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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 Study Tour/Workshop

Energy Efficiency & Renewable Energy Sources




# Special Session

# “Train the trainers” (TTT)

**14-18 January 2014| Yerevan, ARMENIA**

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

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

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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?

- Local sponsors not checked carefully: cost of land, land rights, project development far too high compared to other countries (inter-national 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 looses 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