Deloitte.

# Investing in Clean Energy.

**MAIN FINDINGS OF DELOITTE SURVEY AMONG EUROPEAN FUNDMANAGERS**

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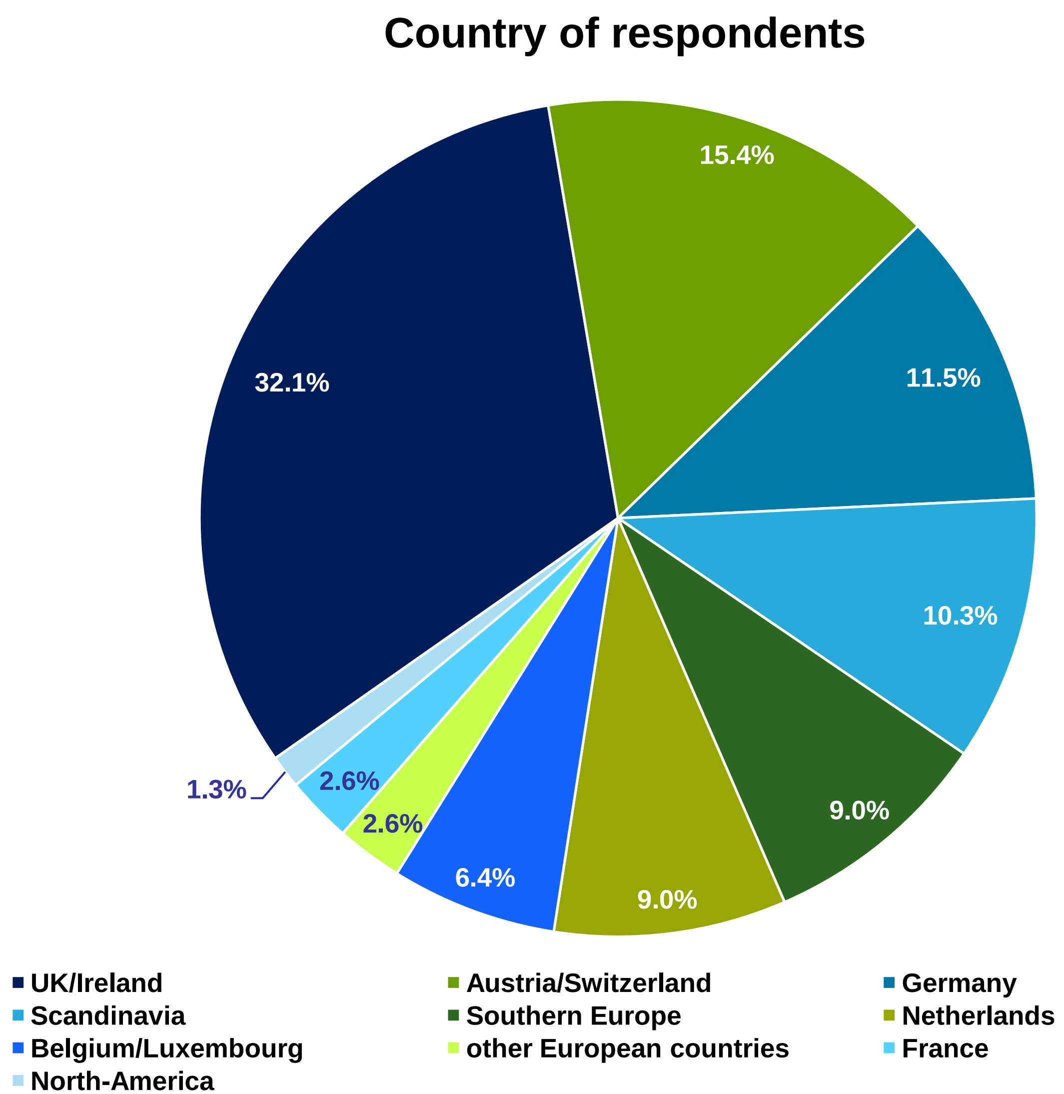
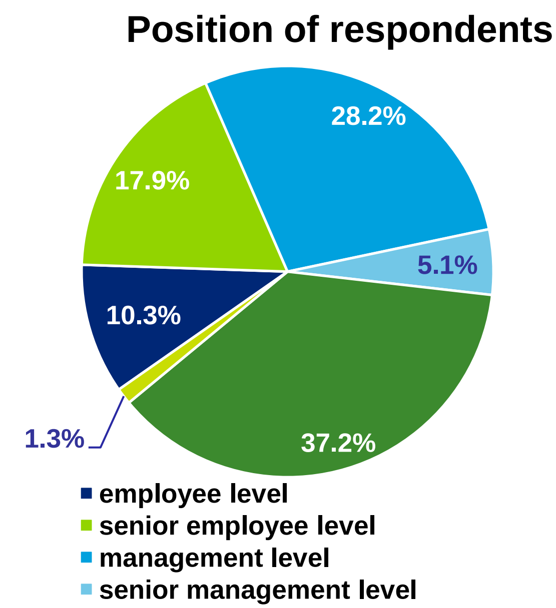
**Global Leader, Energy & Resources**

May 9, 2011

Audit. Tax. Consulting. Financial Advisory.

# Respondents mainly represent senior fund managers from a wide variety of European countries





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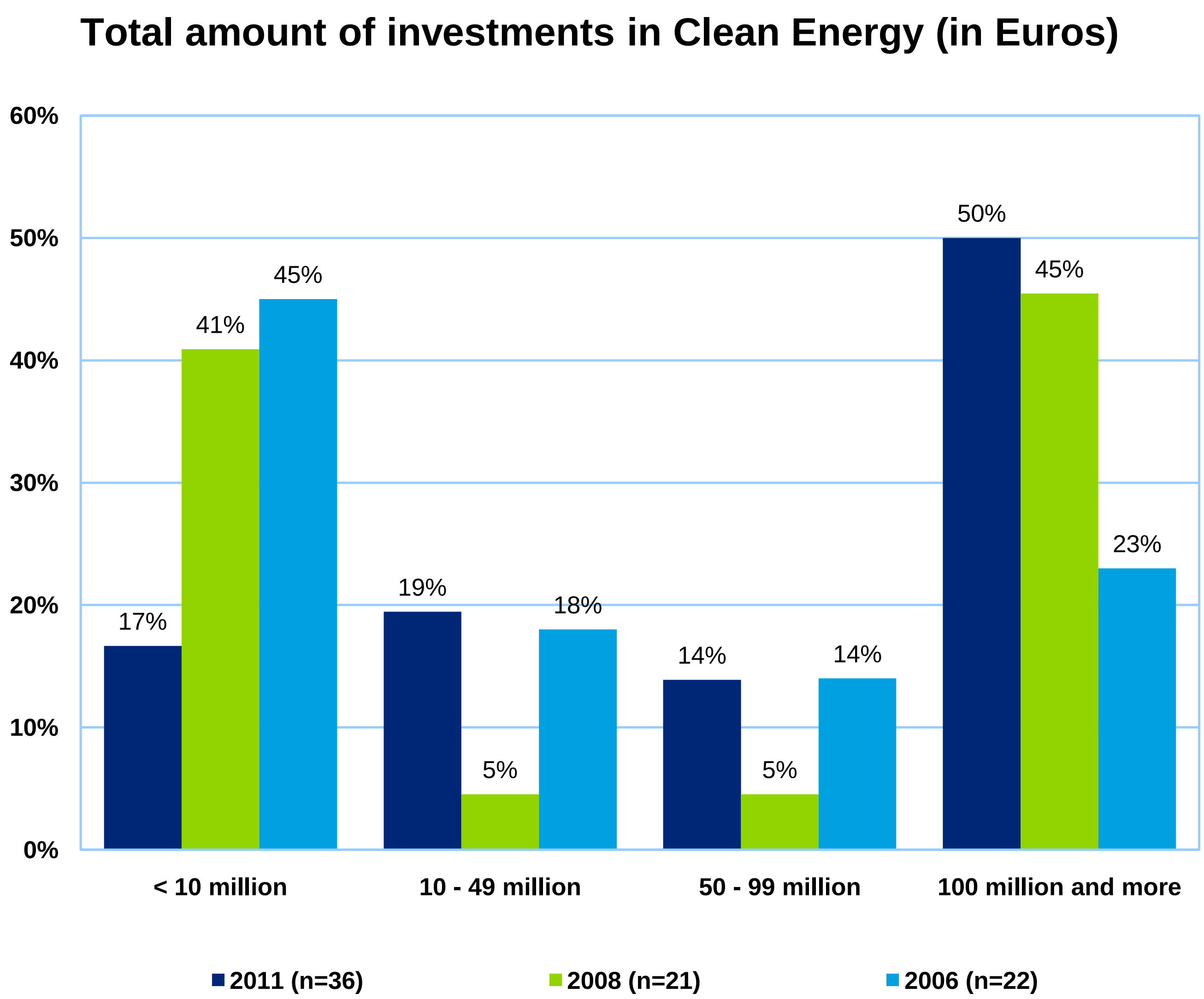
# Investments in Clean Energy have recovered after the crisis and are increasing





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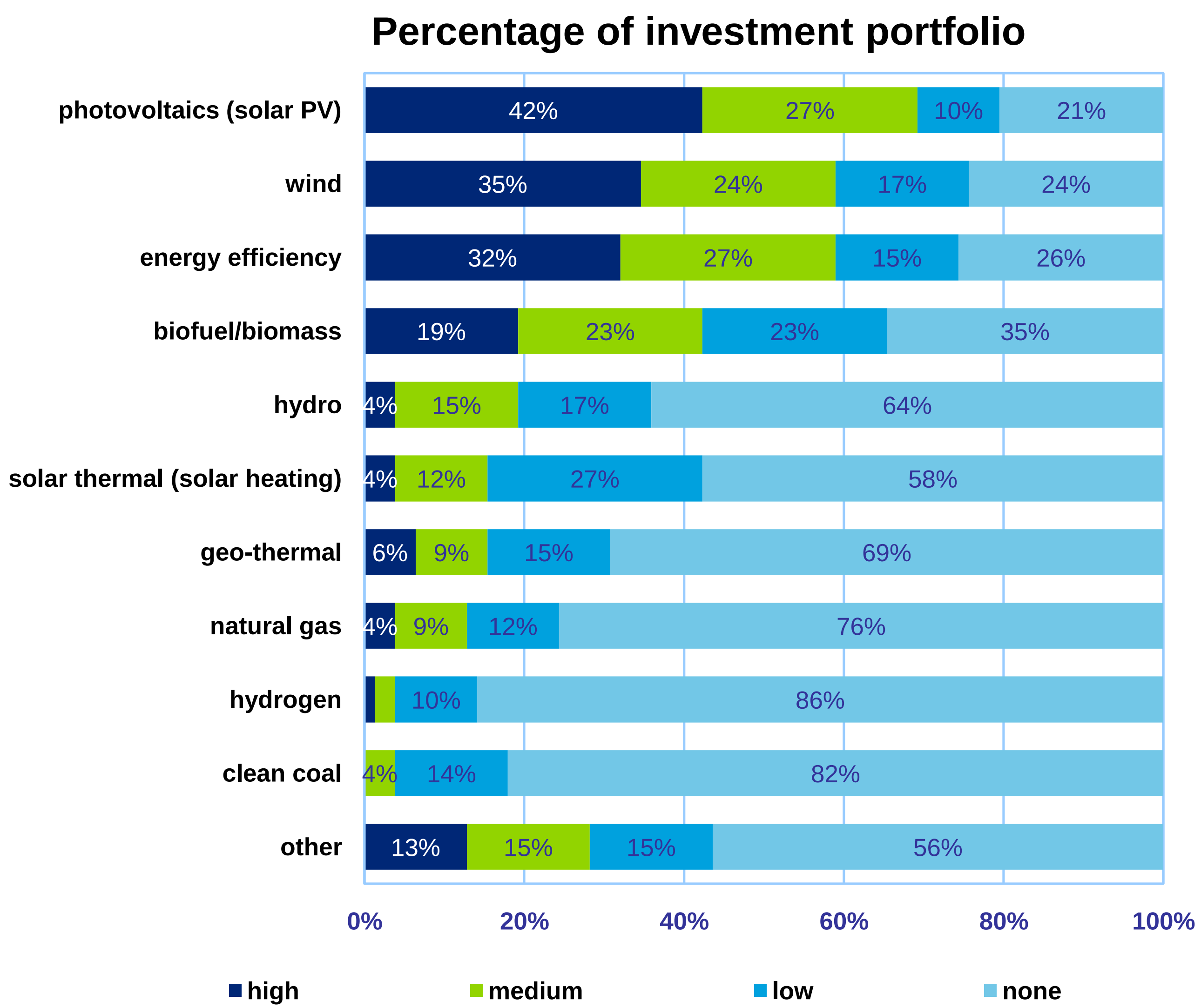
# Highest investments in photovoltaics (42%), wind (35%) and energy efficiency (32%)





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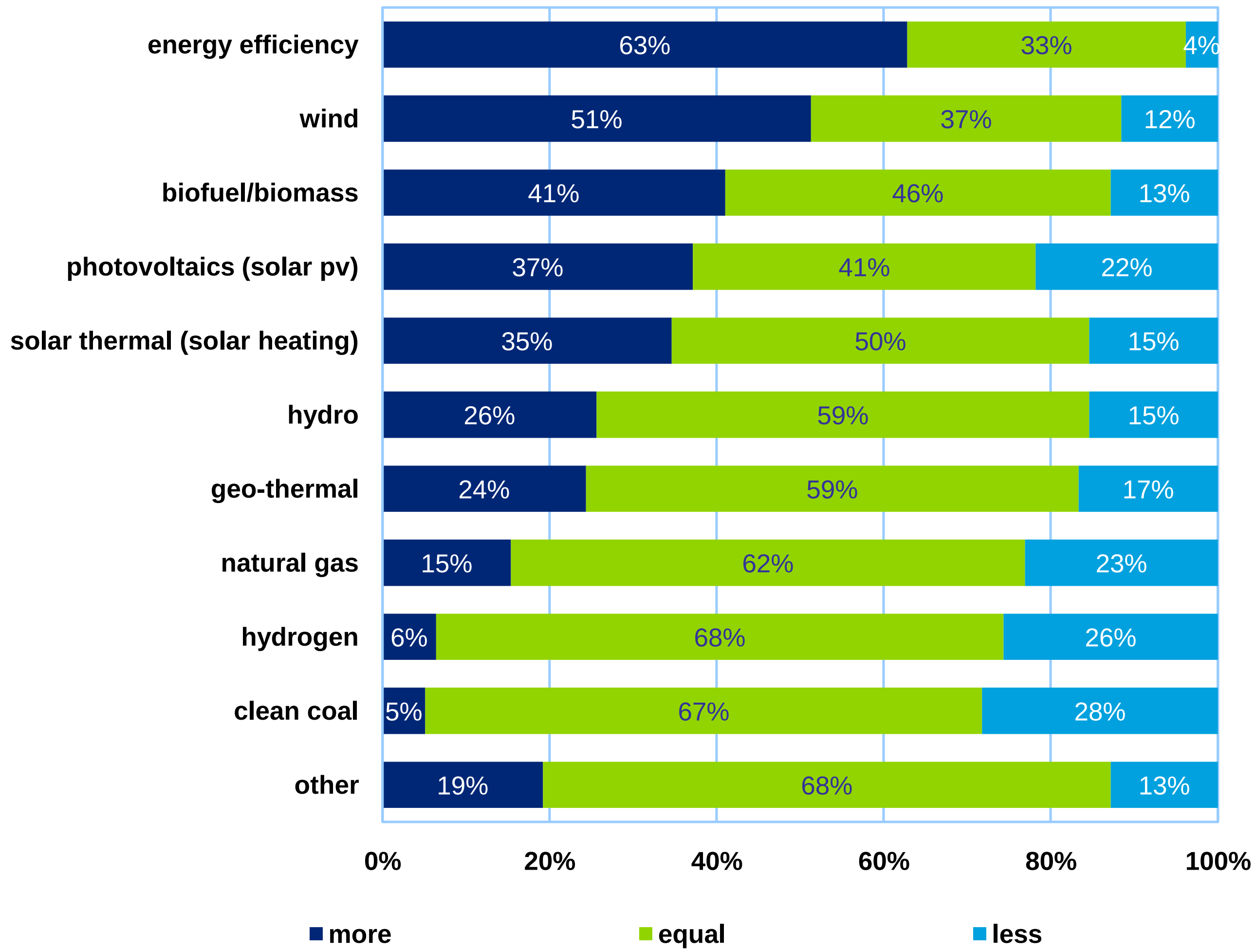
# Respondents expect to invest particularly more in energy efficiency (63%) and wind (51%) in the next three years

## Expectations on level of investment in the next three years





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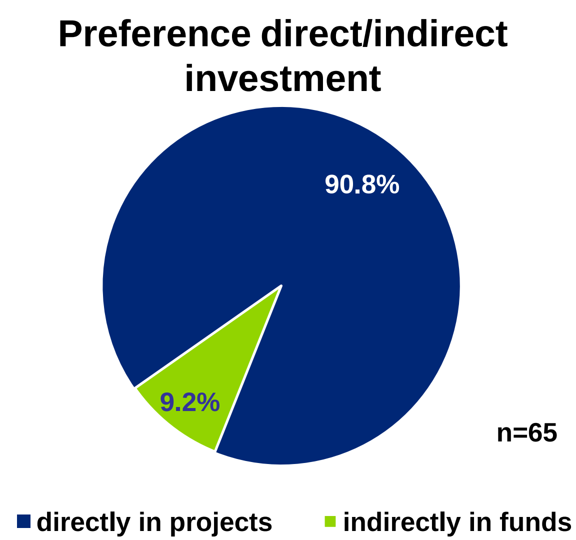
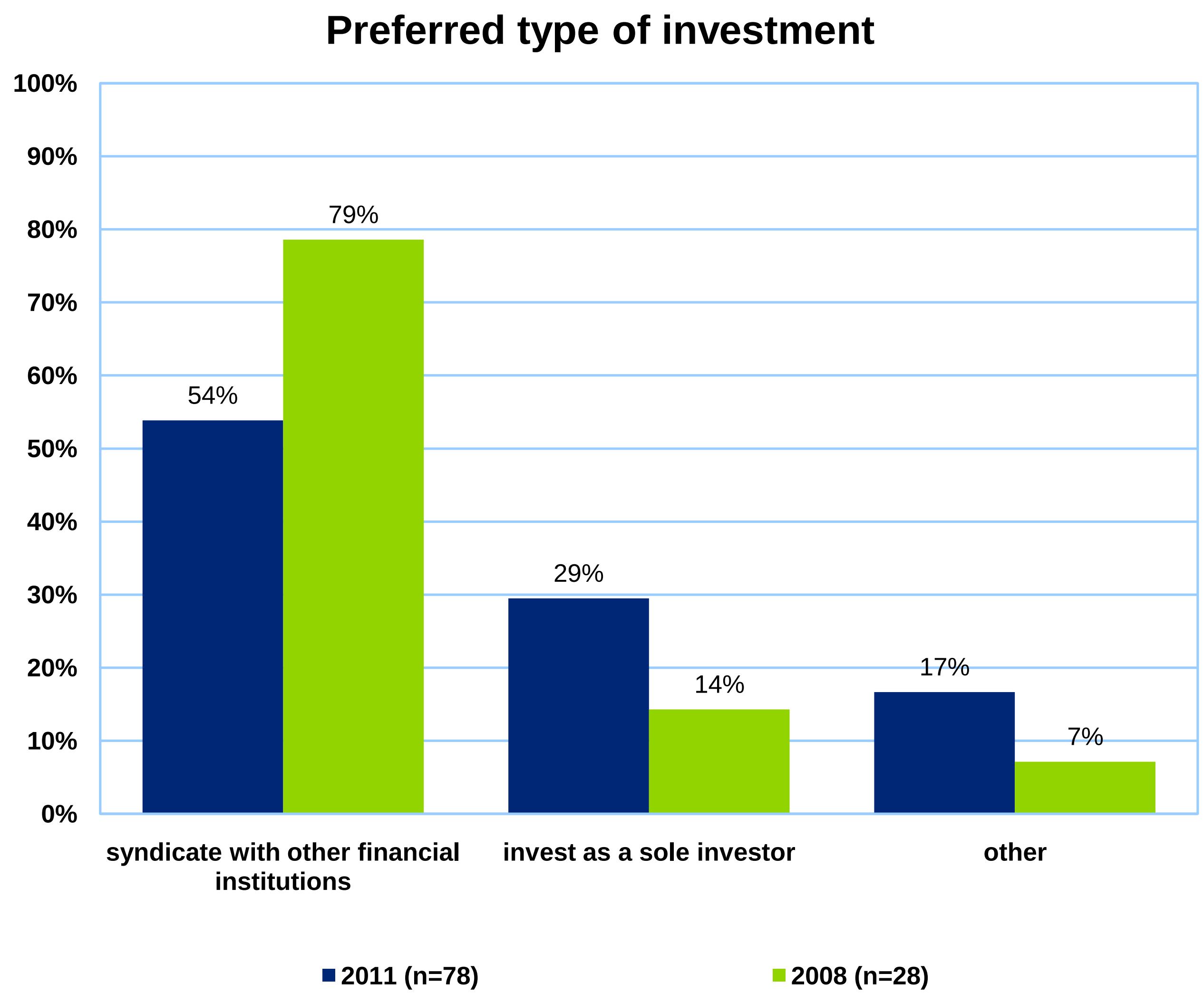
# The majority of respondents prefers to syndicate with other financial institutions when investing in capital intensive clean energy projects



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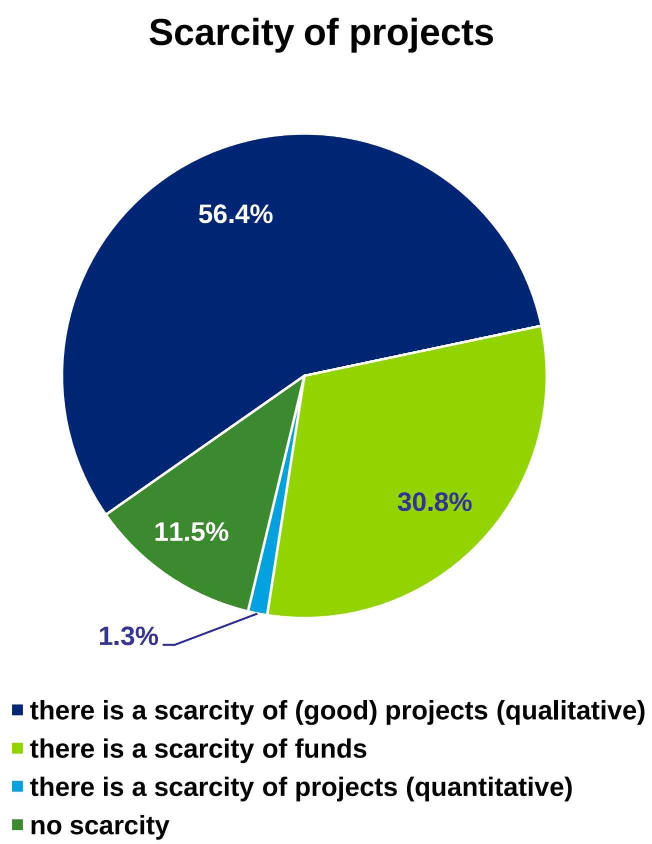
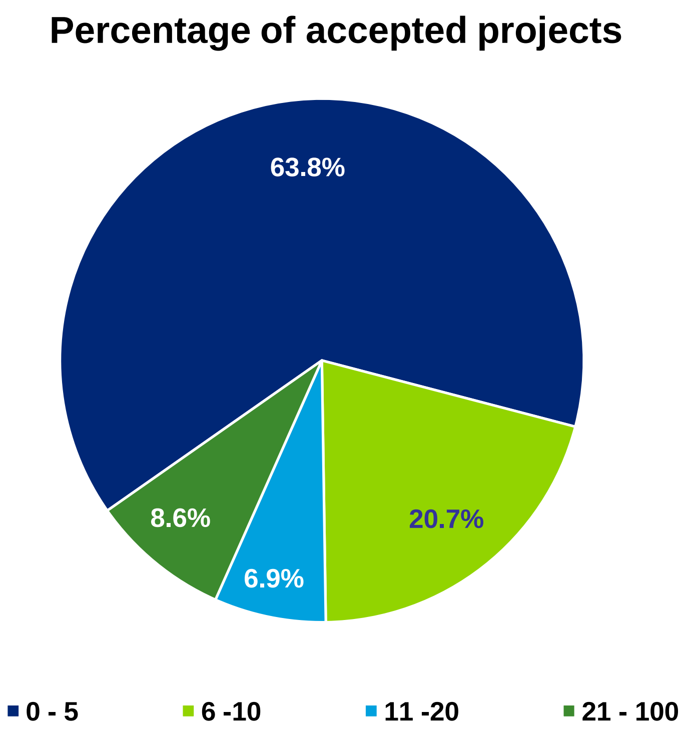
# More than 50% is of the opinion that there is a scarcity of good quality projects. Two thirds of the respondents state that only 5% or less of projects presented for investment are accepted





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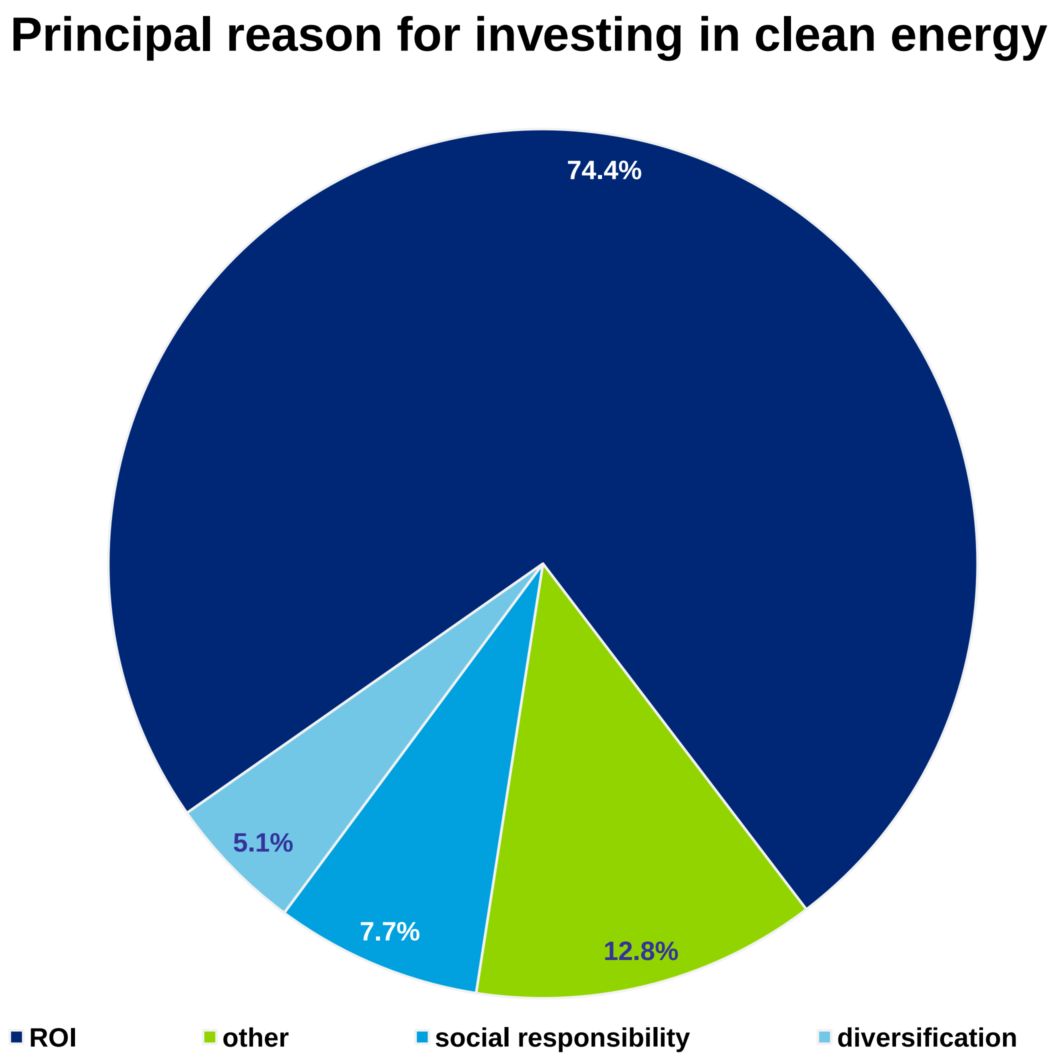
# Return on Investment is by far the main reason for investing in Clean Energy





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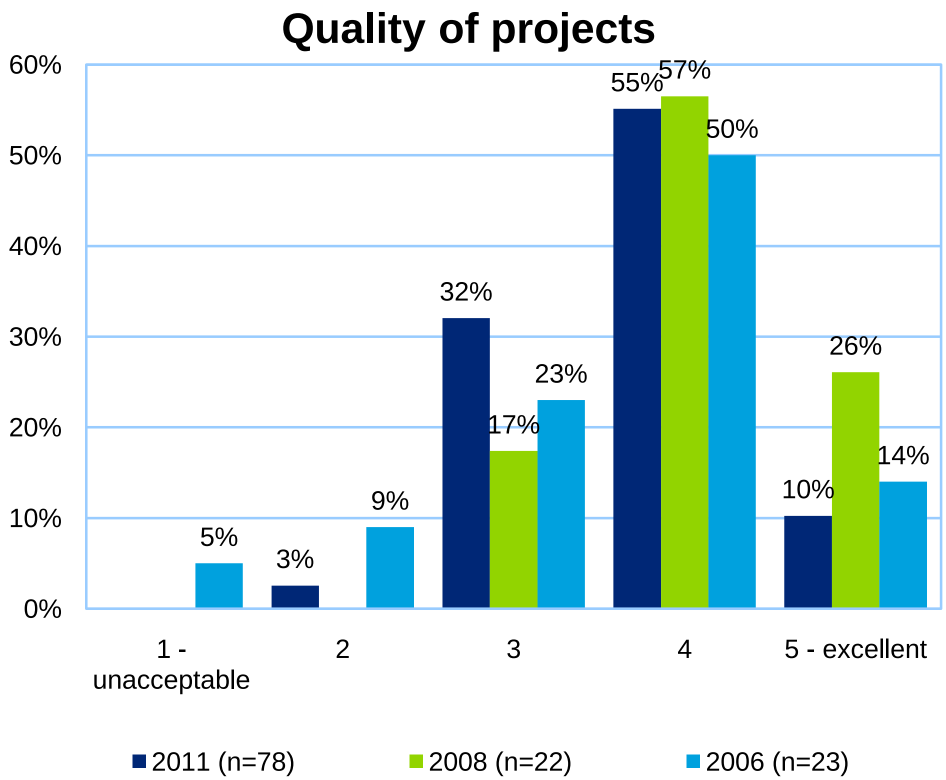
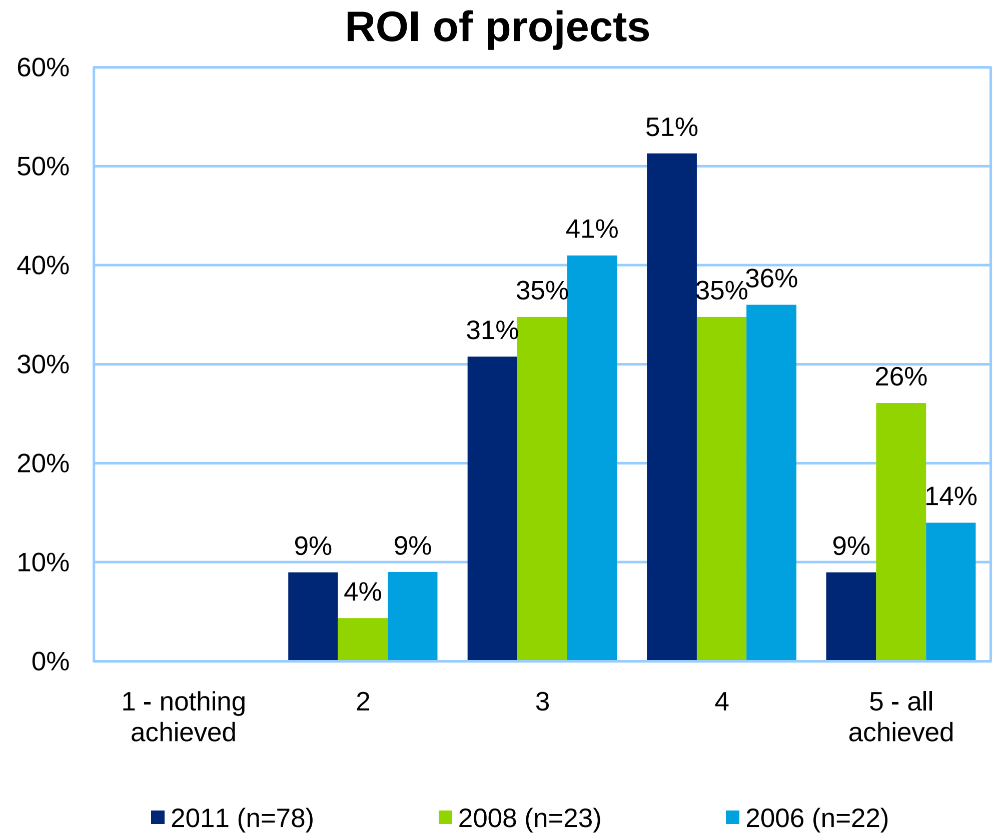
# More than two thirds of the invested projects turned out to be of an acceptable or excellent quality; 60% indicates that Return on Investment targets for most projects were met





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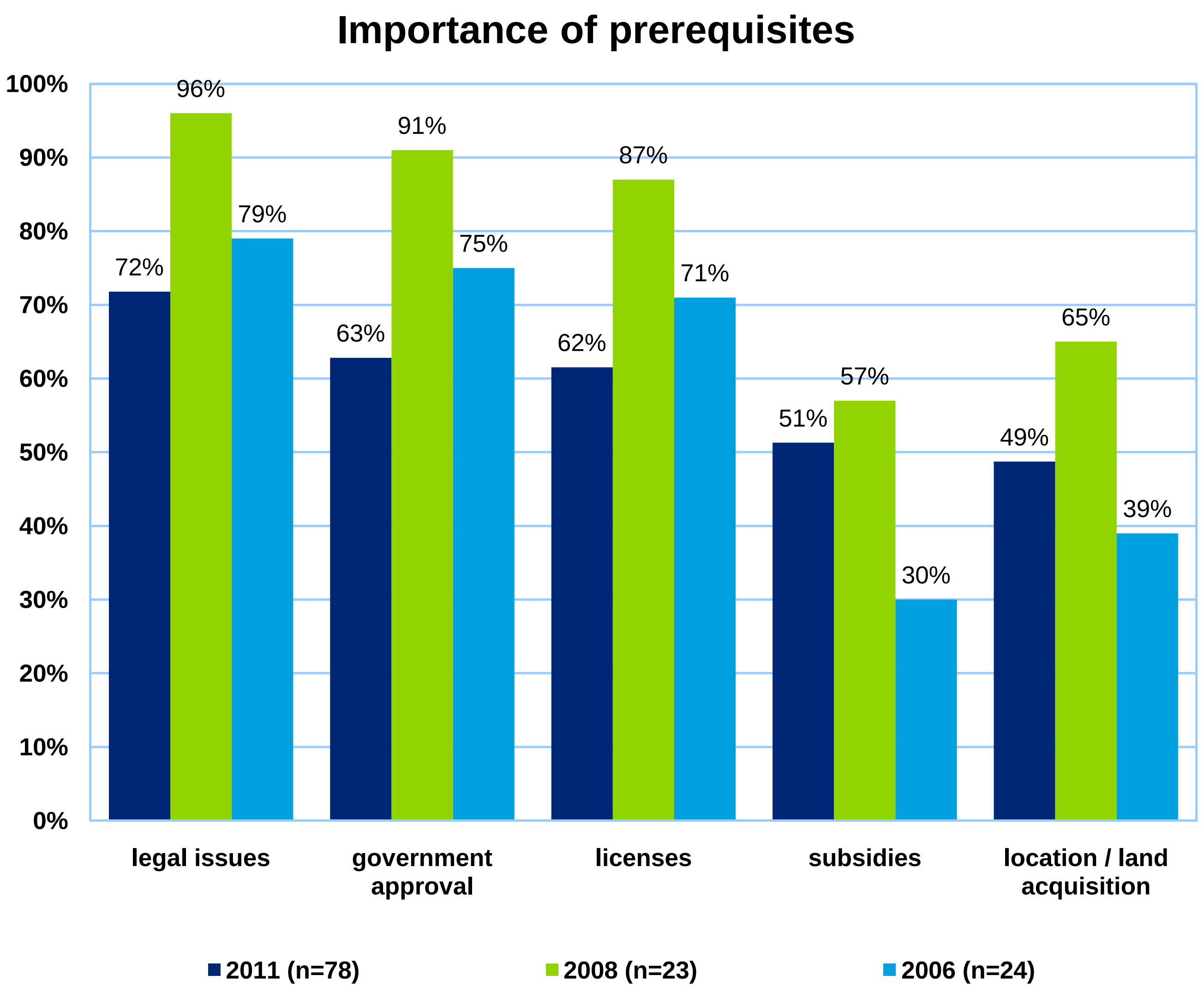
# Legal issues (72%), government approval (63%) and licenses (62%) continue to be the most important conditions when investing in Clean Energy




% of respondents reporting the prerequisites are (very) important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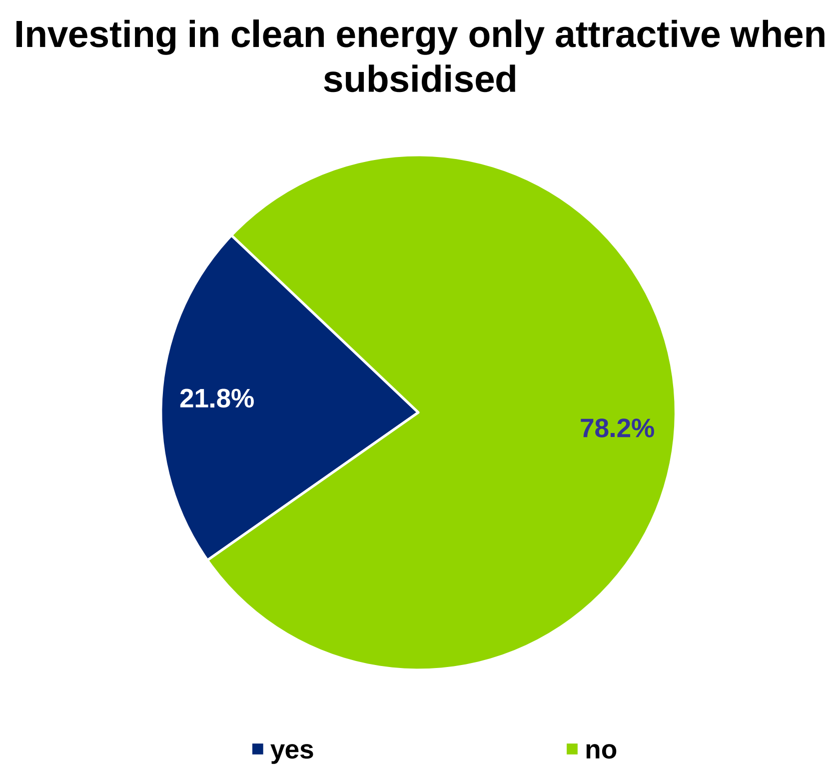
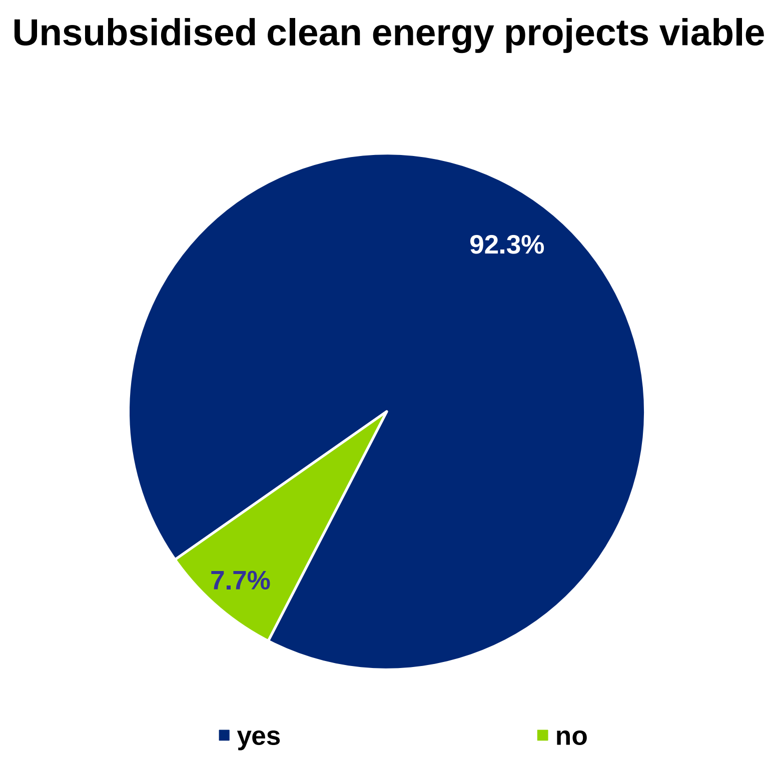
# 78% of the respondents believe that investing remains attractive without subsidies; 92% finds unsubsidised projects still viable





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# What hurdles do you foresee that will affect future investments?

**Access to best/optimal projects,** grid connection, off take agreements
Availability of capital for new technologies in early and growth stages
Change in regulatory regime / introduction of new constraints or increase of the tax level (e. g. IFER increase in France)
**Consistent government policies and consistent long term frameworks for government policies**
Cost of equipment, in-efficiency of technology, untested technology, price of projects due to unqualified investor demand for low quality projects
Grid parity (= future power prices vs production costs of RE
**Scarcity of locations in western europe, interconnection of power grids, grandfathering of existing subsidy commitments**
Lack of experienced founders, they do not have 20 years of industry experience, bankability and too low IRR
**Banks allergy to risks**
Low oil price
**Lack of good quality projects**
Transparent and clarify in subsidy / FITAvailability of debtSeed
Unpredictable government behaviour relating to subsidies Lack of bank funding

Ability to get comfortable with new technologies and business models
Availability of capital
Awareness and education
Continuous innovation to bring the cost down
Delivery of scale
Equity return expectations
Good showcase (good payback)
Lack of financing expertise
Lack of proven successful history means projects are considered dangerous
Management capability
Manpower capacities
Move away from early stage, willingness to take risk and acceptance of (minor) issues / intolerance
Portfolio diversifcation
**Price and scarcity of components**
**Risk appetite by banks**
Sufficient funds
**Supply of quality projects**
Technological developments


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# What could be done to remove or alleviate these hurdles?

**Banks willing to take risks at sensible margins**
Educate people to risks
End of the bank crises, refinancing for project financing should be work again
EU regulations, wait for industry to mature, high oil price
**Governments / regulators to provide certainty and seed capital funds to be established**
Green tax shifting
Increased rate of adoption of best practice
Invest in other countries than the Netherlands
**Long term government commitment, no retroactive changes, well thought-out design**
More lending by banks
**Political support**
**Remove uncertainty with regards to subsidies**
**Security on subsidy regime**
**Sensible government and diversity in end-user industry**
**Stable regulatory frameworks supporting private sector investment**
**Stop changing the regulatory environment**
**Strong government action**
**Undertake to keep regulations the same for a longer period with grandfathering**

Better evaluation of risks
Broader investment mandate
Economies of scale
Educate people to corporations
**More innovation in clean energy technologies**
Generate source of good deal flow
Good show case
Insurance
Larger fund sizes
Managing risk capital
Market itself will regulate the competition
**More financing for emerging, promising technologies**
Recruit and build strong teamshand-ons monitoring
Specific promotion of viable projects
Strong guarantees, export support agencies, subsidized loans
Success stories in the industry
Successful fund raising
Support TBLI Conference
Syndications
Training, hands on help for management from investors


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