"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
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 (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 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