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CDFA-Stifel Nicolaus
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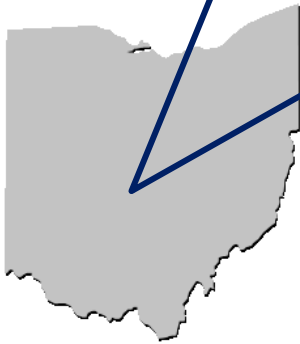


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Emerging International Finance Models

Erin Tehan

**Manager, Legislative & Federal Affairs
Council of Development Finance Agencies
Columbus, OH**



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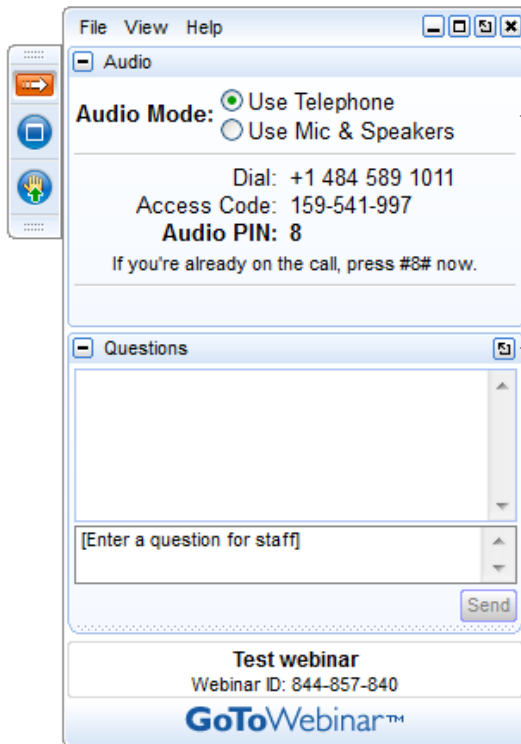
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Emerging International Finance Models

Speakers

John Markowitz, *Moderator*
Stifel Nicolaus & Company

Jorge Ramirez Puerto
European Microfinance Network

Anthony Marsh
Green Investment Bank

Intro Energy Finance WebCourse



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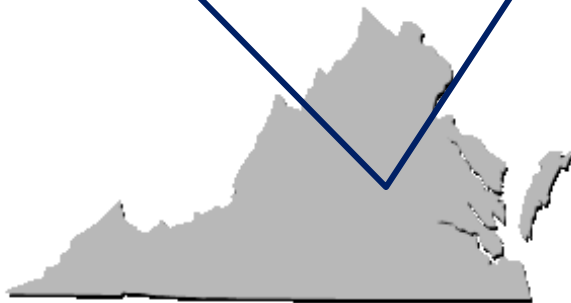


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Emerging International Finance Models

John Markowitz

**Assistant Vice President
Stifel Nicolaus & Company, Inc.
Richmond, VA**



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Emerging International Finance Models

Anthony Marsh

**Chair of Investment Committee
Green Investment Bank
United Kingdom**

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UK Green Investment Bank plc

Accelerating the UK's transition to a greener economy

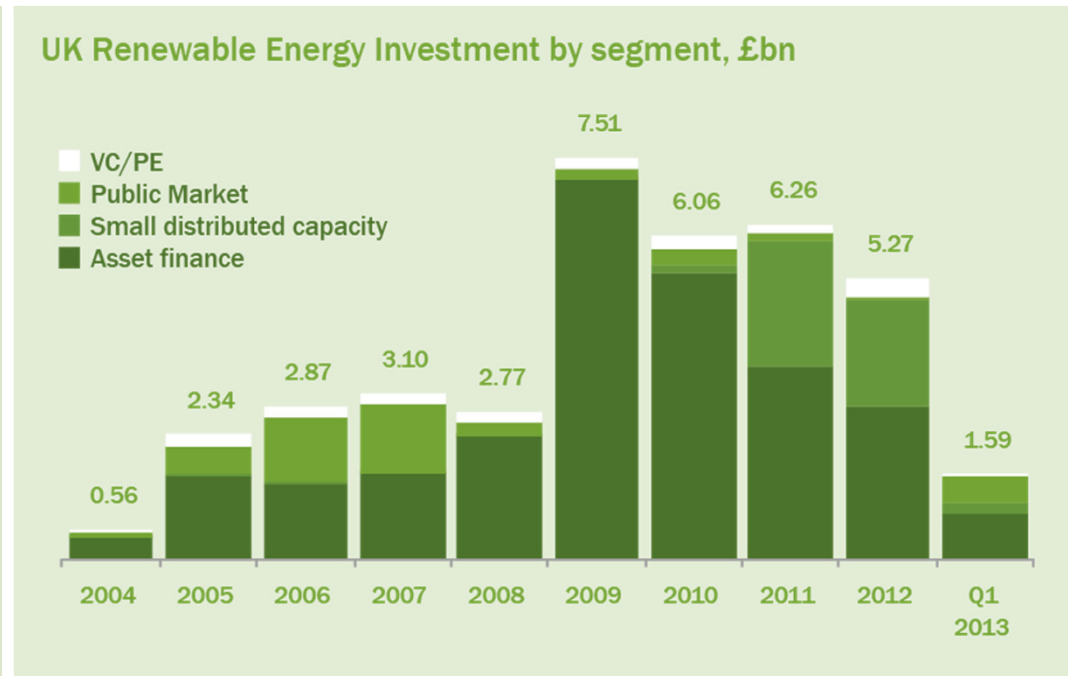
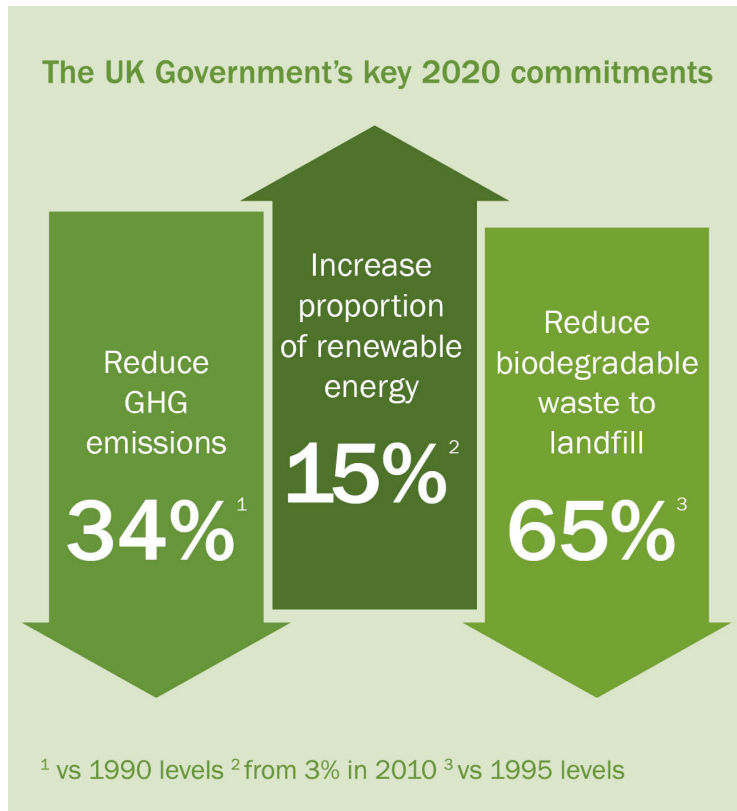
Anthony Marsh, Chair, Investment Committee

December 2013

1

Introduction to GIB

The UK has signed up to demanding environmental targets...

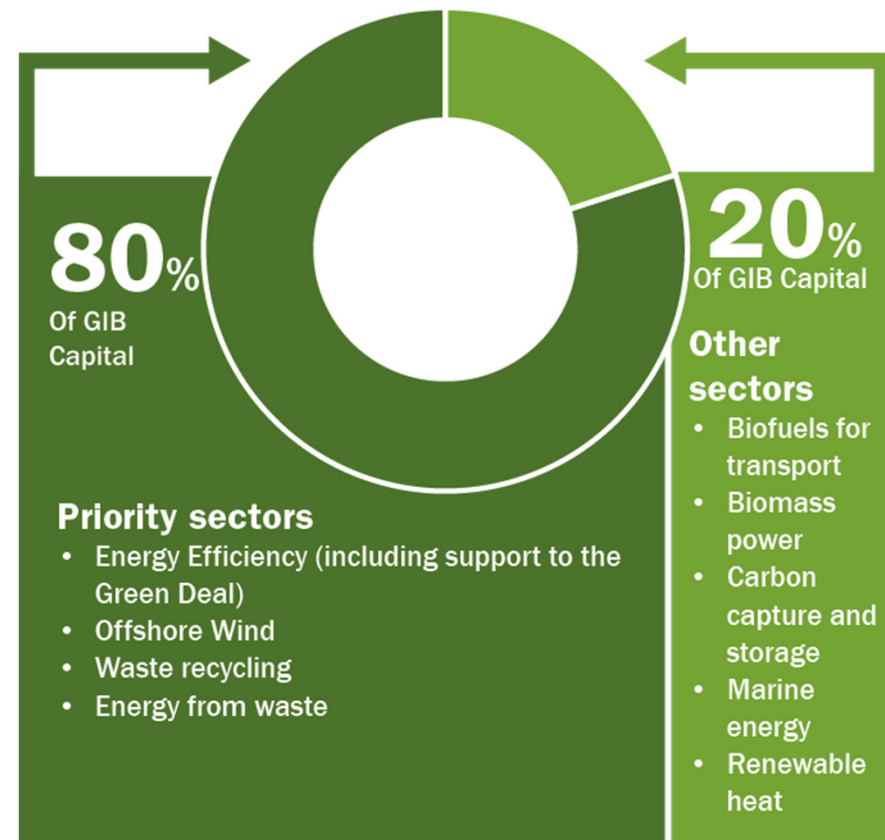


...these targets will require £200bn of new investment. So far, we're seeing investment levels fall well short of what's required.

To accelerate the UK's transition to a greener economy and to create an enduring institution independent of Government.

Our proposition

- We have £3.8bn of capital to invest, provided by the UK Government
- We expect to commit this capital by March 2016
- We have the ability to structure products across the capital structure, from senior debt to equity
- We deal on commercial terms; GIB does not provide grants, 'soft capital', regional assistance or development capital
- Investment must be additional. Our involvement must be necessary for the project to go ahead. We aim to crowd-in other private sector capital



Every transaction we support must pass our double bottom line test

Green

We measure our green impact against five measures:

- Reduction of greenhouse gas emissions
- Improved efficiency in the use of natural resources
- Protection or enhancement of the natural environment
- Protection or enhancement of biodiversity
- Promotion of environmental sustainability



Commercial

- We operate on a for-profit basis
- We expect commercial returns
- We operate within State Aid rules
- Our capital must be additional

Sector

Investment Strategy

**Offshore
wind**



- Work with the market to recycle and re-use capital already committed to the sector
- Begin to establish offshore wind (post construction) as a recognised 'asset class' with both institutional debt and equity investors
- Aim to catalyse investment appetite at construction stage

**Waste
recycling
and energy
from waste**



- Allocation of capital to small waste fund managers
- Pursue opportunities for equity investment in smaller-scale projects (<£30m)
- At the larger scale, direct investment; range of products with scope to innovate

**Energy
efficiency**

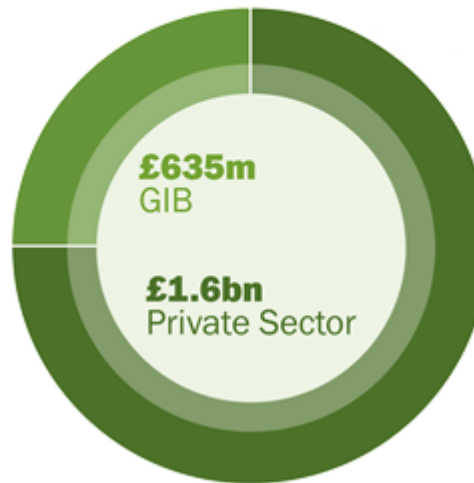


- Investment in energy efficiency projects
- Focus on seven key technology clusters: Smart Meters, CHP / District Heating, Outdoor Lighting, Renewable Heat, Building Retrofit, Efficient Transport and Industrial Processes
- Partnering with utilities, public authorities and commercial & industrial companies
- Supporting small-scale projects through partnership with three fund managers and UK Green Deal

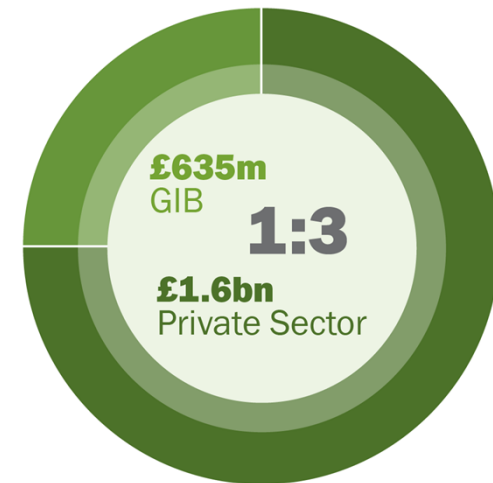
11
transactions



£2.3bn
mobilised



1:3
leverage



2.7Mt CO₂e saving per year once all projects operational

Over £700m committed



We've backed 21 projects



We've invested in all our main sectors and in each part of the UK



Financed the UK's first large scale coal to biomass conversion



Invested in 30% of the UK's operating OSW capacity



First ever minority refinancing of an OSW project



Financed NI's largest waste wood power plant



Delivered the UK's first listed renewable energy infrastructure fund



Backed a large scale NHS energy efficiency project (will save the Trust £20m)



Closed the funding gap for a new high-technology waste plant that had been stuck for 4 years



Produced enough renewable electricity to meet energy needs of 2.5 million homes



Our investments will cut CO₂ emissions equivalent to taking 1 million cars off the road



	Sector	Deal	Date	GIB commitment (£m)	Total Transaction (GIB + 3 rd Party, £m)	GIB investment to third party funding ratio	Forecast Average Annual CO ₂ e abated (ktpa CO ₂ e)
2012 - 13	Waste/Biomass	Foresight	Jun-12	50	100	1:1	16
	Waste/Biomass	Greensphere	Jul-12	30	60	1:1	16
	Energy Efficiency	SDCL	Sept-12	50	100	1:1	-
	Energy Efficiency	Equitix	Oct-12	50	100	1:1	-
	Waste/Biomass	Drax	Dec-12	100	990	1: 9	2,500
	Offshore Wind	Walney	Dec-12	46	224	1: 6	51
	Waste	Wakefield	Jan-13	30	122	1:3	34
	Waste	Gloucester	Feb-13	47	185	1:3	7
	Green Deal	Green Deal	Mar-13	125	169	1: 0.5	82
	Offshore Wind	Rhyl Flats	Mar-13	57	115	1:1	27
	Energy Efficiency	Aviva fund	Mar-13	50	100	1:1	8
Total 2012 -13				£635m	£2.3bn	1:2.64	2,741 ktpa
2013 - 14	Waste/ Biomass	Evermore ⁴	Jul - 13	20	81	1:3	185
	Offshore Wind	London Array	Oct - 13	59	266	1:4	51
	Waste/ Biomass	West London	Nov - 13	20	224	1:10	79
	Total 2013 - 14				99m	£571m	1:3
				GIB Commitment c.£734m	Total Capital £2.8bn	Mobilisation Ratio 1:2.6	

GHG Emissions Reduction

Estimated 43Mt of CO₂e abated over the
lifetime of portfolio
=
Scotland's target 2020 net annual carbon
footprint

Renewable Power Generation

Estimated contribution of 12TWh of renewable
power to UK's 2020 renewable energy target
=
c. 9.5% of UK's projected renewable electricity
generation in 2020

Waste to Landfill Avoided

Estimated 326,000 tonnes of waste to landfill
avoided by portfolio in 2020
=
Annual waste of around 300,000 homes



Annex

CASE STUDY: GREENCOAT UK WIND PLC. (“THE FUND”)

Amount and Type of Investment: £260m infrastructure fund (including £50m equity from the Department for Business, Innovation and Skills (BIS))

Summary

Greencoat UK Wind Plc. is a £260m close-end fund fully invested in operational UK-based RWE and SSE wind generation assets, targeting a real NAV growth and a 6% dividend yield linked to inflation. The Fund is listed on the main market of the London Stock Exchange (“LSE”) and managed by Greencoat Capital LLP.

Cornerstone investors in the Fund include BIS (£50m equity i.e. c.19.2%) and SSE (£10m equity i.e. 3.8%).

Green Impact

Offshore wind is of critical importance in replacing aging power plants in the UK. As well as reducing reliance on imported gas and meeting GHG emissions and renewable energy targets, offshore wind could offer business opportunities to UK companies.

The UK has a large natural resource of wind power around its coast, and offshore wind power is a commercially available, proven technology to capture this resource. Offshore wind could deliver c.20-50% of total UK electricity generation by 2050 supporting the reduction of carbon emissions targets of 80%, which depends primarily on the constraints (economic, technical or public acceptance) to alternatives (onshore wind, nuclear, and CCS), and on the overall energy demand.



Finance, including additionality/mobilisation:

- Greencoat UK Wind Plc. raised £260m equity and listed on the main market of the LSE in March 2013;
- The Fund is the first LSE listed entirely UK domiciled UK infrastructure fund and the first listed wind fund on the LSE;
- Investment manager is Greencoat Capital LLP, a boutique asset manager with an existing client account of EUR200m from the Electricity Supply Board;
- Upon admission, the Fund invested 100% of the IPO proceeds to acquire the following assets from SSE and RWE:
 - 50% stake in Scottish onshore wind farm Braes of Doune;
 - 100% stake in Scottish onshore wind farm Carcant
 - 100% stake in Northern Irish onshore wind farm Tappaghan;
 - 100% stake in Northern Irish onshore wind farm Bin Mountain;
 - 41% stake in English onshore wind farm Little Cheyne Court;
 - 24.95% stake in Welsh offshore wind farm Rhyl Flats.
- The Fund targeted IRR (net of fees and expenses) is 8-9%.
- The Fund targeted dividend is 6% p.a. linked to inflation;
- Cashflows in excess of distributed dividends will be re-invested into new assets ensuring growth of the real NAV of the Fund.
- BIS investment in the Fund is serving as a demonstration model. It helps introducing the offshore wind sector to the listed equity markets and therefore diversifying the investor base for offshore wind.
- BIS investment in the Fund is also encouraging RWE and SSE to invest the proceeds of their sales in other UK-based offshore wind construction projects.

Quotes from the Vendor and the fund

Paul Coffey, COO of RWE Innogy:




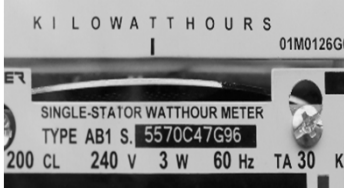

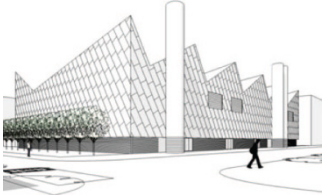
“As one of the largest developers and operators of renewable energy in Europe, we welcome the creation of the UK Green Investment Bank as a significant step in introducing new sources of capital into the UK. Additionally, the Greencoat UK Wind Fund represents an exciting and innovative opportunity to invest in nationally significant energy infrastructure.”

Tim Ingram, non-executive Chairman of Greencoat UK Wind Plc.:

“We are delighted at the response to our offer from private and institutional investors. The strong demand highlights the attractiveness of Greencoat UK Wind's target 6% dividend yield emanating from expected long-term, predictable returns. The listing provides us with the platform to build upon the initial portfolio of operational wind farms, taking advantage of the underlying growth we expect in the wind farm market to deliver investors a sustainable and growing return on their investment.”

CASE STUDY: ENERGY EFFICIENCY PARTNER FUNDS

GIB has partnered with three fund managers to finance smaller sized Energy Efficiency portfolios (for aggregate portfolio funding requirements of <£30m)

Fund manager	Fund information	GIB investments	
	<ul style="list-style-type: none"> – Equitix is a UK based specialist infrastructure investor working in partnership with local authorities and corporate pension funds – Equitix aims to make socially responsible, sustainable investments in communities – Energy Savings Investments is a £50m fund focused on energy efficiency projects of £0.5m-£30m capital cost 	<ul style="list-style-type: none"> – GIB is the cornerstone investor in the fund with a commitment of £50m – First investment of £10m (49% from the fund) in Roundwood Energy, which will provide biomass boilers to a number of business types – 49% of £1.2m investment for a biomass boiler at Tomatin Distillery – 49% of £1m investment for a biomass boiler in a school 	
	<ul style="list-style-type: none"> – SDCL is a specialist advisory firm – Established to help governments & private institutions finance environmental and social infrastructure assets and services – The fund, UK Energy Efficiency Investments is a £50m fund focused on energy efficiency projects of £0.5m-£30m capital cost 	<ul style="list-style-type: none"> – GIB committed £50m to the fund as the cornerstone investor and SDCL will raise at least an additional £50m – First investment of £0.8m in the retrofit, designed and delivered by Johnson Controls, of a portfolio of industrial facilities owned by Kingspan Group 	
	<ul style="list-style-type: none"> – Managed by Aviva Investors, Aviva Investors REaLM Energy Centres Fund is specialising in investment in non-domestic UK energy centres – The £50m fund provides long term funding from institutional investors for public sector energy efficiency projects 	<ul style="list-style-type: none"> – GIB committed £50m out of an expected total of £100m – First investment of £36m (49% from GIB) in Cambridge University Hospitals NHS Foundation Trust for CHP, boilers & heat recovery 	

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Emerging International Finance Models

Jorge Ramirez Puerto

**General Manager
European Microfinance Network
Brussels**

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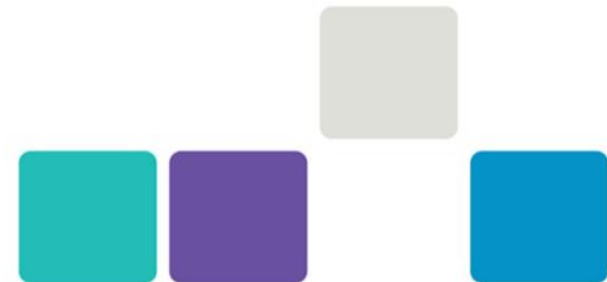
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Microfinance in Europe

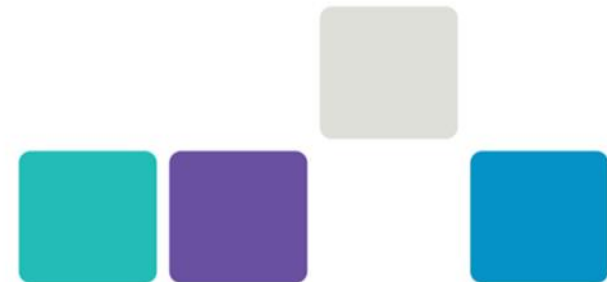
“Emerging International Financing Models” Webinar
10.12.2013



About EMN

The European Microfinance Network (EMN) was launched by ADIE (FR), nef (UK) and evers&jung (GE) in April 2003, with the support of the European Commission and the French Caisse des Dépôts et Consignations (CDC)

EMN counts currently 83 members in 21 European countries. Amongst them are Practitioners, Consulting & Research Organisms and Banks



Activities

EMN supports its members through:

- Capacity building activities;
- Networking and information exchange;
- Advocacy at EU and national level



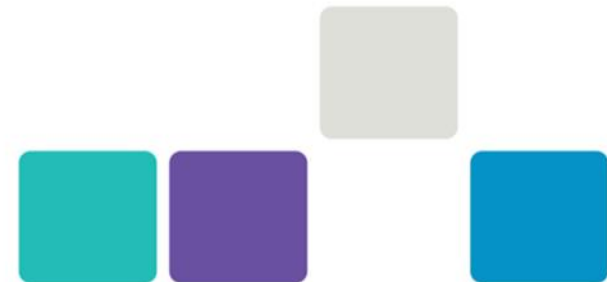
Microfinance in Europe

Young and heterogeneous...

2011 EMN Overview Survey:

- 204k microloans disbursed
- Average interest rate is 11%
- Average loan term 35 months

Key initiatives at EU level: EPMF, the European Code of Good Conduct for MF and the Initiative JASMINE



Microfinance Models in Europe

NGOs, focus microfinance

ADIE (FR), Per Micro (IT), ANDC (PT)

- Inspired by international practice
- Integrated non financial services

NGOs, focus on specific groups

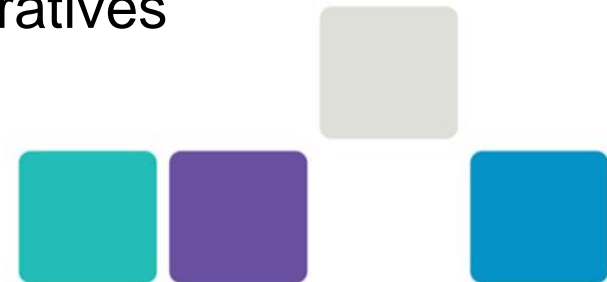
PSYBT (UK), WWB (ES), Autonomia Foundation (HU)

- Small scale & Finance seen as added value for enterprise support

Non Bank Finance Institutions (NBFIs)

Credal (BE), Fair Finance (UK), Patria Credit (RO), Mikrofond (BU)

- MFIs in Eastern Europe and Credit Cooperatives in Western Europe



Microfinance Models in Europe (II)

Institutional support programmes

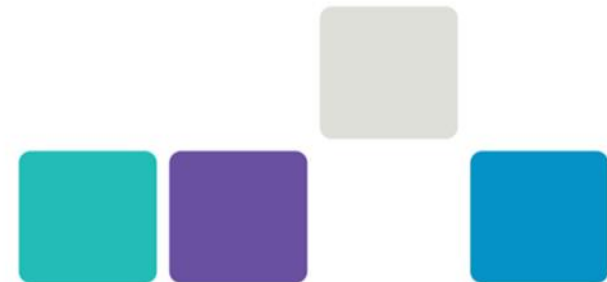
DMI (GE), Finnvera (FI), Fonds de Participation (BE), ICO (ES)

- Part of existing programs of development banks
- Political pressure at the basis

Special entities of banks

Microbank & Savings Banks Foundations (ES), Millennium bcp (PT), Microstart (BE)

- Recent development
- Strong growth
- Synergy effects on costs due to existing infrastructure



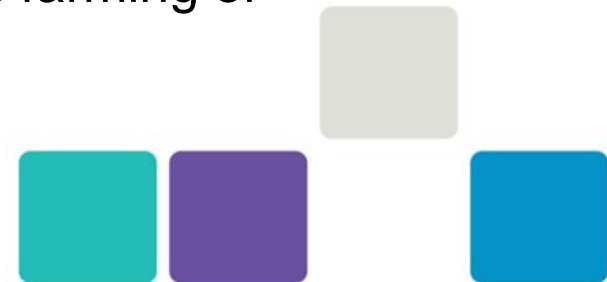
European Green Microfinance (II)

First study of the present development and trends of green microfinance in Europe

Difficulties and constraints that European microfinance institutions encounter while developing environmental initiatives

27,7% of institutions providing microfinance services in Europe have some initiatives associated to environmental protection. 50% of institutions in the sample seem to have developed or are planning to develop some sort of environmental policy

One third of the respondents disburse green microcredits: i.e. credits for renewable energies or energy efficiency, and with a less extent credits for recycling, waste management, organic farming or ecotourism



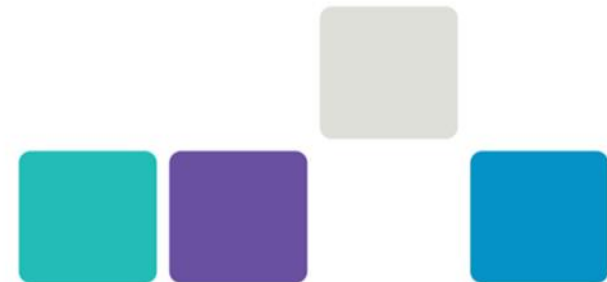
European Green Microfinance (II)

Institutions from Eastern Europe has on average a better environmental performance than institution from the Western Europe

Major motivations for European MFIs to engage in environmentally friendly initiatives are, in order of importance: social responsibility, competitiveness (strategic and economic benefits), legitimation (stakeholders pressure)

...while the lack of funds, human capital and low interest by the clients seems to be among the major constraints preventing the development of green MF initiatives

Conclusion: Green microfinance in Europe seems to be a young, still underdeveloped field, but with good potentialities



Thanks!

Jorge Ramirez

EMN General Manager

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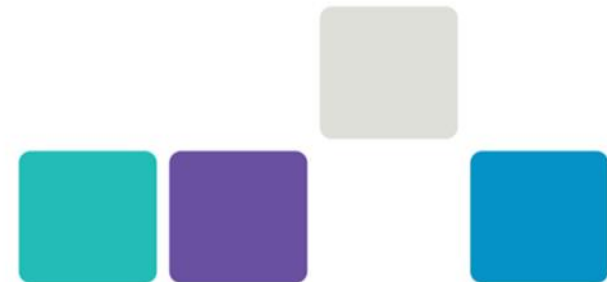
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www.european-microfinance.org



Emerging International Finance Models

Audience Questions



Fundamentals of Development Finance
Bond Finance
Tax Increment Finance
Tax Credit Finance
Revolving Loan Fund Finance
Federal Financing Programs
State & Local Financing Programs

Energy Finance
Innovation Finance – Seed, Angel & Venture Capital
Brownfield Finance
Transportation Finance
Access to Capital Finance
Special District Finance
Public-Private Partnership Finance

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Next Webcast

CDFA – BNY Mellon Development Finance Webcast Series
Monday, December 16, 2013 @ 1:00pm Eastern

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