

Money Money Everywhere – Why Can't I Get My Project Financed

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A legitimate approach for the development of energy infrastructure

Attributes of Project Financing

Project

- Short-term opportunities for profitable capital investment to achieve strategic/financial goals
- Long-term monetary repatriation period
- High volatility, evident liabilities

Vital Success Determinants

- Long-term assurance for a steady cash flow
- Proper administration on capital expenditure and O&M costs
- Utilizing accredited facilities for enterprise plans
- Suitable risk aversion, prioritize and minimize risk factors
- Acquire primary return for investors

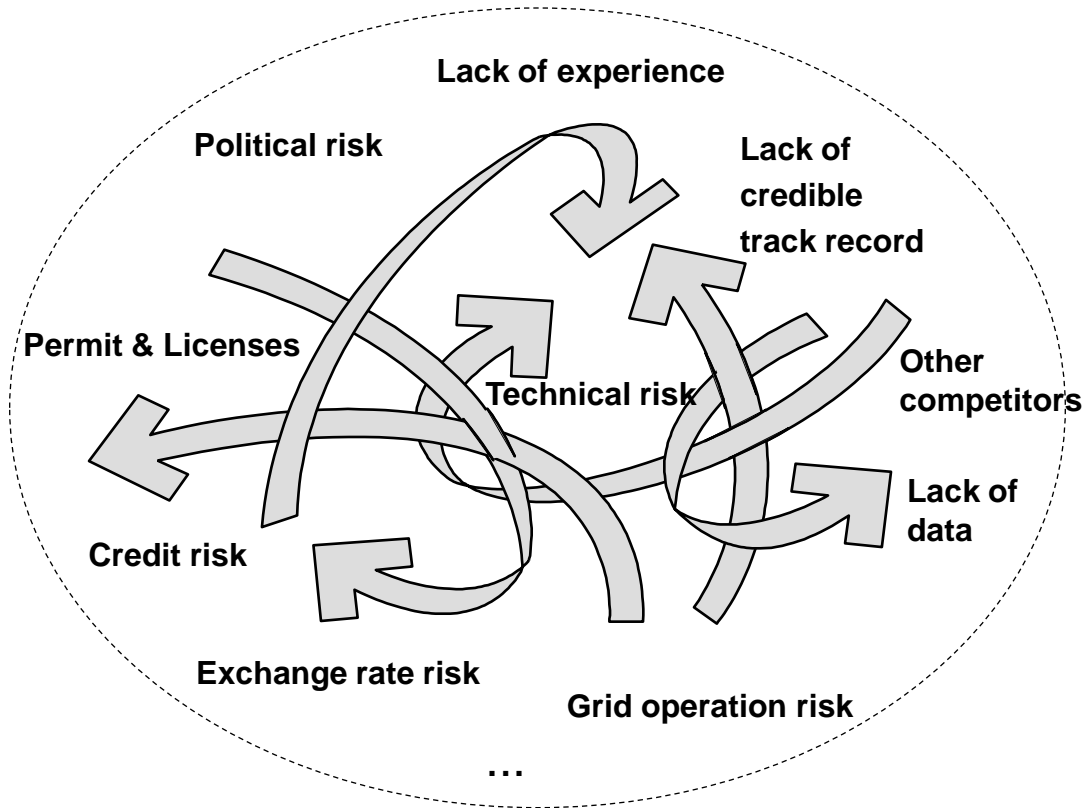
Primary Objectives

- Wind power plant and other energy building initiatives
- Extensive building infrastructure
- SOC construction
- Power plant project advancement
- Development of mining and efficient use of energy

Developer VS Investor – Why can't I get my project financed?

The purpose of the developer is to comprehend and satisfy the investor's needs

Obstacles in wind power financing



Developer's questionnaire

- *Why don't investors find my wind report credible?*
- *Why don't investors believe in my feasibility studies?*
- *How can I gain access to network with potential investors?*
- *How can I persuade the government and investors to finance my project?*
- *How can I solidify my plans for the short-run?*



How to tackle the barriers?

Strategic Investors – What are their needs?

The prominent goal of a strategic investor is to produce a credible track record in the Asian market

	<u>Investor's Needs</u>	<u>Player Examples</u>
Turbine Maker New entrance	<ul style="list-style-type: none">• Proven track records for turbine facilities• Take chare in dominating the deficient Asian wind power market• Practice proper discernment for risk by strategically partnering with investors such as power companies and EPC companies	<ul style="list-style-type: none">• DSME• Hyundai Heavy Industries• Doosan Heavy Industries & Construction• STX• Hyosung
Power Company Carbon reduction	<ul style="list-style-type: none">• Governmental regulations have opened vast amounts of opportunities in the Asian market• Profitable O&M activities through various power/energy deals• Take account of upcoming deals through times of maturation	<ul style="list-style-type: none">• KEPCO• KOSPO• KOSEP• EWP• KOMIPO
EPC & Others Hit and run	<ul style="list-style-type: none">• Make their mark in the new Asian renewable business market• Quick and easy investment in small amounts and thus a proper exit strategy is necessary	<ul style="list-style-type: none">• POSCO• Hanwha• Kolon• Hyundai E&C• S-Oil

The interest of the financial investors consist of mitigating risk and establishing steady profits

	<u>Investor’s Needs</u>	<u>Player Examples</u>
<p>Local Bank</p> <p>Risk aversion for collecting loans</p>	<ul style="list-style-type: none"> • Set a condition to require P90 wind model when financing • Must be perceptive to the turbine’s performance and take account into its certifications (credible track records) • Request new entrants to bear the responsibility for additional warranty claims or any unfortunate risks 	<ul style="list-style-type: none"> • KB • Shinhan Bank • Woori Bank • Hana Bank
<p>MDB¹⁾ & ECA²⁾</p> <p>Policy achievement</p>	<ul style="list-style-type: none"> • Financial and institutional support through partnership for feasible projects • Require thorough and painstaking due diligence when financing 	<ul style="list-style-type: none"> • ADB • Korea Exim Bank • Korea Development Bank
<p>Infra/Green Fund</p> <p>Meeting criteria</p>	<ul style="list-style-type: none"> • Expand and variegate geographies, energy sources, technologies and make a diversified portfolio • Solicit for varying exit strategies like a ‘put’ option • IRR 15% + 	<ul style="list-style-type: none"> • Global Infra Fund (GIF) • Asia Clean Energy Fund • Korean Infra Fund • Carbon Credit Fund

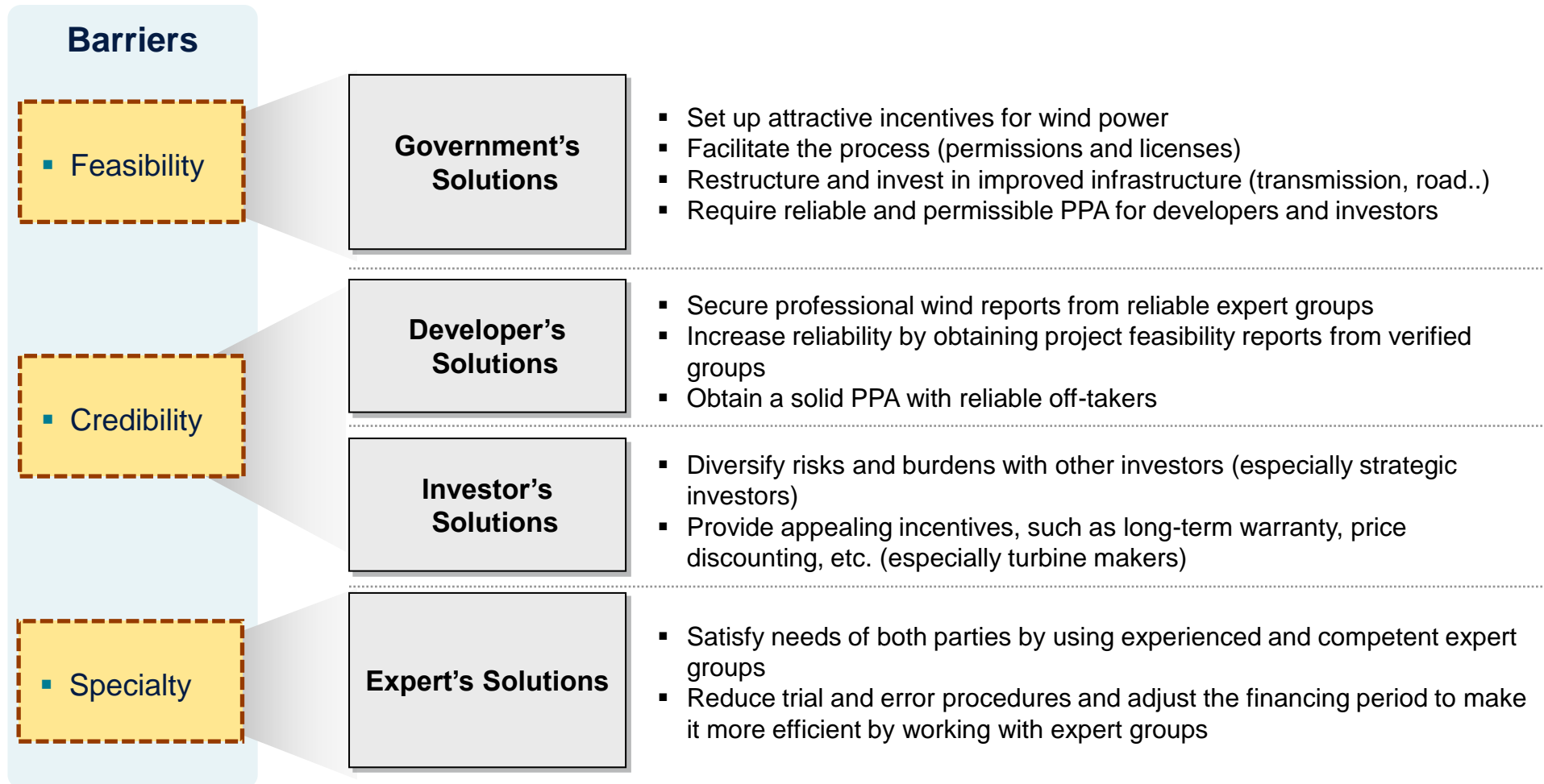
1) Multilateral Development Bank, 2) Export Credit Agency

Investment barriers in Asian Market

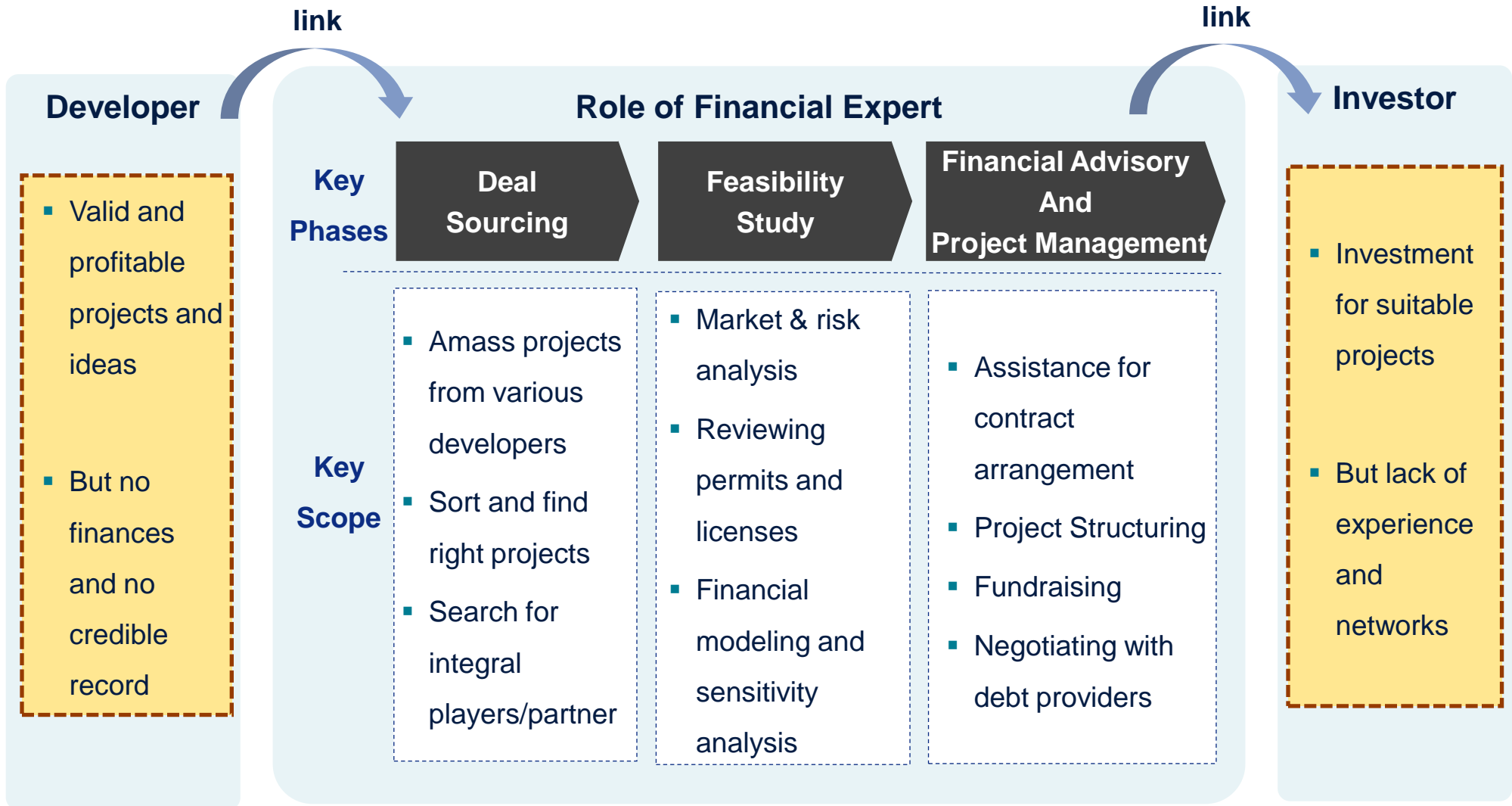


How to tackle the barriers?

Investment barriers can be tackled by cooperative efforts between participants

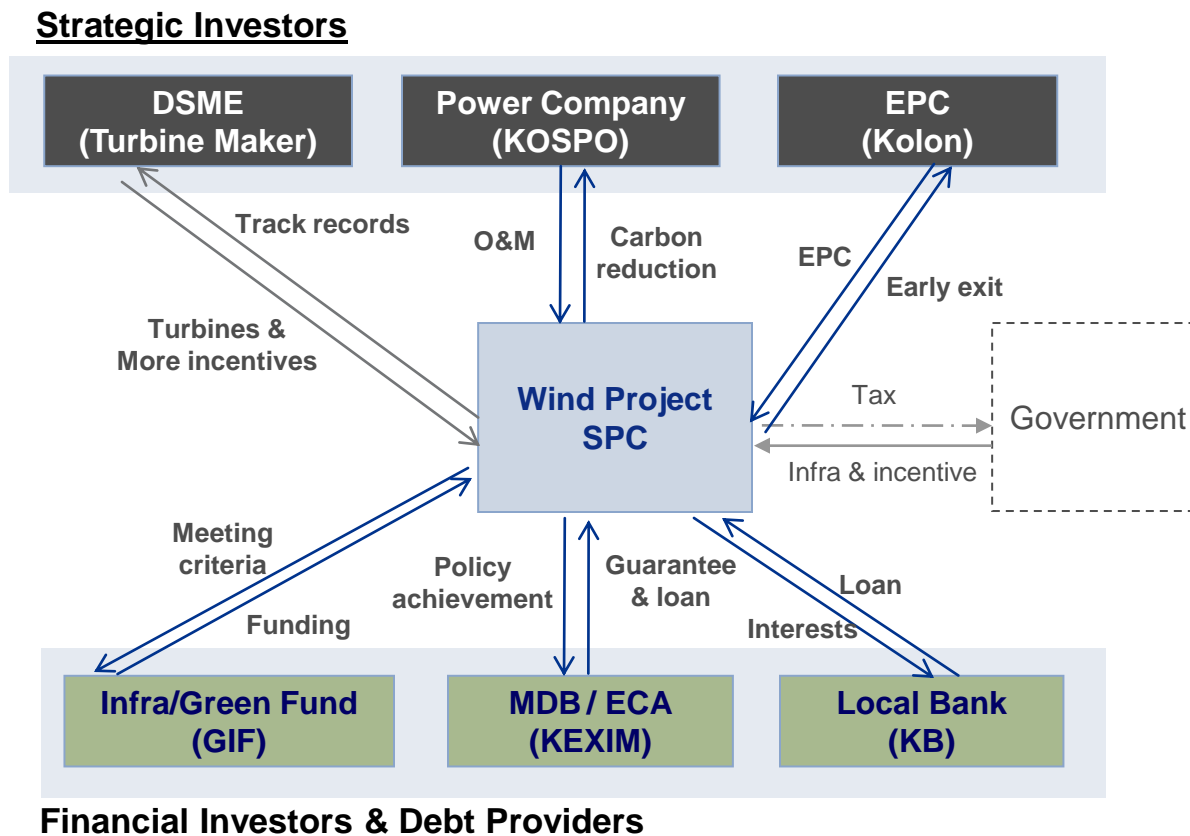


Financial Expert – Mediator between Developer and Investor



Strategic investors including new key entrants in the turbine industry are integral factors in the new Asian wind market

Example of Financial Structure for New Entrants



Key Findings

- **Take a risk, take a chance**
 - New entrants have to the role as a main strategic investor.
 - Provide more incentives than other competitors to bolster track records
- **Produce robust connections**
 - Share risks with other strategic investors who wish to be a part of the wind project
- **Optimal use of policies**
 - Asian countries have stimulating incentives for developing renewable energies
 - Use proper lending policies

Case Study – New Turbine Maker

Assignment Name: Financial Lead Advisor for the development of a wind power plant 20 MW		Country: US
Location within Country: Texas		Professional Staff provided by you Firm/Entity (profiles): 5
Name of Client: Confidential (Korean turbine maker)		Turbine: Confidential (Korean Turbine maker)
Address: NA		Number of Staff-Months; Duration of Assignment: NA
Start Date (Month/Year): 2010	Completion Date (Month/Year): 2010	Approx. Value of Services: Confidential
Name of Senior Staff (Project Director/Coordinator, Team Leader) involved and functions performed: Engagement Partner : Seongwoo Kim		
Narrative Description of Project: KPMG was appointed as the lead financial advisor for the development of the wind power plant 20MW in Texas, US. This project was developed by a Korean turbine maker who wanted to build a solid track record in the US market. Even with an insubstantial track record, the client still wanted to install its brand new wind turbines (2MW). Thus, KPMG had to find financing methods for the client to enter the US market. KPMG suggested a longer warranty for its products and a cheaper price compared to its competitors. These attributes were the key factors for the success of this project. When the client finally succeeded in this deal, it will be helpful for other wind turbine businesses as a prominent example. The Korean Exim bank benefited by supporting this deal for green finance.		
Description of Actual Services provided by KPMG: . KPMG's scope of work includes: <ul style="list-style-type: none"> ▪ Feasibility study ▪ Project structuring, ▪ Meticulous evaluation ▪ Project implementation ▪ Contract advising 		

Case Study – Power Company & EPC

Assignment Name: Financial Lead Advisor for the development of a wind power plant measured at 84 MW		Country: Bulgaria
Location within Country: Dobrotich		Professional Staff provided by you Firm/Entity (profiles): NA
Name of Client: Confidential (Korean Strategic Investors Consortium)		Turbine: Not decided (Korean Turbine maker is one of the options)
Address: NA		Number of Staff-Months; Duration of Assignment: NA
Start Date (Month/Year): On going	Completion Date (Month/Year): On going	Approx. Value of Services: Confidential
Name of Senior Staff (Project Director/Coordinator, Team Leader) involved and functions performed: Engagement Partner : Youngho Jung		
Narrative Description of Project: KPMG was appointed as the lead financial advisor for the development of a wind power plant 84MW in Dobrotich, Bulgaria. This project was developed by a Korean power company and an EPC company who wanted a solid track record in the overseas market. If the Korean turbine maker joined the consortium by SI, the client will accept to inst all Korean turbines for their project overseas. KPMG’s role was to financially manage the project by finding strategic investors and suggest viable financial methods. If the Korean turbine makers join this deal, KPMG suggested longer warranties for its products and a cheaper price compared to its competitors. The success of this project stemmed from these very same factors.		
Description of Actual Services provided by KPMG: . KPMG’s scope of work includes: <ul style="list-style-type: none"> ▪ Feasibility study ▪ Project structuring, ▪ Meticulous evaluation ▪ Project implementation ▪ Contract advising 		



Questions or Inquiries,

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