



Capital for Renewable Projects

EPA Sustainable Communities,
2009



Why are we here?

RE and EE Projects Require Significant Upfront Investment

- Wind: 1MW is \$2M - \$2.5M
- Solar PV: 5MW may be \$30M
- Biomass/Biogas: 75kW is \$500,000K
- K12 Retrofit HVAC Project > \$1M
- Development may take 6 months to 3 years.
- Carrying Costs can be substantial
 - Interest
 - Staff
 - Insurance

Ownership Structures

*They all require
someone to put up cash*

- Single Owner/Operator
 - Bears all project risk
 - Responsible for everything
- Third Party Owner/Operator
 - Host Site purchases energy or receives energy savings benefit
 - Risk transferred to third party
- Shared Ownership
 - Flip structures (common in the RE space)
 - Can create transaction complexity



Where are sources of capital today?

Search high and low

- Traditional
 - Grandpa
 - Mattress
 - Lottery
 - Cat lady
- State and Federal Incentives
 - Grants & Rebates
- Equity Partners or VCs
- Third party owner/operators
- Banks (debt and equity)



State and Federal Incentives

There's no such thing as free money

- Grant and Rebate Programs for large capital projects are generally not simple
- Require feasibility studies, NEPA reviews
- Timing may not work for typical project flow
- OH – cannot purchase equipment ahead of the application submittal
- Rebate pool may be limited
- CA, IA – first come first serve
- May place ownership restrictions on the project



Equity Partners and VCs

Can be motivated by returns in the form of cash or tax credits

- Equity partners will add an additional layer of risk assessment
 - What if the wind doesn't blow?
 - What if there's a drought?
- Generally have a 4-6 yr investment horizon
- May seek a controlling role
- Can add discipline and make a good project better



Choosing a lender...

Not all banks are equal

- Two items to keep in mind:
 - Increasing Transactional Efficiency
 - Reducing Transactional Cost
- Is the bank familiar with Renewables?
- Does the bank understand Federal and State programs like USDA and the ITC?
- Can the bank facilitate equipment purchase?
- Will the bank provide bridge financing?
- You may need to work with multiple banks to complete all transactions



Summary

Money is out there – it's just harder to find – for now

- Investors are more skeptical
- Equity players are increasingly opportunistic – this can cause delays
- Banks are especially risk adverse and still need education
- Incentives and rebates will likely help to spur movement again
- Many great projects are ready to go
- Experienced teams can make projects happen



Session 4 – Making Contacts and Getting Financing for EERE Projects

- **3:30-3:45** **Capital for renewable projects**
- Speaker: John Brown, NexGen Partners
- **3:50-4:05** **New financing programs**
- Speaker: Cindy Thyfault, Westar Trade Resources
- **4:10-4:25** **Energy Efficiency-Renewable energy financing**
- Speaker: Baxter Wasson, Deutsche Bank
- **4:30-4:35** **Mini-break**
- **4:35-4:50** **ESCO financing opportunities**
- Speaker: Mary Fox, Johnson Controls, Public Housing Solutions
- **4:55-5:10** **EE/RE incentives/financing**
- Speaker: Price Robertson, Oncor Electric Delivery
- **5:15-5:30** **Financing agricultural methane projects**
- Speaker: Charlie Smither, RealEnergy



Thank you!

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