




# Broadlands Financial Group, LLC

THE INTERSECTION OF CONSTRUCTION KNOWLEDGE & FINANCIAL STRENGTH®



## War Stories...

-  64 MW CSP project
-  CSP with storage in India
-  10 MW PV project





# RENEWABLES RENDEZVOUS

## Project Guarantees

- Availability
- Financing Requirements





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**Project financing requires risk transfer from the lender to the owner and should continue down through all of the project participants.**





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## Risk Transfer Essentials

### Risk transfer to an appropriate party

An appropriate party has the means to stand behind the guarantee it is providing.

Transferring risk to the party most able to assume it will result in the best price for the guarantee.





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## Risk Transfer for a fee

How do you get the appropriate party in your project at a price level that does not kill the project returns?





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## Means to an end

- Large EPC guarantee
- Large Manufacturer's warranty
- Owner's guarantee
- Insurance guarantees





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## Types of Guarantees

- Construction Performance
- Construction Payment
- Output





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## Surety Construction Guarantees

Available for construction payment & performance at a reasonable cost.

Cost is primarily dependent upon financial strength of contractor and level of indemnification from the contractor to the surety.





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## Surety Construction Guarantees Con't.

Secondary cost factors are the type of project and the contract terms (amount and duration).

Contract terms can't include an output guarantee - short or long term.





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## Surety Construction Guarantees Con't.

### Construction Risks

**PV:** Short construction durations, simple

**CSP:** Long construction durations,  
complex

General lack of experience in the market  
(Owners & Contractors)





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## Output Guarantee

Output guarantees best in a stand alone or O&M contract with survivability clause.

EPC output guarantee must be based on financial strength alone - without surety support. (ILOC possible)





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## Output Guarantee

Equipment Warranty

Isolate weather risk

Plant output guarantee from EPC should cover: PV modules & BOP (combiners, inverters, transformers) with an overall plant output of X





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## Reinsurance

Surety's use reinsurance to transfer risk

Reinsurance treaties include exclusions

Typical exclusions are performance and technology risk – strictly construction contract terms & conditions (Quantities, Price & Schedule)





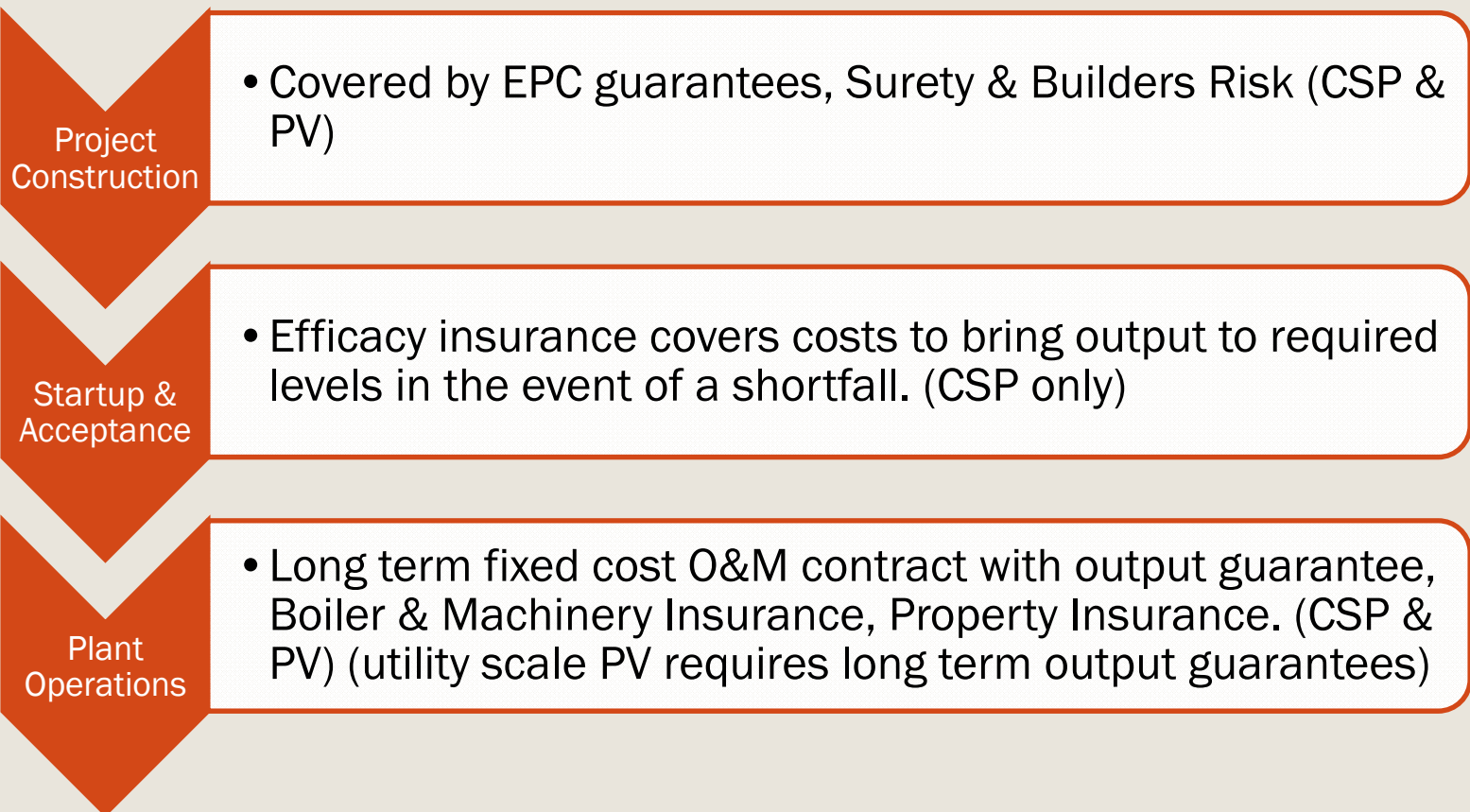
# RENEWABLES RENDEZVOUS

## Reinsurance Alternatives

- Government guarantees such as those provided by the DOE & SBA
- Collateral support



## Efficacy Insurance – Startup Performance Risk (Short Term)





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## Efficacy Insurance Continued

- Insurance generally obtained for lender's benefit, purchased at a level sufficient to cover debt service. Startup and commissioning problems delaying income. Contains indemnification language requiring the owner to pay the insurance co. back.
- Efficacy insurance policies hard to come by. The insurers have left the market place for these types of "exotic" coverage's.





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## Solutions for a Financeable project

- Establishing a sound project delivery methodology that utilizes effective & enforceable project controls and provides transparency into the project costs and activities.
- Surety Support (risk transfer to insurance co.)
- Equipment Warranty (risk transfer – with backstop if necessary)
- Long term fixed cost O&M with Output guarantee
- Credit worthy off-taker / counterparty

