

# Funding Small Infrastructure Projects

## A Financiers Perspective

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# A Bit About Us...

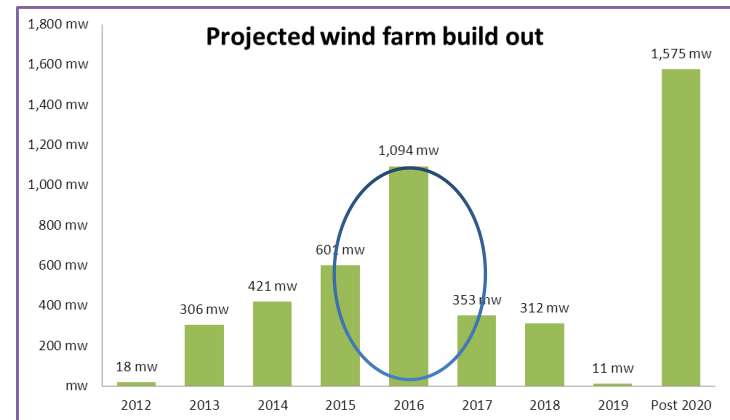
- Sector Specialist Team - Energy & Clean Technologies
- Up and running for 2 years
- Sectors Covered- Energy Efficiency, Renewable Energy Projects, Cleantech
- Recent Activity (Predominantly RE Projects)
  - Wind: 6 Projects Built this Year
  - Biomass: 2 Projects this year
  - Solar: 1 Project (Our own)
- An appetite to fund €1bn in renewable energy projects over next 3 years
- Typical Deal Sizes: 500kw - 4MW (€1-10mln)

# Why Smaller Projects...

## Gate 3 / Gate 2- Our initial desk Study (October 13)

	Number of Projects	Typical Project Size	Total Mw's in Pipeline
Utilities	51	25 -200	1850
Tier 1 Developers	48	6- 146	908
Independent Developers	93	1-14	1318

- Tier 1s: Cemented relationships with foreign Banks
- Utilities: On Balance Sheet / International Capital Markets
- Independent Developers: Typically smaller projects- Underserved by the Financing Market



# What Our Typical Customers Look Like...

- Equity light - A lot of sweat equity but very little in the way of cash
  - Equity: 1% (director loans)
  - EIS: 14%
  - Senior Debt: 85%
- Not serial developers 1 or 2 projects - Have an emotional attachment to the project – Slow movers
- Convoluted EIS tax structures- Financial Close dependant on raising EIS
- Worried about high costs of technical and legal fees.

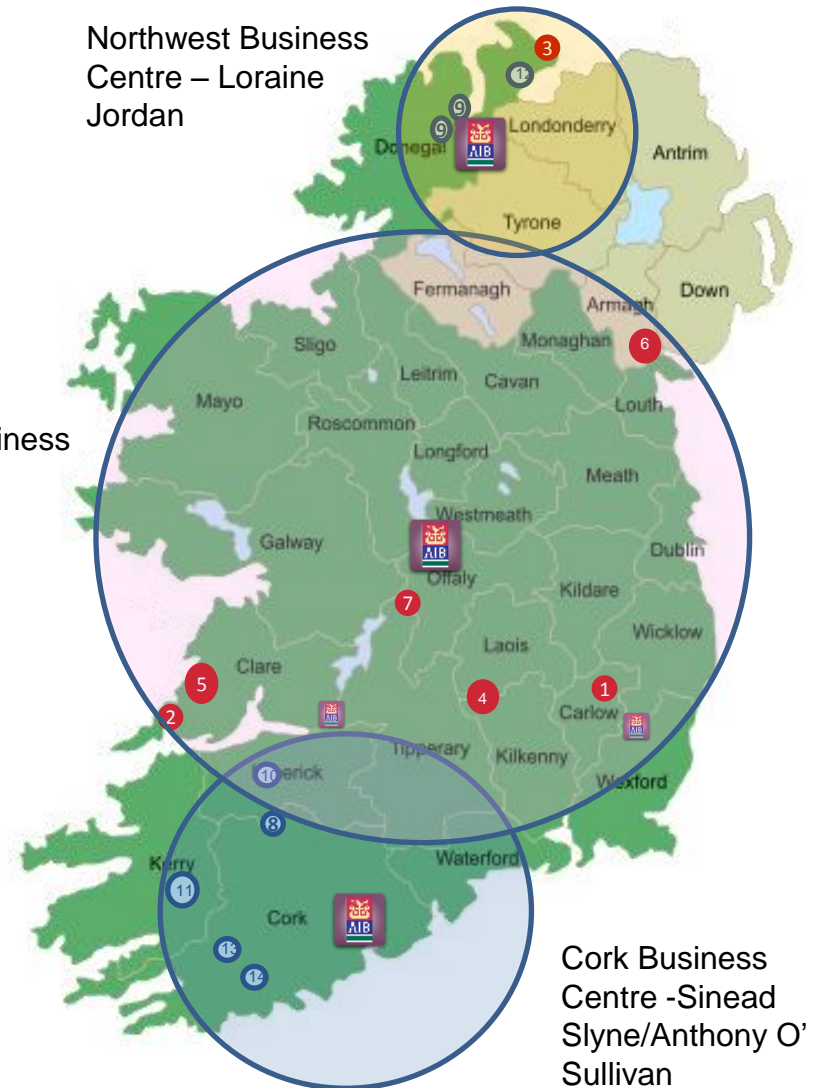


# What We Bring...

- Network Capacity & In-house expertise: Trained RMs, In-house legal team, Sector Specialist Team
- Practical Approach to Project Fees: Capped Fixed Price Contracts (Legal and Technical)
- Transaction Experience: E.g. how to manage complex projects. E.g. EIS issues
- Partnership Approach. Standard Build Contracts e.g. Enercon Framework Agreement

<https://www.youtube.com/watch?v=JWvbyISONEU>

Midlands Business Centre – Harney /John Cogavin



Northwest Business Centre – Loraine Jordan

Cork Business Centre -Sinead Slyne/Anthony O' Sullivan

# Case Study

How we look at projects..

**Project:** Project Red

**Project Description:** 4.6MW Wind Farm (Mid West)

**Facility :** €5.7m

**Summary of Fundamentals:** V Strong

**Drawdown:** 2015



## Fundamentals

Grid



Planning



Wind Resource



BES



Capex



Covenant Coverage





# Typically An Empty Site...



Foundations T1



Foundations T2



Road Leading to site



Foundations T1



# Contracts and Permits...

Agreement	Counterparty	Status
Grid Connection Agreement	ESB Networks	In place and completed
Planning Permission	Mid West CoCo	Subject to Section 5
Land Lease	Joe Bloggs	In place
Power Purchase Agreement	Vayu	In place Phase I in negotiation Phase II
Site Works Agreement	Enercon	In place
EPK (O&M) Agreement	Enercon	In place Phase I In negotiation Phase II
Certificate of Title	N/A	To be prepared
REFIT 2 Letter of Offer	DCENR	In place Phase II
Facility Agreement Mortgage Debenture Share Mortgage Subordinated Deed	AIB	To be prepared

## Covenants: Met

DSCR	> 1.10
LLR	> 1.15

SOURCES in €'000s		USES in €'000s	
Bank Finance (75%)	5,720	Turbines	4,400
Ell Funding	1,484	Grid Connection	1060
Developer Equity	275	Site Acquisition	959
		Transaction Costs	586
		Construction Finance Interest	49
		Letter of Credit	35
		Civil Engineering	200
		Contingency	190
<b>TOTAL</b>	<b>7,479</b>	<b>TOTAL</b>	<b>7,479</b>

## Resource: Strong

Location	Mid West
Wind Output	13.80 GWs p.a. (Stressed P90)
Load Factor (P90)	32%
Electricity Production Cost	

## Advisors/ Promoters: Credible

Promoters	Experienced - 2 previous projects
Technical Advisor	Garrad Hassan
Legal Advisor	Local Firm, Limerick
Financial Advisor	None



# Risk & Risk Mitigation...

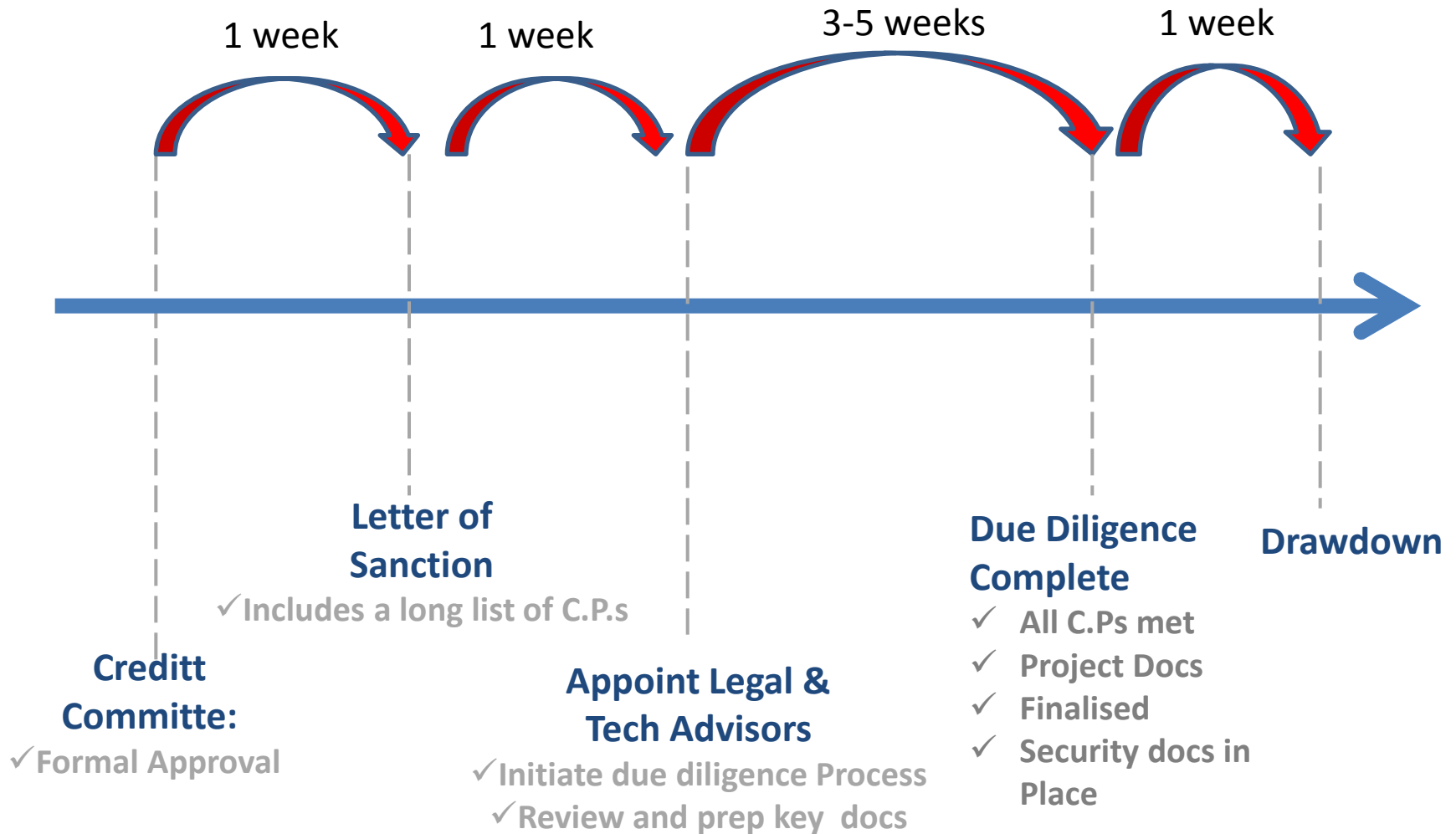
CATEGORY	DETAILS	MITIGANT
Turbine Supply Agreement	What if the project suffers delays, overruns or technology failures?	<ul style="list-style-type: none"> <li>• Tier 1 manufacturer/developer of wind turbines with an excellent reputation</li> <li>• Contract is fixed price.</li> <li>• Model allows for circa 5% contingency</li> </ul>
Grid Connection	What happens if the grid connection is delayed?	<ul style="list-style-type: none"> <li>• The promoter has paid first and second stage payments to ESB.</li> <li>• ESB have provided a full schedule of the remaining works, noting all design works have been completed and construction works are on the way. Key costs crystallised</li> <li>• AIB loan allows for 12 months construction period (interest only)</li> </ul>
Civils Contract	Could go over-budget or delay.	<ul style="list-style-type: none"> <li>• An experienced contractor with a suitable PI is responsible for the project civils.</li> <li>• Project Foundations will be built by Tier 1 contractor</li> <li>• Project will be covered under the construction insurance “CAR”.</li> </ul>
Electrical Contract	Could go over-budget or delay.	<ul style="list-style-type: none"> <li>• An experienced contractor with a suitable PI is responsible for the project electrical contract or included in the TSA</li> </ul>
Planning	Planning will not be granted or appealed to An Bord Planala causing delay	<ul style="list-style-type: none"> <li>• Full Planning will remain a C.P. to drawdown.</li> </ul>
Wind Resource	What if the Wind Report estimates is wrong.	<ul style="list-style-type: none"> <li>• A tier 1 Engineering Consulting firm with a large PI</li> <li>• Bank case is P90 i.e. 90% probability conservative estimate</li> <li>• DSRA account will accrue 6 months of C+I, mitigating a bad wind year.</li> </ul>
EIIS Investors	Company can't repay EII investors on time EIIS Investors have step in rights	<ul style="list-style-type: none"> <li>• Investors will be obliged to entered a full rights subordination agreement as a C.P. to drawdown</li> </ul>

# Securing a Term Sheet

Our Typical terms:

Term:	Construction plus 15 yrs –Non Recourse, allows for sculpting
Financial Model	Bank case - always P90 – (Stress tests - CoCo Rates, FX Risk, delays)
Debt Sizing	85% Max. Driven by DSCR of 1.2
BES	Subordinated rights - repayment facilitated but not guaranteed
Security	Mortgage Debenture, Restricted Guarantee, Direct Agreements
DSRA	6 month of Principal and Interest (prefunded or within 24 months)

# Credit Approval and Drawdown



# The Result



- Turbines delivered to site within 4 weeks of M2 payment
- Both Turbines erected in 2 weeks.
- Legal & Technical Fees – Under €40k
- Project completed on budget and on time
- DSRA Pre-funded – Will allow earlier exit for BES investors

# Working With Engineers

Banks Engineer - What's important to us:

- Scope: Completes the Technical Due Diligence on the Project. Identifies key risks in project construction and offers mitigation.
  - Site visits during construction
  - Reviews wind report/ key BOP contracts
  - Signs off on budget drawdowns
  - Signs off Declaration of identity
- Professional Indemnity Cover - Has to be Commensurate with project size (at least €1mln)
- In some the instances can work for both the Developer and the Bank
- We don't have a panel but we're always on the look out for good advisors. Give us a call.

# Looking Forward and Leading The Way

White Paper: Expectation that government will introduce support schemes for alternative forms of renewable energy e.g. RHI, (Renewable Heat Incentive), Solar PV.

## **Project Description:** 225kW Solar Photovoltaic (PV) Plant at AIB Bankcentre

- Total 903 panels proposed for flat roof areas over Bankcentre
- In addition to the above panels there will be a solar Carport provide by Solar Cube



# Thank You!

## Any Questions?

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