

case 1-429-106  
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## Equilibrium Capital Group: Investing in Energy Efficiency



On a late Friday afternoon in August 2009, Kipp Baratoff, principal at Equilibrium Capital Group, sat in his Portland, Oregon, office contemplating an important investment decision. A Ross School of Business alumnus with a background in both business and natural resources and an avid mountain climber, Kipp had joined Equilibrium in 2007 because he was passionate about the company's mission to build a leading asset-management business around the sustainability sector.

Kipp and another Equilibrium Capital partner, Bill Campbell, were about to make a recommendation to the other Equilibrium partners about the firm's energy efficiency investment strategy. The firm was looking to invest capital in companies whose business models attempted to break significant barriers in the energy efficiency market in order to foster large-scale investments in residential, commercial, and industrial energy efficiency projects.

After nearly a decade of experience in the spheres of financial services, science, and public policy, and a year of managing a developer-led energy efficiency (EE)<sup>i</sup> improvement service provider, Kipp was well aware of the barriers that plagued the energy efficiency market in the United States. At the same time, he understood the market's vast potential. He thought of the market potential as a tidal wave of profits frozen by the market barriers. Furthermore, Bill and Pen Goodale, Equilibrium's director of research, had conducted over six months of extensive study on energy efficiency financing mechanisms.

i See **Appendix 5** for a complete glossary of acronyms.

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©2011 Thomas P. Lyon. Research Associate John L. Parker developed this case under the supervision of Professor Thomas P. Lyon, Dow Professor of Sustainable Science, Technology, and Commerce; Professor of Business Economics; Professor of Natural Resources; and Director of the Erb Institute for Global Sustainable Enterprise at the Ross School of Business. They thank William "Bill" Campbell and Michael "Kipp" Baratoff, Principal Partners at Equilibrium Capital, for their support. Acknowledgments go to Vasilia Kilibarda, who contributed to the initial draft of this case.