

RENEWABLE ENERGY PROJECT FINANCING

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I. Eurobank & RES financing

Eurobank & RES

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

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**



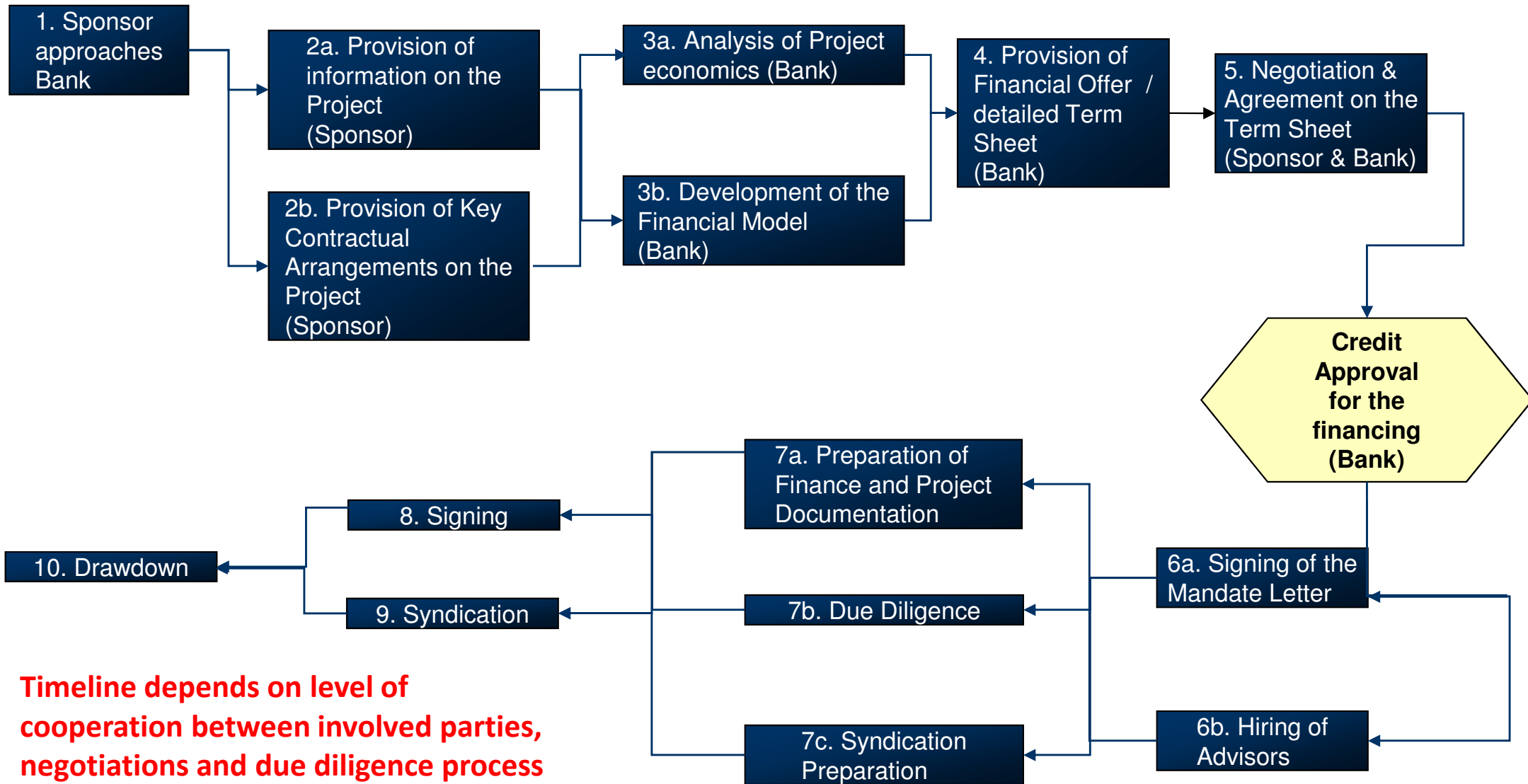
- Increased Due Diligence Requirements & initial costs
- All Project risks should be mitigated fully without Sponsor's support



- 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

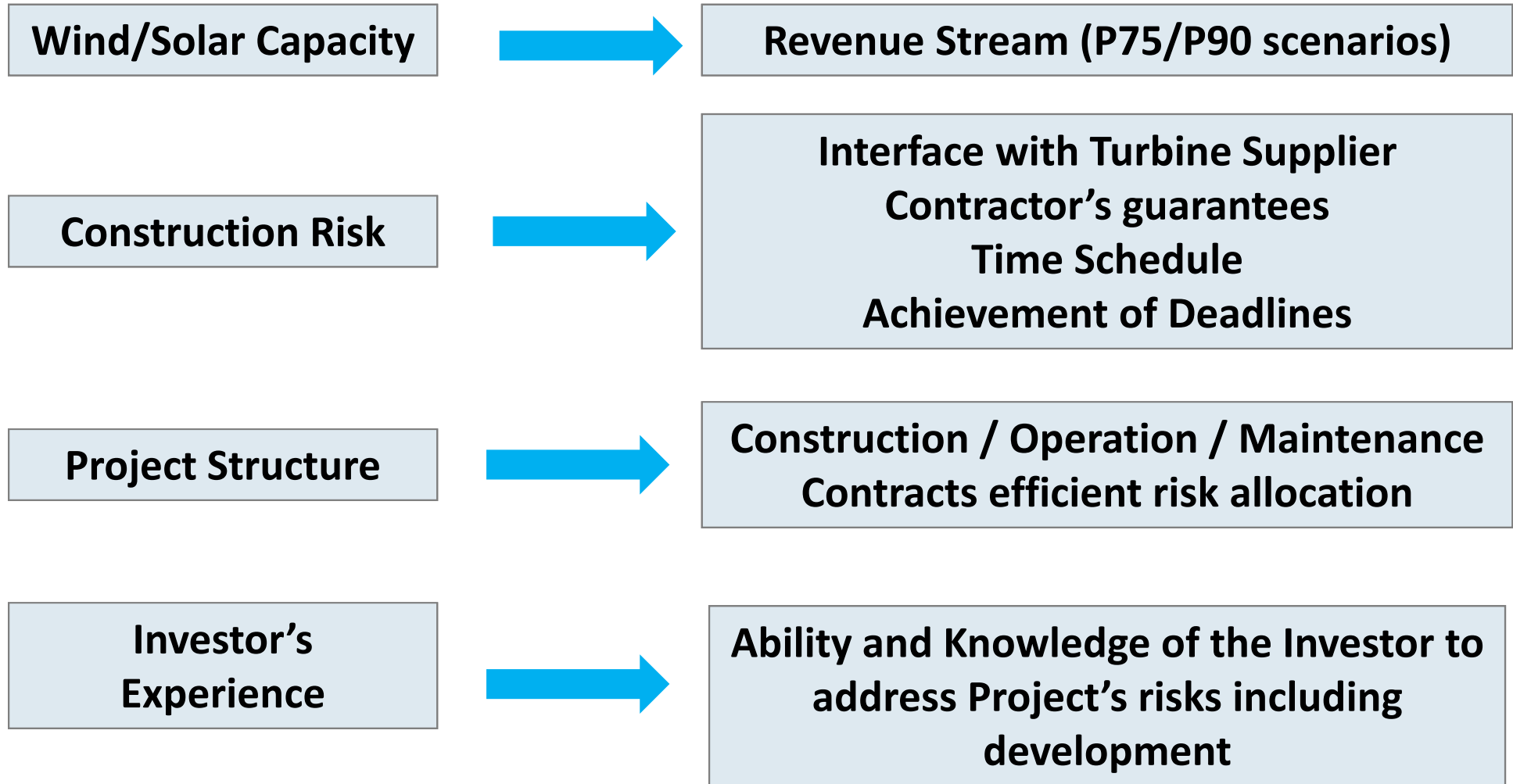


Timeline depends on level of cooperation between involved parties, negotiations and due diligence process

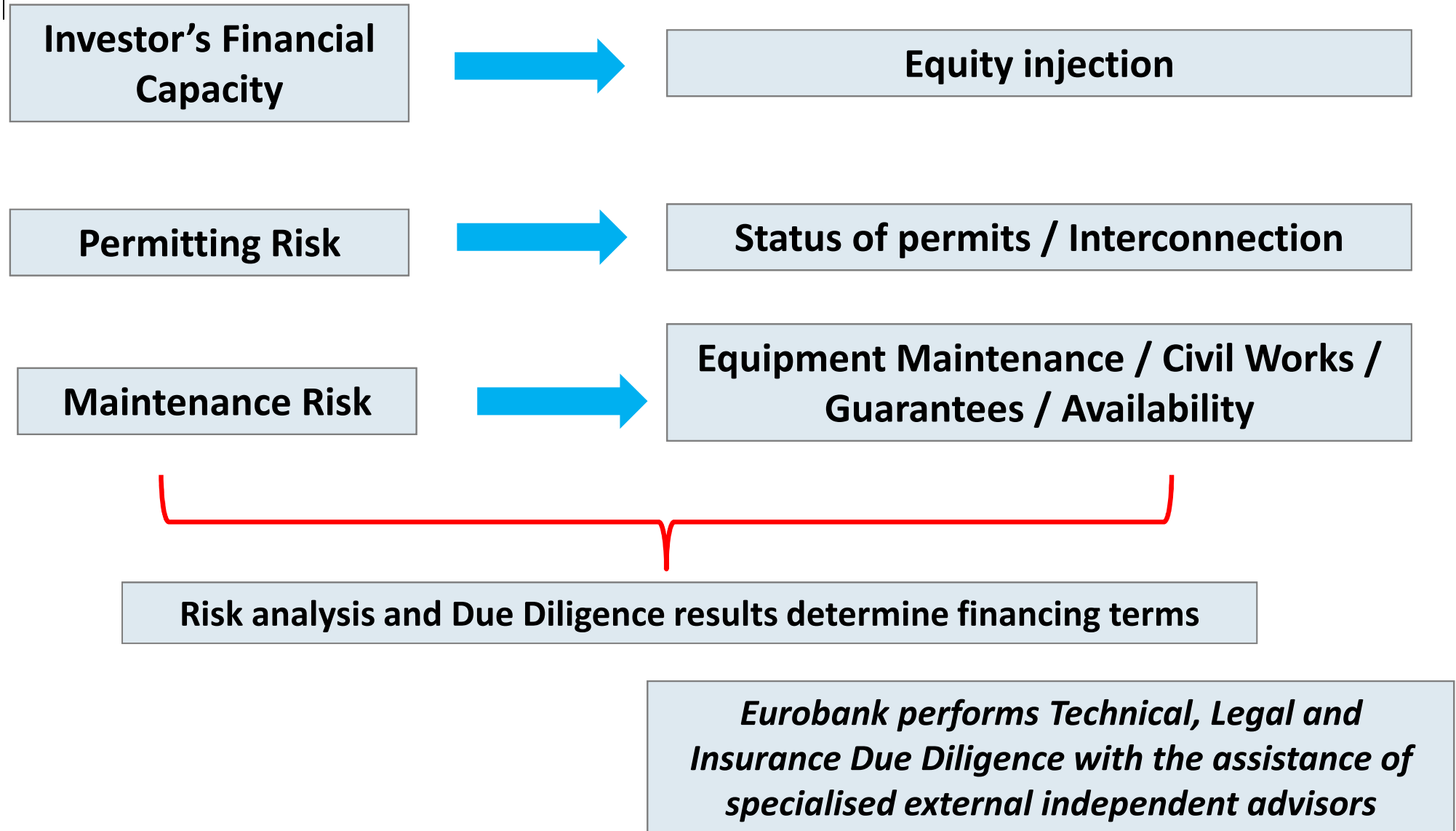
II. RES Financing Challenges

RES Financing Risks

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



RES Financing Risks



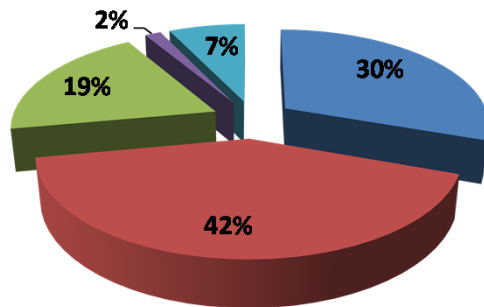
Tariffs Sustainability: Are tariffs sustainable in the future?

Tariffs Sustainability

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

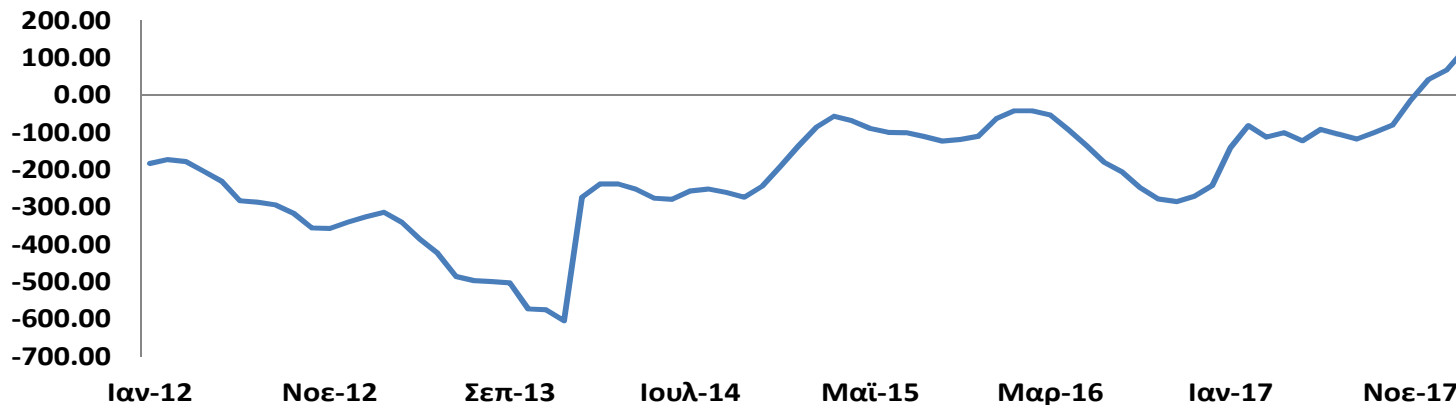
RES Account Sources, 2017

■ 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

Competitive Process to award new Capacity

- 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

Thank you for your attention