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# **"INOGATE Technical Secretariat & Integrated Programme in support of the Baku Initiative and the Eastern Partnership energy objectives" Project**

**BUILDING PARTNERSHIPS FOR  
ENERGY SECURITY**

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# INOGATE Workshop

## Energy Efficiency & Renewable Energy Sources



## **Making EE/RES financing attractive to banks: Sources, tools, methods, forms**

**25 February – 01 March 2014 | Yerevan, ARMENIA**

Presenter: Werner WEIHS-RAABL – Head of Group Infrastructure Finance, Erste

Source: Michael Plechaty - Senior Vice President, VA Tech Finance

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# What lenders do worry about— possible reasons for projects collapsing

- Cost/ time overruns
- Technical problems
- Financial problems of the general contractor
- Non insured damages
- Absence of / or very expensive feed stock
- No proven technology
- Non professional management
- Expropriation
- Market interest in / or overvaluation of the securities to be assigned
- Political or financial problems in the client's country
- Etc.



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# Bankability



➔ The project has to be bankable („bankable project“):

The lender is convinced that:

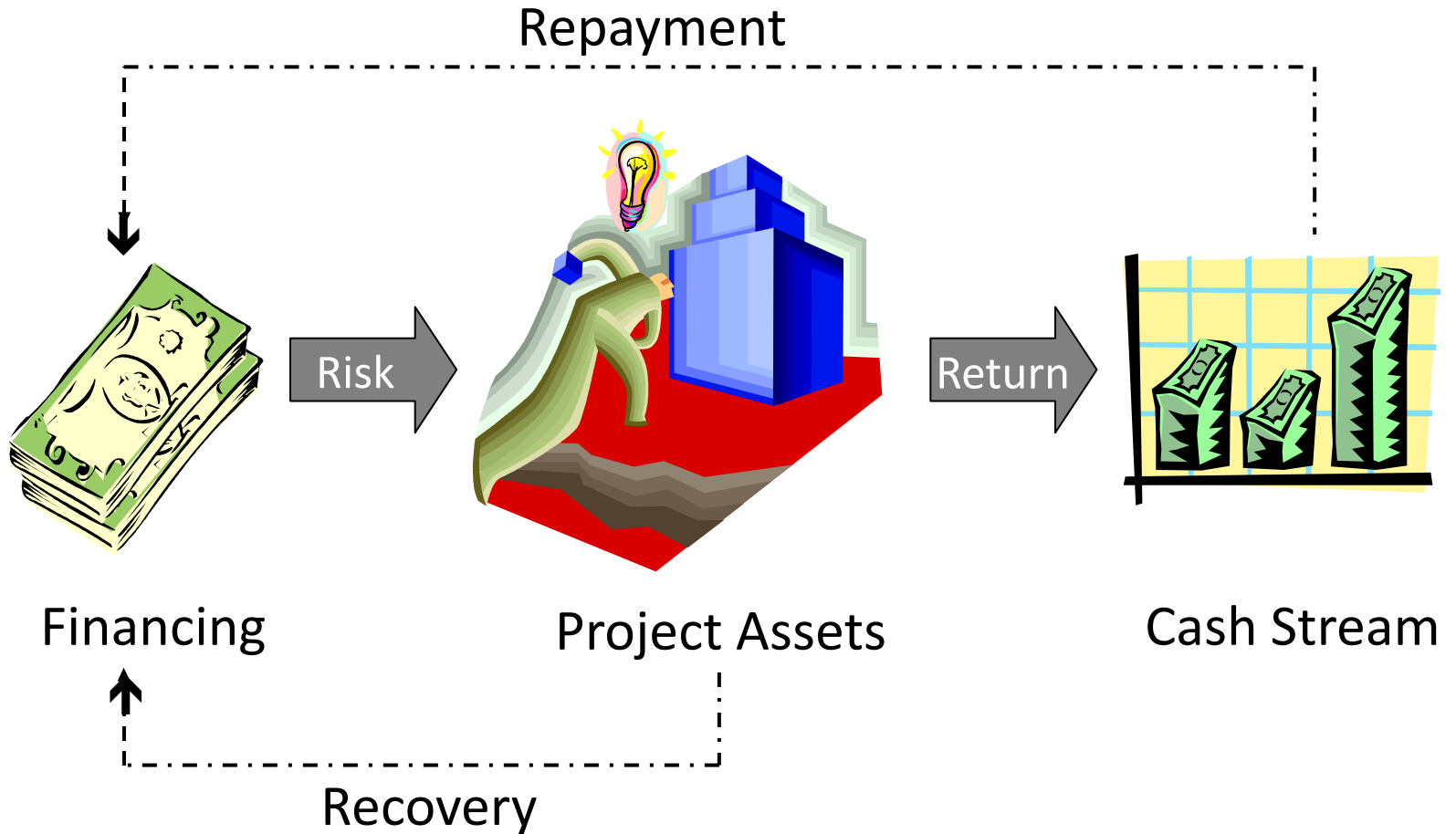
- the borrower will benefit from the project and will be in the position to repay the loan plus interest
- the contractual risk allocation ensures the completion and operation of the project to a maximum possible extent even in case of difficulties (each risk is borne by the party who can handle it best)



# Credit risk - What is bankable?



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# Typical Project Risks and Risk Mitigation for a Power Plant



## Construction Phase

Typical Risks include:

- delay
- cost overrun
- geology
- technology
- suppliers
- functionality & interface of Project lots
- “Political Risk Events” (e.g. prevention or delays of permits, licenses, etc.; restriction of grid access)

## Operation Phase

Typical Risks include:

- plant performance
- unavailability due to shortcomings in O&M
- (market) prices of electricity
- creditworthiness of off-takers
- Political Risk Events (e.g. restriction of grid access or of power exports)
- grid losses
- grid capacity