



Facilitating Energy Efficiency Finance:
Presenting your Project to
Financial Institutions

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Financing Energy Efficiency and Renewables in 90's

One of the main issues - lack of bankable projects prepared in accordance with the requirements of the IFI's

EC and EBRD sponsored Guide for Preparation of Bankable Proposals (1996) and a Training Programme to assist specialists in the field to prepare and present their projects, Including RUSEFF Facility (2009)

UN ECE launched Energy Efficiency Investment Project Development for Climate Change Mitigation (1999-2010) to:

- (a) develop the skills of the private and public sectors at the local level to identify, develop and implement energy efficiency investment projects;
- (b) provide assistance to municipal authorities and national administrations to introduce economic, institutional and regulatory reforms needed to support investment projects; and
- (c) provide opportunities for the commercial banks and companies to invest in these projects through existing investment funds, or if warranted, through a new fund, assisted by commercial banks in the region.



Main mechanisms for CMM/CBM investments

Own equity

Internal Charges/Tax breaks

Bank lending

Guarantee facilities

Leasing arrangements

Export credit agencies

Capital markets based instruments like: Corporate bonds

Private placements

Public to Private Finance (Private Finance Initiative)

Global Financial Mechanisms: Kyoto Protocol mechanisms, Global Environmental Facility (GEF)



Why a Proper Business Plan is necessary

- Accelerates the approval process and increases the chances for approval of your proposal
- Standard and comprehensive presentation of your projects, giving your potential financiers opportunity to make an easy evaluation of your proposal's commercial value and environmental benefits.
- Not every great idea becomes a good project
- Helps the project sponsor to analyse and value its own risks and commitments and compare them with the expected benefits, in order to evaluate its worthiness.
- Creates local expertise and commitment
- Business plan preparation is a valuable and transferable skill, applicable to the commercial and economic activities of many organisations and companies. Efforts spent on analysing and evaluating a project's risks and benefits create stronger commitments and reduce the risks associated with its implementation.



What is a Business Plan

A detailed and comprehensive analysis and description of the technical, environmental, social, economic and financial aspects of a project. A Business Plan is a structured presentation to decision makers facilitating them in determining a project's viability.

Business Plan Structure

- Nature of the Business
- Strengths of the Business, Risks, Current Situation, Future Plans
- Nature of the Project
- Background to the Project, Scope of the Project, Rationale for the Project,
- Benefits
- Savings and environmental improvements, Export promotion, Import substitution, Job creation, Technology transfer, Management development
- The Sponsors
- Background, Financial data, Proposed Financial Contributions and Exposures, Rationale for Involvement of Other Partners,
- Project Costs and Timescale
- Project costs, Energy and raw materials consumption, Basis for the cost estimate, Timetable of Implementation and Disbursements, Procurement Issues
- Products Services and Markets
- Description of products or services, Pricing and Costs, Market Description, Competitor's analysis, Financial Position of Buyers
- Regulations and Environment Information
- Key permit requirements and regulations required from the authorities, Environmental regulations, Status of public consultation
- Role of the bank
 - Description of the role of the bank or of the financier
- The Financing Plan
 - Current and Required Sources of Finance, Type of Financing Required
- Cash Flow Projections
- Deriving Cash-flows from Raw Data, Working Capital, Taxation, Operating Profit, Free cash-flow, Servicing of Finance, Ratios
- Pro-Forma Financial Statements
- Forecasted Income Statement, Forecasted Balance Sheet, Assets, Liabilities, Forecasted Cash Flow, Forecasted Ratios



Checklist of supporting documents typically required as appendices to a Project Agreement

- .Project description and specification
- .Necessary licenses, permits and approvals
- .Description of and rights of way for the project
- .Preliminary design criteria
- .Procedures for government to approve the project's company's proposal for design changes
- .Procedures for government to request design changes and additional work
- .Environmental impact assessment and environmental management system
- .Quality management system
- .Safety certification system
- .Programme and procedures for testing
- .Project operation parameters
- .Operation and maintenance criteria
- .Tariff or toll rates and tariff or toll revision formulae
- .Specifications for tariff or toll collection system
- .Training programme
- .List of initial shareholders and percentage interests
- .Insurance agreements
- .List of pre-approved contracts
- .Rights and obligations of the parties upon termination
- .Form of bonds
- .Form of guarantees
- .Overseeing and monitoring rights of the government
- .Form of legal opinion of counsel for project company
- .Formal of legal opinion of counsel for government (various relevant ministries)



Development of Financial Structure for Credit Rating Agency Approval

- An example of credit-rating criteria from **Standard and Poor's**:
 - Output sales contracts
 - Power costs
 - Fuel risk
 - Structure
 - Technology risk
 - Purchaser's credit strength, and
 - Projected financial results.
- For power producers the credit rating incorporates the above seven factors into the following five:
 - Regulatory and legal environment risk
 - Project and financing structure risk
 - Power market risk
 - Fuel market risk, and
 - Plant performance risk.

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RFI



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