

Triodos  Bank

Financing Solar PV

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01. Introduction to Triodos Bank

Internationally

- Europe's leading Ethical Bank
- Over €4 billion of funds under management
- Operating in the Netherlands, UK, Belgium, Spain and Germany

UK

- 28,000 personal customers
- Over 2,500 business customers
- Lending £302 million to social & environmental projects in the UK



01. Introduction to Triodos Bank

Positive Social and Environmental impact

Social / charitable



Organic Farming and Fair Trade



Environment



Transparency:

- Connecting savers and borrowers
- Know where your money goes – online “Google Map” of all projects we lend to



Financial Times ‘Sustainable Bank of the Year’ 2009

02. Introduction to Renewable Energy Lending

Internationally

- Financed first renewable energy project 1987
- Lending over €570,000,000 into renewable energy - over £140,000,000 commitments in UK
- Supporting 950MW installed capacity across 275 projects
- Includes wind, hydro, solar and some biomass
- Loan growth of over 30%

UK

- Includes:
 - 37 operating onshore wind farms (123MW)
 - 13 hydro-electric projects
 - 1 solar project
- In addition:
 - 60 MW of projects in construction
 - Significant lending growth in 2010



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Attractive sector

- Proven technology
- good long-term cashflow – feed in tariff
- Reduced energy costs
- plenty of opportunity: ground or roof mounted

Some challenges

- All projects are different
- Equipment warranties
- Planning consent
- Access to equity
- Business rates
- Others?



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Our target market

Non-recourse project finance

- Only really suitable for 500kwp +
- Debt levels of £1M and over

Recourse

- Smaller projects – best to approach existing Bank
- Organic Farms – happy to discuss as part of farm lending package

We are working with Housing Associations,
but we are not focused on the individual domestic residential market

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Non-recourse project finance

- lending to a company that does nothing other than construct, own and operate a project
- with no recourse to anything other than the future cashflow and assets of that business
- owners equity is at risk, but the Bank has no claim on owner's other assets
- the amount lent normally exceeds the resell value of the component parts of the project
- Bank is entirely dependent on project income for repayment!

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What will Triodos do?

- identify risks that may reduce or limit project income
- decide if the level of risk is acceptable to it
- reach a sensible balance between risk & reward (what it's going to cost)
- lenders only *respond* to proposals – they are not shadow directors
- a lender will only lend if they are confident of a fully operational project can be achieved
- A Bank only receives interest on what it is owed but it probably has the most to lose!

All the profits go to the owner!

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How much can I borrow?

- the strength and value of a project lies in its projected cashflow
- $\text{cashflow} = \text{energy yield} \times \text{sale price} - \text{operating costs}$
- the level of available cashflow informs the affordability of debt
- Repayments must be affordable from projected cashflow plus a safety margin
- Bank normally restricts loan term to 15 years or less

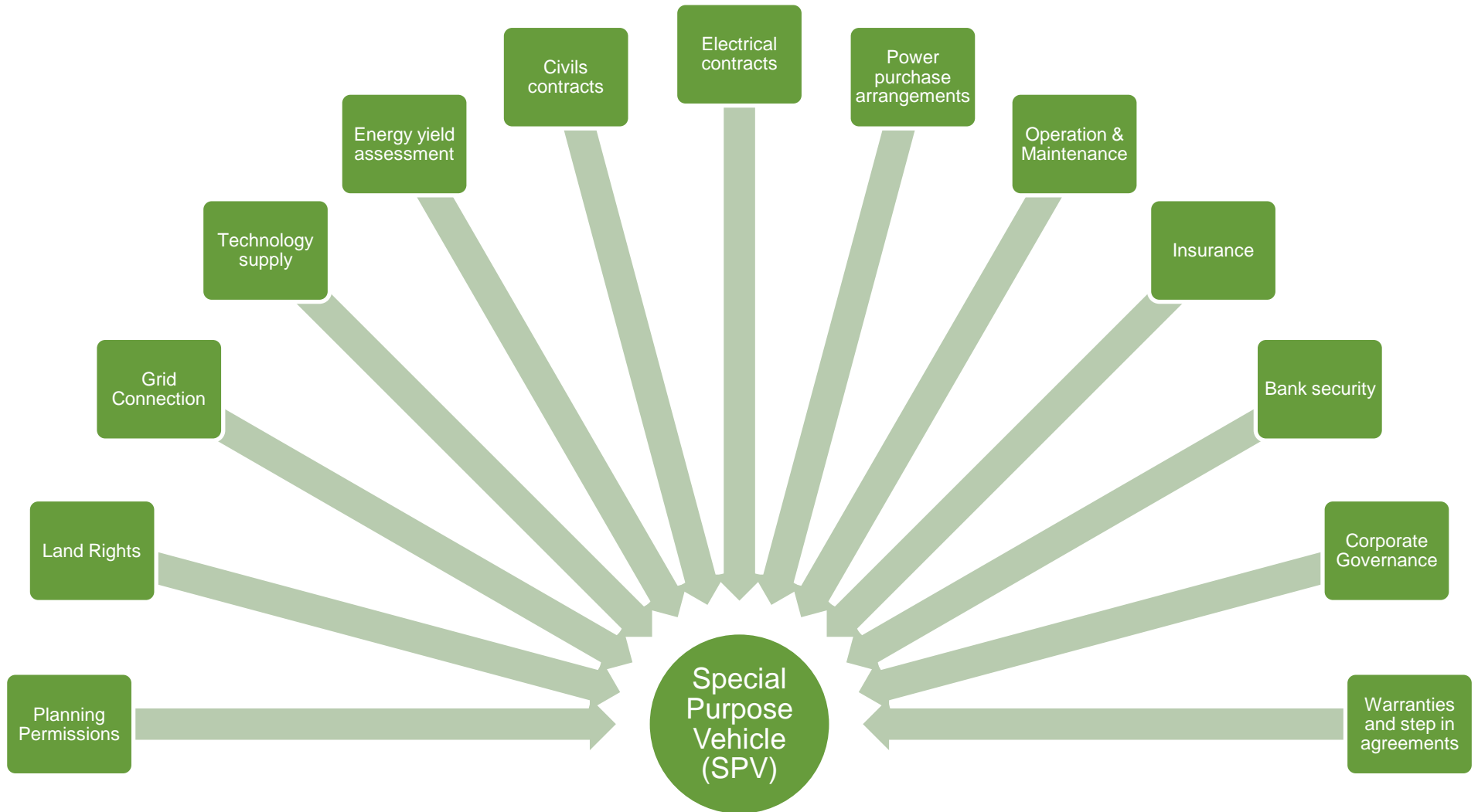
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How much stake do I need?

- The amount of debt is determined by cashflow available to support it
- The Bank will not lend more than 90% of the capital cost
- There is no fixed relationship between capital cost and percentage of debt

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Non-recourse Finance (Project Finance) - contract structure



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Alignment of interests

- a lender is only repaid if the project succeeds, and developer only achieves their aims if project succeeds - therefore should be little difference between the lender & project developers interests
- one may be more risk averse than the other, e.g. opt out of Export Tariff
- the only area in which this alignment does not exist is in negotiating terms and conditions with the lender (the facility agreement) and in establishing the lender's rights (the security documents)



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What do you need to do?

- established technology, good design, simple contract structure, experienced contractors
- clear purpose, responsibilities and decision making - ability to spot blind spots and seek appropriate support
- plain vanilla
- the smaller the project the “plainer” the vanilla needs to be or cost of lending and due diligence becomes disproportionate to the cost of the project

04. Summary

- we are interested in financing solar
- we have the right experience to do it
- our focus is with larger commercial schemes
- we'd like more happy customers...



05. Contact

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Authorised by the Dutch Central Bank (DNB) and regulated by the Financial Services Authority (FSA) for the conduct of UK business

