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**BUILDING PARTNERSHIPS FOR
ENERGY SECURITY**

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INOGATE Study Tour/Workshop

Energy Efficiency & Renewable Energy Sources



Special Session

“Train the trainers” (TTT)

Converse Bank
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Common mistakes, which should be avoided:

- Non proven technology
- Sponsors have no experience with the selected technology (e.g. biomass with problematic input mix, new HEPP turbine with low efficiency in changing water conditions)
- Financing of non ready to build projects through debt financing (e.g. geothermal project in Germany, trial drills financed with debt financing)





- Continuous biomass price increase in non integrated projects (very often!)
 - > fully integrated: supply of biomass by own company
- Periods of feedstock agreement shorter than period of loan agreement
- Political problems: new taxes with retroactive effect, not considered in the financial model
 - > letter of support by the government?





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- Local sponsors not checked carefully: cost of land, land rights, project development far too high compared to other countries (international standards)
- > full payment of project developer after 1-2 years of full completion with escalation clause in case of better performance of the plant compared to business plan

- In case of dumping prices for equipment (e.g. Chinese PV-panels):
 - > danger that the low price is used by the sponsors to compensate their equity obligation
 - > offer only debt financing in an amount/MW, which you fix according to actual prices of the equipment
- Too large land (compared to the project's needs) offered by sponsors as equity contribution -> non adequate risk participation



- After DD no „black or white decision“

-> no: means the bank loses the project

-> yes, but(e.g flexible repayment installments during the first 4 years, equity to be increased to min. ..%, etc.) → last example in the final quiz

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