

Successful large-scale project financing: How to secure the required investment for further growth?

Financing Standards for Renewable Energy Projects in UniCredit Leasing

**Josef Robert Straninger, Competence Center Renewable Energies
UniCredit Leasing SpA**

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Life is full of ups and downs.
We're there for both.



UniCredit Leasing – Renewable Energy Factsheet

- Leading European Leasing Network
 - Local presence in 19 European countries
 - Experience in RES leases for many years
 - Central Coordination by
RES Competence Center (Vienna + Milan)
 - Over 1500 closed RES transactions
-
- RES Project Volumes in Leasing (TIC):
 - 2008: 90 MEUR
 - 2009: 150 MEUR
 - 2010: 950 MEUR (843 M€ FV)
 - 2011: 1.724 MEUR (1.444 M€ FV)
 - 2012: 725 MEUR (577 M€ FV)



Technologies: Resource Independent & Resource Dependent (Non / Limited Recourse)

- Wind
- Photovoltaic
- Hydro Power
- Geothermal*
- Biomass & Biogas*

* Subject to Mitigation of Industry Specific Risks



Windpark Casimcea, Tulcea, Romania



PV Plant in Apuglia, Italy

Agenda

Cash Flow vs. Corporate Financing

- Main characteristics
- Principle of Non-Recourse transactions

Financing Steps

- Key steps for lease financing
- Project teaser – typical contents

Structuring Parameters

- Project parameters
- Technical Due Diligences
- Incentives

Cash Flow Based Project Financing versus Corporate Financing

■ Project Finance / Cash Flow Based Lending / Non-Recourse

- ✓ Financing exclusively based on the project
- ✓ Debtor is a ring-fenced SPV
- ✓ No guarantor
- ✓ Financing duration defined by tariff
- ✓ Technical risks must be mitigated

■ Corporate Based Lending / Full Recourse

- ✓ Debtor is a business with other assets
- ✓ Financing volume and duration depending on the credit standing
- ✓ Plant integrated into investor business or SPV + guarantee
- ✓ For industry majors and utilities or small projects (<2 MEUR)
- ✓ Technical risk may be assumed by the Lessee (credit standing?)

Qualification of RES Projects

Principles of Non-Recourse Transactions

■ Financing is granted on a secure future cash flow

- ✓ No currency risk
- ✓ No interest change risk
- ✓ No or very limited price risk
- ✓ No open legal issues
- ✓ Mitigation of technical risks
- ✓ No reputational risks
- ✓ Reliable Energetic Survey
- ✓ Long term PPA

Qualification of RES Projects

Principles of Non-Recourse Transactions

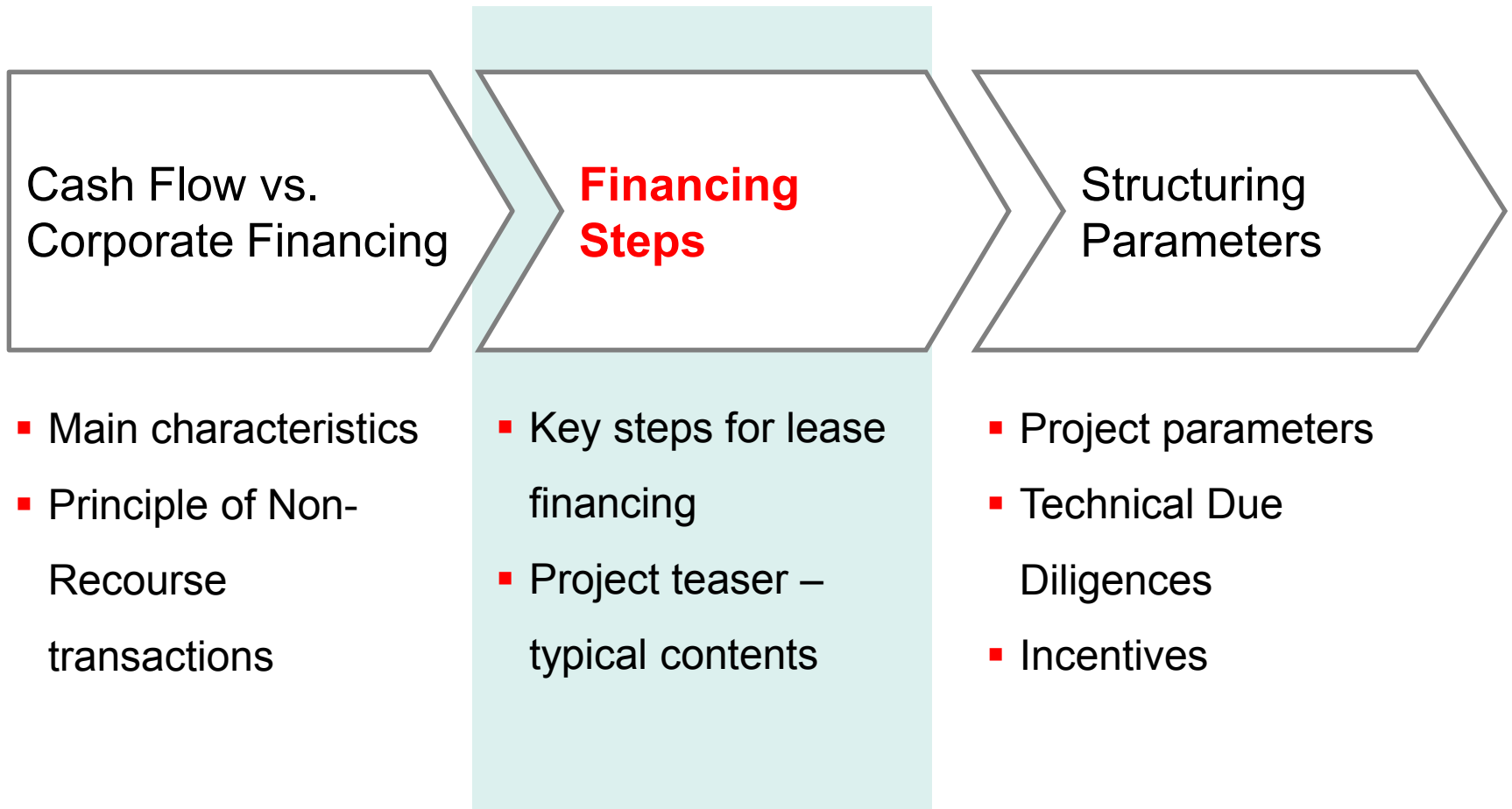
■ Typical Risk Considerations

- ✓ Stress-test output
- ✓ Reliability and Durability
- ✓ Track Record and References
- ✓ Cost of Component Exchanges (Stress Test)
- ✓ Guarantees by Component Suppliers
- ✓ Guarantees by EPC / O&M Contractors

■ Typical Project Killers

- ✓ Incomplete project information, unfinished project development
- ✓ Negative track record of developer, investor or technical partners
- ✓ Open legal issues, lack of legal documentation
- ✓ Wrong permitting (shortcuts of any kind)

Agenda



Lease Financing

Key Steps in Arranging the Financing with UniCredit Leasing

- 1. Financing Inquiry** – Checklist or project teaser submitted by Investor to UCL
- 2. Initial Review** (local UCL & CC RES)
- 3. Term-sheet:** non-binding financing indication (local UCL & CC RES)
- 4. Acceptance:** signing of term-sheet & small commitment fee payment
- 5. Due Diligence:** Technical (defined by CC RES) & Legal (local entity)
- 6. Statement of CC RES** on cash flow, DSCR & technical reliability
- 7. Risk Application** of local UCL Entity (all needed docs submitted)
- 8. Local risk committee** decision
- 9. Vienna or Milan risk committees** depending on size
- 10. Fulfillment of conditions** & drafting of contract
- 11. Signing of Leasing Contract & EPC Contracts**
- 12. Fulfillment of conditions** for disbursement
- 13. Payments** according to EPC Contract, Start of Operations

Project Teaser

Typical Contents Expected

■ Stakeholders

- ✓ Land Plots
- ✓ Land Owners
- ✓ Developer (Bank Client?)
- ✓ Investor (Bank Client?)
- ✓ Grid Operator

■ Project Financials

- ✓ Energetic Survey
- ✓ Cash Flow Calculation
- ✓ O&M Costs
- ✓ Taxes & Contingencies
- ✓ Stress Scenarios

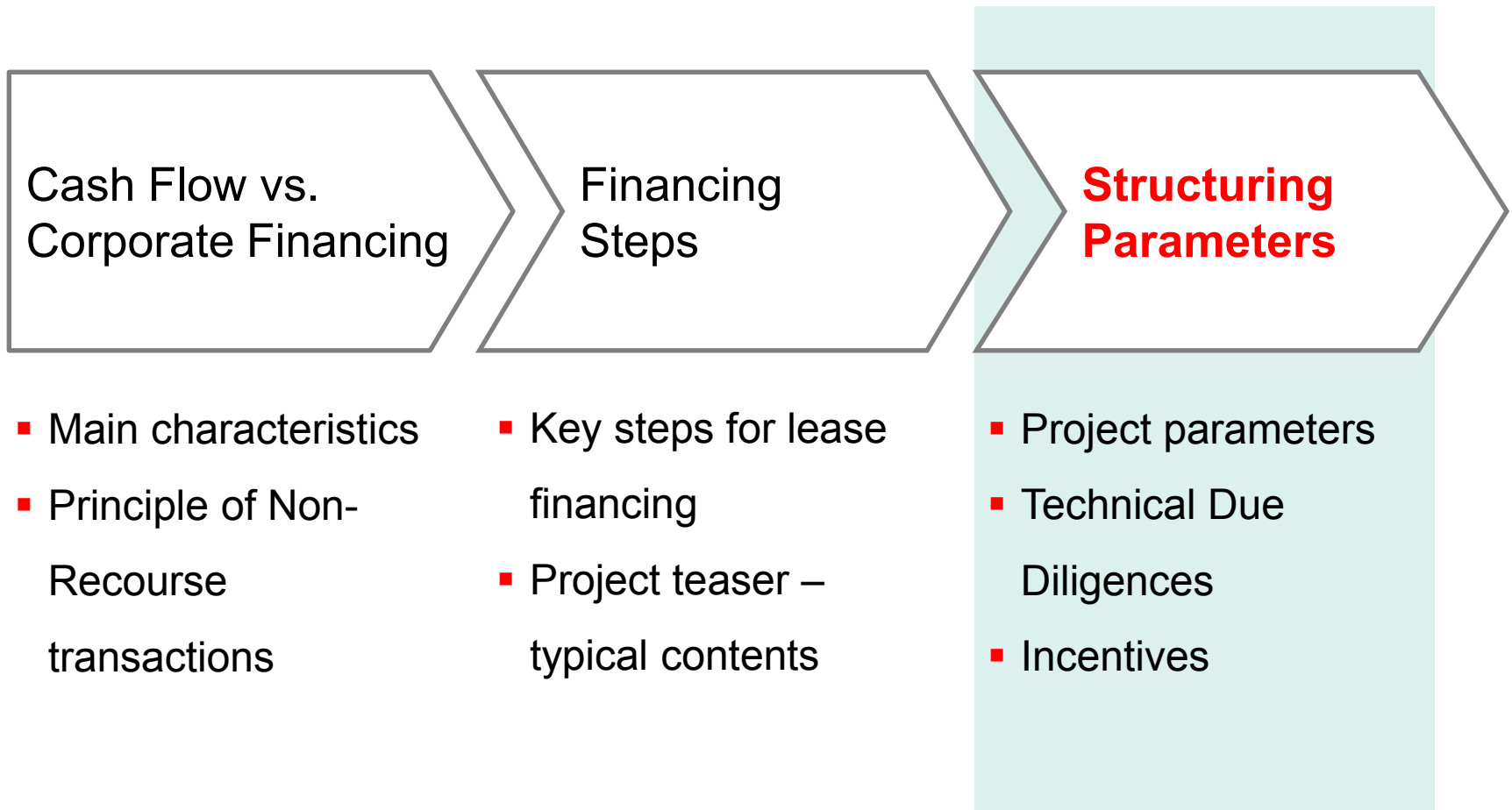
■ Technology Overview

- ✓ Suppliers
- ✓ Main Components
- ✓ EPC Contractors
- ✓ Track record & references
- ✓ (EPC Contract Status)
- ✓ (O&M Contract Status)

■ Project Status & Timeline

- ✓ Access to all needed land
- ✓ SPV: ownership, history
- ✓ Proof of Equity
- ✓ Construction Permit
- ✓ Grid Study & Connection
- ✓ Timeline

Agenda



Structuring Parameters

General Standards

- Project Cash Flow as main parameter
- Standard down-payment of 20% residual value max. 20%
- Maturity 10 – 18 Years

- **Collaterals**
 - ✓ Full, limited, and non-recourse structures
 - ✓ Ring-fenced SPV & Share Pledge
 - ✓ UCL owns main production assets
 - ✓ Pledge of all relevant rights for operation
(share pledge, account pledge, assignment of feed-in tariff)

- **Commercial Limit on Financing Duration**
 - ✓ Duration of guaranteed cash-flow as reference
 - ✓ Usual time reserve of 15%

Structuring Parameters

General Standards

- **Construction Financing**
 - ✓ Strong EPC Contractor or Sponsor must cover risks
- **Insurance**
 - ✓ UCL Insurance Competence Center arranges insurance
- **Debt Reserve Account**
 - ✓ 6 months; UniCredit Bank account
- **Maintenance Reserve Account**
 - ✓ Mandatory, if no full-service agreement exists
- **Minimum Debt Service Cover Ratio (DSCR)**
 - ✓ 1,20x for PV
 - ✓ 1,20x for Wind (P75)
 - ✓ 1,30x for Hydro
 - ✓ 1.30x for Biogas and Biomass plants
 - ✓ 1,40x for Geothermal plants

Structuring Parameters

General Standards - Due Diligence

■ Technical Due Diligence

- ✓ External
 - Technical Due Diligence: supplier, during construction, after connection
- ✓ Internal
 - Quarterly monitoring: technical and commercial
 - Review of EPC / O&M Contracts and Contractors

■ Legal Due Diligence

- ✓ External Legal Due Diligence resulting in Legal Opinion according to standards agreed with UCL
- ✓ No Legal Uncertainties: clean legal due diligence is a must
 - 1 SPV (Single Purpose Vehicle / Company) per transaction
 - Permitting
 - Land rights
 - Grid access
 - Ring-fencing: all needed rights must belong to the SPV

■ Environmental Due Diligence

Incentive System

■ Critical success factors

- ✓ Sustainable and reliable incentive system
- ✓ No retroactive changes
- ✓ Actions and changes affecting only future tariffs
- ✓ Transparency
- ✓ Safe and stable political environment

In Renewable Energy project financing a reliable and transparent incentive system is essential.

Unexpected and retroactive actions affect the long term interest of the investors and financing institutions.

UniCredit Leasing Information

Contacts Competence Center Renewable Energies

Vienna

Operngasse 21, A-1040 Wien

- **Mr. Martin Mayr (Global Head)**
Mob: +43 664 830 8705
martin.mayr@unicreditleasing.at
- **Mr. Josef Robert Straninger**
Mob: +43 664 810 4163
robert.straninger@unicreditleasing.at

+ 4 Country Coordinators

Local Specialists

- 1 or 2 defined Energy Product Specialists in each country of CEE perimeter
- 4 Specialists in Italy

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