

How to raise Finance Breakout Session



Josh Brewer

Ethex

Positive investors and community energy



Understanding the Positive Investor

A research study revealing
the level of interest in positive
investment in the United Kingdom

ethex

#MakeMoneyDoGood



Understanding the Positive Investor Report 2017

19.5 million

of the eligible population
are investing positively or
interested in doing so

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Understanding the Positive Investor Report 2017

What type of positive investor are you?

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The Well-informed



The Progressive



The Receptive



The Unsure



The Sceptic





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24th June – 9th July 2017



Jonathan Hick

Social and Sustainable Capital

- 'Polyfilla' for the Community Renewables Sector



Social and Sustainable Capital

- Social and Sustainable Capital (“SASC”) is a social enterprise and social investor, managing £50m of funds to invest in high impact community businesses, social enterprises and charities
- We are regulated and authorised by the FCA and make investments from £200k to £2 million of repayable loan finance
- One of our funds, the Community Investment Fund, was specifically set up to support community businesses to fund their growth - for example to acquire / develop an asset, fund working capital or buy assets



Our Investments



Plymouth Energy Community

- Short term
bridge /
'backstop' the
share raise



Bristol Energy Cooperative

– Long Term
finance, 18
years



Resilient Energy – Senior Debt



GFCS –
Short
term
bridge to
future
fundraise



Opportunities

- PPA driven solutions – Councils, schools etc
- Community buyouts / secondary market
- Broader range of technologies - biomass and district heat
- Battery
- Buyout - ISAs

Considerations

- Recent downward revisions to long term wholesale prices
- Credit of PPA counterparty
- Quality of equipment, warranties and counterparty risk
- Community impact and capacity building of community groups

Questions

- Gap in funding for £300k-£1m?
- Impact of rate raises on covenant compliance and community distributions?



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Louisa Cilenti

Lux Nova Partners

Developing an effective financial roadmap for community energy schemes in a post subsidies environment



Lux Nova Partners

- Boutique, clean energy law firm, ethically driven
- Experienced City lawyers
- Award winning team
- Market leaders and specialists in:
 - renewable and low carbon energy generation projects
 - project finance
 - community energy
 - district heating & cooling
 - alternative routes to market



Lux Nova Partners

- Service full range of clients:
 - financial institutions
 - funds and equity investors
 - developers
 - local authorities and government departments
 - community groups
- Primary and secondary market focus
- Support innovators



Transformational community projects ...

Leapfrog Finance – construction financing of Ernesettle solar array, 4.1MW



Leapfrog Finance – construction financing of Ernesettle solar array, 4.1MW

- Leapfrog Finance launched 2015:
 - fund of £15million from Big Society Capital
 - extended to £30 million and nearly fully deployed
- Flagship project undertaken by Plymouth Energy Community (PEC)
- 100% construction loan funding
- Strong partnership ethos, including commercial developer PfalzSolar
- Expected to generate £1million+ of community benefit
- Refinancing from long-term loan provided by Plymouth City Council with mezzanine funding from SASC



Leapfrog Finance - acquisition financing of Verdant Community Energy CIC solar arrays, 9.3MW



Transformational community projects ...

Leapfrog Finance - acquisition financing of Verdant Community Energy CIC solar arrays, 9.3MW

- One of UK's largest community solar farms
- one site in a “5+5” arrangement, undertaken by Communities for Renewables (CfR) and acquired from Gamma Energy
- c.£13million acquisition loan (100% financing of acquisition costs)
- Expected to generate c.£1.2million of community benefit
- In the process of being refinanced



Transformational community projects ...

Charity Bank - financing of £3.2million Sandford Hydro project,
3 Archimedes screws c.440kWp



Transformational community projects ...

Charity Bank - financing of £3.2million Sandford Hydro project,
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- Once completed will be the largest hydro-electric plant on the Thames, undertaken by Low Carbon Hub (LCH)
- Charity Bank's largest single loan for a renewable energy project
- Significant amount of upfront funding (short-term debt funding + equity) secured by LCH to de-risk the project
- Alignment of objectives crucial to making this ambitious project happen



Transformational community projects ...

Charity Bank - financing of Energise Barnsley solar rooftop project, c.2 MW



Transformational community projects ...

Charity Bank - financing of Energise Barnsley solar rooftop project, c.2 MW

- UK's largest joint community and local authority rooftop solar project
- Borough wide installations across residential homes, schools, sheltered housing and other community buildings
- undertaken by Gen Community Ventures
- Partnership vision of Barnsley Council and British Gas Solar critical to success
- Successful community bond raise (£1.2million), underwritten by Ignite
- Project benefits from FiT income plus long-term PPA from the Council



Next phase...what's happening

M&A activity:

- commercial developers seeking to exit FiT or ROC backed solar projects and community solar parks in 5+5 arrangements
- larger community energy groups seeking to expand their portfolios, but:
 - pricing remains high
 - strong competition from private equity funds, pension funds and amongst largest community developers



Next phase...what's happening

Refinancing activity:

- Refinancing of community solar and wind projects
- with short term bridging loans
- and/or redeeming community bond issues



Market innovations...

- New solar PV schemes offering direct supply to commercial and industrial energy users via sleeving and backed by a corporate PPA
- Co-location of “behind the meter” battery storage systems with existing renewable generation assets
- Development of energy storage solutions combined with smart grids
 - Eg Orkney Smart Grid with SSE
 - active grid management to control renewable generator output to match available network capacity
 - 2MW lithium ion storage to balance variable output from renewable generators



Market innovations...

- Development of energy supply company models
- Opportunities around smart grids and smart cities
 - Active Network Management
 - “Virtual Private Wires”
 - Local Balancing Models
 - Pseudo “islanded grids”
- Opportunities for community owned district heating schemes
- Development of new technologies/applications
- Peer to peer trading
 - Eg Open Utility with Good Energy: Selectricity, which enables renewable generators to “match” with customers across the grid
 - SonnenBatterie
 - Enabled by Blockchain?



Financing models are adapting to a scaling sector...

- Community energy warehouse funds (backed by local authorities or community investors)
 - allow aggregation of assets
 - can be refinanced through private placement with long-term low cost institutional capital
- Capital market offerings may be possible
 - Eg listed securities tradeable on a stock exchange
- Greater role played by local authorities in providing finance and/or revenue security
- Rise of regional community banks following the example of Hampshire Community Bank?



Financing models are adapting to a scaling sector...

- Community share offers and crowdfunding:
 - Innovative crowdfunding platforms
 - Mongoose Crowd with ISA offering for community bond issues
 - Power to Change Community Shares Booster Programme



Of course challenges remain..

- Early stage financing access remains a significant barrier for smaller organisations
- Policy uncertainty undermines investor and lender confidence
- Regulatory and commercial challenges may need to be overcome to support local supply models
- Brexit adds further unknowns



The ingredients for successful financing remain the same...

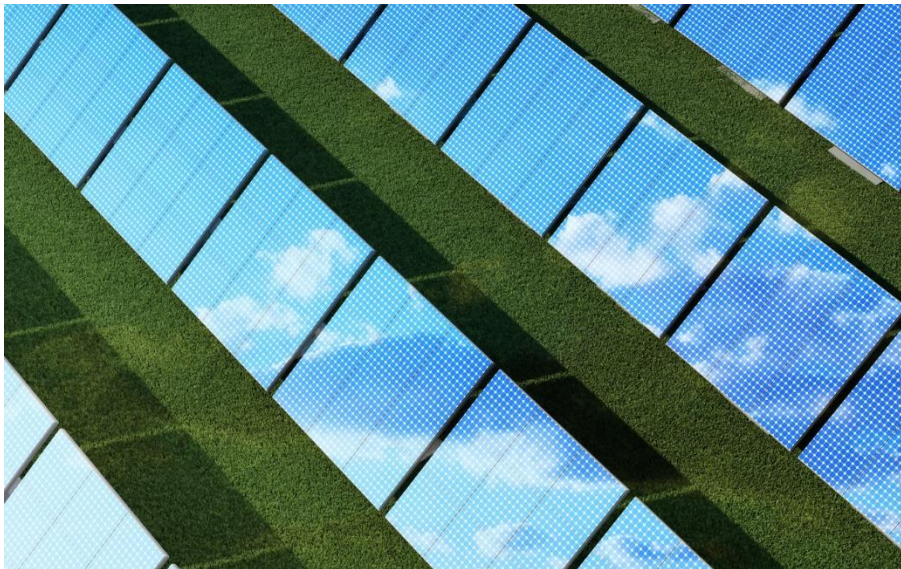
- Credible business model and prudent financial modelling –
 - the economics have to work
 - ideally there is potential for roll out on a number of schemes
 - not just a one off
- Strength of team
 - drawing on best practice
 - innovations and partnerships
 - trust in technical competency & delivery
- High standards in governance
- High standards in project and financial management
- Clear social and ethical goals
- Track record and credit strength of supply chain



Reasons for optimism

- No shortage of leadership and determination
- Innovative pilots are making good progress and could be scaled
- Falling solar and wind prices globally
- Commodification of batteries
- General public support for community energy initiatives
- New partnerships and solutions coming forward







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Q&A



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