

**Developing Renewable Energy:  
Bringing Wall Street and Renewable  
Technologies Together**

September 16, 2008



# HSH Nordbank is a global leader in Renewable Energy Finance



## Global Mandated Arrangers (Jul 2007 - Jun 2008) - Renewable Project Finance

Pos.	Mandated Arranger Name	Total Value (\$M)	No.
<b>1</b>	<b>HSH Nordbank</b>	<b>3,274</b>	<b>29</b>
2	Dexia	2,200	26
3	Royal Bank of Scotland	1,986	10
4	BBVA	1,686	27
5	Santander	1,609	23
6	Sumitomo Mitsui Banking Corp	1,418	7
7	Espirito Santo Financial Group	972	14
8	WestLB	943	9
9	Caja Madrid	914	15
10	UniCredit Group	903	18

Source: Euromoney Global Power Report, August 2008

## HSH Nordbank is also a leader in Renewable Energy Finance in North America as well



### North America Mandated Arrangers (Jul 2007 - Jun 2008) - Renewable Project Finance

Pos.	Mandated Arranger Name	Total Value (\$M)	No.
<b>1</b>	<b>HSH Nordbank</b>	<b>2,019</b>	<b>14</b>
2	Dexia	923	7
3	BayernLB	587	9
4	NORD/LB	469	7
5	UniCredit Group	386	6
6	Mizuho	384	5
7	Espirito Santo Financial Group	349	4
8	BBVA	332	5
9	Citi	309	2
10	Royal Bank of Scotland	247	1

Source: Euromoney Global Power Report, August 2008

## What do investors want?

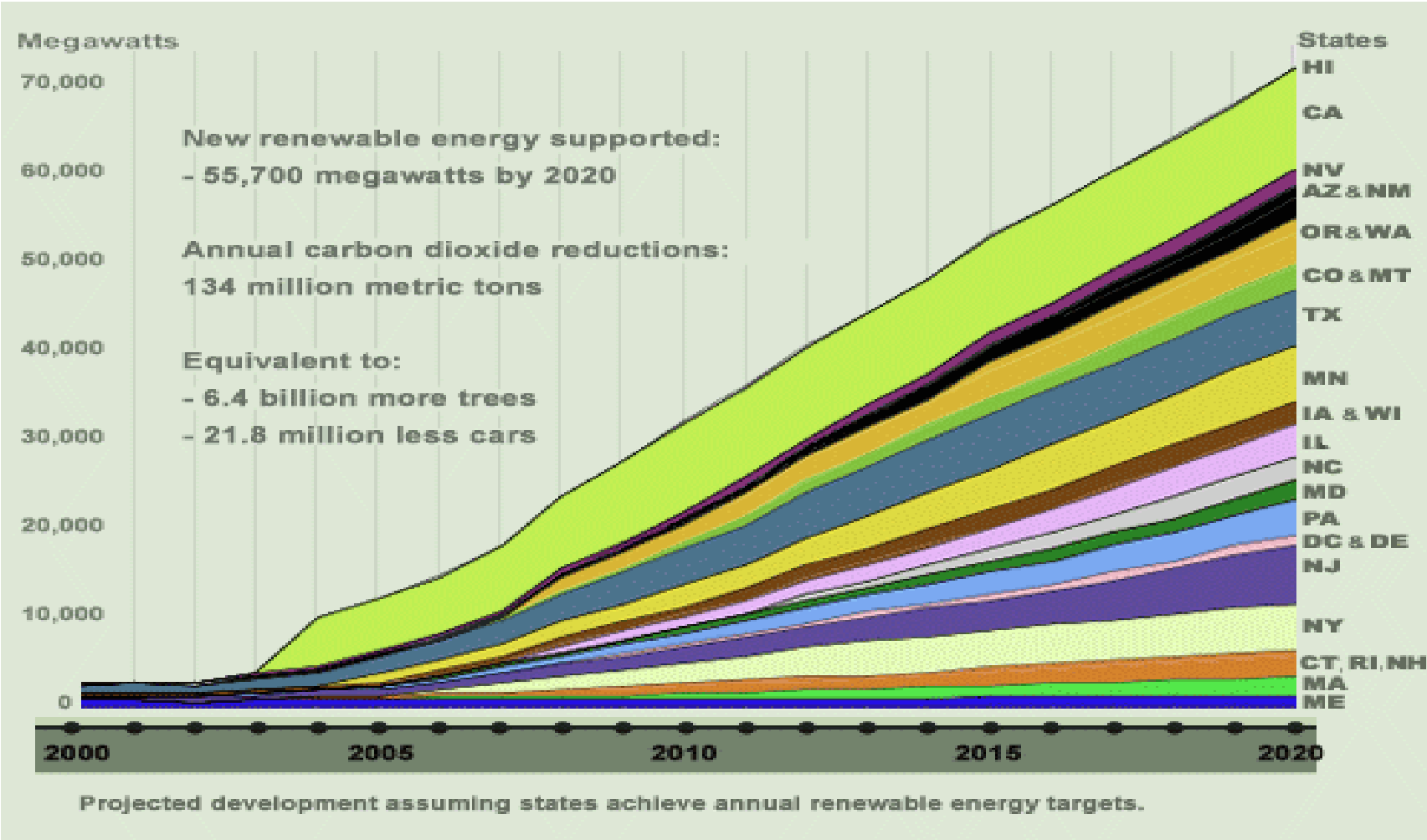
### **Investor Interest:**

- Perception of renewable energy as high growth sector
- Government support
- Public support
- Good after tax yields

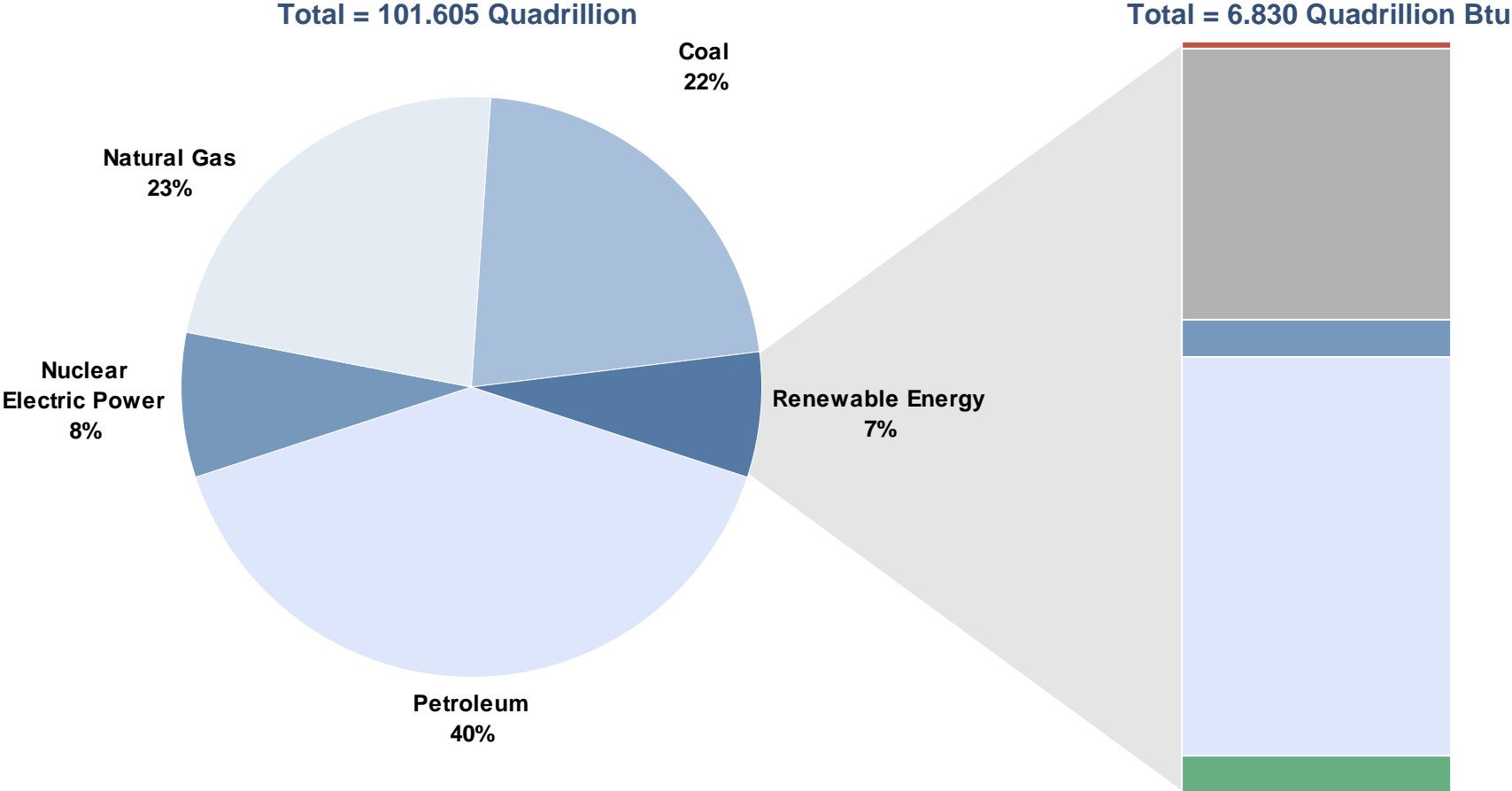
### **Investor Focus:**

- Manufacturing for Sector
- Project Development
- Project Financing

# Projected growth of renewable electricity



# U.S. Renewable Energy breakdown, 2007

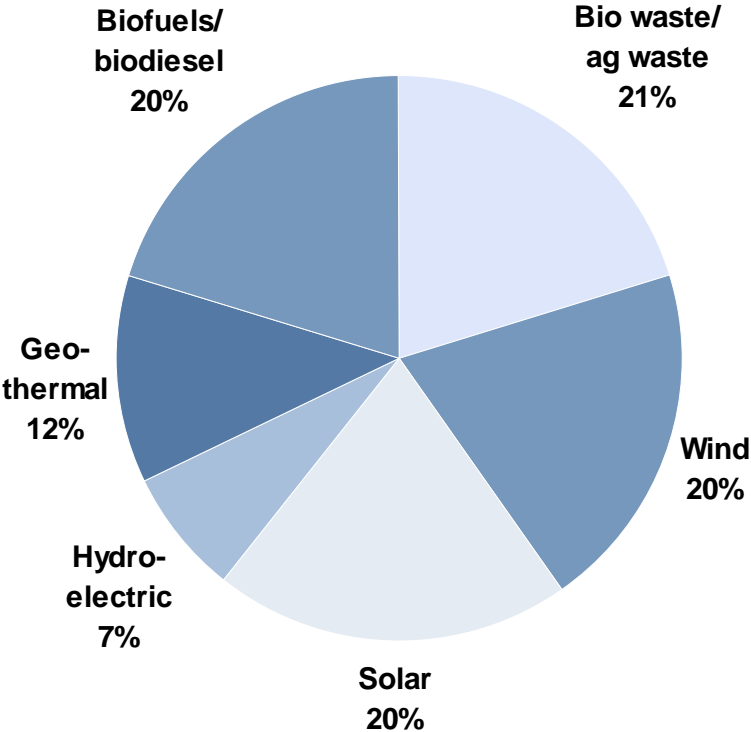


Source: Energy Information Administration

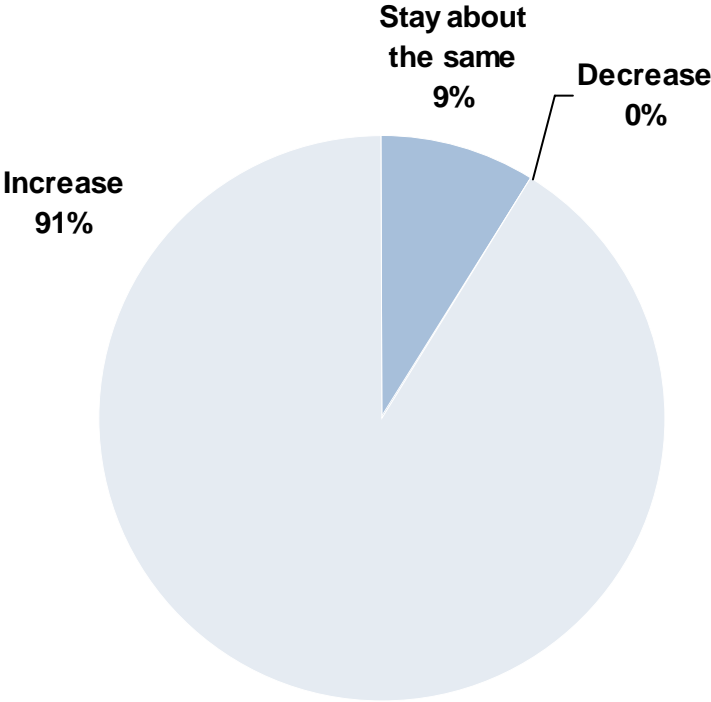
# What do Investors want?

## Equipment Leasing and Finance Association Survey Presented at ELFA Convention October 2007

Which technologies are you involved with?



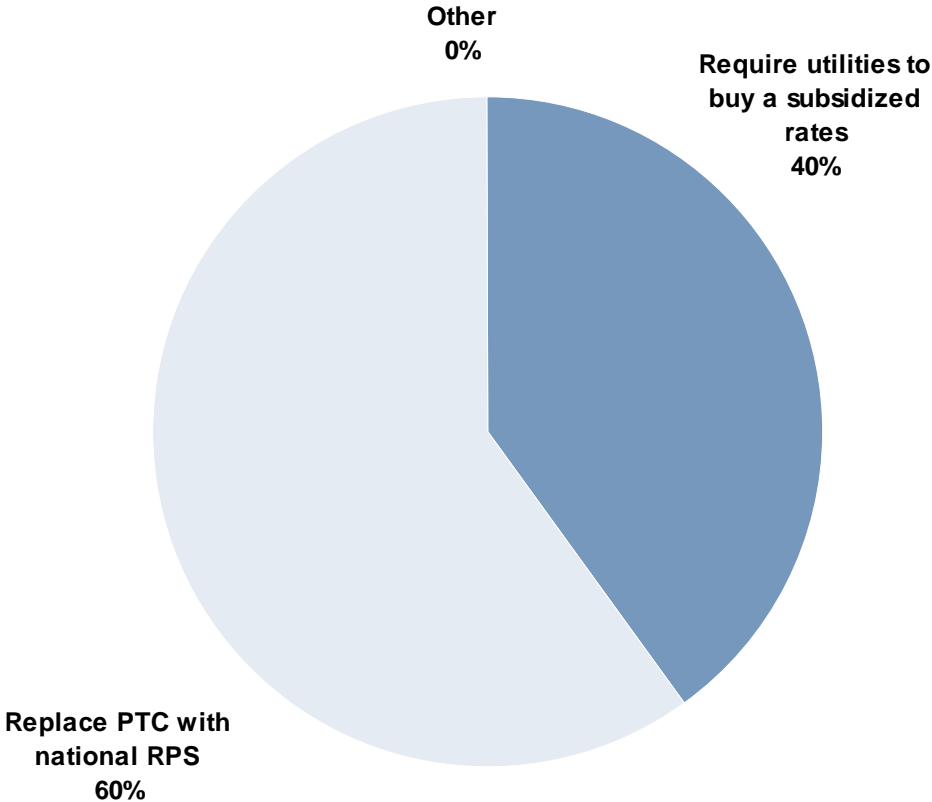
If continuing to invest in Alternative Energy, is investment most likely to:



# What do Investors Want?

## Income tax incentives, feed-in tariffs (pricing subsidies), or a national portfolio standard (RPS)?

- Survey says:
  - What change in public policy would cause alternative energy investment to increase?



Source: Equipment Leasing and Finance Association Survey Presented at ELFA Convention October 2007



## What do investors want?

### Wind

#### Advantages

- Cheapest form of renewable energy
- Produces no emissions or waste
- An unlimited source of power
- Reliable

#### Disadvantages

- Operates over a limited range of wind speeds
- Electricity generated variable due to natural, seasonal and daily wind speeds.
- Locations for turbines somewhat limited

## What do investors want?

### Solar

#### Advantages

- Peaking systems – highest rates
- Predictable (low variation)
- No emissions
- Flexible scale – large systems, distributed (rooftop)
- Increasingly competitive
- Low maintenance

#### Disadvantages

- Cost
- As available energy
- Large projects require transmission to centers
- Supply shortages (silicon)

# What do investors want?

## Biomass

### Advantages

- Available almost everywhere
- Carbon emissions can be reduced by burning biomass
- Growing "energy crops" puts idle farmland to use
- Inexhaustible fuel source if managed properly

### Disadvantages

- Less concentrated, less efficient form of energy
- More expensive than fossil fuels
- Releases some emissions, especially if burned improperly

# What do investors want?

## Geothermal

### Advantages

- Cost effective
- Reliable
- Low emissions
- Sustainable
- Requires relatively little space compared to oil and gas production

### Disadvantages

- Natural vents are not easily accessible
- Artificial vents are generally too far and too deep to be effective
- Occasionally limited due to heat and water depletion

## What do investors want? (1/3)

### Structure:

- Partnership
  - Predominant structure used in wind. Also used in solar. Variations have been available but a “safe harbor” set of rules was passed in 2007 which placed pressure on “pay as you go structure”. Unsuitable for leases. Negative pretax accounting
- Lease
  - Used in distributed solar and large scale solar. Leases tend to be leveraged leases for larger scale projects and single investor leases for distributed solar. All are generally Capital Leases for lessor/investors. Can be pre tax accounting neutral or positive
- Secured Debt
- Direct Investment

## What do investors want? (2/3)

- Yield
  - Investor yields rising in all sectors.
- Term
  - Stable, pressure on longer term deals as a function of liquidity costs
- Reliability
- Credit
  - Better credits, lower LTV's
- Buyers' market
- Stable environment ITC's and PTC's
- Conservative tax structure

## What do investors want? (3/3)

- Investments:
  - Manufacturing
  - Development
  - Project Ownership
- There are competing bills that have been introduced in the last week that will extend the ITC and PTC
- SEIA's read is that, given the politics, the Senate Bill is the more likely to gain any traction

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