
Investing in Heat Networks



Agenda

- Corporate finance options
- Project finance options
- Other sources of finance
- What is HNIP
- HNIP finance for projects



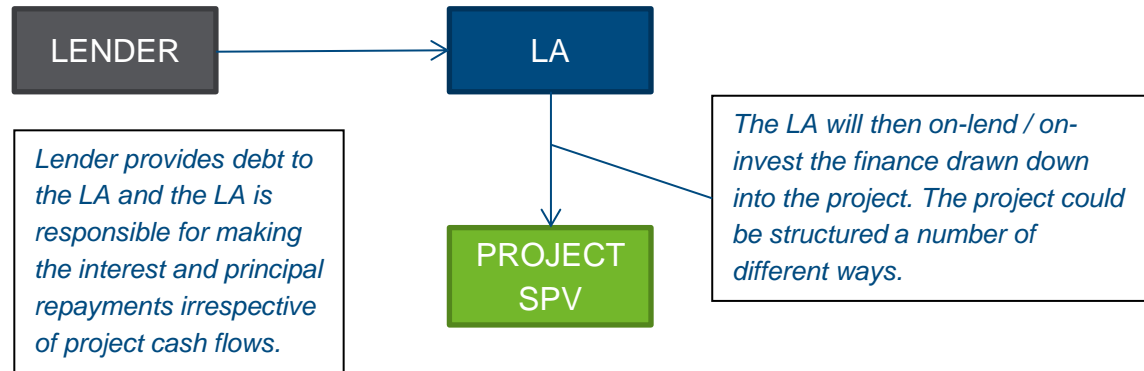
Corporate Finance

Plus side

- Low interest rate as good credit rating
- Long tenor
- Margin can be made through on lending to project
- Easy to access

Down side

- If the project fails loan still needs to be paid;
- Likely to be a cost of carry if drawdown not tranching / sculpted

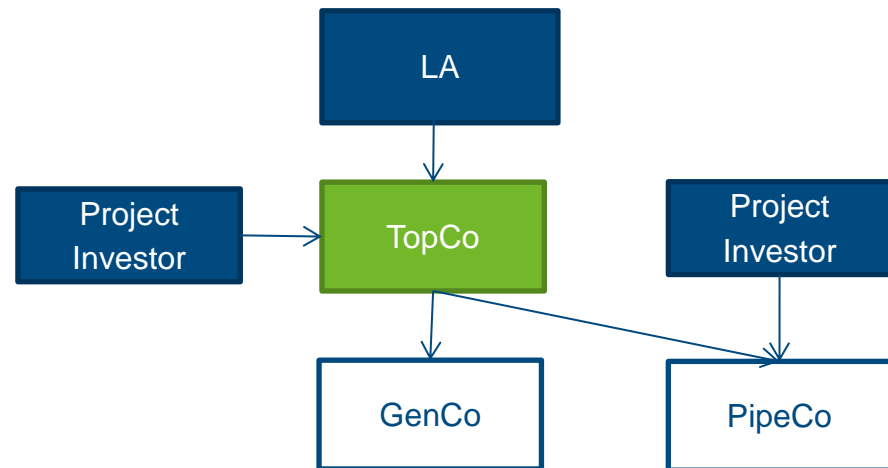


- Lender has relatively little interest in the project which means they will not assist in project development or risk mitigation

Project Finance

Lots of models:

- Infrastructure equity in the form of share capital and shareholder loans;
- Possibility for unbundled model with assessment for tax efficient equity
- ESCOs who will also be able to deliver DBOM if that is desired.
- Lease finance (Moveable plant and possibly EC)



Other Sources of Finance

National

- European Regional Development Fund
- Public Works Loan Board
- BEIS: Heat Networks Investment Project (England & Wales)

Regional:

- Mayoral Energy Efficiency Fund (MEEF) - London
- Decentralised Energy Enabling Fund (DEEP) – London
- s106 agreements



What is the Heat Networks Investment Project (HNIP)?

- HNIP is a £320m Government capital investment programme, for the period 2017-2021, to support the development, design and delivery of heat networks in the UK.
- It builds on an existing Government support programme for project pipeline development, delivered through the BEIS *Heat Networks Delivery Unit* (HNDU).
- The rationale of HNIP is to address market failures (for example, carbon externalities or demand risk) and remove barriers to deployment (e.g. lack of skills / capability).
- Progress to date has seen £24m worth of **HNIP pilot funding** allocated in March 2017 to nine projects. We are now approaching the point at which we can offer out the remaining funding as part of the **HNIP main scheme**.
- We expect to publish more information on the main scheme design in April 2018.

BEIS
Business, Energy
& Industrial Strategy



Options being examined for HNIP main scheme

- Combination of loans and grants
- Some loans direct to projects
- Some loans provided to parent companies (e.g. LA, group parent company)
- Grants provided to parent companies

