

AD Europe 2014

Financing the Industry

Presented By Jack O'Keeffe

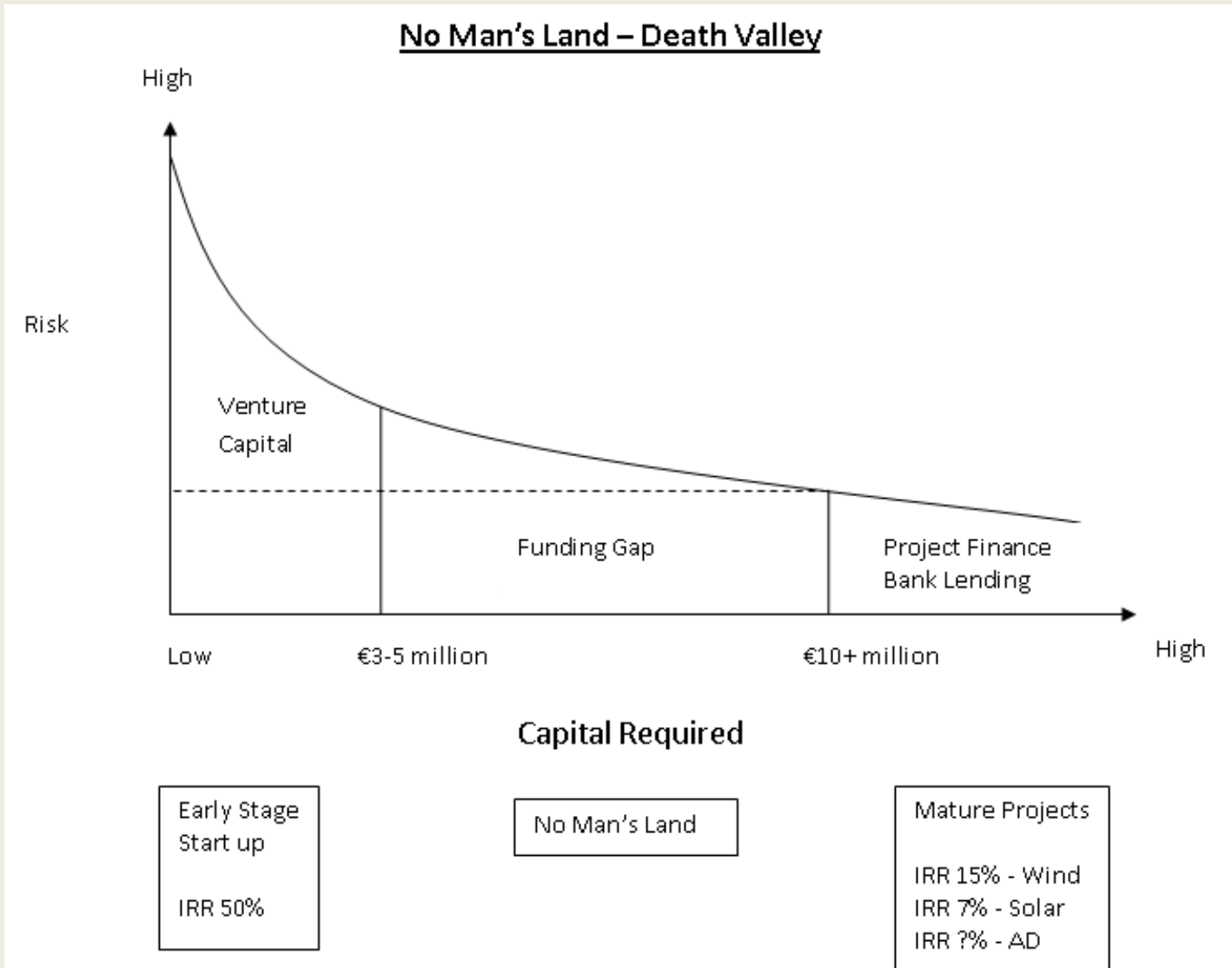
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AD Financing the Industry

Market Overview

- Specialised lending
- Illiquid and Undeveloped
- Uncertainty re support mechanisms
- Irish economic reputation
- Equity/Funding -transparent and mobile

AD Project Financing



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**New small AD projects
small plant) (<1MW)**

Risk profile-Equity

- Risk profile better suited to equity unless a proven operator.
- Generally no other security except the project itself.

**Proven, quality
large scale AD plants**

Risk profile-Debt

- Robust feedstock contracting agreement-local authority would be very good.
- Sustainable arrangement for disposal of digestate.
- PPA or other off take arrangement
- Steady operational performance - proven specific metrics(ave. load factor)

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Overview-Varies based on markets maturity

- FIT, Green Certificates, Grants, tax incentives
- Equity Funding
- Bank funding
- Promoters “equity contribution”
- Government supports.
- Vendor financing .
- ESCOS

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Croatia-support example

International

- EU/EBRD/KFW-Direct Energy Financing
- Support programs e.g. ELENA

Public

- Subsidised loans and HBOR(Croatian Development Fund)
- PPA's

Private

International Biogas companies.

Banks.

Project developers.

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Latvia-support example

International

- EU Structural & Regional Development Fund
- Agri Fund for Rural Development-AFRD
- Support programs LIFE+ and CIP(competition & innovation)
- EEA grants
- Public
- FIT
- Tax exemption-e.g. excise duty

Private

- Banks-traditional loans

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Slovenia-support example

International

- EU AFRD-Terms EUAFRD €11.25m, Local participant €3.75m
 - Micro enterprises <10 employees, <€2m turnover

Public

Soft loans-15 years @euribor +1.5-3.5%

Environmental Fund for Redevelopment of Slovenia

FIT and PPA's

Subsidies-additional payment support

Private

- Project finance-cashflow and project based
- Traditional bank finance for agri projects

UK Green Investment Bank

Mission

- Accelerate UK's transition to a green economy
- Create an enduring and independent institution
- £3.5b allocated by Govt for investing by Apr 2016
- Stimulate co-investment with/by capital providers
- Will structure product across the capital structure
- Will structure product across the capital structure
- No grants, "soft capital", regional assistance
- 80% of GIB capital to be invested in priority areas
 - Waste Recycling, and Energy from Waste
- First transaction in NI £20m in CHP project in 2013
- Invested on commercial terms

UK Green Investment Bank

How AD market needs are evolving

“Then”

**Simple vs.
Multiple**

We are looking for debt
for our first AD project

**Design vs.
Operations**

Proven technologies:
6000 AD plants in Germany

Feedstocks

Gate feed for the waste &
Govt. subsidy for the power

**Experience
Curve**

I've been working this little
5 years

**Capital
Structure**

I need debt to make
adequate returns

“Now”

Our first project is working well- we
are looking for debt for the third

Key risk not technology, it's the
Operations

Getting the right Feedstock
is critical

I've been operating plants
for 3 years

I would like debt to provide a more
efficient capital structure

UK Green Investment Bank

How AD market needs are evolving

- An active debt market will help sector mature and grow
- Benefits of *non recourse* debt for AD sector
- GIB believes AD sector robust and suitable for project debt
- Provides more substantial funding source
- Allows sponsors to distribute limited capital to a broader group of projects
- Shared Interest concept-Borrower and sponsor equally incentivised to make project a success.

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Recommended strategy

- Collective Industry approach
- Project Finance with strategy for non recourse
- Specialist sponsor-EIB,KFW other
- Match funding from Bank/s
- Promoters Equity
- Industry body support CRE

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