

2nd Dii Desert Energy Conference

Financing of Renewable Energy Projects in MENA Steps to involve Private Financiers right from the Beginning

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Die Zukunftsförderer



DEBT

- Limited access to long-term funding
- Limited equity → Basel II/III
- Restrictive risk policy due to regulations and uncertainties → appetite for low-risk assets
- Syndication market restricted

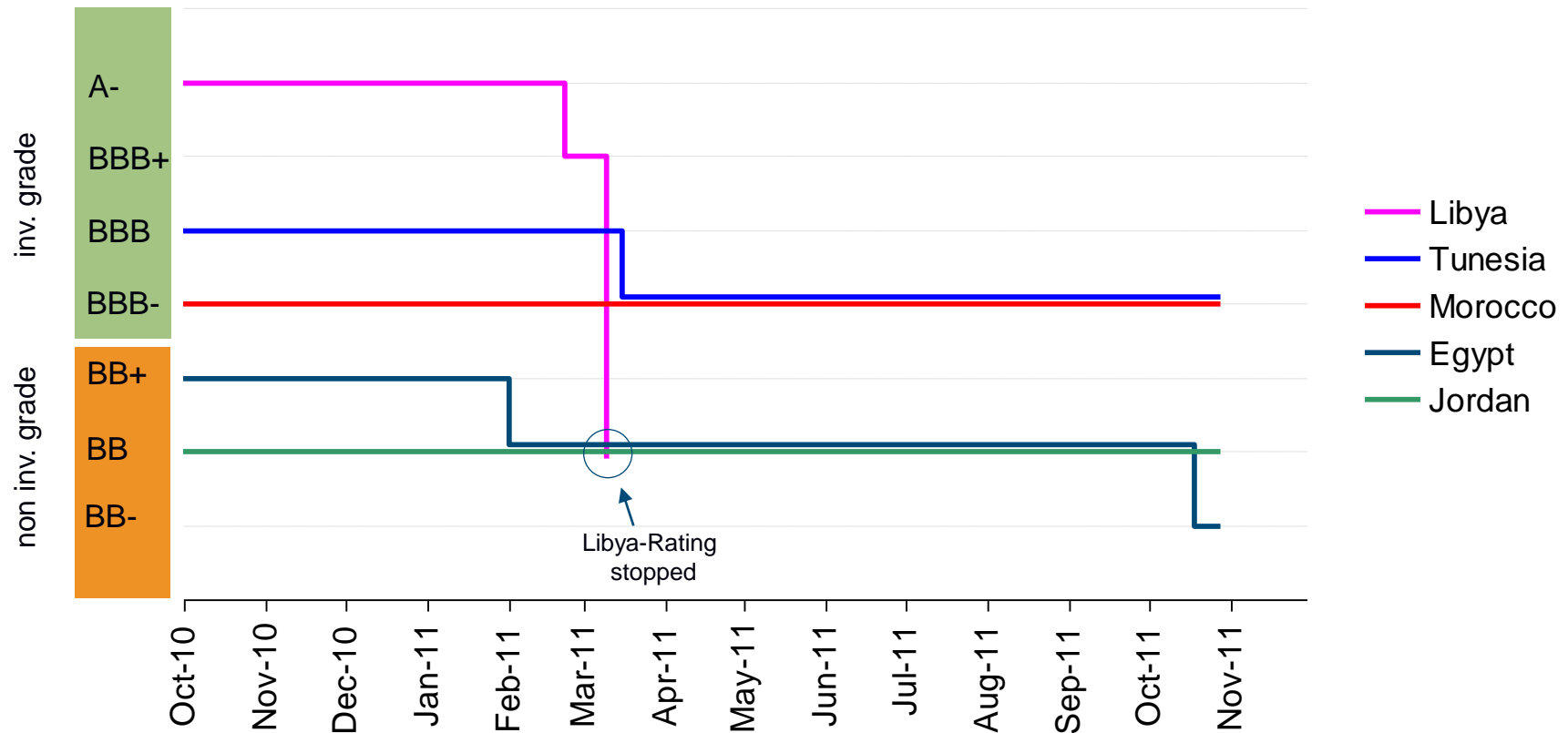
EQUITY

- Industrial sponsors → limited equity
- Equity participation only in connection with construction contracts

Financing of RE-Projects in MENA

Current challenges in the MENA-region...

Development of S&P-Rating for selected MENA-countries



➔ **Purely commercial financing of RE in MENA is not realistic, but ...**

Financing of RE-Projects in MENA

How to involve Private Financiers right from the Beginning...

Example → KfW Special Programme “Off-shore Wind Energy”

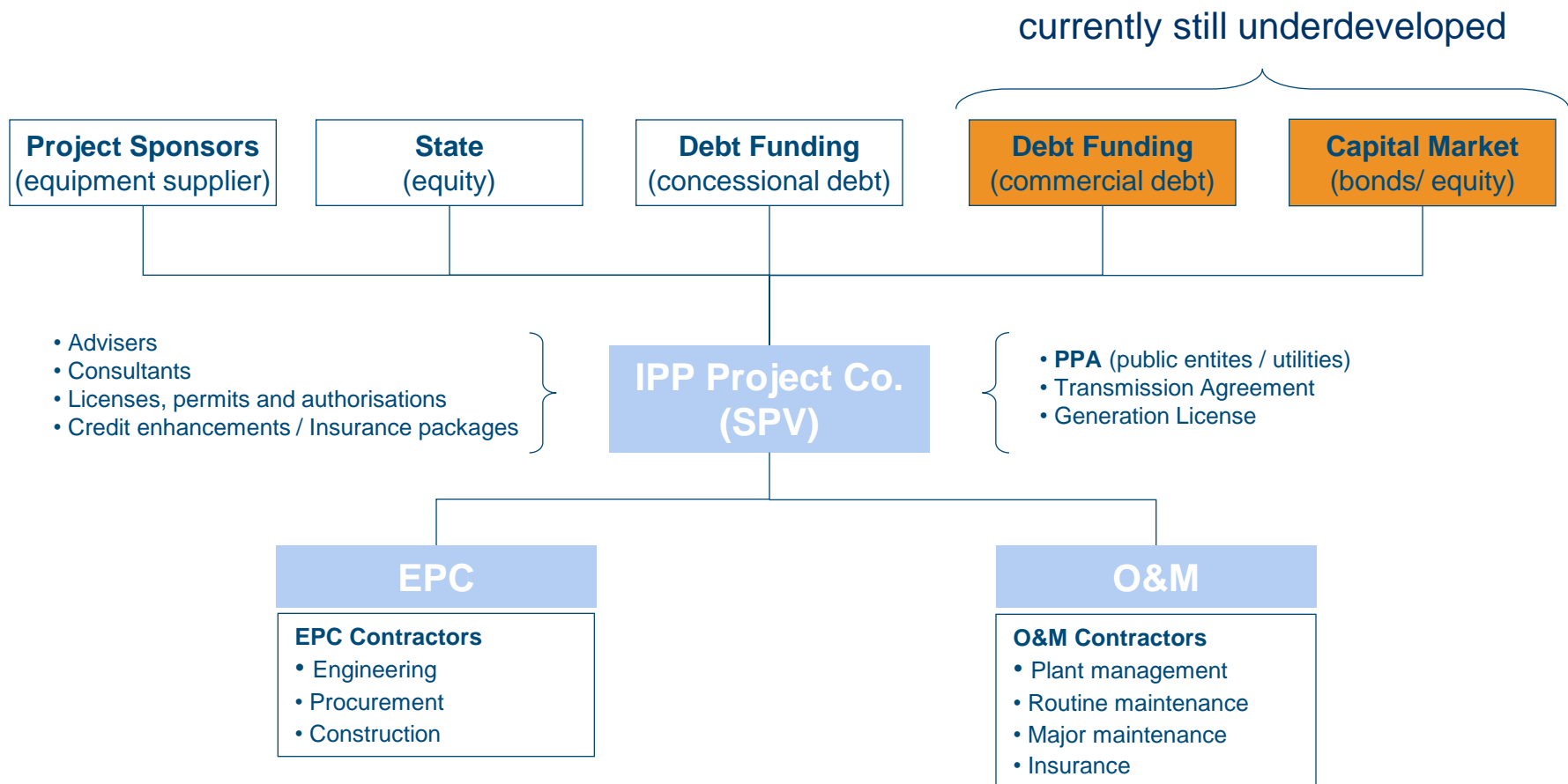
- Launch of the new German energy strategy (phasing out of nuclear energy) in 2011
- Promotion of off-shore Wind Projects in Germany (total budget: EUR 5 bln)
- KfW financing to be part of a bank consortium
- KfW: max. EUR 400 Mio per project (term: up to 20 yrs. / 3 grace yrs.)
- Equity portion: 30%
- ECA coverage (e.g. Euler Hermes) required
- First deals closed; example: Off-shore Wind Project “Meerwind” (288 MW)
 - total financing. EUR 1.3 bln
 - KfW financing: EUR 264 Mio (Special Programme)
plus EUR 195 Mio from KfW IPEX Bank



Financing of RE-Projects in MENA

How to involve Private Financiers right from the Beginning...

Structure → First key-elements such as PPP, IPP and PPA are realistic measures to integrate the private sector...



Financing of RE-Projects in MENA

Success factors for private financiers' involvement...

PROJECT

Commercial

- Safe CF → PPA, Feed-in-Tariffs, tax credits
- Payment obligation by off-taker under PPA backed by Gov. Guarantees
- Guarantees → performance, EPC, O&M

Framework

- Legal & Regulatory Framework
- Credit enhancements/ comprehensive insurance package (e.g. ECA)
- Compliance with international environmental standards

Support/ Advisory

- Strong international and local sponsors
- Professional planning:
 - fin. advisor,
 - chief technic. advisor,
 - legal advisor,
 - fiscal advisor

Thank you for your attention

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