Presentation To:

Green Learning Forum 2017

RENEWABLE CITIES

Demystifying Renewable Energy Project Finance

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Foundation of Finance

Classic Definition: Finance is the study of how and under what terms savings (money) are allocated between lenders and borrowers[1]

Translation: Does the <u>expected</u> return from the investment compensate for the <u>real</u> and <u>perceived</u> <u>RISKS</u>?

[1] John Wiley & Sons Canada, LTD

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Understanding Project Finance Risk Profiles

All financial structures seeks to allocate key risks between project participants

Risks	Considerations
Counterparty	What is the financial strength, experience or stability of the participating parties?
Performance	Who is financially responsible for continued performance of the project?
Technology	Is the technology new or mature?
Policy	How does changes in energy policy impact subsidies, tax credits or other revenue sources?
Financing	Who is responsible for obtaining financing?

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Self-Financed Projects

Organizations can utilize available cash or debt to fund clean energy projects (i.e. Green Bonds)

Risks	Risk-bearer
Counterparty	Customer
Performance	Customer
Technology	Customer
Policy	Customer
Financing	Customer

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Third Party Financed Projects

Third Party finance structures are designed to shift the majority of risks to sponsors and investors/lenders instead of the customer (ie Power Purchase Agreement)

Risks	Risk-bearer
Counterparty	Project
Performance	Project
Technology	Project
Policy	Project
Financing	Project

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The Gray Area of Finance

Nearly all financial structures are reside in the gray area and requires

Host QECBs Tax-Equity

CRA ACP PACE Impact PPA

Counterparty Shared Solar ITC

Off-Balance Sheet MACRS

LMI Ownership Flips

OBR Offtake Green Bonds

RECs/ SRECs Sponsor

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Question #1

- Is finance your organization’s greatest challenge/barrier regarding the implementation of clean energy projects?

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Question #2

- Has your organization successfully implemented a clean energy project?
  - Pilot? Commercial Scale? Experience?