"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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TRAIN THE TRAINERS
SPECIAL COURSE

AHEF GE.049 WORKSHOP:
“Capacity building for financing of EE / RES projects”

July 9-13, 2013
Tbilisi, Georgia

Vahan Babajanyan
EE / RE Source Financial Training & Research Expert, INOGATE TS
1. FINANCING

in the field of ENERGY EFFICIENCY and RENEWABLE ENERGY SOURCES
EE / RES FINANCING:
SPECIFIC and DISTINCTIVE FEATURES

- MAKING USE of VARIOUS TOOLS
- MONEY FLOWS as a FORM of COLLATERAL
- ESTABLISHMENT of an IMPLEMENTATION CONSORTIUM
- FEASIBILITY ASSESSMENT – FUTURE REVENUE
EE / RES FINANCING: COMPARATIVE ANALYSIS of SOURCES

BANK, LFI

60% - 80%

EQUITY FUNDS

CAPITAL INVESTMENTS / ISSUE

COMMERCIAL LOANS

LEASING (FINANCIAL / OPERATIONAL)

PROJECT FINANCING

OPERATION / CAPITAL FINANCING

COLLATERALS, BILLS of EXCHANGE, LC

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TIME FRAME of INVESTMENT ATTRACTION

1. UNLIMITED
2. CLOSE to PROJECT LIFE
3. CLOSE to PROJECT LIFE
4. EQUAL to PROJECT LIFE
5. EQUAL to PROJECT LIFE

OPTIMISATION of ATTRACTION and REPAYMENT SCHEDULES

EE / RES FINANCING: COMPARATIVE ANALYSIS of SOURCES
EE / RES FINANCING: COMPARATIVE ANALYSIS of SOURCES

DIVIDENDS and REINVESTMENTS

1. MANAGEMENT is INDEPENDENT in DECISIONS
2. MANAGEMENT is INDEPENDENT in DECISIONS
3. MANAGEMENT is INDEPENDENT in DECISIONS
4. MANAGEMENT is INDEPENDENT in DECISIONS
5. NO REINVESTMENTS

OPTIMAL DIVIDEND to REINVESTMENT RATIO
INVESTMENT DECISIONS for CREDITORS

1. NO TRANSPARENCY
2. NO TRANSPARENCY
3. INSUFFICIENT TRANSPARENCY
4. NO TRANSPARENCY
5. HIGH TRANSPARENCY

DEVELOPMENT of MECHANISMS to ENSURE TRANSPARENCY
COMPLEXITY of FINANCIAL STRUCTURING

1. LOW, LIMITED POSSIBILITIES
2. MIDDLE, GROWTH POTENTIAL
3. LOW, LIMITED POSSIBILITIES
4. LOW, GROWTH POTENTIAL
5. HIGH, LIMITED FIELD

EE/RES FINANCING:
COMPARATIVE ANALYSIS of SOURCES

OPTIMISE MANAGEMENT of CASH FLOWS

GOOD CREDIT
BAD CREDIT
EE/RES FINANCING: COMPARATIVE ANALYSIS of SOURCES

TRANSACTION EXPENSES

1. LOW / MIDDLE
2. MIDDLE, ABOVE THE AVERAGE
3. LOW, MIDDLE
4. LOW, MIDDLE
5. MOSTLY HIGH

OPTIMISATION / REDUCTION of FINANCIAL EXPENSES !
EE/RES FINANCING: COMPARATIVE ANALYSIS of SOURCES

LOWER LIMIT of FINANCING

1. YES, WHEN ADDITIONAL ISSUE
2. YES, DEPENDING on the SOURCE
3. NO, DEPENDING on PROFITABILITY
4. NO, DEPENDING on the SOURCE
5. YES, HIGH

NEED to CREATE a FINANCIAL BUFFER
EE/RES FINANCING: COMPARATIVE ANALYSIS of SOURCES

1. BASIS of CREDIT ASSESSMENT
2. ANALYSIS of FINANCIAL REPORTING
3. ANALYSIS of FINANCIAL REPORTING
4. ANALYSIS of FINANCIAL REPORTING
5. ToR, MONEY FLOWS

COLLECTION of RELIABLE DATA / INDICATORS
SECONDARY MARKET for a SOURCE of FINANCING

DEVELOPED, GROWTH TREND

LIMITED, POTENTIAL for GROWTH

LIMITED, TEETHING PROBLEMS

REALISTIC ASSESSMENT of the CURRENT VOLUME
EE/RES FINANCING:
COMPARATIVE ANALYSIS of SOURCES

DEBT-to-EQUITY RATIO

1. CONSERVATIVE, UP TO 30-40%
2. CONSERVATIVE, UP TO 30-40%
3. HIGHLY CONSERVATIVE, 20-30%
4. MAINLY AGGRESSIVE, UP TO 70%
5. HIGHLY AGGRESSIVE, UP TO 70-80%

PRIORITY to the MODERATELY CONSERVATIVE APPROACH
EE/RES FINANCING: COMPARATIVE ANALYSIS of SOURCES

SUBJECT of CREDIT / INVESTMENT ACTIVITIES

1. OPERATING COMPANY with GOOD RECORDS
2. OPERATING COMPANY with GOOD RECORDS
3. OPERATING COMPANY with GOOD RECORDS
4. OPERATING COMPANY with GOOD RECORDS
5. SPECIAL PURPOSE COMPANY

RECORD in PROJECT IMPLEMENTATION
EE/RES FINANCING: COMPARATIVE ANALYSIS of SOURCES

1. ASSETS of COMPANY, SHAREHOLDERS, PARTNERS
2. ASSETS of COMPANY, SHAREHOLDERS, PARTNERS
3. ASSETS of COMPANY, SHAREHOLDERS, PARTNERS
4. ASSETS to PLEDGE
5. CASH FLOWS and ASSETS

AVAILABILITY of and ENSURING HIGH LIQUIDITY!
EE/RES FINANCING: COMPARATIVE ANALYSIS of RESOURCES

SPONSOR’S BANKRUPTCY

RESULTS in PROJECT’S SUSPENSION

LIMITED IMPACT

EXPERIENCE in PROJECT IMPLEMENTATION
a COMPANY is the PROJECT’s OWNER

TEAM is the PROJECT’S IMPLEMENTOR

SHAREHOLDER EQUITY

PARTNER RELATIONS

BUSINESS REPUTATION

MANAGEBILITY

EE/RES FINANCING: SPECIFIC FEATURES of RISKS
EE/RES FINANCING: SPECIFIC FEATURES of RISKS

ORGANISATION and TECHNICAL RISKS

1. COMPLETION of the PROJECT
2. TECHNOLOGY
3. INFRASTRUCTURE
4. CONSTRUCTION
5. ADMINISTRATIVE
FINANCING and OPERATION

1. CONTRACT RISKS
2. RISKS of UNDERFINANCING
3. RISKS of OPERATION STAGE
4. CURRENCY / INTEREST-RATE RISKS
5. FINANCIAL SITUATION of INVESTOR

ΕΕ/ ВИЭ ФИНАНСИРОВАНИЕ: SPECIFIC FEATURES of RISKS
EE/RES FINANCING: PRINCIPLE of REDISTRIBUTION of RISKS

- OWNER
- CREDITOR
- INSURER
- GUARANTOR
- CONTRACTOR
- SUPPLIER
- DEVELOPER

RISK 100%

PROJECT OWNER

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FINANCIAL PRODUCT

- HISTORICAL DATA
- EXPECTED RESULTS
- BUSINESS IDEA and PROJECT
- SHAREHOLDERS
- OPERATIONAL MANAGEMENT
- PROJECT MANAGEMENT
- GUARANTEE
- TANGIBLE COLLATERAL
- INTANGIBLE COLLATERAL
PROPERTY EQUIPMENT, TRANSPORT FLOATING CAPITAL

GRAUAL INCREASE of COLLATERAL BASE

PERIODICAL REVIEW of COLLATERAL

1. PROPERTY
   50% - 70%

2. HIGH LIQUIDITY ASSETS
   30% - 50%

3. PROPERTY
   40% - 60%

4. GUARANTEES
   30% - 50%

5. OTHER INTANGIBLE ASSETS
   10% - 30%

6. EQUIPMENT, GOODS, ETC.
   20% - 40%

GRAUAL INCREASE of COLLATERAL BASE

PERIODICAL REVIEW of COLLATERAL
EVALUATION PROCESS

PROJECT OWNER

EQUITY

PROJECT FUNDS

DEBT CAPITAL

CREDITORS, SOURCES of FINANCE

INSURANCE

RISK MANAGEMENT

PROJECT IMPLEMENTATION
EVALUATION PROCESS

FUEL SUPPLIES
PURCHASE of ENERGY

SUPPLIERS and
CONSUMERS

EQUIPMENT SUPPLIES

MANUFACTURERS and
SUPPLIERS

DESIGN and
SUPERVISION

PROJECT
ORGANISATION

CONSTRUCTION and
COMMISSIONING

CONTRACTORS and
SUBCONTRACTORS

CONSULTATIONS and
AUDITS

CONSULTANTS,
ENGINEERING

CREDIT REPAYMENT

PROJECT IMPLEMENTATION
SPECIFIC FEATURES of EVALUATION

1. ANALYSIS of the PROJECT
   - LEGAL AUDIT
   - TECHNICAL AUDIT
   - FINANCIAL AUDIT

2. ANALYSIS of the COMPANY
   - CASH FLOWS
   - PROFITABILITY
   - SOLVENCY

ANALYSIS of CONSOLIDATED INDICATORS

PROJECT IMPLEMENTATION
**DECISION**

**CREDIT PRODUCT**
- Type of Credit Product
- Size of Credit
- Currency
- Interest Rate

**TERMS**
- Credit Period
- Credit Schedule
- Grace Period
- Repayment Schedule
DECISION

COLLATERAL / PLEDGE
- ESTIMATE, MARKET and LIQUID PRICE
- ENSURANCE, INSURANCE of LIQUIDITY
- BUY-BACK AGREEMENT
- FORM and TERMS of PLEDGE EXECUTION

MONITORING
- TARGETED USE of CREDIT
- SUBJECT of MONITORING
- INDICATORS and SCHEDULE
- SPECIAL CONDITIONS
2. PARTNER COUNTRIES

FINANCING of EE and RES PROJECTS
### GROSS DOMESTIC PRODUCT (GDP), 2012

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<th>PC’s</th>
<th>AM</th>
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<th>GE</th>
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<td>GDP, Bln EU</td>
<td>7.75</td>
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<td>P / C, Ths EU</td>
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<td>12.02</td>
<td>4.21</td>
<td>2.59</td>
<td>5.55</td>
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**GDP AUSTRIA**

418,03 Bln. EU

**PER CAPITA AUSTRIA**

32,440 EU

DISCOUNT and LENDING RATES, TERM up to 5 YEARS, March 2013, %

LIBOR – 0.75%
A/W RATE – 3.85%

ARMENIA: 8.00%
AZERBAIJAN: 4.75%
BELARUS: 5.05%
GEORGIA: 4.25%
MOLDOVA: 5.00%
UKRAINE: 7.50%
3. POLICY AND TARGETS

in the field of ENERGY EFFICIENCY and RENEWABLE ENERGY SOURCES
1. Incentives to save energy,
2. Institutions for EE and RES stimulation,
3. Creation of favorable conditions for investments,
4. Creation of a simplified tax system,
5. Development and introduction of new technologies,
6. International cooperation,
7. Clear legislative framework, predictable methods of regulation
ENERGY EFFICIENCY: Three Priorities for stimulation

- Reach the energy saving parameters which are compatible with the EU ones by 2015-2018
  Organisation and management

- Ensure the qualitative level of energy saving by 2018
  Technologies and materials

- Attain GDP energy intensity compatible with the EU indices by 2018 – 2020
ENERGY EFFICIENCY: Investment Policy

- Favourable Depreciation Regime,
- Upgrading / Equipment replacement
- Tools for simplified crediting
- Application of leasing tools
- Attraction of cheap credit funds
THANK YOU!!!

Feel free to visit our Web portal:

www.inogate.org

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