



# ***Solicitation Information***

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**Defense Innovation Unit**

**[www.diu.mil/work-with-us/open-solicitations](http://www.diu.mil/work-with-us/open-solicitations)**

# OEA and DIU Finance First Energy Discussion

24 Mar 2023 1100-1200 ET



- **Mr. Kirk Phillips, Director, Air Force Office of Energy Assurance**
- **Andrew Higier, PhD, Acting Director Energy Portfolio, Defense Innovation Unit**



# Kirk A. Phillips

Director, Air Force Office of Energy Assurance



**U.S. AIR FORCE**



# ***Purpose and Agenda***

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## **PURPOSE**

- **Introduce the Finance First Program**
- **Prepare for Upcoming Area of Interest (Aol) Release**
- **Discuss Questions and Shared Benefits**

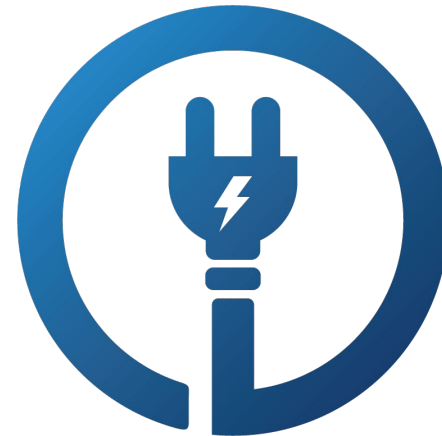
## **AGENDA**

- **Opening Remarks, Mr. Phillips, OEA Executive Director**
- **The Defense Innovation Unit (DIU) and its process, Dr. Andrew Higier, DIU Energy Portfolio, Acting Director**
- **Finance First 101, Mr. Phillips, OEA Executive Director**
- **Questions and Discussion**



# Andrew Higier, PhD

Acting Director, Energy Portfolio, Defense Innovation Unit



## DIU MISSION

**DIU is a fast-moving, cross-DoD organization focused exclusively on commercial companies to solve national security problems.**

### Elements of our Mission

**Accelerate** DoD adoption of commercial technology

**Transform** Military capacity and capabilities

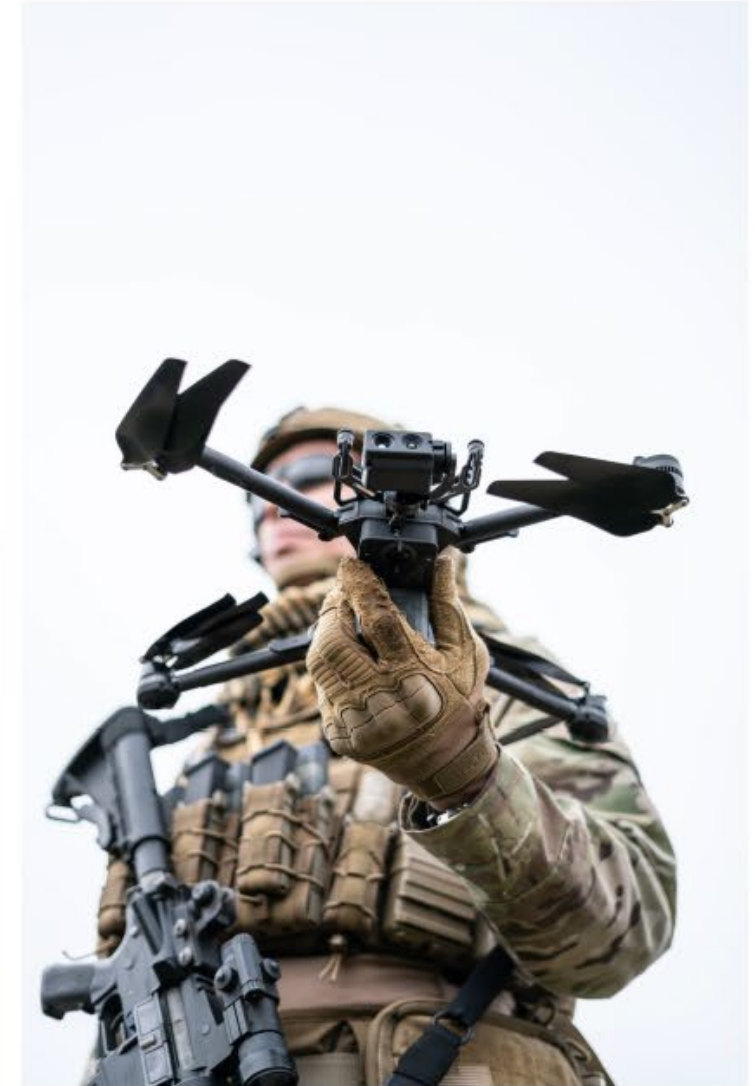
**Strengthen** the national security innovation base

### Key Differentiators

**Unique project lifecycle** from curation to transition

**Joint force** & mandate to scale value across DoD

Broad and deep **integration** into key tech ecosystems





# WE DELIVER THE BEST COMMERCIAL TECH TO DOD

*Most important DoD problems*



DIU facilitates projects between our DoD partners and commercial companies to **prototype**, **transition**, and **scale** advanced technology.

*Qualified DoD vendors*



**Department  
of Defense**



**Commercial  
Companies**

## DIU provides...

- Access to leading commercial technology
- Collaborative prototype process
- Delivery of capabilities in 12-24 months
- Solutions at commercial cost curves

## DIU provides...

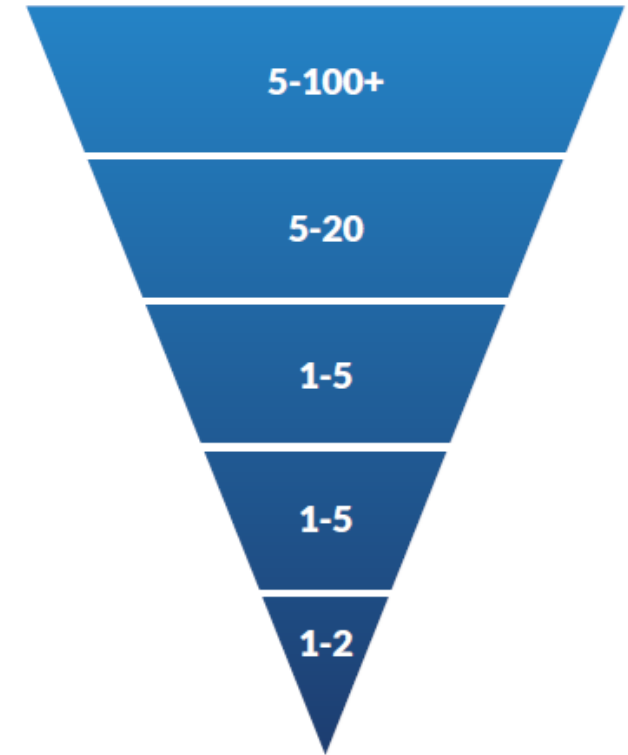
- Opportunity to solve high-impact national security problems
- Simple process and faster time to award
- Access to large volume defense contracts
- Liaison with DoD partner



# UNIQUE PROJECT LIFECYCLE - FAST & COMPETITIVE

<b>Problem Curation &amp; Diligence</b>	<ul style="list-style-type: none"><li>• Receive, understand, and evaluate DoD partner problem</li><li>• Confirm commercial market exists to address problem</li></ul>	
<b>Commercial Solutions Opening (CSO)</b>	<b>Phase 1</b> <ul style="list-style-type: none"><li>• Solicit digital proposals in response to a problem statement</li></ul>	~10 business days
	<b>Phase 2</b> <ul style="list-style-type: none"><li>• Evaluate proposals and invite a short list of bidders to pitch</li></ul>	60-90 days to contract award (goal)
	<b>Phase 3</b> <ul style="list-style-type: none"><li>• Select contract awardee/s and negotiate agreement</li></ul>	
<b>Prototyping</b>	<ul style="list-style-type: none"><li>• Execute prototype project</li></ul>	12-24 months
<b>Transition</b>	<ul style="list-style-type: none"><li>• Award non-competitive agreement to successful performers</li><li>• Deliver and scale solution to transition partner/s</li></ul>	

Approximate Number of Vendors Participating

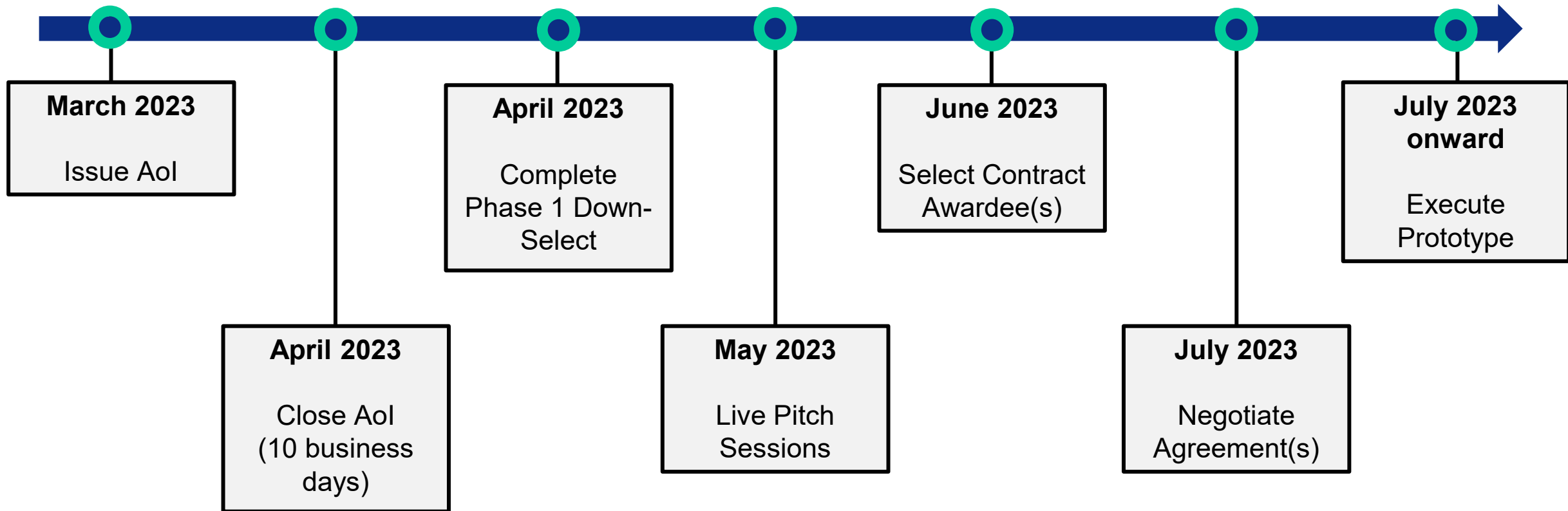






# *Timeline for Finance First Program*

## Key Decision Milestones to Award(s)





# *The Problem*

- **Resilience Gaps:** The Department of the Air Force (DAF) is facing a challenging landscape characterized by increasing demand for energy, gaps in installation resilience, new policy requirements, and threats from environmental change.
- **Enterprise-Wide Solutions Needed:** To respond, the DAF needs large, enterprise-wide solutions and traditional funding mechanisms will not meet the growing need.
- **Business-as-Usual is Insufficient:** Traditional financial and technological processes provide whole-installation solutions, resulting in project timelines that are unacceptably long with costs that are unacceptably high.





# ***Finance First Policy Drivers***

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## **Installation Energy Resilience Gaps**

- **DAF identified thousands of energy resilience gaps** across the enterprise and its installations
- **Infrastructure investment needs far exceed available appropriated dollars**

## **Federal Law and Policy**

- **99.9% energy resilience** for critical missions by 2030 (FY21 NDAA, Sec. 316)
- **50% carbon pollution free electricity** by 2030 (E.O. 14057, Sec. 203)
- **7-days of islanding** capability for critical missions (DAF Policy Directive 90-17)

## **Federal Tax Incentives**

- **Historic energy tax incentives allow for enterprise-wide solutions**



# ***Empowering you to provide solutions***

The DAF understands the problems and will empower industry to solve them. The DoD has invested in defining and understanding our resilience challenges. Finance First provides industry access to this information so the solutions can be financed, developed, and implemented.

**Many tools and data sets are available to understand the problem including:**

- Enterprise-wide installation resilience gaps
- Installation Energy Plans with standardized resilience scores
- Mission up-time requirements





# Finance First Process

**Area of Interest (Aol)**

**Prototype**

**Production**

**Expedited Solicitation**

**Collaborate and Discover**

*DAF to share resilience needs and location specific info. with solution provider*

**Finance Review**

*Notional contract and financing terms*

**Design and Construct**



# ***Prototype Definition: Sec. 843, FY23 NDAA***

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- The term “prototype project” under 10 U.S.C. § 4022 includes a project that addresses—
  - A proof of concept, model, or process, including a **business process**
  - Reverse engineering to address obsolescence
  - A pilot or novel application of commercial technology for defense purposes
  - Agile development activity
  - Creation, design, development or demonstration of operational utility,
  - A combination of the above



# ***Finance First Benefits for DAF Partners***

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- **Large-scale Infrastructure Investment Opportunities:** DAF is one of the world's largest energy consumers and we have identified thousands of energy resilience gaps.
  - **Federal Gov't has the Best Credit Rating:** AAA credit rating with a stable outlook.
  - **Stable Long-term Investment:** We pay our energy bills on time.
  - **Capture Federal Tax Incentives:** Third-party owned energy assets located at DoD installations are eligible for federal tax incentives that DoD itself cannot capture directly.
  - **Technology Risk Appetite:** DoD installations are technology test beds and DoD is often an early adopter of cutting-edge technologies.
  - **Move at Commercial Speed:** Prototyping allows us to move at commercial speed, unlike typical federal procurement processes.
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# ***Finance First Benefits for the DAF***

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- **Lower cost of capital** through large investments deployed across a portfolio of projects
- **Increased speed** to delivery by taking advantage of the reality that the financial community has the most current understanding of the strongest players for any kind of project development
- **Greater upfront confidence** that a proposed project can be developed and financed
- **Replicable process** that can be scaled across DAF, and the DoD, both in the USA and internationally



# ***Contact Us With Questions***

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## **United States Air Force Office of Energy Assurance**

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Website:

<http://www.safie.hq.af.mil/programs/energy/oea>



## **Defense Innovation Unit**

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