

Financing Energy Infrastructure Projects in Romania



June, 2017

Agenda



- 1** Profile
- 2** Selected credentials
- 3** Electricity market in Romania
- 4** Renewable energy market
- 5** Financing the Energy Sector

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Profile

Banca Comerciala Romana



BCR brand






- **Established in 1990** by taking over the commercial banking operations of the National Bank of Romania
- Most important financial group in Romania, providing universal banking operations:
 - **Assets: EUR 14.8bn**
 - **Customers: 3.1mn**
 - **Market Share: 16.3% by total assets** → market leader
- BCR is the **most valuable financial brand in Romania**, according to level of **customer trust** and **number of clients**.

Integration into Erste Group

- Since **2006** BCR is a member of **Erste Group**
- Erste Group was **founded 1819** as the first Austrian savings bank
- Since 1997 Erste Group has grown through acquisitions and organic growth to one of the largest financial services providers in the Eastern part of EU in terms of clients and total assets
- **47,350 employees, 16.2mn clients, 2,635 branches in 7 geographically connected countries**

Commitment to Romania

- BCR is Romania's leading retail and corporate bank in terms of total asset, lending and savings
- BCR has been the **main supporter of the Prima Casa program** (about 20% market share)
- **BCR co-financing in EU funded projects: EUR 1.7bn**
- **2016 Erste Group Net Profit: EUR 1,265mn / Q1 17: EUR 262mn**
- **2016 BCR Group net profit: EUR 233mn / Q1 17: EUR 43mn**

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Selected credentials

Energy Sector is key interest for BCR and ERSTE Group, as it plays a very important role in the development, sustainability and security of Romania

Private sector

High Efficiency Cogeneration Projects:

- ▶ 42 MWe + 110 MWt



Renewable Energy Projects:

- ▶ 420 Mwe
 - 79.7 Mwe micro-hydro power plants
 - 304 Mwe wind power plants
 - 35.7 Mwe photovoltaic power plants
 - 1.5 Mwe biogas power plant



Public sector

Thermal Power Projects:

- ▶ 990 MWe producing only power
- ▶ 82,1 MWe and 1,151 MWt producing in cogeneration
- ▶ 90 MWt producing only heat

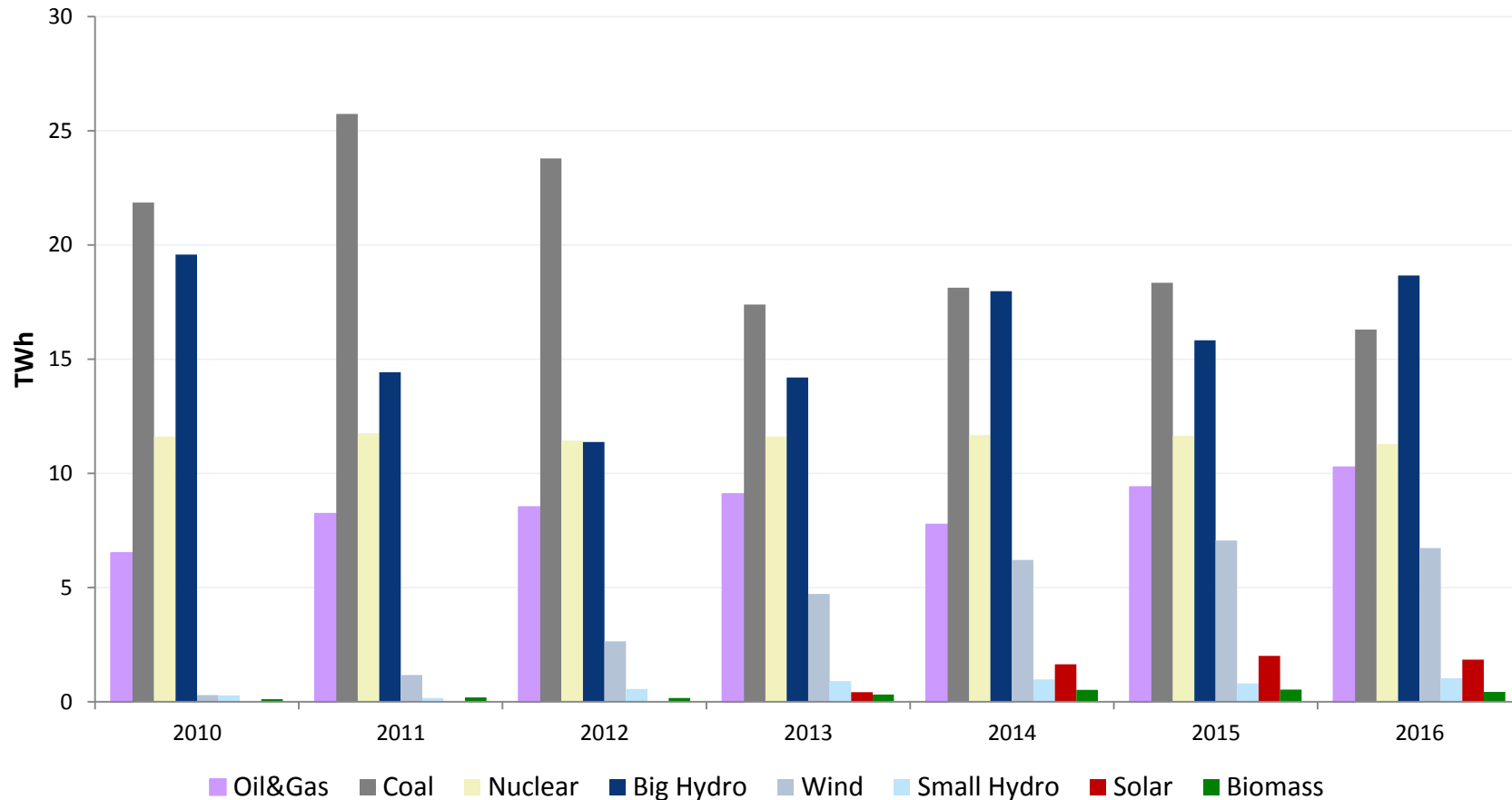


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Electricity market in Romania

Evolution of energy mix

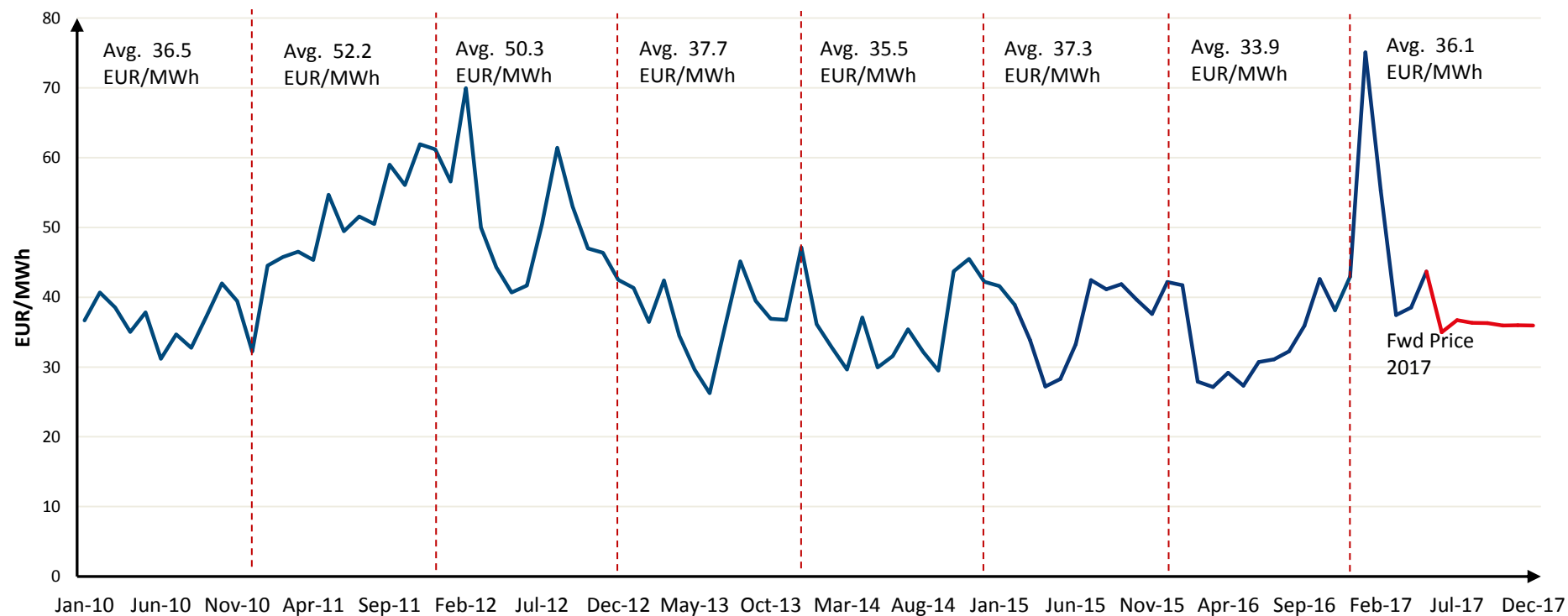
Electricity Production by Energy Source



Electricity market in Romania

RE Production impact on the Electricity Spot Price

Day Ahead Market (DAM) Electricity Price Evolution



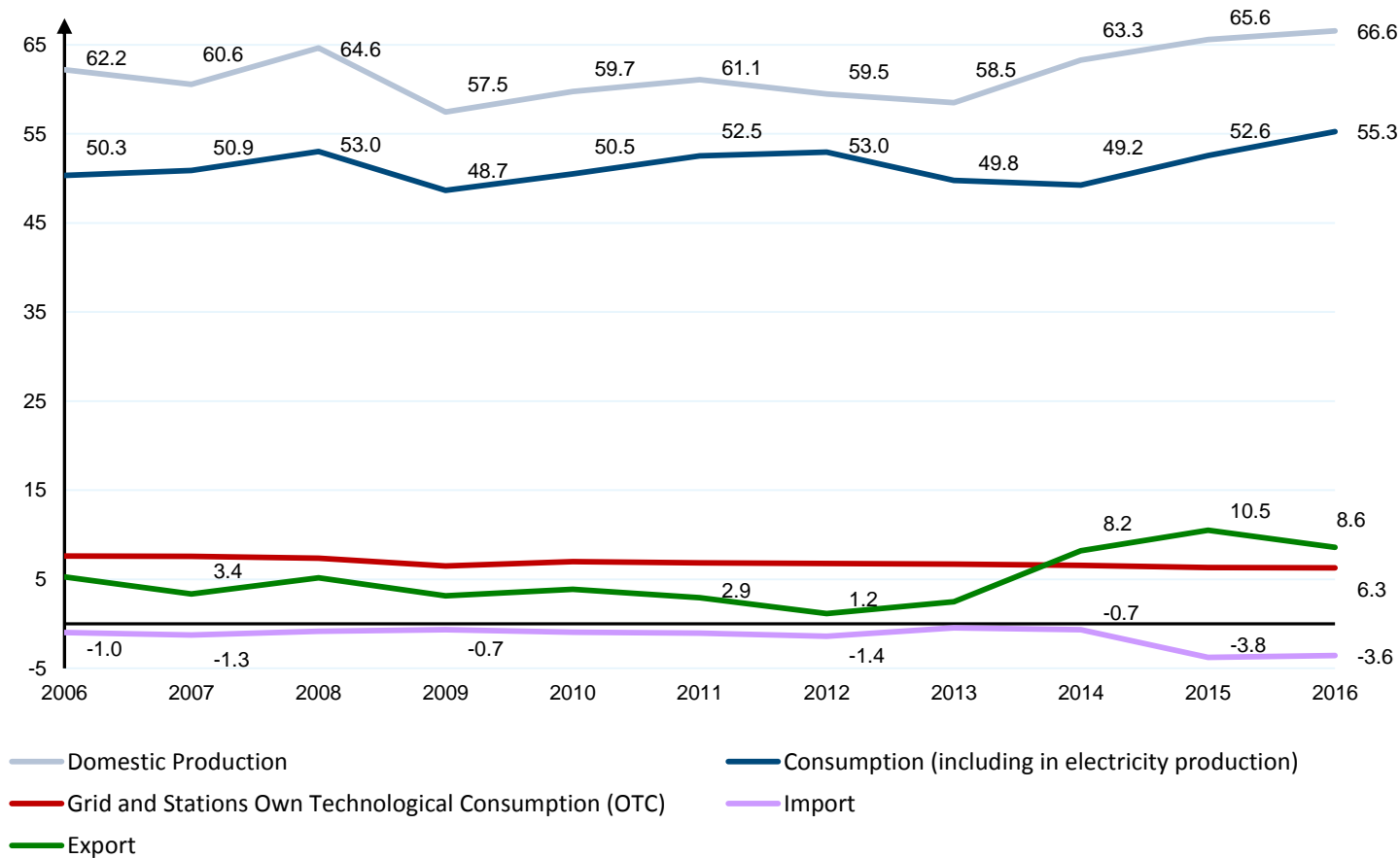
Source: OPCOM

Electricity market in Romania

Electricity Production and Consumption



Electricity Production & Consumption



Trend towards:

Higher Production
(New RE Installed Capacities)

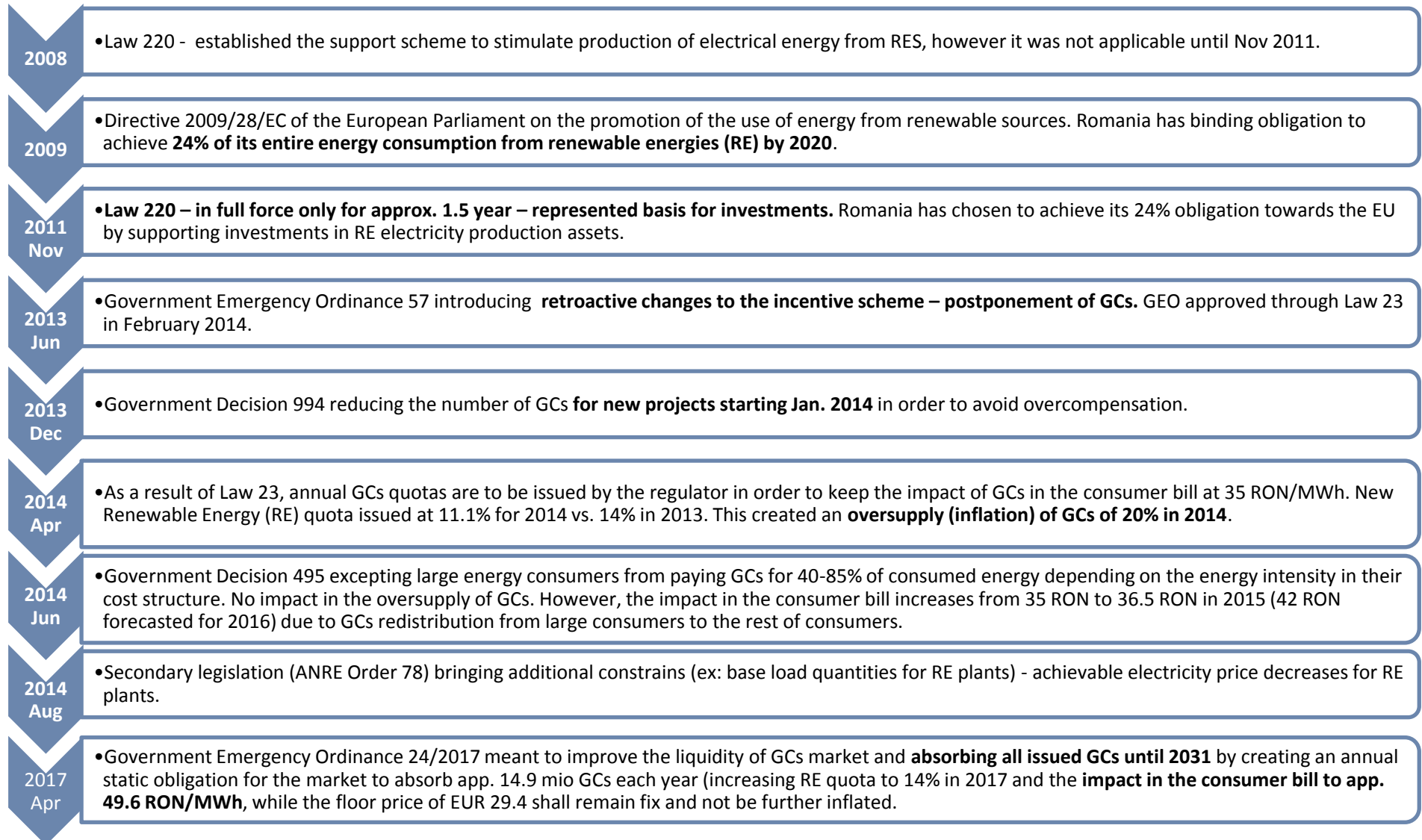
Higher Imports
(Market Coupling)

Higher Exports
(Overproduction)

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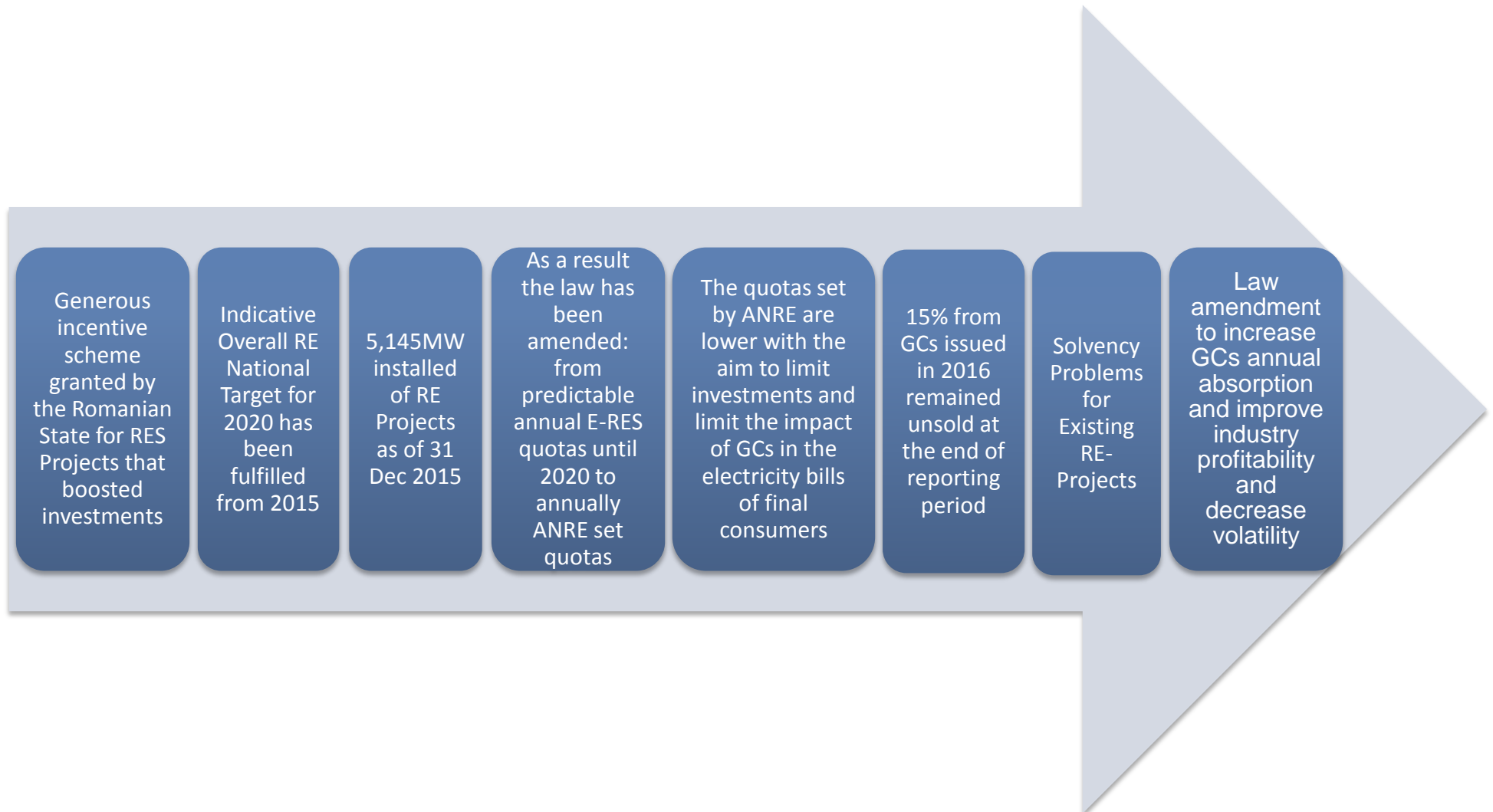
Renewable energy market in Romania






Multiple Amendments of Renewable Energy Law



Renewable electricity market in Romania


Renewable Energy market



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Financing the Energy Sector

Available funds but lack of predictability



Stable sector to invest in, linked to national security

The advantage of Romania in terms of energy resources and geographical position

Favorable position of Romania in the macro economic context

Available funds to finance Energy Infrastructure Projects (EU funds, equity, banks)

High liquidity on the market

New Energy Strategy of Romania has been released in November 2016



Volatile regulatory framework

Unreliable incentive schemes

Poor coordination between public authorities, especially in the thermal sector

Overcapacity and obsolete production assets and networks

Energy Strategy still not approved by the Government after more than 6 months after the final version has been released

Financing the Energy Sector



Standard Project Finance Lending Principles

Conditions

Strong Sponsor

Non-recourse/ Limited Recourse

Min. Equity Level

Technology

Permitting

Reputable EPC and O&M

Off-take Agreements

Clean legal& technic. DD from Reputable Party

Suitable Insurance

Other

Details

Investors capabilities to sustain the project, extensive track record, excellent financial standing.

During construction period/ covering the regulatory risk (in case of incentive schemes).

Not less than 30%, but subject to debt sizing criteria (min. DSCR level).

Only proven technologies supplied by reputable suppliers with proper maintenance program in place.

All the permits and authorizations for the “ready to build phase” in place.

Lump Sum and Turnkey EPC Contract with Standard liquidated damages securing delays, performance ratios, availability etc.

Long term off-take agreements with reputable parties accepted by the lender will be required.

Review of technical specifications, performance parameters, yield forecast, permitting, real estate, corporate, legal framework and project contracts.

Insurers specialized in RES projects. Insurance must cover business interruption, mechanical breakdown, operational risks and third party liabilities.

In some cases market reports, environmental studies and commercial DD are also required.

Team and Contacts

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