



The *Sustainable* Electricity Company

Private and public sector initiatives: How to encourage private and public parties to invest in our common future?

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How to encourage to invest in our common future

There are 4 forces sustaining renewables development:

- Concern for global climate change (United Nations Framework Convention on Climate Change, Kyoto Protocol, EU Directive 20/20/20)
- Security of supply and volatility fossil fuel prices
- Technological evolution (continuously improving reliability and efficiency of key equipment)
- Government support (Quota system/renewables, New Laws adopted, Feed in tariff policies, etc)

Overview of Italcementi



The world's fifth largest cement producer

A worldwide presence in 22 countries



A staff of about 21.000

A consolidated production capacity of approximately 75 million tons



2010 annual sales of 4.8 billion Euro



The oldest cement company on the Italian Stock Exchange

Over 145 years-old successful business strategy implemented by a family-driven company



Overview of Italgas

- Italcementi Group has been operating in the energy sector since 1907.
- Italgas was established in 2001 as a spin-off of all the energy assets of the Italcementi Group.
- In Italy operates 14 hydro plants, 1 solar plant and owns 400 km of dedicated transmission lines.
- Through its strategy, Italgas aims to help increasing Italcementi Group's energy independence and reduce its overall carbon emissions balance

Overview of Italgo: focus on renewable energies

Mission: to increase generation from renewable sources.

The main focus is on Countries where:



- energy demand is forecasted to grow at high rate
- renewable energy sources are abundant and high quality
- local governments are adopting new regulatory frameworks to support renewable energies development and attract FDI.

Italgo can boast :

- a strong background in energy sector
- Italcementi Group “platform” (presence in key markets, consolidated network, well reputed position, etc...)

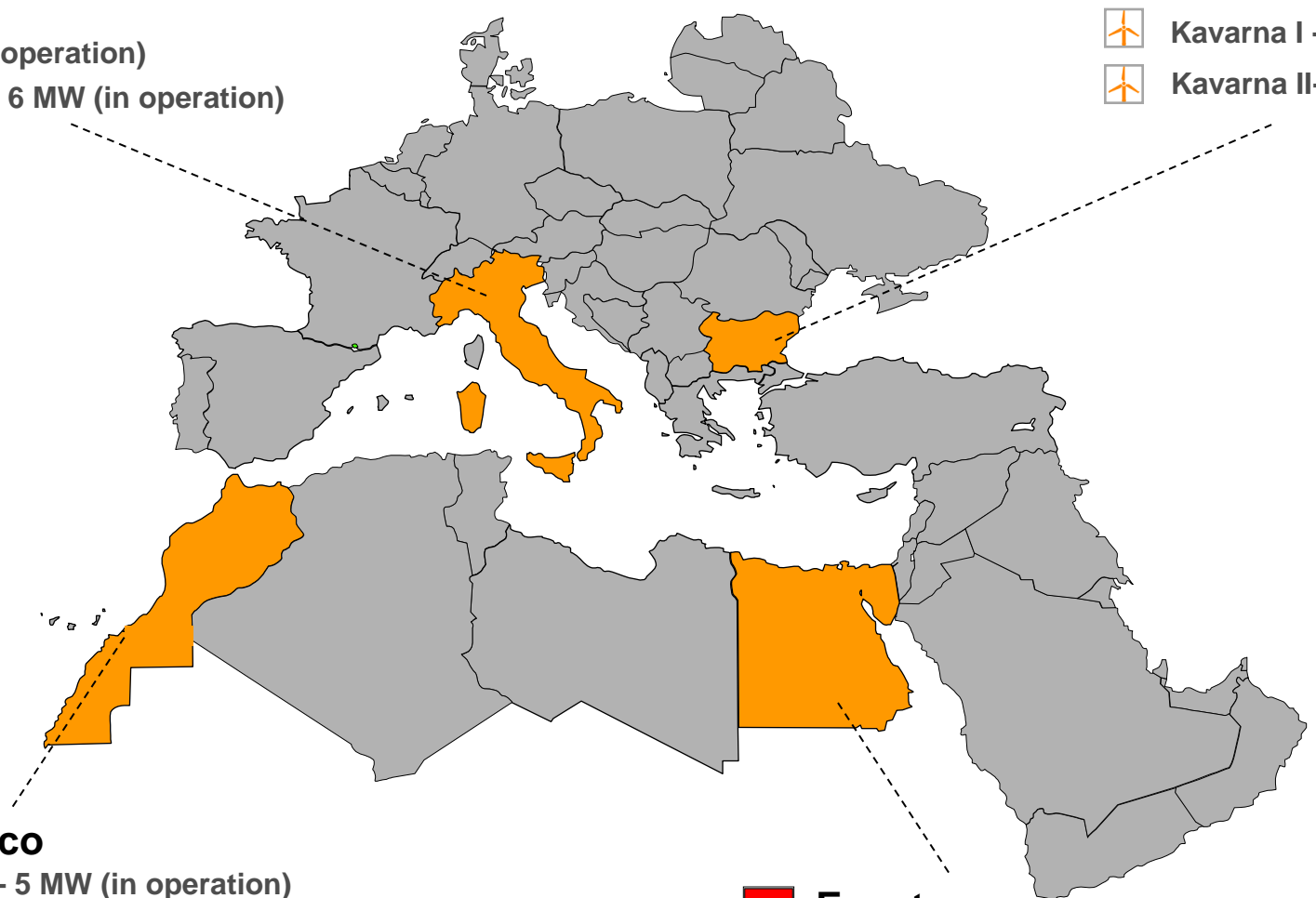
Italgen: renewable energies in the Mediterranean




Italy

-  56 MW (in operation)
-  **Guiglia^{b)}** - 6 MW (in operation)




Bulgaria^{a)}

-  Kavarna I - 9 MW (in operation)
-  Kavarna II - 9 MW (in operation)



-  Hydro
-  Solar
-  Wind

Morocco

-  Laayoune - 5 MW (in operation)
-  Ait Baha - 0,2 MW (fully authorized)
-  Safi - 10 MW (under development)

Egypt

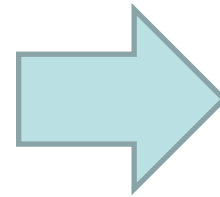
-  Gulf El Zeit - 120MW (under development)

Final remarks

Support that can be provided by the financial institutions: room for improvement as per the following “real” example...!

150 million euro investment for 142MW wind energy project. Great initial “enthusiasm” on project financing but:

- DSRA^{a)} initial funding
- Up front fee
- Coordinating fee
- Senior debt commitment fee
- Senior debt interest during construction



28 million euro to be added to the CapEx (almost 20%)

...and making the project profitability even lower due to:

- Fixed dividend policy
- Higher cost of capital
- Higher cover ratio (i.e. DSCR^{b)})

Final remarks

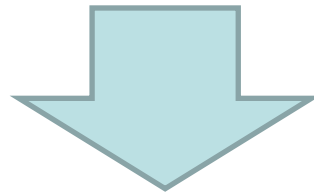
“Easy” to provide financial “support” in such a way...!

We share

- Innovative sector
- Innovative project
- Great vision
- Ambitious targets

We DO NOT share

- Uncertainty
- Country risk
- Entrepreneurial risk



Zero risk for the financial side

Final remarks

The contribution of the financial institutions is a key aspect to implement the vision of Dii.

- We have to be realistic and pragmatic. In MENA area there is huge potential but political uncertainty is there and will stay for a while....we cannot wait to have “everything” fixed, clear, stable...if we want to match the 2020 ambitious targets for RE.
- Financial institutions shouldn't be just “money suppliers” – they must share some risks in this stimulating challenge – as FDI, we are looking for a partner contributing to the efficiency and feasibility of the projects.