



# Bankable Projects: Financing Energy Schemes

# Speakers

- David Kilduff, Partner, Energy, Infrastructure & Government Group, Walker Morris LLP
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# > Introduction to SDCL's Investment Funds

**UK**



UK Energy Efficiency Investments Fund


**£50 million Committed by UK Green Investment Bank**  
**GBP £100 million total**  
Manager

Launched September 2012

## Investment Focus

Buildings Retrofit  
Combined Heat & Power  
Renewable Heat  
Urban Infrastructure

**Ireland**



Ireland Energy Efficiency Investments PLC

**Euro €70 million**  
**Including up to €35 million from Irish Government**  
Manager

## Investment Focus

Public Sector Buildings  
Food and Agriculture  
Hotels and Data-centres  
Street Lighting

**Singapore**



Singapore Energy Efficiency Investments Group Limited

**Up to SGD \$100 million**  
**collaboration with Economic Development Board**  
Manager

## Investment Focus

Manufacturing Sector  
Heat Recovery  
Lighting  
Industrial Efficiency

## > Example Projects

- EE Retrofit of Mid-Devon District Council Buildings (acting as adviser).
- EE Retrofit of Kingspan factory – North Wales
- CHP at Barts Hospital, London.
- LED Lighting Retrofit - 145 NCP Car Parks.
- 86 Biomass energy centres for Moy Park Poultry, Lincolnshire.
- CCHP project for Citi Bank Data Centre, London.

# The Opportunity

- Significant number of potential projects within local authority assets, both buildings and urban infrastructure (street lighting, heat networks etc.).
- Opportunity to cut costs and carbon.
- Opportunity to update tired assets and improve building environment.
- Authorities can act as a catalyst for other public bodies and private sector in local area.
- Opportunity to energise local supply chain and drive increase in skills and opportunity.

# The Challenge

- Very low rate of deployment of energy efficiency and renewables projects throughout the UK.
- Scarcity of in-house expertise to **develop** and then **run** projects/assets for the long term.
- Different regulatory and risk profile to traditional local authority projects.
- Authorities unclear as to their role, whether as owner/controller, underpinning offtaker, sole user etc.
- Under-developed supply chain.

# Current Direction of Travel

- Many Authorities looking at owned and controlled energy companies with PWLB finance.
- Is this sensible?
- For discussion:
  - Are Authorities expert enough to take these risks alone?
  - Can Authorities rely on external advisers only, or is something more required?
  - Can an Authority create a stable, well staffed and sufficiently skilled energy company?
  - If the risk profile is not bankable in the private sector as a stand-alone project, should any Authority be putting its covenant and the taxpayer behind it?

# What is a Bankable Project?

- Appropriate technical solution.
- Clear project outcomes.
- Clear payment mechanism.
- Clear construction and O&M plan for life of the asset (whole life approach).
- Good quality contractors and technology suppliers that provide performance guarantees.
- Robust and disciplined operating platform (usually an SPV).



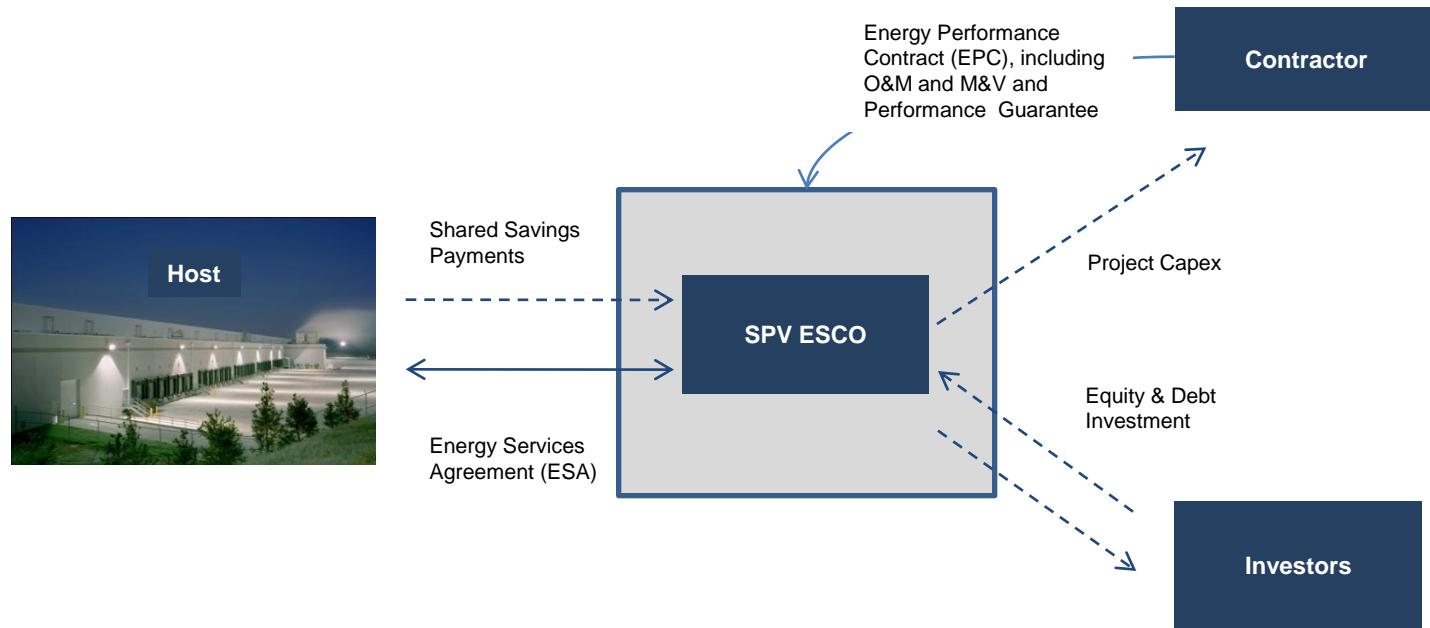
# What is an Un-Bankable Project?

- Wrong management team in delivery vehicle.
- Inappropriate risk allocation.
- Aggressive approach to LADs.
- Lack of long term O&M or energy supply/offtake position.
- Non-standard project – not suitable for secondary market.
- Lack of clear and consistent project revenues.

# Risks include

- Technology
- Construction
- Delay
- Performance
- Energy Offtake/Supply
- Grid Connection
- Incentives
- Regulatory
- Political
- Procurement risk
- Project Management
- Project Delivery
- Planning
- Title
- Ground Conditions
- Change in Law

# Typical Project Structure



# How do we unlock more bankable projects?

- Start with a short list of readily deliverable projects.
- SPV to be reasonably immune from political cycles.
- Build internal skills, learn from skilled JV delivery partners (e.g. finance)
- First loss, equity providers will ensure JV is run in a disciplined fashion for the long term, otherwise their returns are diminished.
- Invest PWLB money through SPV to reduce cost of capital.
- Potential to grow SPV over time if initial projects go well.

# Governance/Procurement Questions

- How is the ESCO to be held accountable and managed day to day?
- Performance and outcomes managed through the company or in contract or both?
- Forming and resourcing a JV - what needs to be procured?
- Conflicts of Interest – getting the best team and best deal



## > Feedback from Citi

“We worked very closely with the SDCL team to structure and execute a deal which optimized the energy savings while meeting all of the involved parties' requirements. Throughout the process, we interfaced extremely well and successfully managed all challenges encountered. The SDCL team are extremely talented, professional and a pleasure to work with. We look forward to working with them in similar transactions in the future.”

**Vassos Kyprianou**  
**Director, Asset Finance Group,**  
**Citi, New York**



# Discussion