green banks have been formed in various jurisdictions as public-private partnerships to fund clean energy initiatives, including the state of New York.

This course focuses on the finance and market aspects of the green economy, and integrates technology, policy and finance to provide an understanding of both the opportunities and challenges. This course focuses heavily on renewable energy generation, as mass electrification using clean generation sources is necessary to sustain our energy-dependent lives and economies. It also looks at two specific end-uses of energy that are responsible for the majority of emissions: personal vehicles and buildings. Throughout the course, finance will be analyzed as a barrier to, or enabler of, greater adoption of clean energy.

Interactive lectures, and guest speakers where appropriate, will cover these topics in eleven classes: The course begins with three classes providing a basic understanding of the U.S. electricity market: (1) historical context and the role of finance, (2) current state of market evolution, and (3) clean energy and grid integration. The next three classes describe financial aspects of clean energy and financial modeling: (4) key finance concepts, (5) financial modeling of power projects, and (6) modeling other clean energy initiatives. Armed with electricity sector and financial modeling concepts, the course then integrates those two areas with five classes that discuss: (7) challenges of the green economy, (8) electricity pricing and financing distributed energy resources, (9) overview of financing mechanisms, (10) building energy efficiency and (11) electric vehicles. The final two classes will be reserved for group presentations.

Course assignments will include financial models, problem sets, case studies, and a final group presentation. The financial modeling will be designed to take into account the varying levels of student experience. An important aspect of the course is for students to learn some of the analytical tools used by industry practitioners to make investment decisions. While no specific financial modeling experience is required, students should have basic spreadsheet skills or be prepared to learn them.

As the course progresses, students will learn to appreciate the roles of technology, policy, and finance in the transition to a green economy. Upon completion of this class, students should understand the fundamentals of the U.S. electricity sector, the role of clean energy, the opportunities and limitations of finance in growing the green economy, and have an appreciation of different mechanisms to support clean energy finance.

The course is designed for both students with a limited background in finance but with an interest in building that skill set, and for students with prior backgrounds in finance that are seeking to apply those skills to the financing of the green economy. This course is approved for the Certificate in Sustainable Finance requirement.

**Learning Objectives**

By the end of this course students will be able to:

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DRAFT as of August 4, 2016
• Describe how the existing energy markets function in the U.S., and how clean energy technologies are developing within, and apart from, these markets
• Assess the implications of larger penetration of clean energy technologies to the broader electric grid
• Summarize some of the existing business models and financial techniques for bringing clean energy to markets
• Create basic financial models for evaluating clean energy opportunities and demonstrate good technique in the development of these models
• Discuss some of the key opportunities and challenges faced in transitioning to clean energy in general, and more specifically, to electric vehicles and energy-efficient buildings
• Identify mechanisms that can be used to support the development and deployment of clean energy

Considering the breadth of the energy and financial markets, and the rapidly evolving nature of each, the goal is not to learn about every means of financing clean energy. The course’s objective is to provide students a new level of comfort in discussing the role of finance in the transition to a green economy. Students will focus on several specific examples of that transition through the class materials, and may choose a specific area in which they have personal interest for the group presentation.

Readings
Required:


Resources
The readings have been carefully chosen to provide up-to-date resources on the topics covered in this course. For additional materials, or for academic support more generally, students may wish to consider the resources listed below.

Columbia University Library
Columbia’s extensive library system ranks in the top five academic libraries in the nation, with many of its services and resources available online: http://library.columbia.edu/

SPS Academic Resources
The Office of Student Life and Alumni Relations (SLAR) provides students with academic counseling and support services such as online tutoring and career coaching: http://sps.columbia.edu/student-life-and-alumni-relations/academic-resources.

Course Requirements (Assignments)
1. Four problem sets/case studies assigned during the semester (60%)

Assignment 1: Will involve the creation of a basic financial model. **Please pay attention to the financial modeling “best practices” discussed at the end of the lecture on key financing concepts (Class 4)**. The model will focus on basic financial concepts, and good modeling techniques. Students will be required to provide a soft copy of the Excel spreadsheet and print out the model (two pages) in a manner that is legible, labeled appropriately and formatted neatly.

Assignment 2: Will involve the creation of a financial model for a clean energy project. This model will involve the application of more concepts based on the discussion of project finance. The model will focus on more complex model design, and will also require application of good modeling techniques as practiced in Assignment 1.

Assignment 3: Will be a set of quantitative and qualitative short answer questions. These questions will discuss the basic elements of: U.S. electricity markets, clean energy technologies, integration of clean energy into the grid and financial techniques for bringing clean energy to market.
Assignment 4: Will involve an analytical case study (which may include a financial model) of one aspect of the transition to clean energy. Students will be expected to identify both the opportunities and the challenges, and what if any financing mechanisms might address accelerate deployment of the technology.

II. Group Presentation (30%)

Will be a group presentation summarizing the key aspects of a particular clean energy technology or project. The deliverable will be the in-class presentation, plus the associated PowerPoint slides. The targeted group size and length of presentation will depend, in part, upon final enrollment in the class, but would likely be groups of 4-6 students and presentations 10-15 minutes in length. The majority of the grade (20%) will be based upon professor/CGA evaluation of the assignment, with 5% based upon peer evaluation of the presentation/slides, and 5% based upon peer evaluations provided by fellow group members who will evaluate your relative contribution.

III. Class Participation (10%)

Attendance alone does not count towards your participation grade. Contributing to class discussions means enhancing the quality of the class experience for yourself and others. It involves making relevant, useful and non-obvious comments, or posing pertinent questions, in clear and succinct language;

Be prepared to give substantive answers to impromptu questions regarding at least three different required readings over the course; and,

Provide a one-page (double-spaced) statement of purpose on what you are looking to get out of the class (due date below). Please highlight any particular skills you can contribute to the class or to your group. Please also identify one or more clean energy technologies, currently being deployed, in which you have a particular interest (this may help you identify a topic for the group presentation and fellow group members).

Evaluation/Grading

The final grade will be based on your performance on 4 problem sets/case studies assigned during the semester (each, 15%), final group presentation to the class (30%), and class participation (10%).

The final score will comprise the following:
- Assignment #1 = 15%
- Assignment #2 = 15%
- Assignment #3 = 15%
- Assignment #4 = 15%
- Group Presentation = 30%
- Class Participation = 10%

The following clarifies how points awarded for course requirements will be translated into letter grades for the course:
A+ is for extraordinary work, above and beyond; A = 93-100; A- = 90-92; B+ = 87-89; B = 84-86; B- = 80-83; C+ = 77-79; C = 74-76; C- = 70-73; D = 65-69; F = below 65

Course Policies

Participation and Attendance

You are expected to do all assigned readings, attend all class sessions, participate in class, and engage actively and cooperatively with others in completing the final group presentation. In particular, please be especially attentive to guest speakers, and develop appropriate questions in advance. Your participation will require that you answer questions, defend your point of view, and challenge the point of view of others. If you need to miss a class for any reason, please discuss the absence with me in advance.

Late work

There will be no credit granted to any written assignment that is not submitted on the due date noted in the course syllabus without advance notice and permission from the instructor. Assignments submitted late with permission from the instructor will normally be marked down one letter grade absent extenuating circumstances.
Citation & Submission
Written assignments must cite sources (use any acceptable citation style e.g., APA, Chicago, MLA), and be submitted to the course website (not via email).

Course Schedule/Course Calendar

<table>
<thead>
<tr>
<th>Session, Date</th>
<th>Topics and Activities</th>
<th>Readings (due on this day)</th>
<th>Assignments (due on this date)</th>
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<tbody>
<tr>
<td>One 9/12</td>
<td>History of the Energy Industry and the Importance of Finance</td>
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<td>*Introductions</td>
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<td>*Course Goals/ Context</td>
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<td>*Course Key Themes/ Goals</td>
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<td>*Class Deliverables</td>
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<td>*Brief History of Energy Industry</td>
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<td>*Introduction to Key Finance Concepts</td>
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<td>Activities:</td>
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<td>*Introductions</td>
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<td>*Course Overview</td>
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<td>*Lecture</td>
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<td>*Basic Terminology</td>
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<td>*Production Efficiency</td>
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<td>*LCOE</td>
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<td>*Variable Costs</td>
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<td>*Fixed Costs</td>
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<td>*Electricity Prices</td>
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<td>Activities:</td>
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<td>*Recap of Prior Lecture</td>
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<td>*Lecture</td>
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<td></td>
<td>*Discussion</td>
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<td></td>
<td>Topics:</td>
<td>Required: California ISO. “What the duck curve tells us about managing a green grid”, 2016. (4 pages)</td>
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<td>*Grid context of clean energy technologies</td>
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<td>*Major energy “products”</td>
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<td>*Role of renewable generation</td>
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<td>*Net metering and load-based resources</td>
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<td>*Role of storage and EVs in grid integration</td>
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### Four 10/3

**Overview of Key Financing Concepts**

<table>
<thead>
<tr>
<th>Topics:</th>
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<tbody>
<tr>
<td>*Basic financial concepts</td>
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<tr>
<td>*Capital structure (debt vs. equity)</td>
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<td>*Importance of market conditions</td>
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<tr>
<td>*Different types of financing</td>
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<tr>
<td>*Tax aspects of financing</td>
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<tr>
<td>*Project finance</td>
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<tr>
<td>*Basics of financial modeling</td>
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</tbody>
</table>

**Activities:**
- *Lecture
- *Discussion
- *Class exercise

**Required:**

**Recommended:**
For those without previous finance knowledge, it may be useful to read about certain key concepts including the time value of money, net present value, hurdle rates (cost of capital), and internal rate of return.

Brighthub.com has some good online articles including:

- Brighthubpm.com. “Understanding the Internal Rate of Return (IRR) Formula,” 23 November 2010. (1 page)

### Five 10/10

**Financial Modeling for Energy Projects**

<table>
<thead>
<tr>
<th>Topics:</th>
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</thead>
<tbody>
<tr>
<td>*How to do a financial model of an</td>
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</table>

**Required:**

**Assignment #1:**
Basic financial model
<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Details</th>
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</thead>
</table>
| Six  | 10/17| Financial Modeling – Other Clean Energy Measures | *How to determine a levelized cost of energy (LCOE)  
*The overall structure of project finance transactions  
Activities:  
*Lecture  
*Discussion |
| Seven | 10/24 | Challenges of Green Energy | *Applicability of project finance in developing renewables  
*Ways in which early-stage companies/technologies are financed  
*Financing of mature/late-stage companies  
Activities:  
*Lecture  
*Discussion  
*Guest Speaker |
| Eight | 10/31 | Rate Design and the Financing of Distributed Energy Resources | *Basics of setting rates for electricity  
*Complexities of rate design  
*Distributed energy resources (DERs)  
*Rate design issues that are relevant to DER economics and possible future rate design approaches  
Activities:  
*Lecture  
*Discussion |
| Nine  | 11/14| Financing Mechanisms for Clean Energy | Recommended:  
O’Sullivan, Dr. Francis M. and Charles H. Warren. *Solar*  
Assignment #3: Quantitative and qualitative short answer questions |
<table>
<thead>
<tr>
<th>Ten 11/21</th>
<th><strong>Building Energy Efficiency</strong></th>
<th>Required:</th>
<th>Assignment #4: Analytical case study</th>
</tr>
</thead>
</table>
| Topics:  | *Importance of buildings in aggregate energy use and some of the various factors driving energy use  
*Differences between new buildings and existing buildings  
*Additional benefits of building energy efficiency and the general process  
*Case studies of building energy efficiency | Jones Lang LaSalle et al. *Empire State Building Case Study.* 2009. (80 slides) | |
| Activities: | *Lecture  
*Discussion  
*Guest Speaker | | |

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<tr>
<th>Eleven 11/28</th>
<th><strong>Electric Vehicles and the Grid</strong></th>
<th>Required:</th>
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</thead>
</table>
| Topics:      | *Importance of transportation in general, and automobiles in particular, as a source of emissions (and use of energy)  
*Different alternatives to traditional automobiles, using different fuel sources  
*EV opportunities and challenges | Fitzgerald, Garrett, Chris Nelder and James Newcomb. *Electric Vehicles as Distributed Energy Resources.* Rocky Mountain Institute, June 2016, pp. 5-9. (5 pages)  
| Activities:  | *Lecture  
*Discussion  
*Guest Speaker | | |

<table>
<thead>
<tr>
<th>Twelve 12/5</th>
<th><strong>GROUP PRESENTATIONS DAY 1</strong></th>
<th>n/a</th>
<th>Group Presentation: first set of teams*</th>
</tr>
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</table>
| Activities: | *Group Presentations  
*Q&A | | |

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<tr>
<th>Thirteen 12/12</th>
<th><strong>GROUP PRESENTATIONS DAY 2</strong></th>
<th>n/a</th>
<th>Group Presentation: second set of teams*</th>
</tr>
</thead>
</table>
| Activities:    | *Group Presentations  
*Q&A | | |

* Group presentation order based first on team preferences, then random selection where necessary to finalize order.
School Policies

Copyright Policy

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Academic Integrity

Columbia University expects its students to act with honesty and propriety at all times and to respect the rights of others. It is fundamental University policy that academic dishonesty in any guise or personal conduct of any sort that disrupts the life of the University or denigrates or endangers members of the University community is unacceptable and will be dealt with severely. It is essential to the academic integrity and vitality of this community that individuals do their own work and properly acknowledge the circumstances, ideas, sources, and assistance upon which that work is based. Academic honesty in class assignments and exams is expected of all students at all times.

SPS holds each member of its community responsible for understanding and abiding by the SPS Academic Integrity and Community Standards posted at http://sps.columbia.edu/student-life-and-alumni-relations/academic-integrity-and-community-standards. You are required to read these standards within the first few days of class. Ignorance of the School's policy concerning academic dishonesty shall not be a defense in any disciplinary proceedings.

Accessibility

Columbia is committed to providing equal access to qualified students with documented disabilities. A student’s disability status and reasonable accommodations are individually determined based upon disability documentation and related information gathered through the intake process. For more information regarding this service, please visit the University's Health Services website: http://health.columbia.edu/services/ods/support.