



SUSTAINABLE PUBLIC AND PRIVATE FINANCE SOLUTIONS FOR RENEWABLE ENERGY COMMUNITIES

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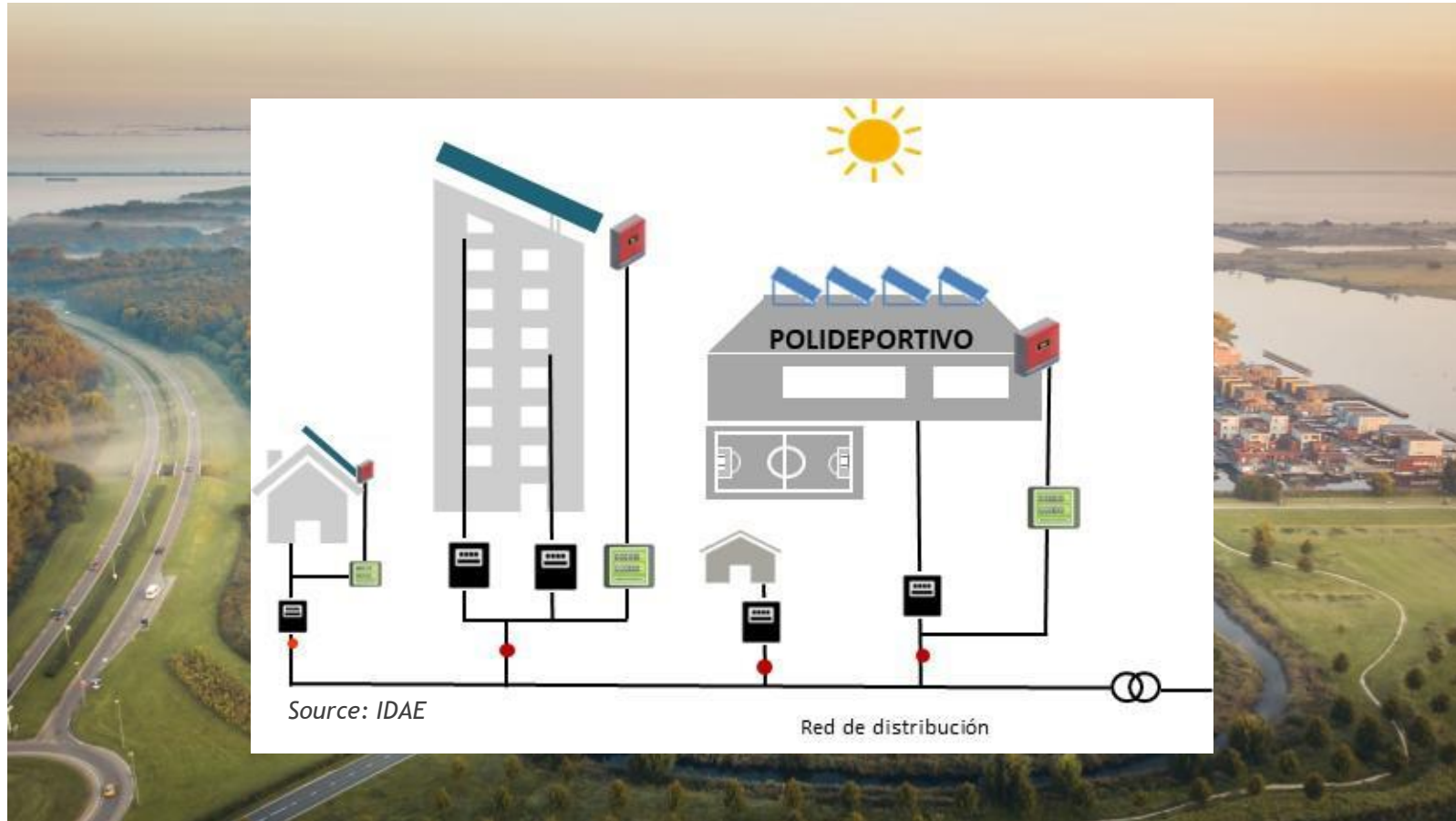


Forum per la
Finanza Sostenibile



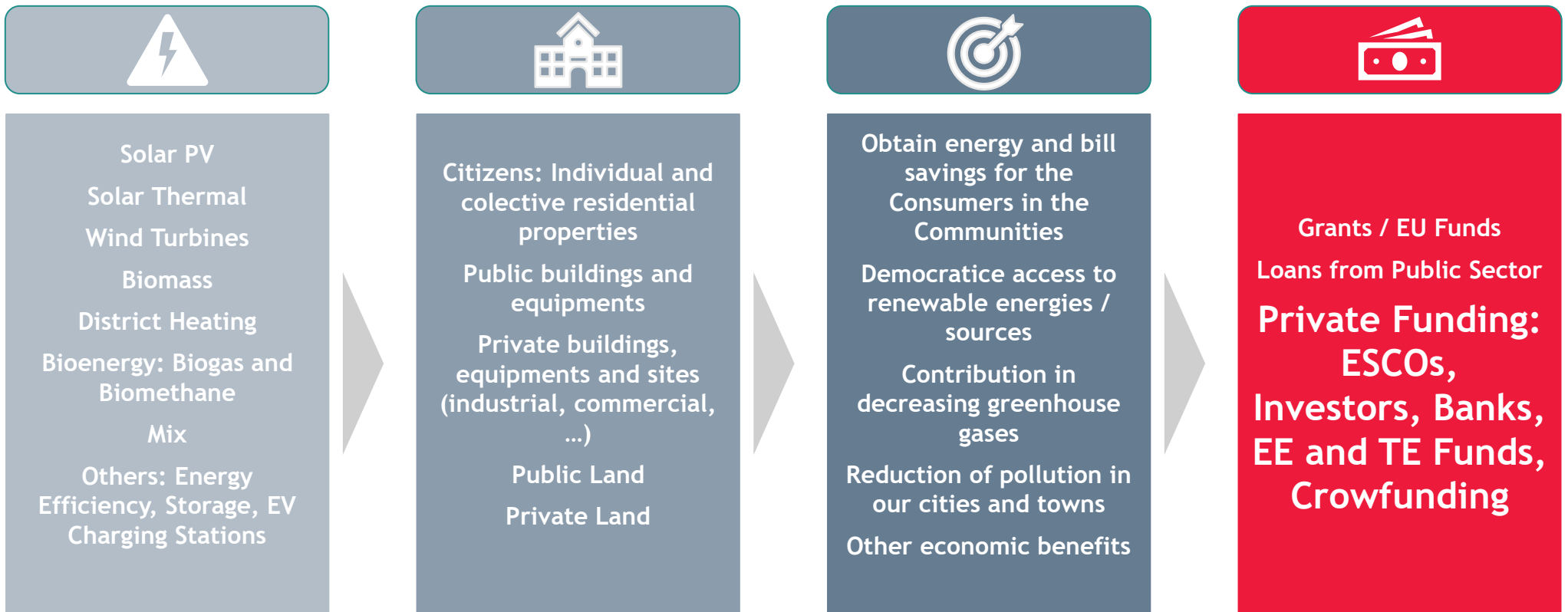
RENEWABLE ENERGY COMMUNITIES

Introduction



RENEWABLE ENERGY COMMUNITIES

Types, benefits and where to obtain financing...



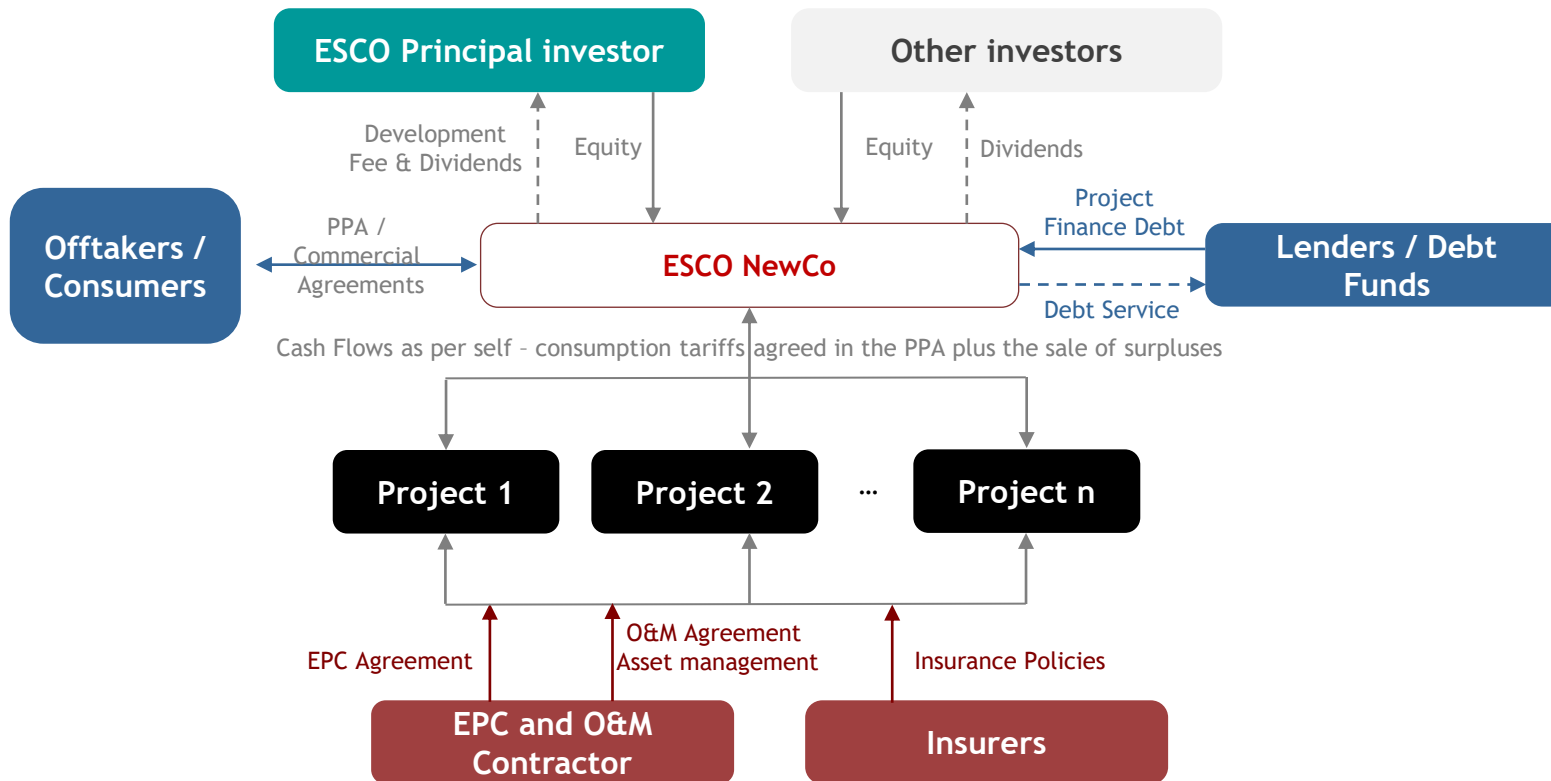
KEY ISSUES FOR RAISING PRIVATE FINANCE

Economic and Financial Viability

Concepts / Key Issues	Description
Economic viability	Clear economic gains for the stakeholders in the Energy Community and for the society in general
Financial Viability	
Commercial viability and analysis of counterparty risk of the consumers (clients)	Long term commercial agreements as PPAs or other types with main consumers in the Community will facilitate more gearing / higher amount of private financing to be raised, as long term visibility in the revenue stream will be achieved. Also longer tenors of the private debt, reducing the annual amount to be reimbursed, therefore anticipating savings gains for the consumers. Counterparty risk of the (main) consumers will be analysed. The lower the average counterparty risk, the higher the amount of private finance that might be raised, as financial cushions for covering from non payment risk will be reduced. Might be interesting to have one or some public sector consumers (or others) to increase financing appetite for the private financing of the Energy Community CAPEX needs.
Detailed, reachable / robust business plan	A detailed business plan must be created, including CAPEX needs, technical solution with tested technologies, timeline for reaching Operation Date, Income streams based on the future agreements and/or existing regulations (self consumption by consumers of the community, surplus into the grid, others), O&M costs, including asset management, insurances, administrative costs, ..., and tax and accountant treatment. Base Case, pessimistic and optimistic cases.
Technical solvency	Technical solvency of the sponsors, stakeholders and/or subcontractors. Previous experience with the same technology, building, managing and operating similar renewable energy projects. Depending on the size of the CAPEX / Project, financial solvency of the sponsors, stakeholders and/or subcontractor might be also relevant.
Legal viability and Security Package	Legal structure in place to permit pledge on shares (or similar holding instrument), assets and / or credit rights arising from commercial agreements (p.e. PPAs or other commercial contracts with the consumers, rights to sell surplus to the grid, ...). Existing regulations are compatible with private finance security package needs and enforceability. Existing regulation permits to sell surplus energy into the grid?
Robust financial results adapted to updated markets conditions	Financial results of the business plan must be in levels according to market conditions for private debt and equity from private investors.
Size of the Investments needed	Depending on the size of the investment needed and other factors as consumers, stakeholders, sponsors, ...) different private finance solutions will be available. Small projects under 3 million euro tend to be financed through crowdfunding, full equity or leasing agreements with banks. Bigger sizes permit more sophisticated approaches with EE / TE debt and/or equity funds including project finance loans or project bonds with longer tenors.
Combination of public and private financing	If is the case, financial viability might be not reachable only using private financing, therefore a proper mix of public grants or loans and private funds, might be the proper solution, reducing the cost of capital.

PRIVATE FINANCING: CONTRACTUAL AND FINANCIAL RELATIONS

ESCO acting as Sponsor: Investment and financing through an Energy Services Company (ESCO)



- ❑ The tariffs agreed between NEWCO and the consumers (offtakers) through the power purchase agreement (PPA) or other commercial agreements types, results in what is known as a win-win for both the consumers- which, in addition to positioning themselves as a proactive agent in the energy transition process – event not having place in his property for installing RE -, achieves significant savings on its electricity bill -, as for NEWCO, which carries out the investment, financing and O&M, ensuring the placement of the renewable energy produced to the consumers, thus obtaining a certain financial profit.
- ❑ Under this model, the consumers may act only as offtakers, outsourcing all the management and financing of the projects to the third party ESCO. Or also being involve as investors or financiers.
- ❑ Maximum efficiency with commercial agreements as PPAs with terms of 15-20 years, thus obtaining financing with similar terms

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