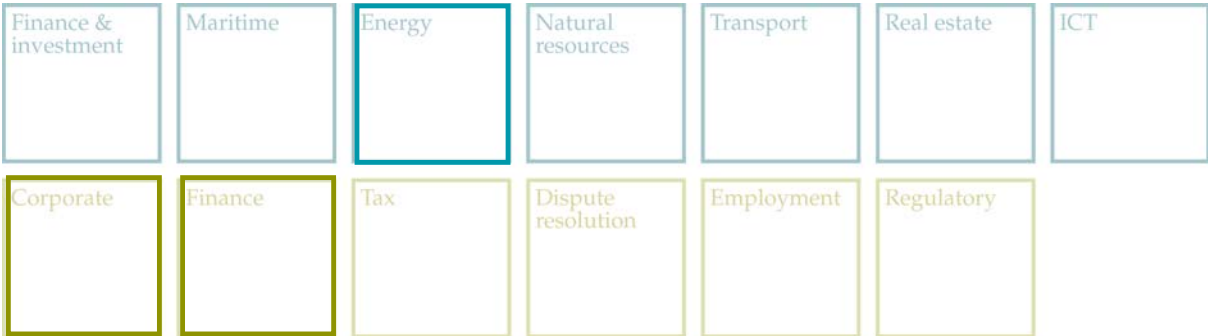


CLEAN ENERGY EXPO ASIA 2010

Making Clean Energy Projects Bankable

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Making Clean Energy Projects Bankable

- > Overview- current state of the Financial Markets
- > What Lenders and Investors worry about?
- > Making Projects Bankable
- > Risk Mitigation

Current State of the Financial Markets

- > Market recovering and seeing competition
- > Banks will focus on the best projects of known customers
- > A lot of competition among projects for a limited amount of funding
- > Lower risk projects will stand out from others when competing for funds

Current State of the Financial Markets

- > Projects will be picked on the grounds of economic viability, reliable partners and a firm contractual and legal framework
- > Funding for North American and European clean energy projects has been slashed
- > Local banks and institutions to fill the void
- > “There is no shortage of funds, just a shortage of good investments”

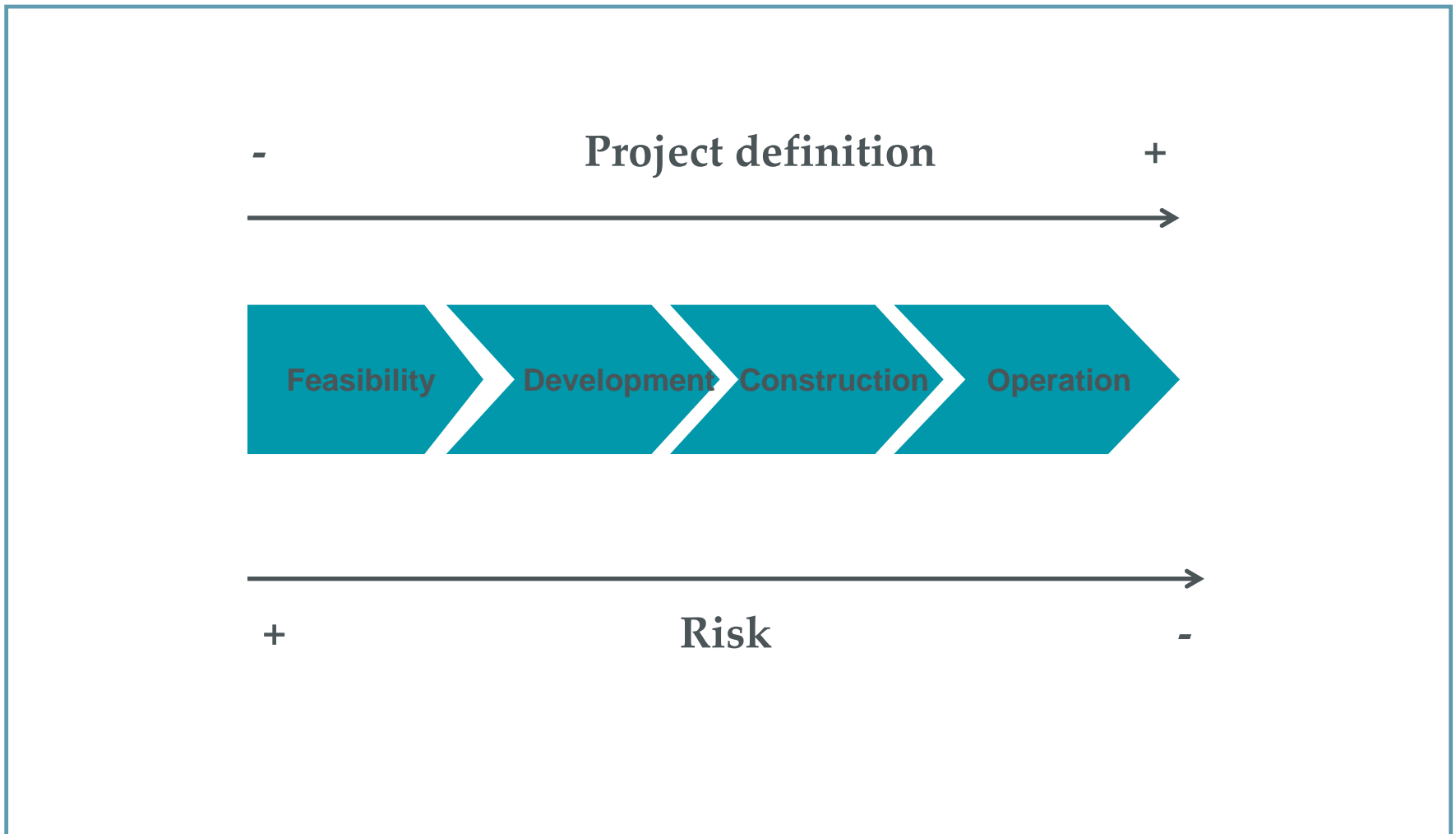
What concerns Lenders and Investors?

- > The fundamental problem with clean energy generation is that it still can't compete with fossil fuels on its own
- > It needs help from the state in the form of tax relief, direct support or other forms of encouragement
- > Oil price does have an impact
- > Investors have relatively short investment horizons

Making Projects Bankable

- > Proven technology story
- > Credible construction and O&M arrangements
- > Strong contractual strategy
- > The right off-take strategy for the project
- > Debt and equity aligned to seek the best solution for the project

Project Development Cycle - How to maximise value



Making Projects Bankable

- > Appropriate risk allocation and mitigation while optimising value for project
- > Projects depend on supporting policies to be cost competitive
- > Need for power, legislation and government incentives to make clean energy an attractive market
- > Short investment horizons
- > Strong support by banks for the right deal

Ways to Mitigate Risk

- > Project Risk Management
- > Risk Assessment
 - Three main steps:
 1. Risk Identification
 2. Risk Analysis
 3. Risk Prioritisation
- > Types of Risk
 - Project risk
 - Political / Institutional Risk
 - Business Risk
 - Resource, Technology & Operational Risk

Ways to Mitigate Risk

- > Risk Control / Mitigation
 - Identify the necessary actions that can be carried out in advance to reduce or eliminate the impact of risk
- > Engage lawyers and other professional advisers at an early stage
- > Risks should be properly identified, classified, monitored, managed and communicated to all relevant project stakeholders

Ways to Mitigate Risk

- > Developers will need to ensure they are developing bankable projects
 - engage financiers who can advise what kinds of deals are being accepted by the market and which are not

- > Developers can arrange staple financing i.e. arrange the project finance for the project before they sell it to investors
 - projects that secure debt finance will be worth substantially more than equivalent projects without debt finance

Conclusion

- > Key issues / concerns:
 - Cleantech's inability to assure returns over a short period
 - Shortage of debt finance is a key cause for delay in many Clean Energy projects
 - Perceived high risk associated with new technologies

- > Reliance continues on long-term government support

- > Economic conditions and investment climate are improving but still challenging to make projects bankable

Speaker profile



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Ken is a partner and head of the firm's International Corporate Group in Asia. He advises on cross-border transactions, foreign investment, joint ventures, mergers and acquisitions and restructurings and has extensive experience with transactions in the oil and gas, energy and transportation sectors.

Ken has worked in Australia, Hong Kong and Singapore and has recently advised banks, sponsors and developers on a number of renewable energy projects throughout SE Asia. He is recognised as being "responsive, practical and effective" in the Asia Pacific Legal 500. He is qualified as a solicitor in the New South Wales, Hong Kong and England and Wales.

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