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

#MakeMoneyDoGood
Understanding the Positive Investor Report 2017

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

ethex #MakeMoneyDoGood
Understanding the Positive Investor Report 2017

What type of positive investor are you?

- The Well-informed
- The Progressive
- The Receptive
- The Unsure
- The Sceptic

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58% want positive investments to have an impact in their local area.

Understanding the Positive Investor Report 2017

#MakeMoneyDoGood
Powering Together

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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

Resilient Energy – Senior Debt

Bristol Energy Cooperative
– Long Term finance, 18 years

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?
Powering Together

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24th June – 9th July 2017
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
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- 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
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- 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
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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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