

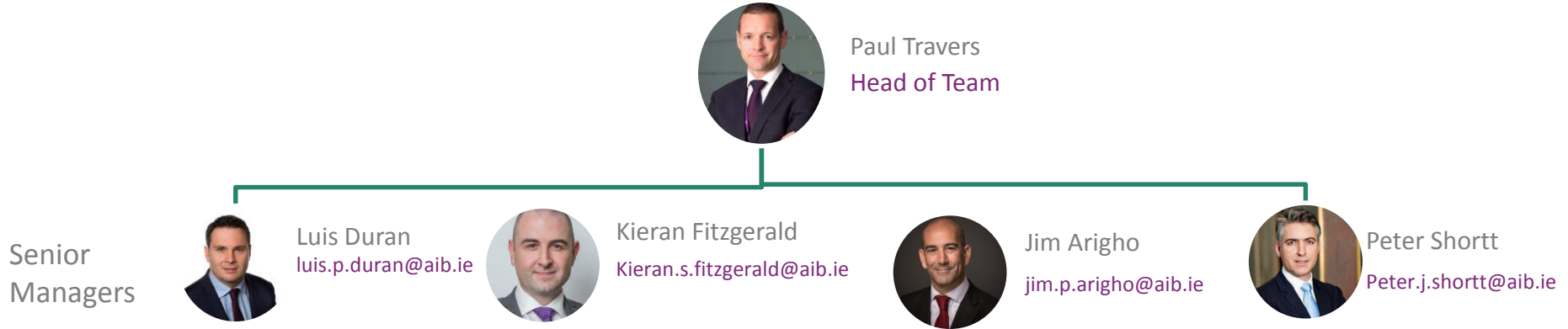


Allied Irish Banks, p.l.c

Energy, Climate Action & Infrastructure

April 2018

Energy Climate Action & Infrastructure: Meet the Team



- ✓ Centralised team of experts
- ✓ Full capital stack perspective (senior debt, equity, mezz)
- ✓ Long term relationship & partnership outlook
- ✓ Diverse range of skill sets – not just a project finance team

Implications for the end of REFIT



REFIT Deadline Pressure	Role of Banks
Earlier equity commitment	Developers may have to front load equity to achieve timelines and may need assistance from their banks. Banks need to engage on projects where key documentation/development risks may be outstanding but due to be closed out
Being 'bank ready'	Banks need to clearly set out their key asks and documentation requirements
Allocation of risk	Senior debt takes senior debt risks. Banks need to consider offering non project finance products to assist projects
The right promoters	As REFIT deadline gets closer, banks will increasingly be dependent on the credibility of the promoters and their contractual counterparties. Banks will naturally have a bias towards the most experienced developers
The right execution team	Banks need to resource their deals appropriately and require a deep understanding of the nuances that come with Irish energy.

The new energy landscape



- The new world is increasingly complicated – ISEM, DS3, Balancing Costs, Community ownership
- No longer enough to be a strong developer. You now need to secure a route to market
- The route to market requires economies of scale to be competitive so costs are kept down and corporates will want to enter into PPAs with strong counterparties
- Securing route to market is a major challenge;
 - Ability to bid in an auction and avoid ‘winners curse’
 - Ability to execute a PPA with a corporate

Implications of the new era



Industry	Banks
All participants must sharpen pricing	Prepare credit committees for the end of REFIT lending Tighter pricing may lead to different contractual packages Increased focus on promoters to deliver on budget
Given oversupply of projects, more losers than winners	Credibility of participants will be crucial. Banks will inevitably have a bias towards the most competitive projects
Smaller developers will struggle. Partner or M&A options	Banks have to consider how they can assist some of the smaller projects particularly those with community angles
Developers need to broaden their skillsets	Banks need to broaden their product range to meet their customer needs e.g. mezz, equity, bid bonds, bridging loans. Lower RES pricing will lead to a larger capital gap above senior debt
Strong advisers will be required for first RES and PPA auctions	Banks need to be more flexible and work to create the right contractual structures. Strong relationships with banks will be crucial so the right solution for all parties is achieved

Substitutes emerging

- Corporate PPAs
- Green bonds
- Revolving Credit Facilities

External trends

- Rising interest rates
- Contractor default/insolvency
- Rates uncertainty

Market trends

- Public support and ownership of “Green” Companies
- Electric Vehicles
- Pricing cannibalisation by renewables
- Decentralised generation
- Demand management
- The decarbonisation of agriculture

Banking Perspective – Corporate PPAs



- Project finance requires a long term contract from a strong counterparty
 - Tenor issue: Most corporate lending is for a maximum of 7 to 10 years
 - Contracts: Corporate PPAs are not standardised/more bespoke
 - Counterparty risk: ‘Out of the money’ contract risk/termination risk
- A lot of corporate PPAs currently have a subsidy underpin
 - REFIT or ROCs provide the floor rather than the corporate
- RES auction pricing transparency may be the key piece required to kick start Irish corporate PPAs but that is at least 12 months away

Summary



- New forms of Capital Products and contractual structures will become available to match the risk profile of investments
- Traditional Investment platforms will prevail for some time to come
- The Capital Stack is growing, with specialist funders focusing on delivering comprehensive funding packages across the full suite of capital products





- ✓ Strong track record and appetite in the Irish Energy Sector
- ✓ Ready to support our customers and relationships in the new era
- ✓ Flexible funding solutions. Ability to do small and large tickets sizes
- ✓ Full Stack of Equity, Mezzanine, Banking, Treasury and Specialised Services
- ✓ A local Bank with national and International reach.