

# RENEWABLE ENERGY PROJECT FINANCING

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## I. Eurobank & RES financing

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# Eurobank & RES

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**Eurobank remains committed in the financing of Renewable Energy Projects and works closely with its clients to enable them realize their development targets**

- Currently our PF portfolio includes more than 350MW Wind and 30MW PV projects
- Total Financings exceed €300mio
- Active mandates to finance more than 200MWs on a bilateral or syndicated basis
- Very limited financing of PVs small Hydro, Biomass and other RES

# RES Financing

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Financing available depends on Project size and can be as follows:

- Project Finance (non recourse), most commonly used
  - Structured Loan, customised each time to address Project risks and special characteristics
  - Greek Bond Loan
  - Unfortunately certain due diligence and set up costs are high and fixed regardless the size of the transaction
  
- Corporate Finance, Debt < €10mio / Wind Parks less than 10MW
  - Security extends to Sponsor (corporate guarantees, cross collateral with other business of the Sponsor)
  
- Large Projects could be syndicated financed with other Greek or international Banks:
  - EIB and EBRD are involved in the Greek RES financing market for Projects more than 50MW
  - Other international Banks are passive in the Greek RES financing market at the moment
  - EIB & EBRD have Increased Due Diligence requirements (international advisors, English/EU Law), but offer certain benefits.
  
- Despite the absence of International Banks no financing gap is registered in the Greek RES market

# Our Approach

RES Financings could be in the form of Project or Corporate Finance

**Project Financing,  
Non Recourse**



**Corporate  
Financing**



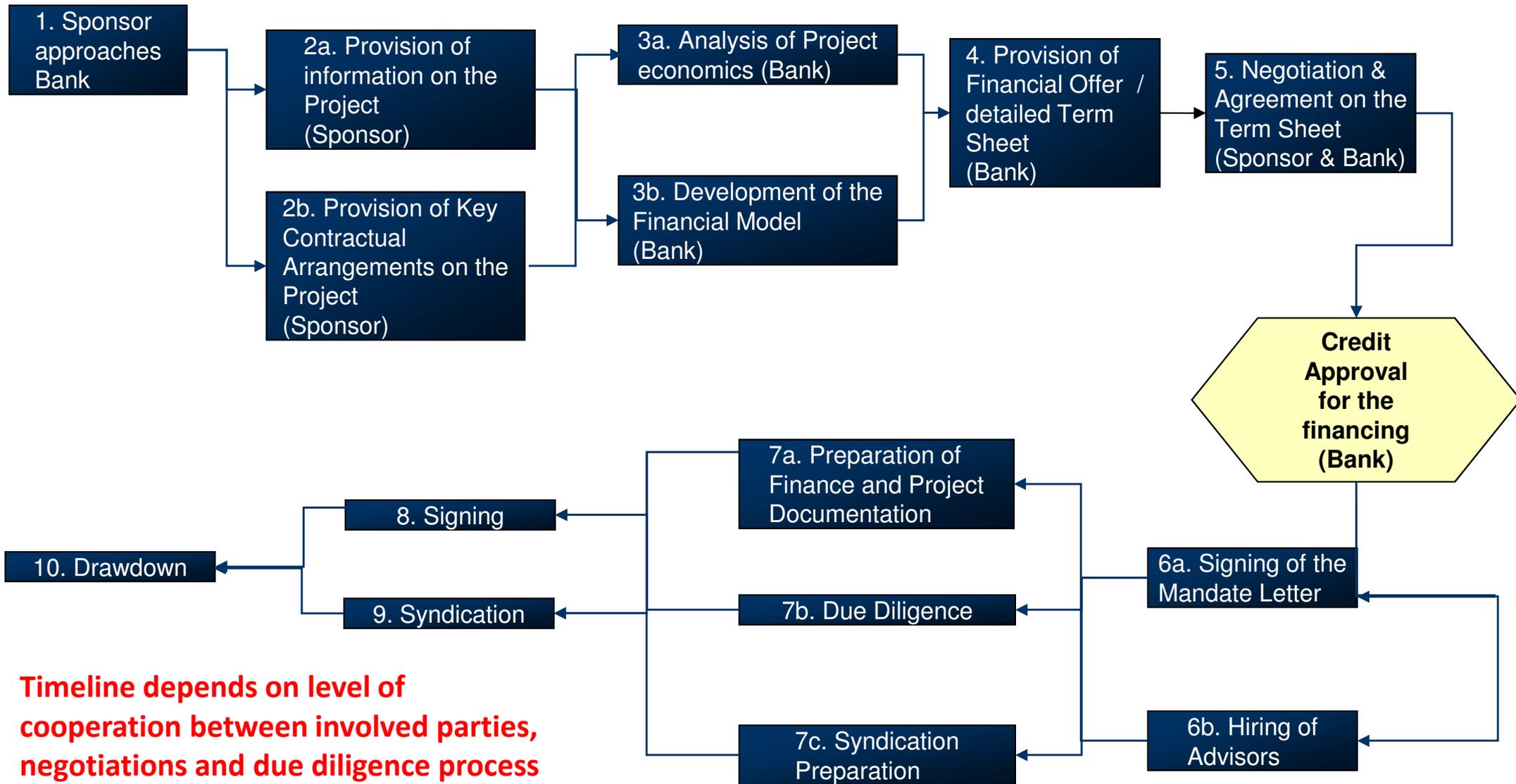
- Increased Due Diligence Requirements & initial costs
- All Project risks should be mitigated fully without Sponsor's support



- Security package goes beyond the Project
- Some DD is anyway needed
- Corporate or Personal guarantees should be acceptable to the Bank
- Financings < €10mio

**Limited Recourse Financing: a structured solution to optimal risk allocation for projects of substantial size**

# Indicative Timeline



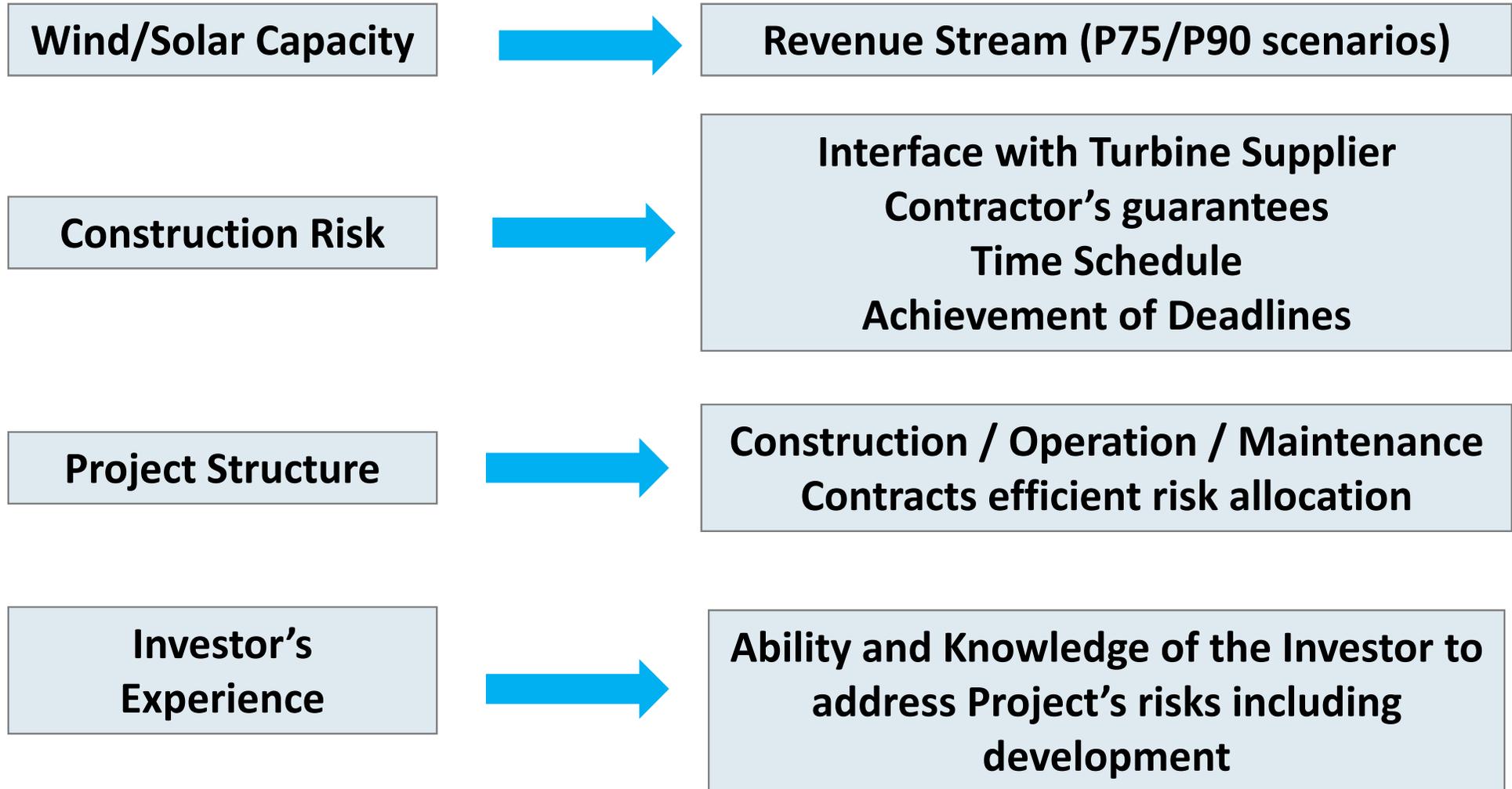
**Timeline depends on level of cooperation between involved parties, negotiations and due diligence process**

## II. RES Financing Challenges

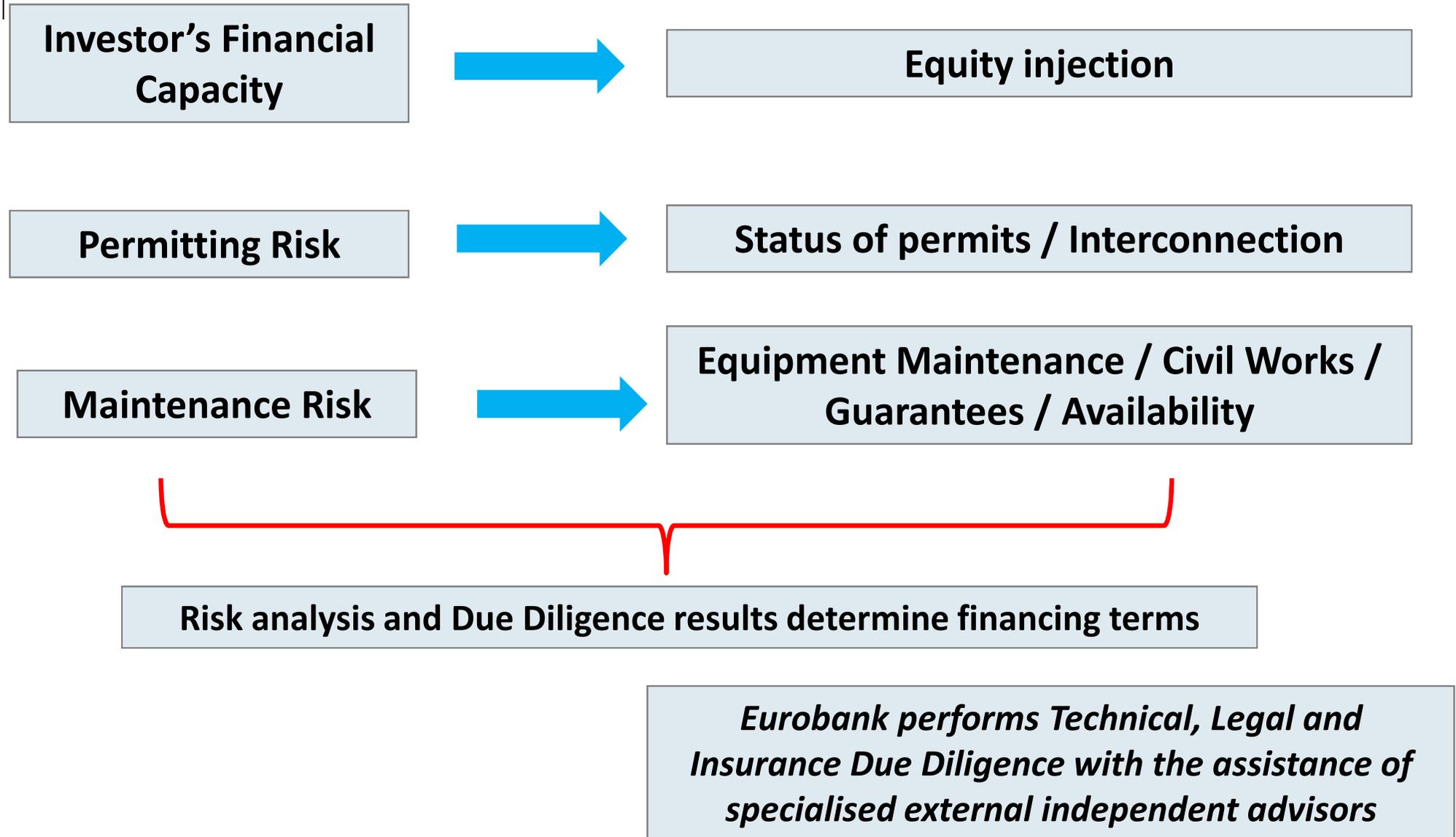
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# RES Financing Risks

The risks we see in project financings and based on which we evaluate financing proposals are the following:



# RES Financing Risks



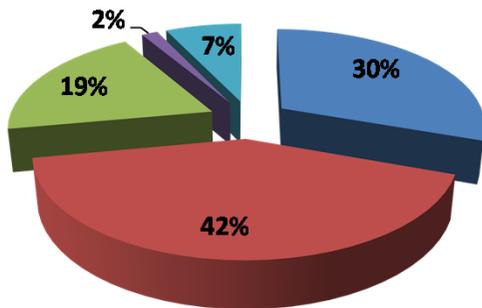
# Tariffs Sustainability: Are tariffs sustainable in the future?

## Tariffs Sustainability

- Difference between SMP and applicable Tariff
- Actual support of RES Technology
- Balance of RES Account

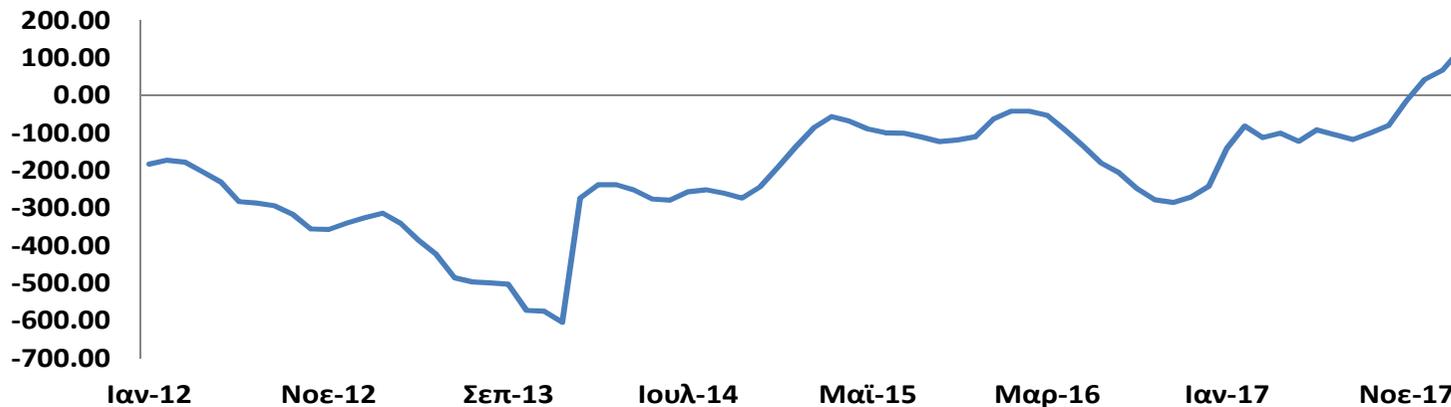
RES Account Sources, 2017

■ DAM ■ ETMEAR ■ Suppliers Charge ■ Lignite Charge ■ CO2



- Accounting deficit has been eliminated but cash flow wise delays still exist
- Reduction of ETMEAR or Suppliers' Charge?
- Sustainability of RES Account is key success to further RES financing

Historical RES Account Balance (€mio)



## III. New Regime

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# Competitive Process to award new Capacity

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- In principle is a positive development as:
  - Tariffs will mirror recent developments in technology and overall cost of funds contributing to the sustainability of RES
  - The most efficient Projects will be promoted
  
- However level of competition (currently 75%) and phasing of tenders might limit the delivery of the capacity required to meet RES national targets
  
- Major concern is of course the price reduction that might hinder the availability of competitive financing terms
  
- Tight timeschedule is a challenge to Investors and Banks as financing terms maybe established prior placement of bids
  
- Sponsors should be proactive if they need to agree financing terms prior competitive process
  
- LGs are issued before Project is established and hence are on recourse (to the investors) basis

# RES SWOT Analysis

## Strength

- **Stable Revenue stream:** Fixed feed-in tariffs for adequate period to secure returns.
- **Low Opex:** operating expenses are limited
- **Proven technology:** risks related with technology can be low in most renewables
- **Excellent** wind and solar **conditions** in Greece
- Zero **NPLs** or NPEs (for ERB's PF portfolio)

## Weaknesses

- **RES Account Deficit:** Although accounting deficit is eliminated risk of adequate funding remains
- **LAGHE Liquidity:** Liquidity risk is closely monitored given that regulated charges are paid by Suppliers which in turn collect those from households which face the well-known financing constraints.
- **Transmission:** Further renewables expansion requires substantial CAPEX investment on transmission network, especially for non interconnected islands.

## Opportunities

- RES can be a **significant energy source** for Greece given limitation on lignite and lack of gas sources locally.
- **Crete and islands** interconnection
- **M&A** opportunities may arise towards a consolidation in the market
- **Refinancing** of existing Projects
- **Repower**

## Threats

- Is **continuous reduction** of feed in tariffs sustainable?
- Are the thermal base load units able to provide the necessary flexibility to the system to support the growth in RES?
- Prospects of electricity demand in the country.
- Increase of **gap** between SMP and Tariffs may turn RES compensation not sustainable

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***Thank you for your attention***