

TOPICS

1. Overview
2. Means of financing
3. Financing by banks
4. Bankability issues
5. Conclusions



OVERVIEW

- Primary legislation pertaining to electricity market and to E-RES promotion scheme
- Romania decided on Green Certificates (GC) support scheme to promote E-RES
- Suppliers of electricity must purchase a mandatory quota of GC each year. For 2012 the mandatory quota is 12%, while for 2013 it will be 14%
- Currently producers of photovoltaic energy are entitled to receive 6 GCs per 1 MW produced. The number of GCs may be reduced after 1 January 2014



MEANS OF FINANCING

Arranging finance for a E-RES project is not a task to be underestimated. It is essential to consider the following:

- The process of arranging financing is **time consuming**
- The technical, permitting and contractual aspects of a project are of significant relevance for the financing
- Project lenders will carefully **scrutinise** every aspect of the project
- Project lenders will have access to the project's cash flow



MEANS OF FINANCING

- Use of internal company or personal reserves - fit for the smallest E-RES projects
- Use of bank loans secured against other parts of the developer's business or major assets (recourse financing) or personal guarantees often linked to property owned by the developer
- Finance Leasing
- Co-development of the project with a financially strong joint-venture partner able to raise the necessary finance
- Use of non-refundable funds from the EU or from the National authorities (AFM)





FINANCING BY BANKS - SECURITY

In order for the lenders to be assured that they have the project cash dedicated to repay their loans, the lenders will take security. The most common security - or collateral - are:

- Waterfall of the cash flow generated by the project
- Mortgage (movable or immovable) over the assets
- Direct agreements
- Shareholder/Sponsor's undertakings

BANKABILITY ISSUES – MAIN DOCUMENTS THE BANKS CONSIDER

- Turnkey Construction Contract
- Operating Agreement
- Power Purchase Agreement
- Completion Guarantee
- Specific Funding Obligations
- Insurance
- Performance Bonds

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BANKABILITY ISSUES – TECHNICAL AND LEGAL ISSUES

- Banks fund projects which present a limited degree of risks in terms of permitting and legal issues
- The key advisers are financial and legal advisers and technical consultants
- Facilities with a capacity of 125MW - banks may be reluctant to fund the project until the approval of the European Commission is rendered. The approval process may be lengthy

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BANKABILITY ISSUES – NON-REIMBURSABLE FUNDS

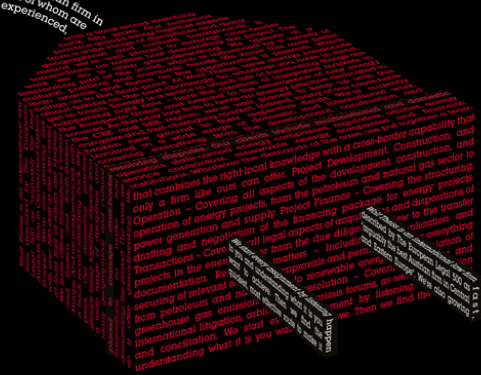
- Combining funds from banks and non-reimbursable funds may give rise to structuring issues
- Due to the grant of non-reimbursable funds, the number of GCs received by the project company may be reduced by ANRE in order to ensure that the internal rates of return which were assumed for the approval of the support scheme will not be exceeded

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CONCLUSIONS – KEY ELEMENTS TO A SUCCESSFUL FINANCING

- External advisors (financial, legal and technical) should be involved in the **early** phases of the project
- Carefully choose contractors and operators
- Focus on the structuring of the main agreements
- Carefully select the financier
- Prepare a clear and structured business plan or information memorandum

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