

Cleveland Clinic Shows Leadership on Green Revolving Funds

Cleveland Clinic announced at the 2016 Better Buildings Summit that it had established an unprecedented \$7.5 million Green Revolving Fund to strengthen its commitment to energy efficiency. The fund stands out as one of the largest annual commitments in any U.S. business sector and as the largest for healthcare.

As a participant in the Sustainable Endowments Institute's Billion Dollar Green Challengeⁱ, Cleveland Clinic joins a collaborative network of institutions committed to the establishment of this innovative financing model. The challenge encourages colleges, universities, and other nonprofit institutions to invest in self-managed green revolving funds, with the goal of creating a combined total of \$1 billion in funding. As of 2017, 62 institutions have committed a total of \$131 million to energy efficiency upgradesⁱⁱ.

Path to Success

For Cleveland Clinic, making the business case for its Green Revolving Fund centered around the opportunity to support its mission of putting patients first. Utilizing this financing mechanism allows the organization to establish a permanent funding source for energy efficiency projects, redirect resources to patient care, and make its communities healthier. Cleveland Clinic continues to set an example for the industry in responsible healthcare operations.

The evolution of the fund began through a collaboration of multiple departments, including the Office for a Healthy Environment, Buildings & Properties, and Finance. To develop the fund, initial seed capital was sourced from the departments' operating budgets. Once established, energy saving projects with a high return on investment were prioritized to provide both an initial fast payback and rapid reinvestment; this strategy created the revolving cycle of monetary capital known as a green revolving fund.

In addition to other low- and no-cost efficiency opportunities, Cleveland Clinic has implemented the following capital expenditure projects to drive energy efficiency:

- ▶ Implementation of an industry-leading LED lighting retrofit strategy standardizing 100 percent LED for new construction and retrofits
- ▶ Optimization of and upgrades to building systems
- ▶ Utilization of ENERGY STAR[®] lighting, appliances, and equipment

These actions have led to Cleveland Clinic reducing energy intensity (energy use per square foot) by 15 percent since 2010 across its building portfolio, approaching the Better Buildings Challenge goal of 20 percent energy reduction by 2020.



Photo Credit: Cleveland Clinic

“As a leader in healthcare, we are continually looking for ways to improve the health of the communities we serve and reduce our operating costs in order to make care more affordable for our patients.”

—Jon Utech, Cleveland Clinic's Senior Director, Office for a Healthy Environment
May 10, 2016

To 20% Energy Savings by 2020

Cleveland Clinic plans to continue advancing in energy efficiency by utilizing its dedicated capital to deploy a standard retro-commissioning process across its building portfolio, conduct a lab hood retrofit, and upgrade its cryogenic freezer fleet.



THINGS TO REMEMBER

To initiate a green revolving fundⁱⁱⁱ successfully, it is important to consider the following:

Advantages:

- ▶ Preserves dedicated funding for energy performance improvements, alleviating tight budget pressure and avoiding competition with other departments for capital
- ▶ Incentivizes facility managers and other stakeholders to identify energy projects in their facilities as they apply for funding
- ▶ Replenishes its own funds, creating a long-term mechanism for improving energy performance while prioritizing projects with a high return on investment

Disadvantages:

- ▶ Leadership may be hesitant to “lock up” capital in a dedicated fund
- ▶ Repaying the fund from project savings means fewer savings are realized in the operating budget in the short term

ⁱ Billion Dollar Green Challenge. <http://greenbillion.org/>

ⁱⁱ Ibid.

ⁱⁱⁱ U.S. Department of Energy Better Buildings Initiative. “What is Internal Funding?”. <https://betterbuildingsolutioncenter.energy.gov/financing-navigator/option/internal-funding>