

# *Project Finance*

## *Presentation*

September 2024



**Rabobank**

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# Rabobank Project Finance

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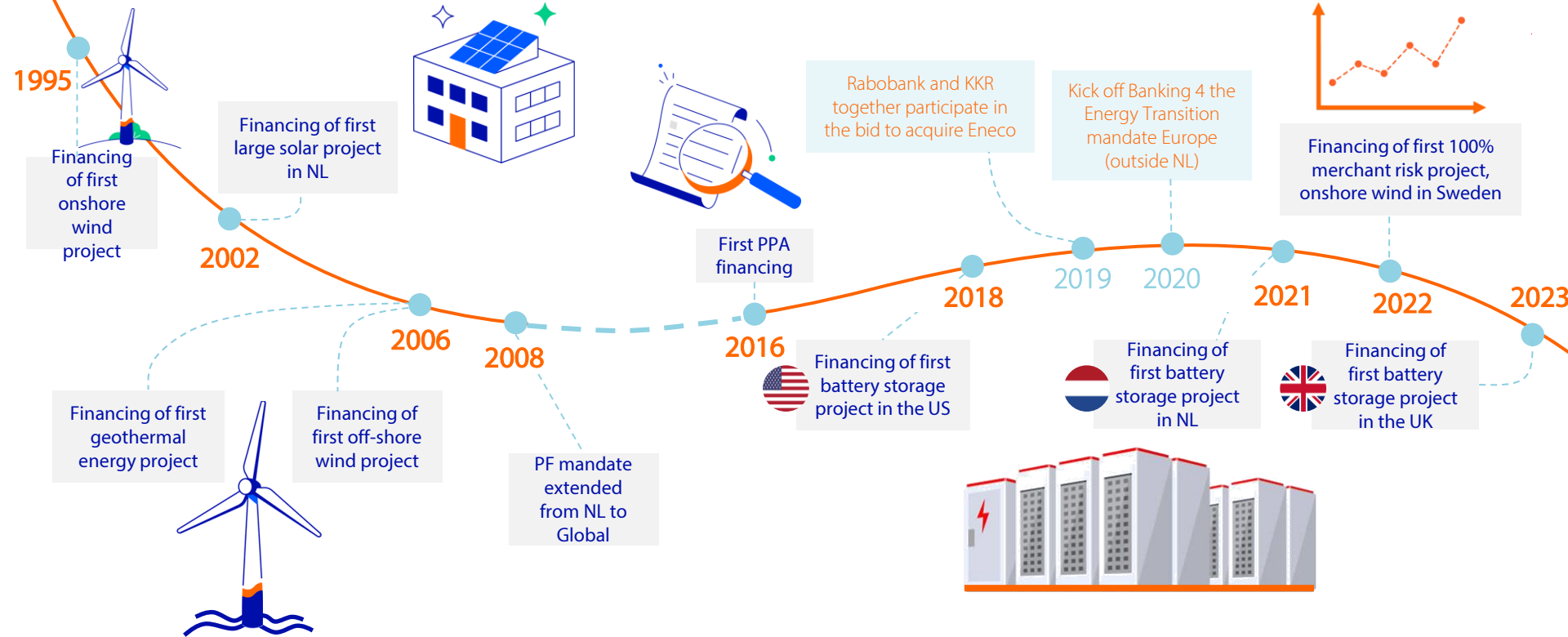
# PF links to Rabobank's strategy

- and plays a key role in the ambition to be the Bank of the Energy Transition

<b>Banking the Energy Transition</b> <i>Current focus sectors</i>	<b>1</b>	<b>Banking the Netherlands</b>	<b>2</b>	<b>Banking for Food</b>	<b>3</b>
 <p>On-/Offshore and Floating Wind</p>	 <p>Geothermal Energy</p>	 <p>Rooftop, Ground-mounted and Floating Solar PV</p>	 <p>Fiber-to-the-Home</p>	 <p>Cold Storage</p>	
 <p>Waste-to-Energy</p>	 <p>Battery Storage</p>	 <p>Biogas</p>	 <p>Infrastructure Public Private Partnerships</p>	 <p>Carbon Farming</p>	
 <p>Energy Efficiency</p>	 <p>Hydrogen Infrastructure</p>	 <p>Grids &amp; Networks</p>	 <p>Food &amp; Agri</p>		
 <p>Carbon Capture &amp; Storage</p>	 <p>Heat &amp; Cold Networks</p>	 <p>Sustainable Fuels</p>			

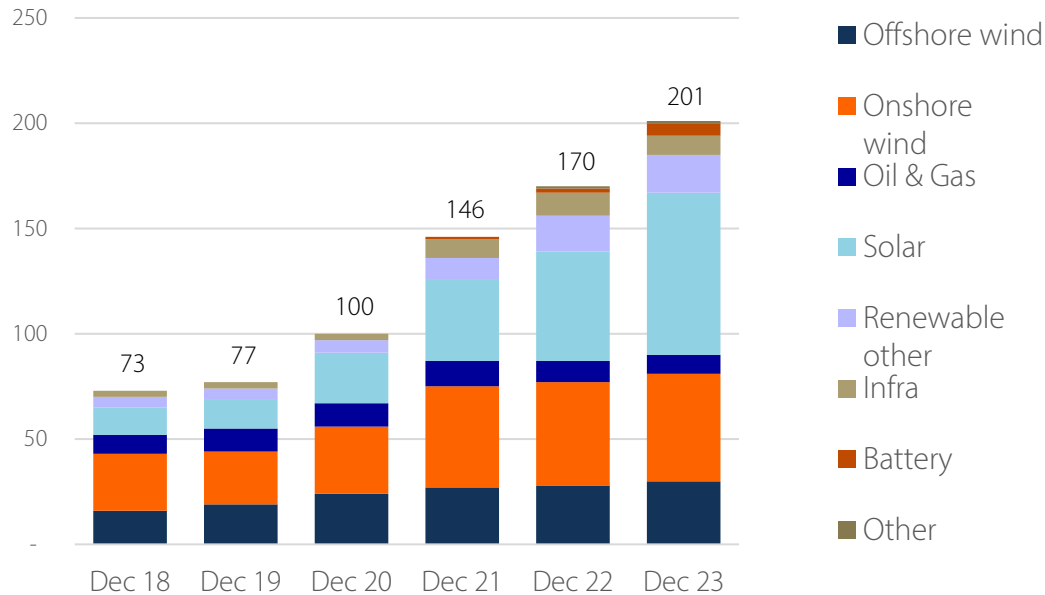
# Energy Transition Financing over the years

- Rabobank positions itself as frontrunner in renewable energy financing



# Increased diversification of technologies and products

- Asset growth, both in numbers and exposure



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## Project finance vs corporate finance

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# Project Finance vs. Corporate Lending- NL

## Key differences between traditional Project Finance and Corporate Lending

	Project Finance	Corporate Lending
Historical performance	No historical (financial) performance needed	Historical (financial) performance needed
Asset life	Generally the asset life is limited (may not be applicable for infrastructure projects)	Unlimited life
Phases	Defined development, construction and operational phase	No clear, distinct phases
Predictability of cash flows	Highly predictable cash flows as capital expenditure, revenues and operational costs are laid down in (long-term) contracts	Less predictable cash flows as revenues and operational costs are subject to market developments
Borrower	Special Purpose Vehicle (holding all assets and contracts)	Company (and subsidiaries)
Recourse	Non-recourse, the project to generate sufficient cash flows to fully repay debt prior to end date	Recourse on group companies
Debt tenors	Long tenors ( $\geq 15$ years)	Short tenors ( $\leq 5$ years)
Ratios	Debt Service Cover Ratio	Leverage (net debt / EBITDA) ratio, Solvency Ratio, Interest Cover Ratio

# Project Finance: Pros and Cons

## Pros

- ✓ Higher leverage possible than financing via corporate financing
- ✓ Off balance financing (reasons: corporates/sponsors might have limited room available on their balance sheet, specific credit rating issues/opportunities, better return on capital, non-core business)
- ✓ Multiple sponsors (Joint Venture financing/ local participation)
- ✓ Project risk can be better than sovereign/company risk (e.g. emerging markets)
- ✓ Possibility to secure long term financing

## Cons

- X Expensive in terms of documentation/due diligence, not necessarily in terms of interest rates
- X Time consuming (all contracts signed at financial close)
- X Less flexibility (amendment of contracts need review by bank)

Important: Only one chance to do it right: non/limited recourse on sponsor(s)





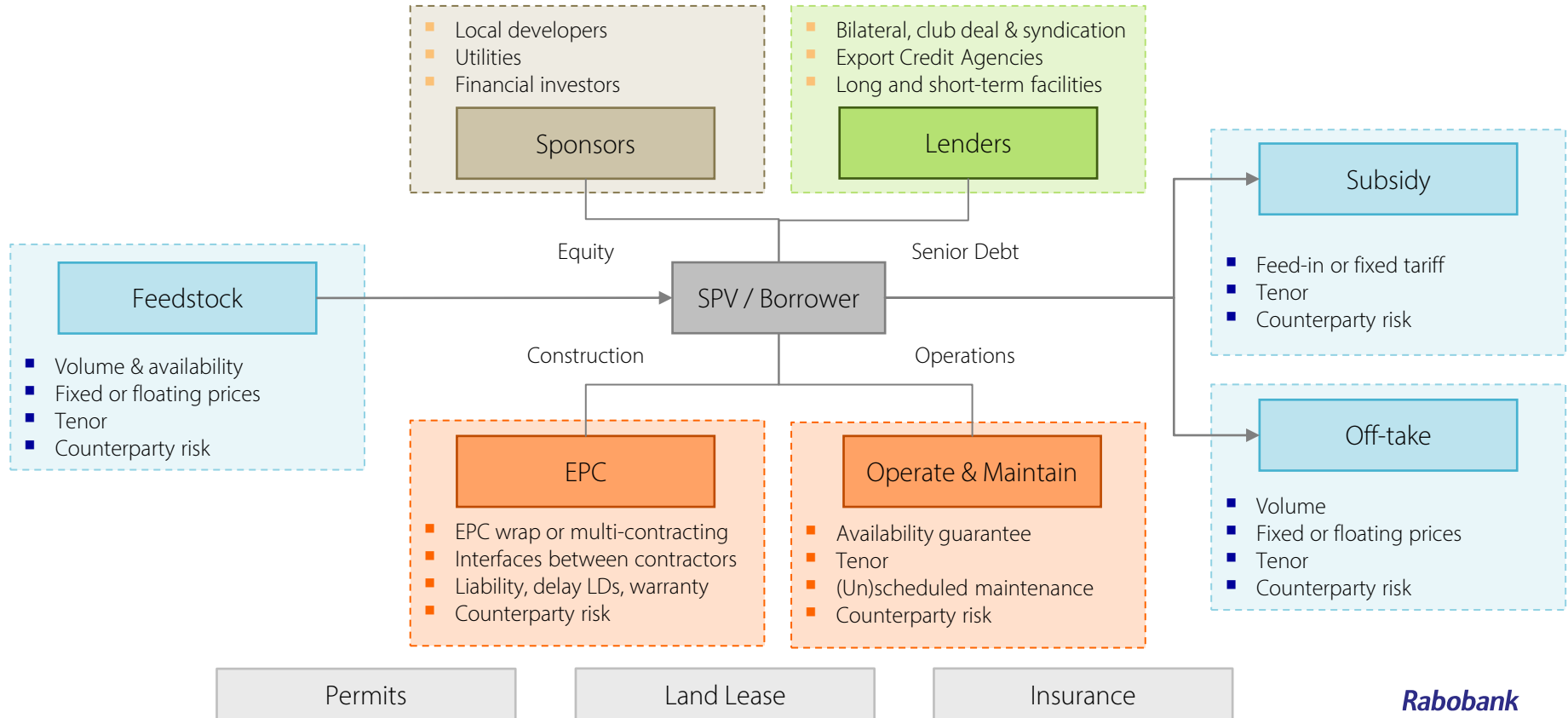
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## Project Finance: explained

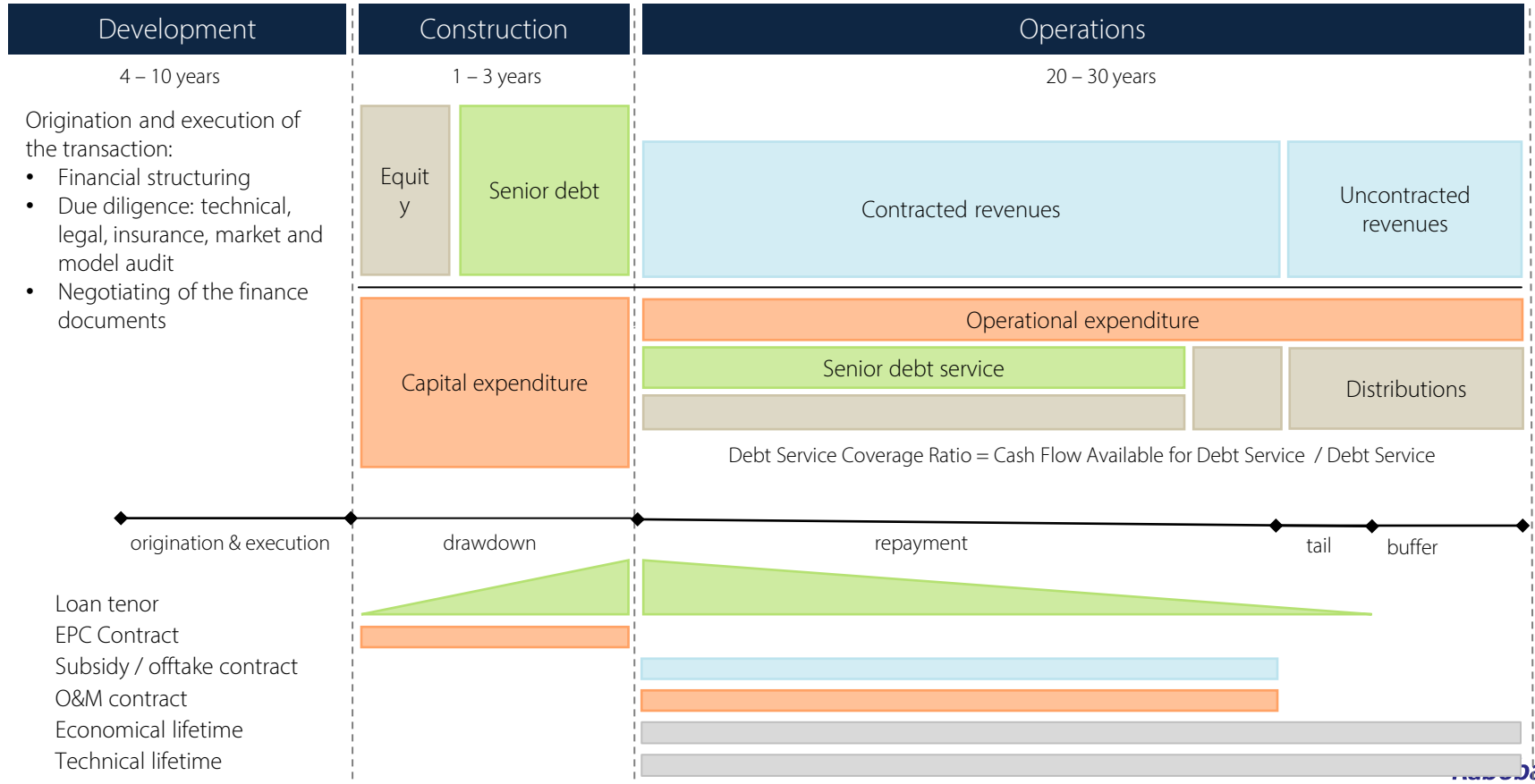
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# PF Structure: a simplified overview

PF transactions allocate a risk to the party that is best able to manage and mitigate that specific risk



# Project Finance project life cycle



# ***PF Netherlands – Market challenges & Tips***

- SDE's (specifically 2023)
  - Low Base rate
  - High Floor
  - Negative hours
  - 50% feed in capacity (sun)
- Grid: contracted capacity
  - Cable pooling
- Corporate PPA's
  - Local for local
  - Key: financial standing counterparty
- Energy Cooperatives:
  - Level of Participation
  - Business case
  - Projectfinance – Equity / Debt on SPV-level
    - Energie Transitiefonds (managed by Nationaal Groenfonds) and SamenVerderFinanciering

# Disclaimer

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