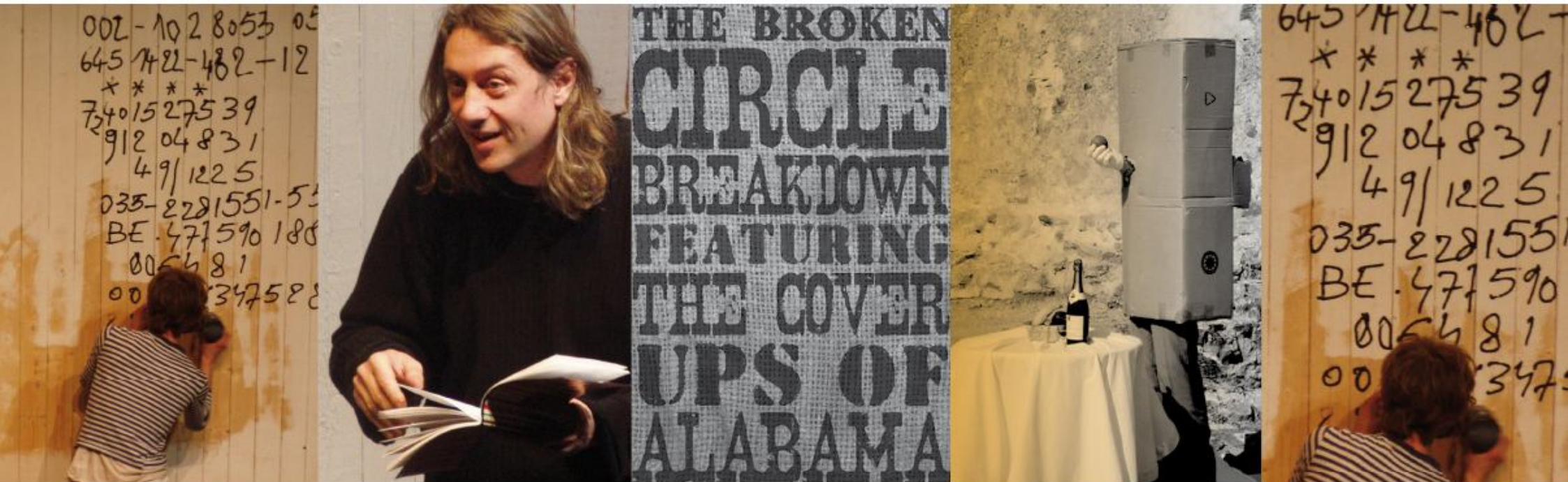


Financing Models for Sustainable Energy

Philip Bazin – Triodos Bank N.V.



Content

1. Triodos Bank Group Overview
2. Crowdfunding models and structures
3. Working with Institutional Investors
4. Private Wire and Sleeve PPAs

1. Triodos Bank Group

What makes us different?



Source: Triodos Bank Annual Report 2016

- Ethos is to connect savers with borrowers in a transparent way
- 100% of Triodos Bank loans and investments benefit sustainable projects

2. Crowdfunding models and structures

Overview of different products and structures

There are a number of different bankable models, each with pros and cons

Model 1: Equity ownership – ownership and control, in part (jv) or in whole

Model 2: “Quasi” equity e.g mezzanine debt bonds

Model 3: Asset part ownership – split site

Model 4: Revenue share

2. Crowdfunding models and structures

Model 1 Equity Ownership

Chelwood Solar Farm, Chelwood, North Somerset

- Community owned 5MW project
- £2.5million raised through a community share offer
- remainder funded by Triodos debt
- Surplus income is invested in the Chelwood Community Benefit Fund – forecasted at an averaged of £48,000 per year over the life of the project



Mongoose Energy
*Project Managers/
Development Partner*



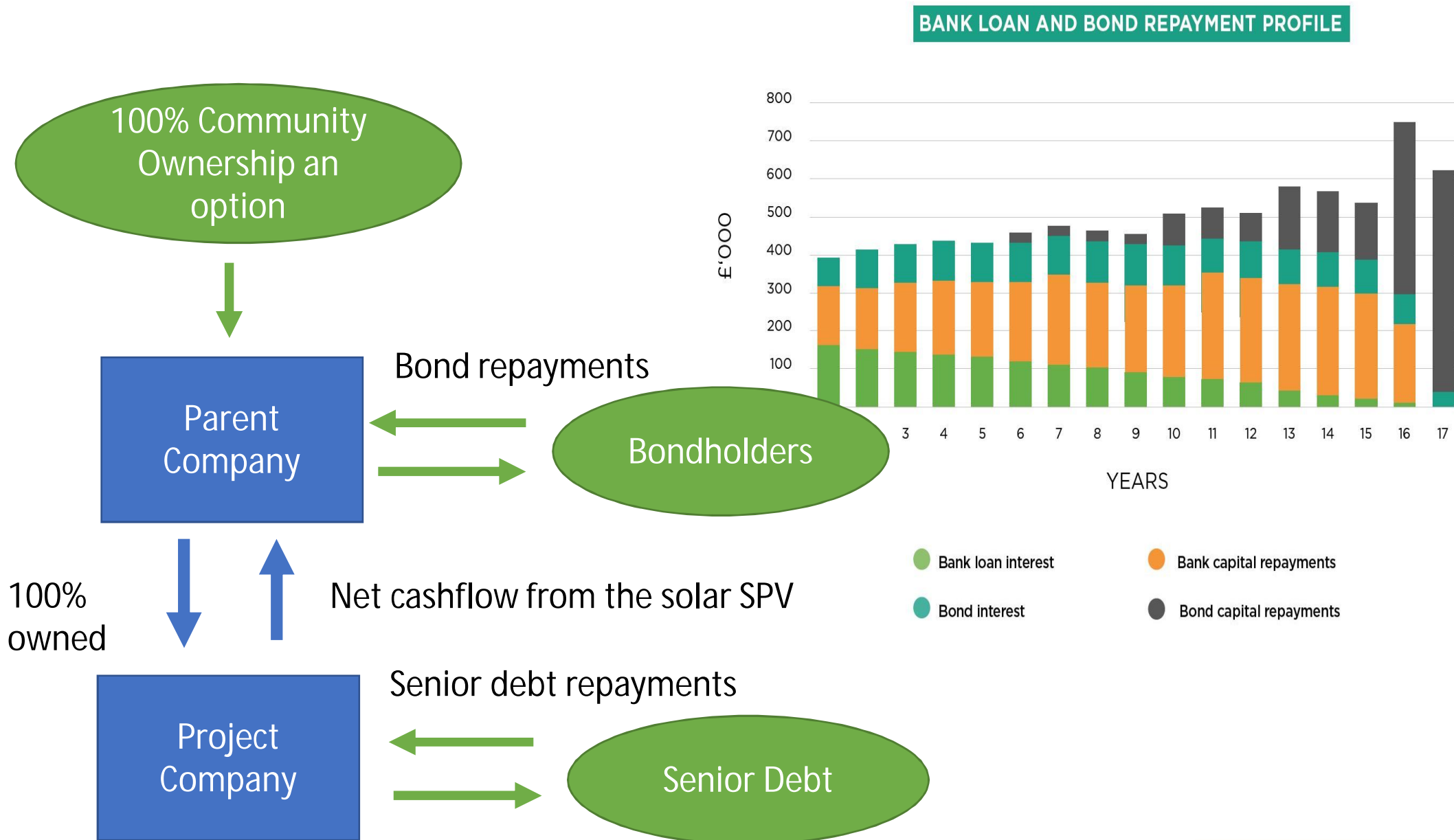
Chelwood Community
Energy Ltd
Community Benefit Society
Project Company run by
community leaders; shares
owned by local individuals



Chelwood Solar Limited
leveraged with project finance
debt

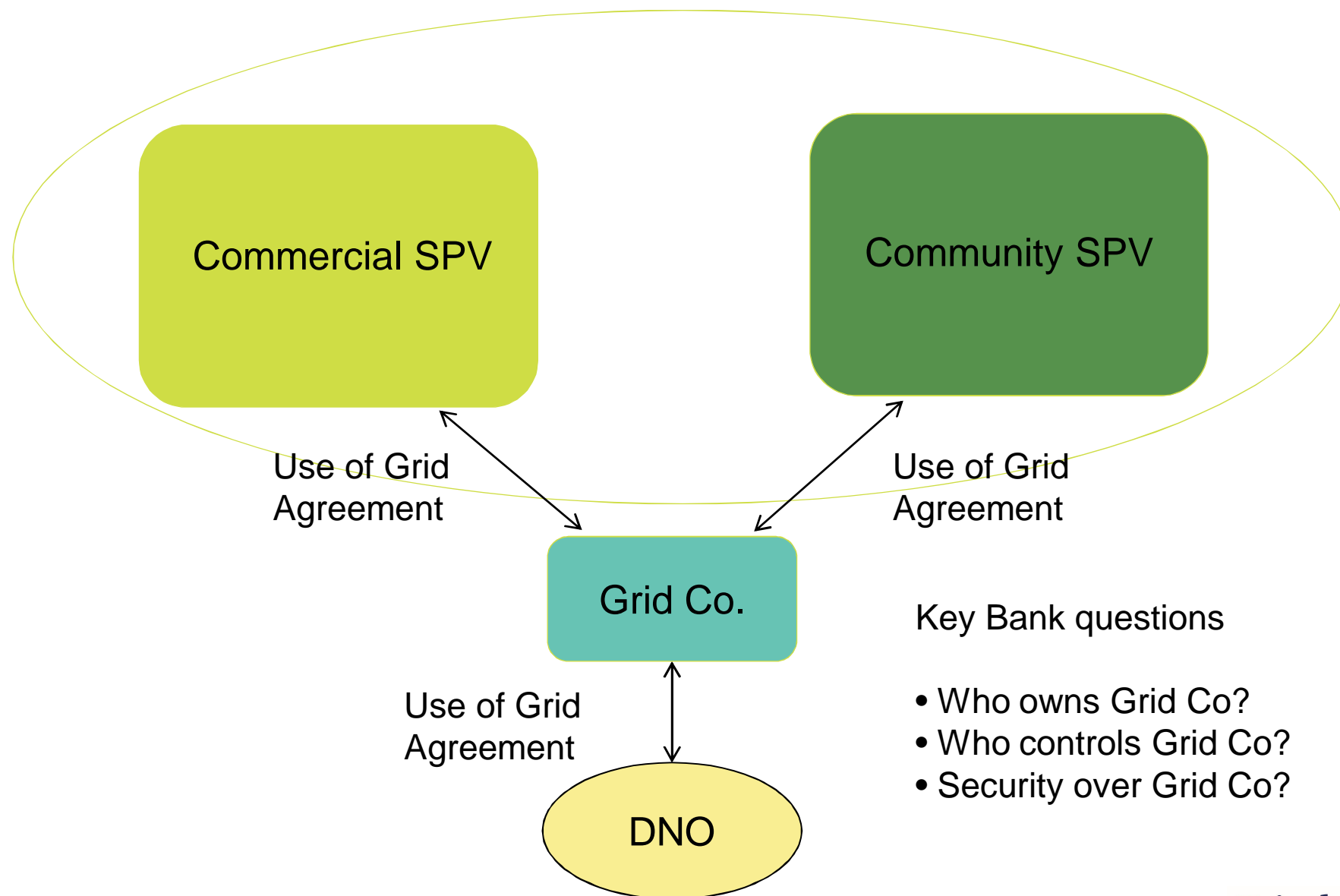
2. Crowdfunding Models and Structures

Model 2 “quasi” equity – e.g. subordinated bonds



2. Crowdfunding Models and Structures

Model 3 Asset split – part ownership



3. Working with Institutional Investors

Project financing smaller projects (bilateral / one bank only)

Project finance = relatively expensive for small-scale projects

but possible with:

- Careful selection of Sponsor - for long-term relationship
- Multiple projects with same Sponsor - makes the effort worthwhile
- Standardised documents and approach, eg:
 - Loan agreement
 - Due diligence scope & providers
 - Standard security & insurance requirements
- Cross-collateralization not necessarily required + does not always reduce risk, eg: electricity price risk affects all projects in a portfolio.

3. Working with Institutional Investors

Co-operation between Institutions and Banks

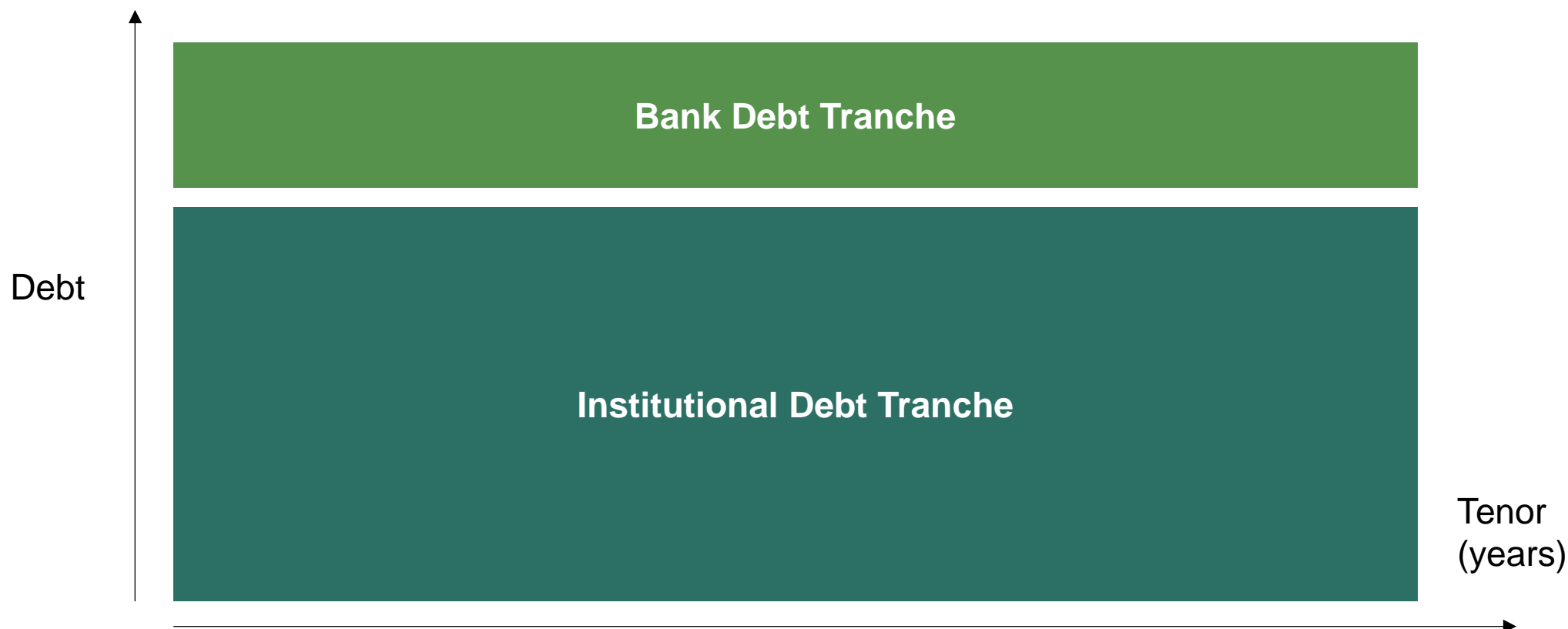
Particularly relevant for larger projects:

- Do not necessarily need a “Bank Club” (group of banks)
- One bank can provide all banking services (current accounts, working capital facilities, VAT facilities, Letters of Credit, etc)
- Bank + Institutional Investor (pension money, insurance money, etc)
= Services of a bank + large balance sheet of an institution
- Shared advisors, due diligence, security package, etc
- Can have 1 loan facility agreement (with two separate tranches in same document) or separate loan agreements

3. Working with Institutional Investors

Option 1 – Bank and Institution alongside in long-term debt

- Ratio of Bank Debt \leftrightarrow Institutional Debt = negotiable
- Some banks only doing short-term lending...
- Triodos can do longer term lending = Interests aligned with institutions



3. Working with Institutional Investors

Option 2 – Bank first, Institution second

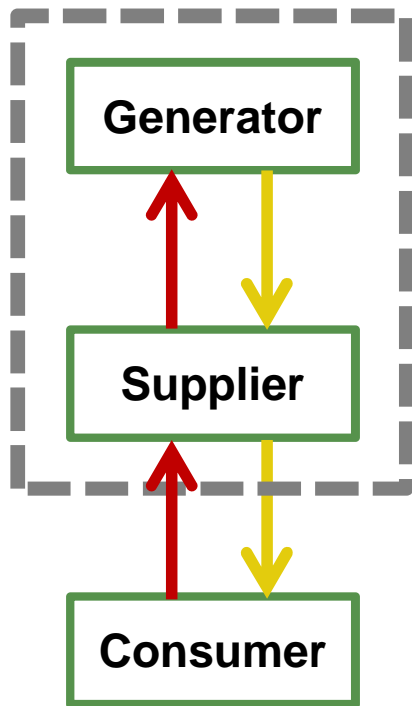
- Bank provides construction finance & other loan facilities (Working Capital, VAT facility, LCs)
- Institution refinances Bank - or -
- Bank sells down to Institution (assignment/ transfer)
(example later in presentation)



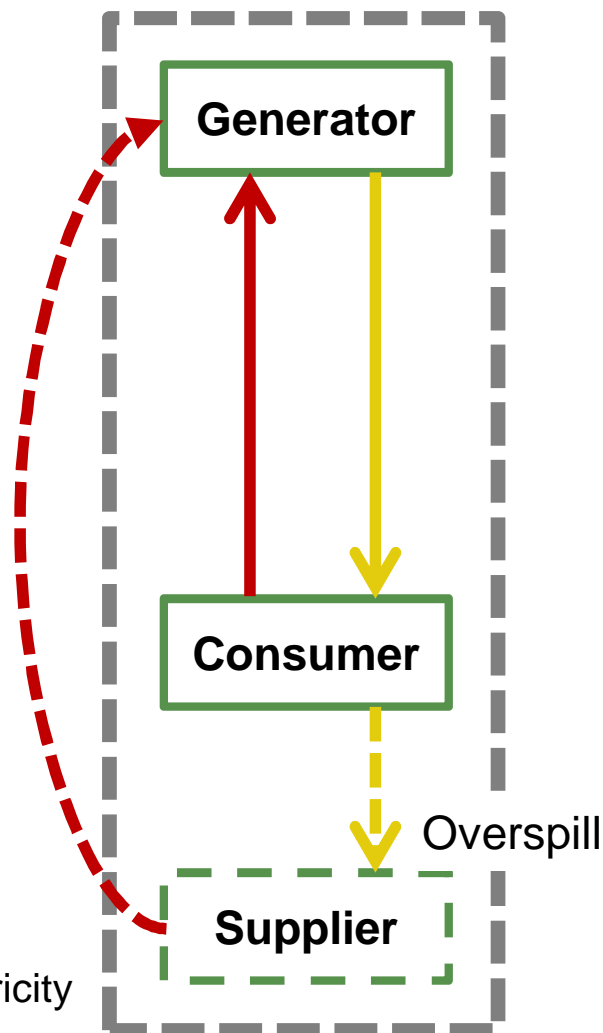
4. Bankable PPA structures

Private Wire and Sleeve PPAs

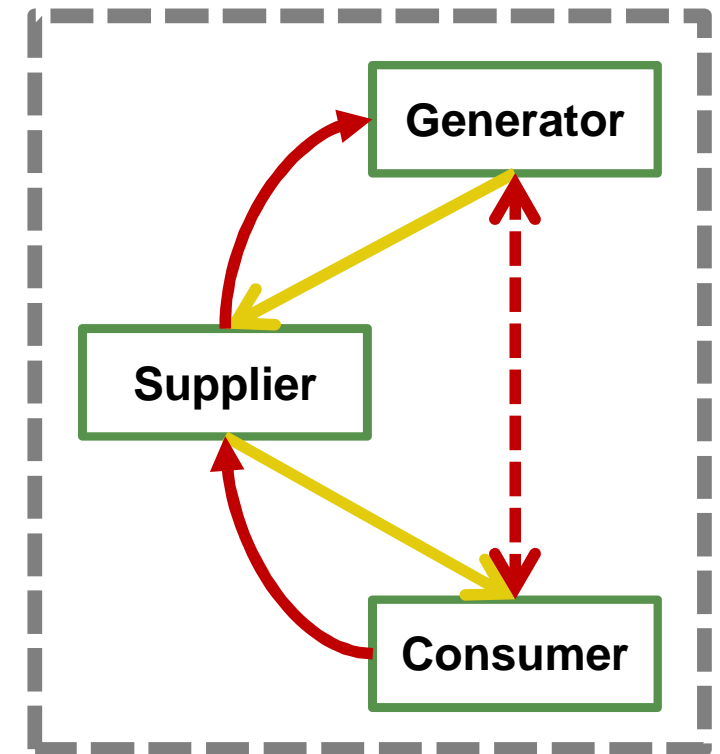
Traditional PPA



Private Wire PPA



Sleeve PPA



Legend:
→ Commercial Flow of Electricity
→ Payments
--- Parties to PPA

4. Bankable PPA structures

PPA Types – some key considerations

Traditional PPA

- Term
- Price
- Curtailment

Private Wire PPA

- Term
- Price and Indexation
- Minimum Take or Pay
- Supply Licence
Exemption Rules
- Termination
- Customer Financial
Standing
- Grid Connection and
Ability to Export

Sleeve PPA

- Term
- Price Cap
- Minimum Take or Pay
- Termination
- Customer Financial
Standing

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Triodos Bank NV, incorporated under the laws of the Netherlands
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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.

Financing Models for Sustainable Energy

Triodos Bank crowdfunding

- Over £133 million raised directly from investors for 53 impact projects over last 15 years through our corporate finance activity
- Designing and promoting unsecured/subordinated debt (bonds) and equity issues for social and environmental businesses
- Raising capital from individuals and institutional investors such as charitable trusts, foundations, social investment funds and private banks
- We are approved by the FCA to promote investment products to individual retail investors
- The original ethical investment-based crowdfunders, just previously without the online platform!



Triodos Bank Group

Triodos Bank crowdfunding

- The Triodos Bank crowdfunding platform launched in January 2018
- First UK bank to launch a crowdfunding platform
- Providing online capability and greater distribution to reach more individuals wanting to make a direct positive impact with their money
- Debt-based crowdfunded investments are eligible to be held in an Innovative Finance ISA – a tax free ISA wrapper – which can help lower the cost of capital for the issuing company
- Over £1.6 million raised across three projects in less than two months since launch
- Includes a bond offer for community solar project Mendip Renewables, which benefits from the Triodos Community Renewables Underwriting Facility

