

# 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)

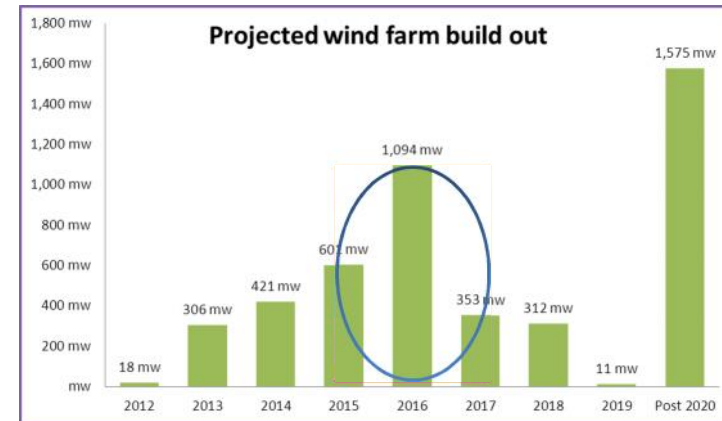


# Why Smaller Projects...

## 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...

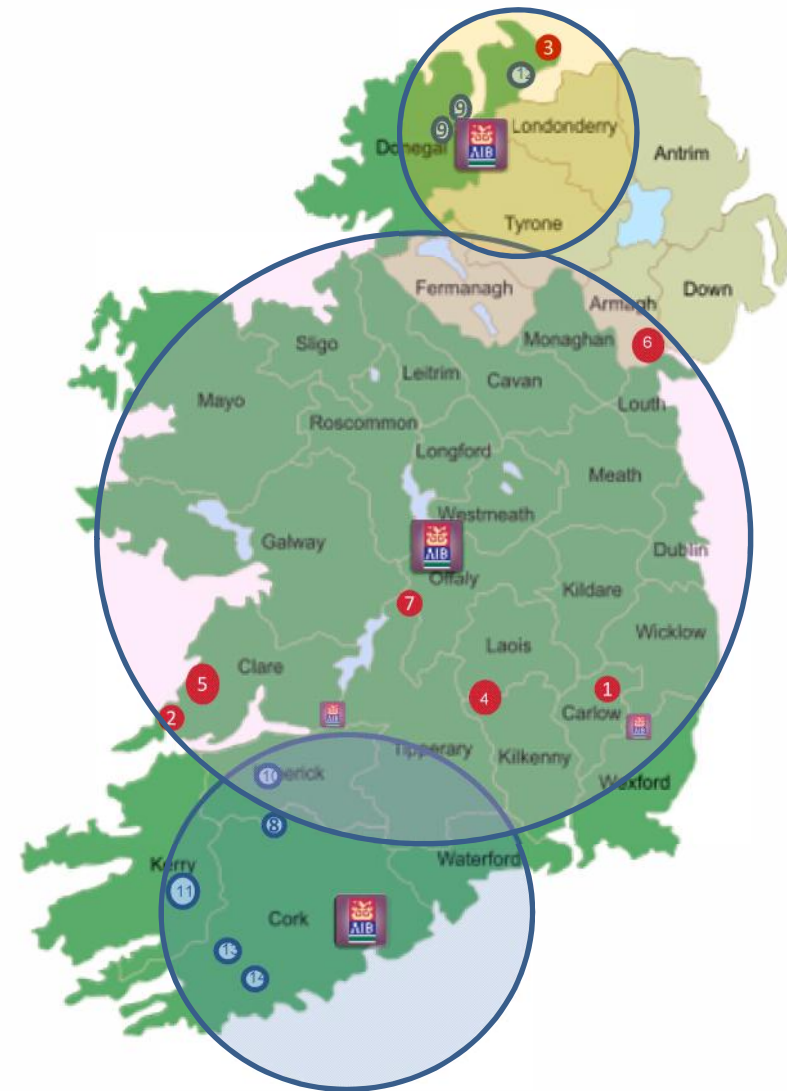
- Equity light - A lot of sweat equity but very little in the way of cash
  - Equity: 1% (director loans)
  - EIS: 14%
  - Senior Debt: 85%
- Not serial developers 1 or 2 projects - Have an emotional attachment to the project – Slow movers
- Convoluted EIS tax structures- Financial Close dependant on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



# 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



# 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>

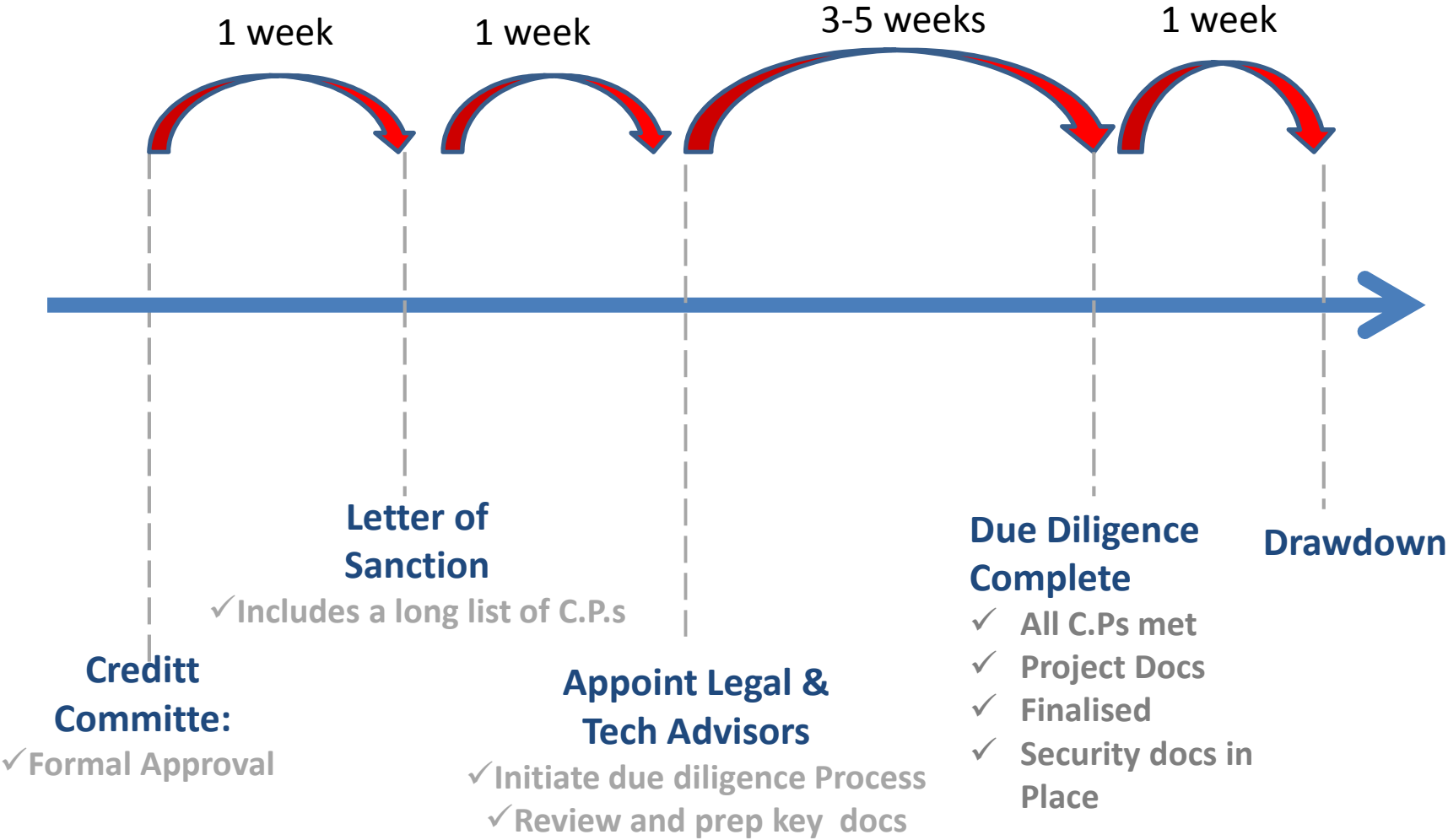


# Securing a Term Sheet

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, Restircted Guarantee, Direct Agreements
DSRA	6 month of Principal and Interest (prefunded or within 24 months)

# Credit Approval and Drawdown



# 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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