



BALLARD SPAHR ANDREWS & INGERSOLL, LLP

Project Finance for Clean Energy

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Project Finance

- Projects, not widgets
- A hedge fund with one asset
- Make Money independent of volatility in input and output markets
- Long term contracts
- Performance guarantees



Incentives Drive Structure

- Investment tax credits
 - Solar ITC
- Production tax credits
- Must achieve tax ownership for investors
- Structure has cost
- Size is affected



Tax Exempt Finance

- Interest on bonds is exempt from federal tax
- Resulting interest rates as much as 200 basis points below taxable loans
- Conduit Financing
 - Bonds are sold by a state or local agency
 - Proceeds are loaned to developer/owner
- Covenant requirements may be less than bank finance
- Exempt from securities registration



Tax Exempt Finance

- Limited to “eligible facilities”
- Solid waste disposal
 - input must have no market value where currently located
 - wood waste, agricultural waste, municipal waste, combustion ash, used vegetable oil, meat packing waste
- Water and waste water treatment
- District heating and cooling
- Can be pro-rated



Tax Exempt Finance

- Cap allocation
- Trust indenture
- One time borrowing – construction fund, capitalized interest
- Fixed v. variable rate
- Not generating equipment
- Municipal ownership – management contract rules



New Market Tax Credits

- Low Income or low population areas
- Tax credits generated over seven years
- Covers 29 percent of financing costs
- Tax Ownership usually established by nested leases
- Typically used for real estate development
- Need a lender with an allocation



USDA Loan Guarantees

- Business and Industry
 - Rural areas (not cities over 50,000)
 - Guarantee 80 percent of loan by commercial lender
 - Maximum \$25 million
- 9006
 - Renewable energy and energy efficiency
 - Loan guarantees to 50 percent of project costs up to \$10 million
 - Rural Areas
- USDA vs. DOE



Other Sources of Credit

- Renewable energy credit sales
- Carbon emission reduction sales
- Insurance products
- Other hedges



Conclusion

- Look for all the angles
- Where there is a will there is a way

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