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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



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Special Session

“Train the trainers” (TTT)

Bank of Georgia
09-13 July 2013 | Tbilisi, GEORGIA



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?





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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