"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)

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?
• 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