

Financing Renewable Energy Projects in the Current Economic Climate

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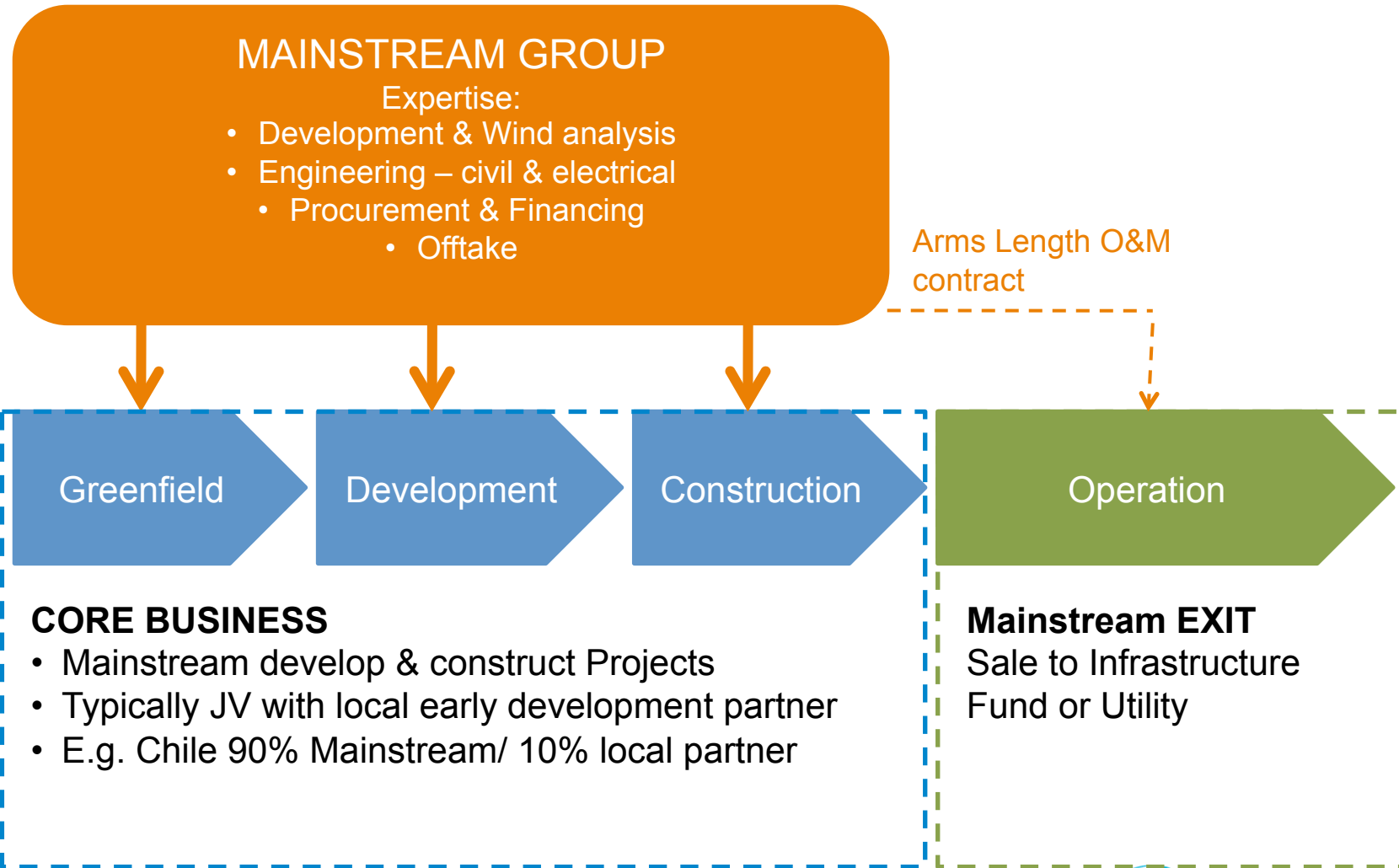
MAINSTREAM
RENEWABLE
POWER

Introduction to Mainstream

- Founded in February 2008 by Eddie O'Connor (former Airtricity CEO) and Fintan Whelan (former Airtricity Head of Corporate Finance)
- Focused on sourcing, developing and constructing large-scale electricity generation plants globally, principally onshore / offshore wind and solar projects
- Mainstream has already secured < 3,000 MW development pipeline
 - 500 MW pipelines in each of Canada, US, Chile and South Africa
 - Won Crown Estate contest to develop 420 MW offshore in Scottish waters
 - Offshore project in Germany – Horizont 1000MW
- Bidder in UK Round 3 to develop 4 -5 GW offshore. Smartwind consortium
- Shareholders: Eddie O'Connor, Staff/Management/Associates, Barclays Capital
- 90 employees



Mainstream's Business Model



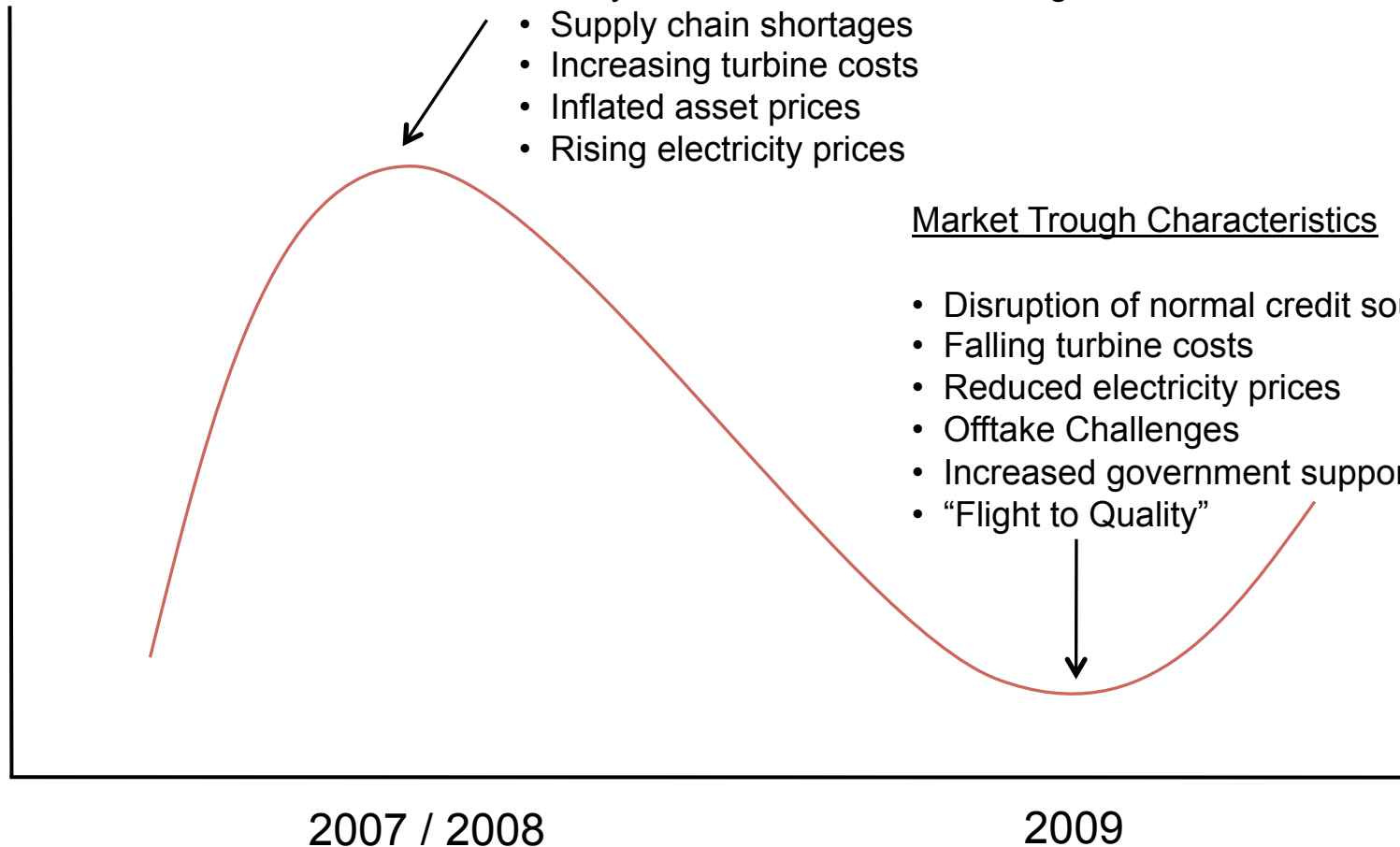
Market Dynamics Have Changed Significantly

Market Peak Characteristics

- Easy credit with relaxed financing terms
- Supply chain shortages
- Increasing turbine costs
- Inflated asset prices
- Rising electricity prices

Market Trough Characteristics

- Disruption of normal credit sources
- Falling turbine costs
- Reduced electricity prices
- Offtake Challenges
- Increased government support
- “Flight to Quality”



Current Issues Facing Renewable Energy Developers

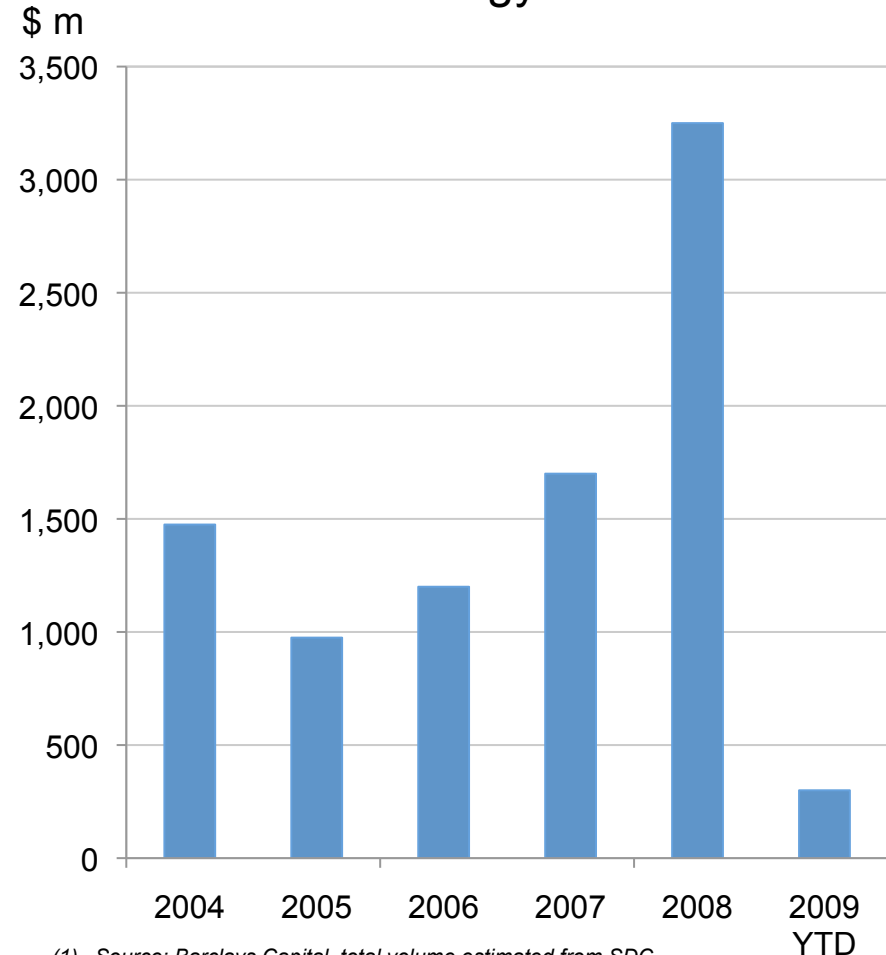
- Impact of “Credit Crisis” on Project Financing
- Uncertainty in the US Market
- Offshore Development Challenges
- Government Support
- Impact of Carbon



Structural Changes to Project Financing

- Reduction in liquidity
- Withdrawal from the market of some traditional lenders
- Reversion to local markets
- Increased pricing / Reduction in leverage ratios
- Refinance penalties / Shift to short tenor lending
- More restrictive terms

Alternative Energy Debt Volume⁽¹⁾



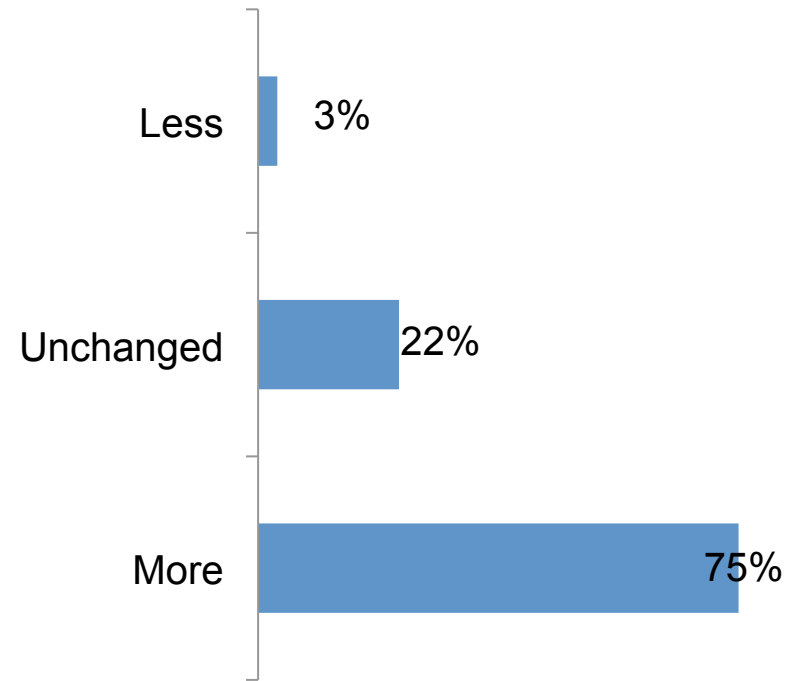
(1) Source: Barclays Capital, total volume estimated from SDC Alternative Energy Debt League Tables



Is There An Alternative to Traditional Project Finance?

- Institutional money is increasing allocations to renewable energy sector
- Replace short-term project finance with natural long-term capital
- Project characteristics appeal to long-term institutional capital
 - Stable cash flows
 - Inflation linked revenues
 - Long-lived, capital intensive assets
 - Low-risk business profile
 - Low correlation with other asset classes

Investor Likelihood to Increase Investment in Clean Energy by 2012⁽¹⁾



(1) Source: New Energy Finance



Continued Uncertainty in the US Market

- Mirrors worldwide impact of credit crisis
- Industry awaiting fall out of Stimulus Bill
 - Choice of Federal support: PTC / ITC / Grant
 - Will be influenced by availability of project finance & tax equity
 - Possibility of Grant & project finance with no role for tax equity – major departure from previous funding structures
- Federal Loan Guarantee
 - Potential silver bullet?
 - Still awaiting details on qualification process
 - DOE resource issue – how to become a bank overnight
 - Likely reduction in margins and possible increase in leverage
- Greater focus on offtake arrangement:
 - Credit worthiness of offtaker
 - PPA term – c.15 year requirement
 - Risk aversion and lack of competition leads to depressed prices



The Challenges of Offshore Wind Development

- Offshore wind will need to be a major component to meet Europe's renewable energy targets
- Potential for Europe to develop 40% of electricity from wind by 2050
 - Would require 1.0 – 1.6 m MW from Offshore
 - Average cost of €3.5m per MW
- Total investment between €3 – €5.5 trillion for the wind plant alone & another €0.6 trillion for grid connections
- Biggest ever spend and construction project in EU
- UK target alone of 25 GW's by 2020 requires total Investment of €87.5 billion

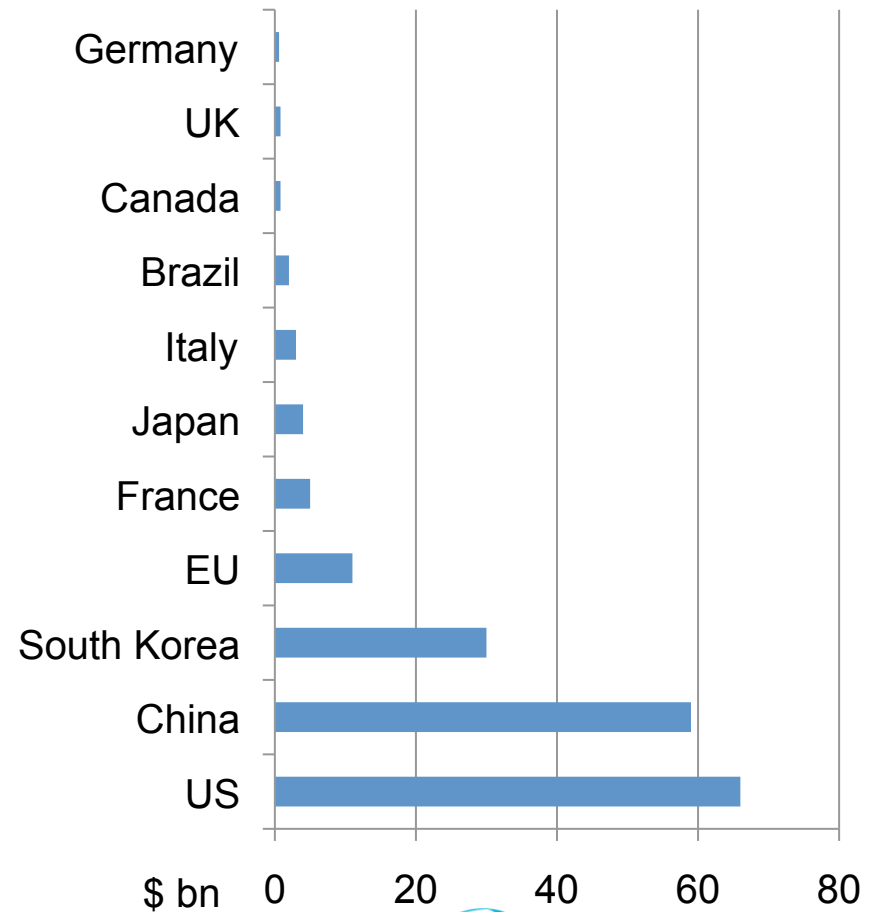
Can we meet this financing and logistical challenge?



Increased Governmental Support

- \$182bn has been committed to clean energy in recent government stimulus packages⁽¹⁾
 - \$24bn for renewable projects⁽¹⁾
 - \$34bn for grid/efficiency⁽¹⁾
- Combination of direct support and indirect support to free up financing for renewable energy projects
- Emerging market countries are also supporting the sector, e.g.
 - Recent introduction of South African feed-in tariff
 - Chilean requirement for 5% of electricity to be renewable by 2010

Clean Energy Stimulus by Country ⁽¹⁾



(1) Source: Government Agencies, New Energy Finance

What Will be the Impact of Carbon Pricing?

- Inclusion of carbon costs resulting in higher electricity prices
- Utilities are beginning to reflect this cost and associated fines via higher pricing
- Impact on institutional investor portfolios from carbon costs
- Potential introduction of a Federal REC system in the US
- Financeability of carbon credits

Financing renewable energy projects provides a natural hedge against carbon pricing



In Conclusion

- The world is undergoing a fundamental transition from fossil-fired electricity generation to generation from renewable sources
- Spread over a Generation
- Massive cumulative capital requirements will be needed to finance this transition, but spread over a long period
- Due to size of investment required and the “credit crisis” alternatives to traditional sources of financing will be required

Mainstream is positioning itself to be at the forefront of the global revolution in renewable energy

