



THE ROLE OF PRIVATE SECTOR IN FINANCING WIND POWER PROJECTS

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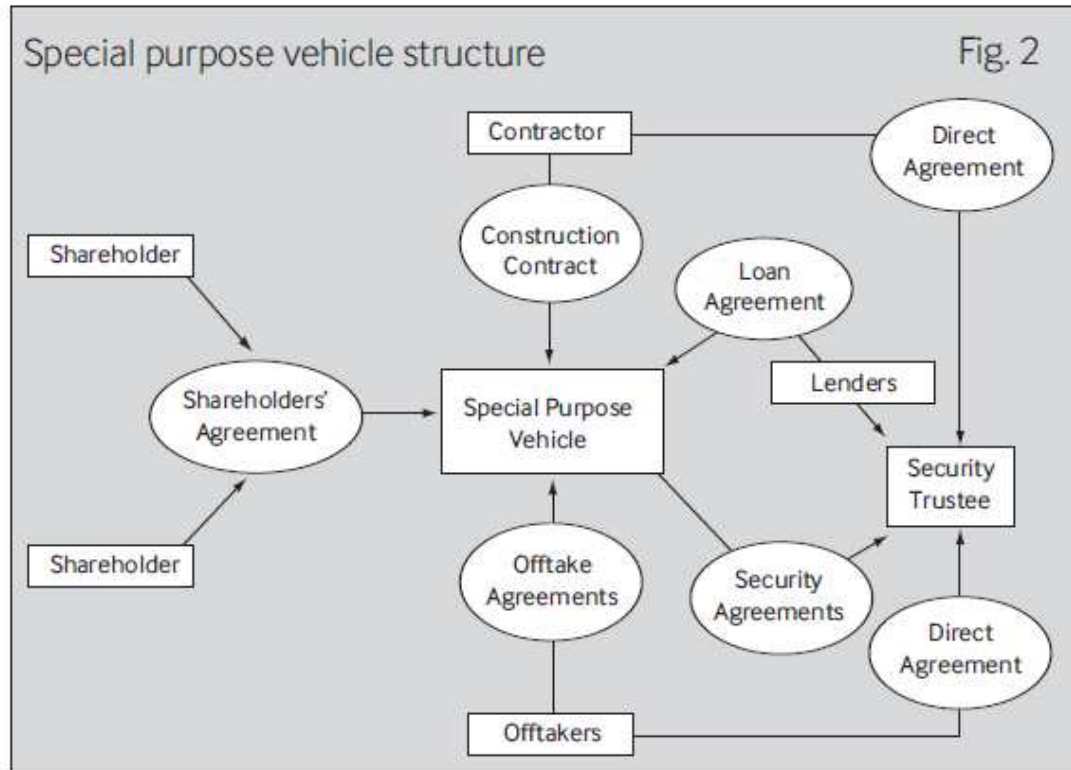


Wind Power Fundamentals

- Wind mapping
- Site location
- Data monitoring
- Access agreements
- EIA
- Grid connection



Project Finance



Courtesy of Denton Wilde Sapte

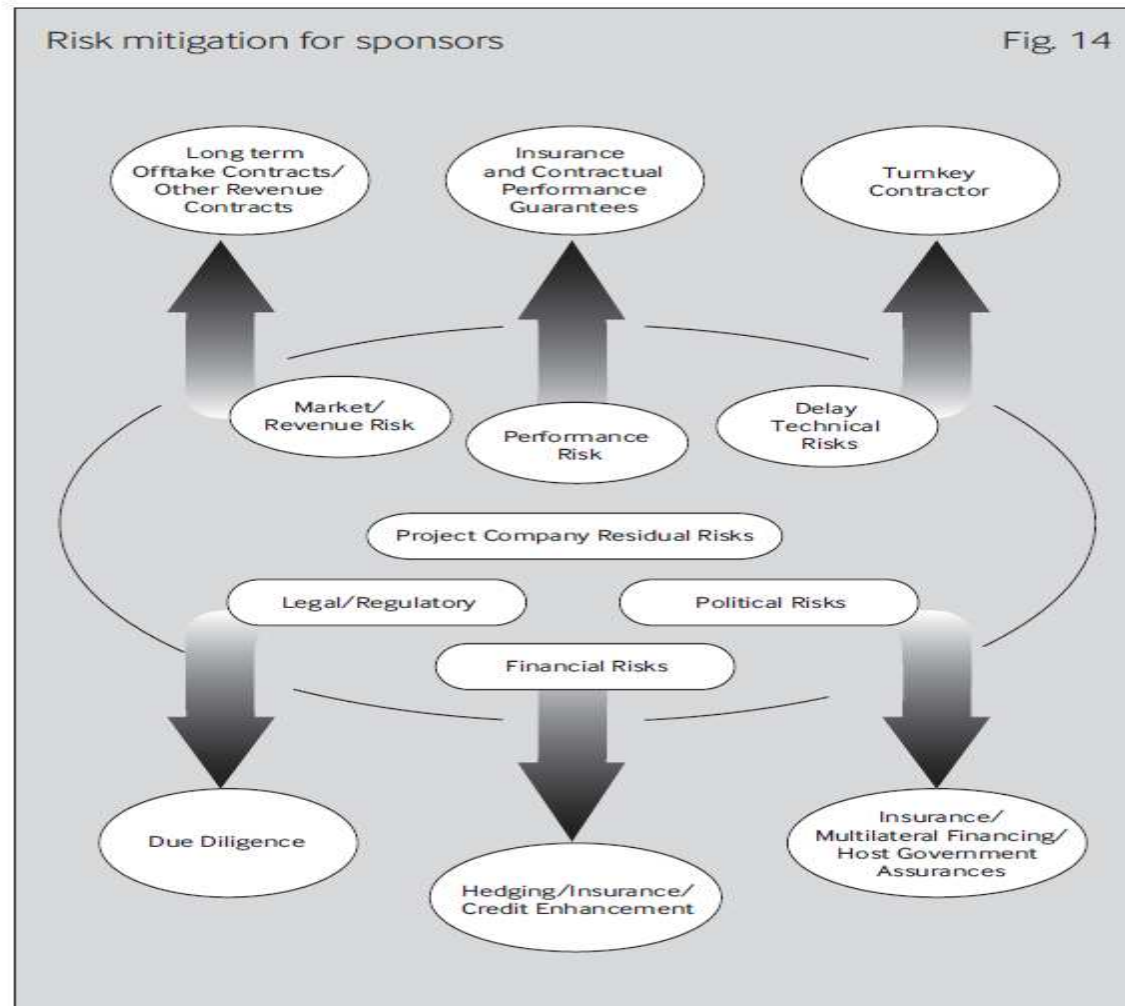


Risk Assessments for Wind Power Projects

- Wind resource data and analysis
- Technology
- EPC
- O&M
- Financial projections
- Equity
- Regulatory environment
- PPA – energy tariff
- ROI
- Tenure



Risk Mitigants



Courtesy of Denton Wilde Sapte



Advantages of Project Finance

- Non-recourse nature of loans to Sponsor.
- Developer can pursue more than one project due to lesser impact on Balance Sheet
- Project Finance resources



Disadvantages of Project Finance

- Larger transaction cost
- Higher fees
- More restrictive loan covenants e.g. reserve accounts, debt & service ratio, coverage, etc.
- Higher financing cost for a new industry and technology



Challenges to Renewable Energy Financing in South Africa

- DME / NERSA to develop legal, policy and regulatory framework
- Financing margins and financing mechanism
- IPP Project Finance vs Eskom conventional Corporate Finance
- Availability of information – Renewable Energy vs Conventional Energy Sector
- Availability of capital
- Grid connection
- Role of Eskom