



Millennium  
bcp

# Financing Energy and Transport *Needs and solutions*



**EIB REGIONAL FORUM 2010**

Warsaw – 26 NOVEMBER 2010

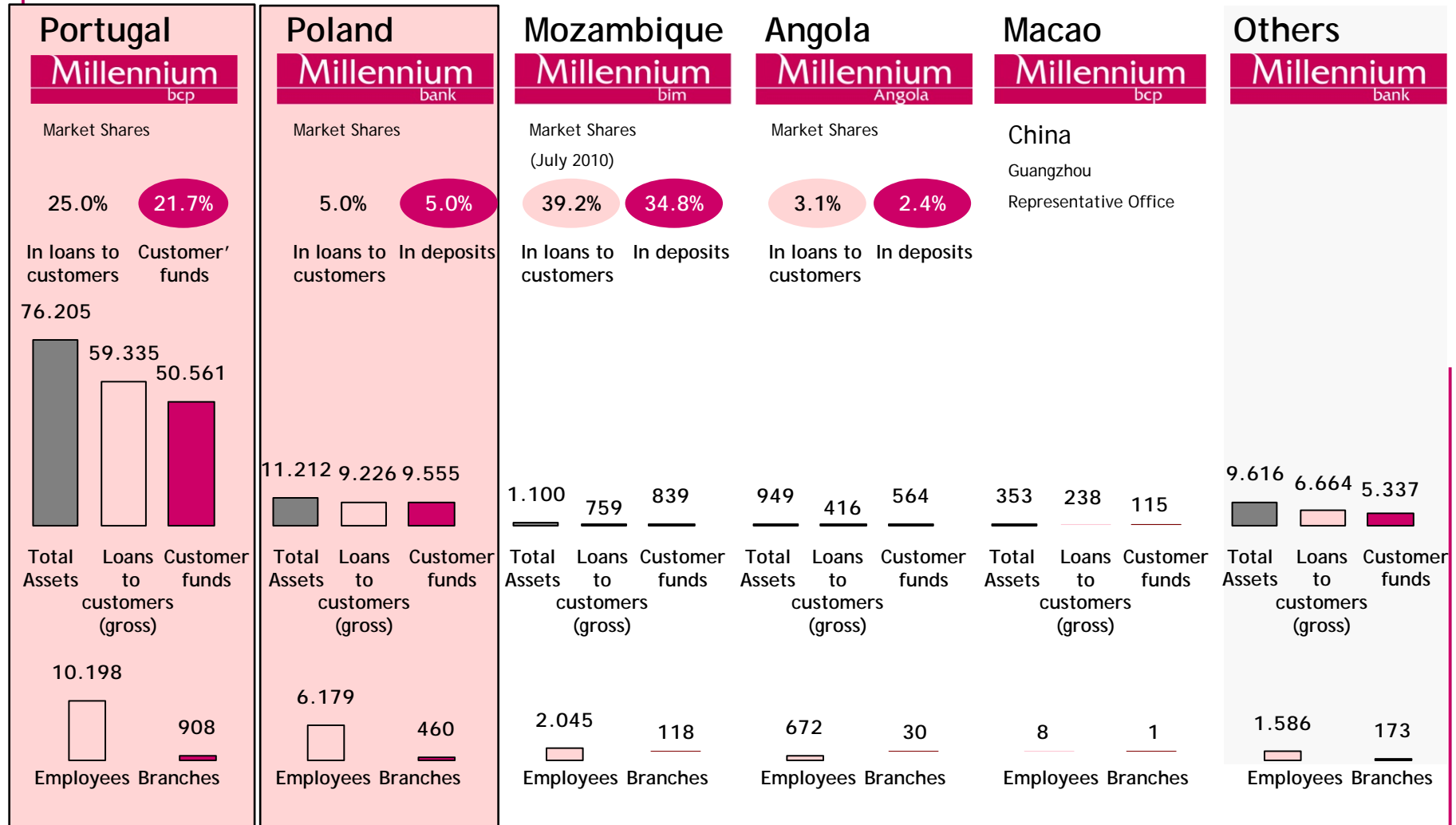


Luis Pereira Coutinho

# A leading group focused in the retail business in Portugal, Poland, Mozambique and Angola

Euro Million

(September 2010)



Excluding Turkey and USA.

Source: BCP. Market shares in Portugal are based on Bank of Portugal and Portuguese banks' public data. Market shares in Poland are from the Polish Banks Association and Polish Asset Managers Association. Market shares in Greece are based on Bank of Greece and Greek banks' public data. Market shares in Mozambique are based on Bank of Mozambique public data. Market shares in Angola are based on National Bank of Angola public data.



# The Portuguese Experience



## Early 90s:

- Portugal had huge investment needs in, *inter alia*, infrastructure and energy
- Private funds were needed to complete the targets and project finance was the solution
- EIB was a key funding provider

## EXAMPLES

### Motorways

- Since 1998, two waves of road PPP were launched:
  - First: 11 concessions, c. 1,440 km
  - Second: 8 concessions, c. 1,143 km
- C. € 12 bn of total investment

### Wind Energy

- In 2000, Portugal had an installed capacity of approximately 100 MW
- At the end of 2009, c. 3,500 MW were in operation, totaling an investment of around € 5 bn
- More than 1,500 MW still to be financed

# Millennium bcp know-how



Millennium bcp has been one of leading banks in advising, structuring and underwriting Project Finance of infrastructures in Portugal

**Wind parks**  
Portugal

Project Finance  
**€ 1,062 Millions**

Mandated Lead Arranger  
2009

Wind Farm Portfolio  
In Portugal  
(ENEOP 2)

Project Finance  
€ 467 Million

Mandated Lead Arranger  
2010

**Alto Minho I**  
Parque Eólico

Project Finance  
**€ 325 Milhões**

Mandated Lead Arranger  
2007

GlobalEnergy Refinancingmagazine  
**Environmental Finance AWARDS 2007**

Renewable EnergyProject Financing  
of the Year

Infrastructure Journal Online  
**ij** infrastructure awards  
WINNER 2007

Global Deal of the Year

EUROMONEY  
**ProjectFinance**

Deal of the Year  
2009

PECEM 1  
Latin American  
Power Deal of the Year 2009

## Recent deals in Poland:

- Financial Advisor: Margonin 120 MW wind farm
- Co-financing with ERBD: Tychowo 50 MW wind farm

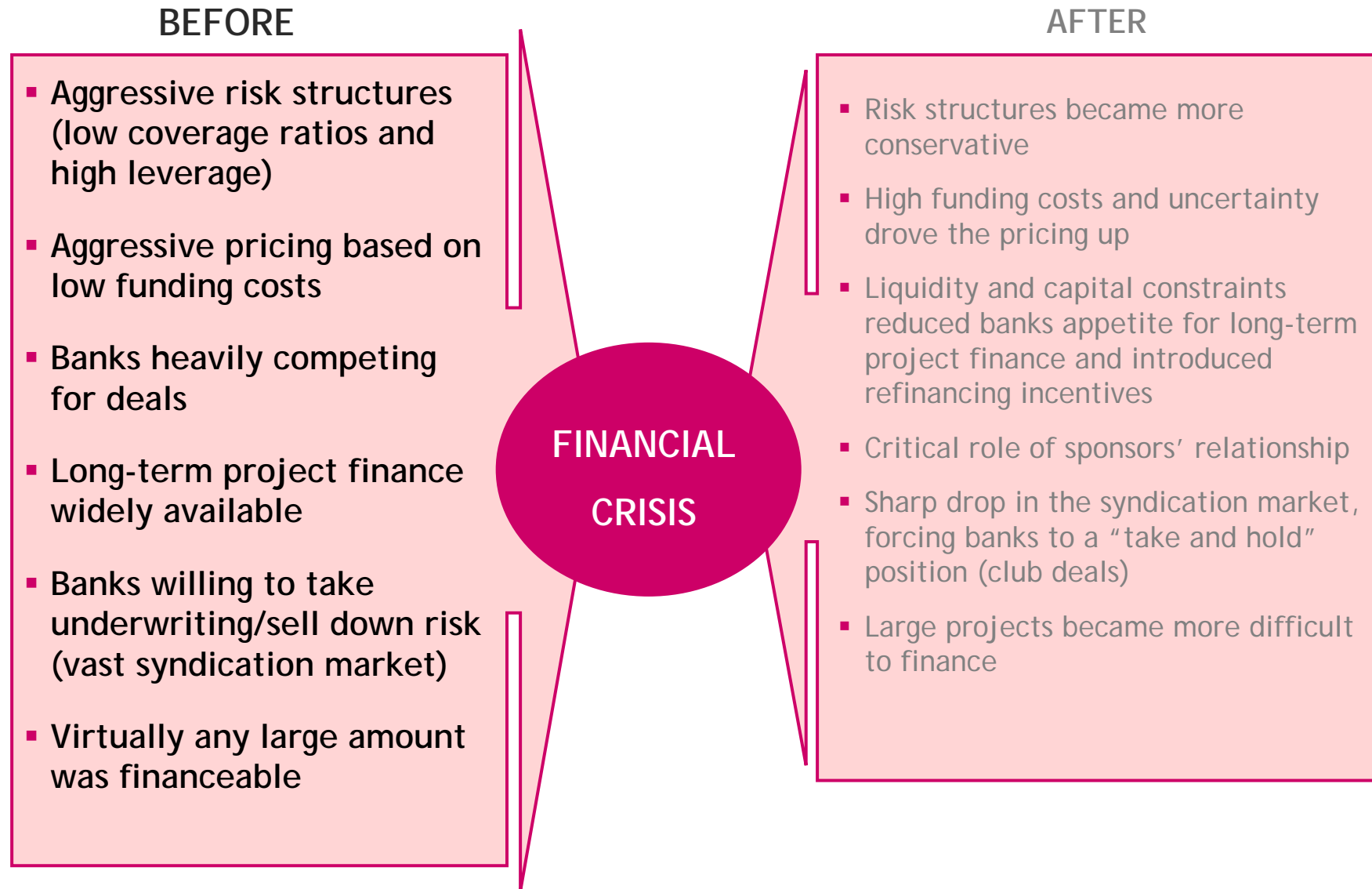
# The role Commercial Banks should play

Commercial Banks may be wrongly perceived as exclusive funding providers ...

... but as they provide project finance they add a lot more value

- In identifying new project opportunities and providing advisory services
- Transferring project financing knowledge across borders
- In identifying and treating project risks, structuring and packaging different approaches in a way that achieves each party's objectives efficiently
- In bringing together and aligning interests of all participants in the process (e.g., State/Sponsors/Users)
- In instilling discipline and imposing sound guidelines/rules across the various parties in a project venture
- In turning project ventures into manageable and safer/bankable ventures

# New financing environment



# New financing environment

## BEFORE

- Aggressive risk structures (low coverage ratios and high leverage)
- Aggressive pricing based on low funding costs
- Banks heavily competing for deals (few banks per deal)
- Long-term project finance widely available
- Banks willing to take underwriting/sell down risk (vast syndication market)
- Virtually any large amount was financeable

## FINANCIAL CRISIS

## AFTER

- More conservative risk structures
- Higher funding costs
- Liquidity and capital constraints reduced banks appetite for long-term project finance and introduced refinancing incentives
- Critical role of sponsors' relationship banks
- Sharp drop in the syndication market, forcing banks to a "take and hold" position (club deals)
- Large projects became more difficult to finance

**IN A MORE SELECTIVE MARKET, FEWER PROJECTS ARE NOW ELIGIBLE FOR FINANCING, INCREASING PRESSURE ON STATES AND PRIVATE SPONSORS TO PROMOTE LESS RISKY DEALS!**

## Stakeholders promoting projects should avoid some common obstacles

### MAIN DRIVERS OF A PROJECT'S SUCCESS/ ELIGIBILITY

- Need for the project to be, social and economically, anchored in rigorous feasibility studies
- Appropriate and stable regulatory framework
- Government commitment and clear understanding of its contributions towards the project
- Competitive and transparent procurement process
- Knowledgeable and expedite State team, whenever directly involved
- Strong and knowledgeable sponsors, capable of having a long-term commitment with the project
- Appropriate allocation of all risks among the various parties
- Presence of other financial institutions bringing value to the negotiations (and contributing to funding)



# Non standard and innovative solutions are required

Projects' success is today more dependent than ever on all parties cooperation and willingness to work on non-standard scenarios

## STATE/PUBLIC AUTHORITIES

- Sovereign guarantees to mitigate risk
- Subsidizing, co-investing or lending
- Flexibility in tenors and tariffs
- Sharing the refinancing risk

## SPONSORS

- Extended partnerships
- Willingness to cover the funding gaps with equity type instruments
- Sharing refinancing risk

## LENDERS

### Commercial Banks

- Combining forces performing different roles: relationship banks, local banks, banks with project finance experience (no room to improvise)

### EIB and other International Financial Institutions

- Important to the project finance arena in the region, instilling confidence by attesting the international and local institutional support and contributing to the proper risk balance
- Important financing providers (direct funding or guarantying financing provided by banking system, private equity sector,...). Long tenors/moderate pricing.

# Millennium Group is particularly well positioned to combine sector and local expertise

## 1. Its investment banking unit with a significant experience in:

- Advising, structuring and underwriting project financing
- Working closely with International Financial Institutions such as EIB and EBRD

## 2. Bank Millennium, with:

- Its network spreads across the country and
- The knowledge and experience in cooperation with local clients, namely companies and municipalities

**Millennium**  
investment banking

<p><b>Eólica dos Candeeiros, Lda</b></p> <p>Lomba do Vale Wind Farm</p> <p>Project Finance</p> <p>€ 36.9 Million</p> <p>Mandated Lead Arranger</p> <p>2009</p> <p><b>Millennium</b> investment banking</p>	<p><b>rp GLOBAL</b></p> <p>Fresnes-en-Saulnois Parque Eólico</p> <p>França</p> <p>Project Finance</p> <p>€ 17,5 Milhões</p> <p>Mandated Lead Arranger</p> <p>2008</p> <p><b>Millennium</b> investment banking</p>	<p><b>energias do brasil</b> <b>OMPX</b></p> <p>Porto do Pecém I Coal Fired Power Plant</p> <p>Brazil</p> <p>Project Finance</p> <p>BRL 1,410 Million USD 327 Million</p> <p>Mandated Lead Arranger</p> <p>2009</p> <p><b>Millennium</b> investment banking</p>	<p><b>energis</b> <b>BARCOCK &amp; BROWN</b></p> <p>Martel II Portfólio Eólico</p> <p>Project Finance</p> <p>€ 65 Milhões</p> <p>Mandated Lead Arranger</p> <p>2007</p> <p><b>Millennium</b> investment banking</p>
<p><b>BARCOCK &amp; BROWN WIND PARTNERS</b></p> <p>Global Refinance Parques Eólicos</p> <p>Alemanha, Austrália, Espanha, EUA, França</p> <p>€ 1.030 Milhões</p> <p>Mandated Lead Arranger e Joint Bookrunner</p> <p>2007</p> <p><b>Millennium</b> investment banking</p>	<p><b>Novenergia II</b></p> <p>Novenergia - Bonete Photovoltaic Power Plant</p> <p>Spain</p> <p>Project Finance</p> <p>€ 21.7 Million</p> <p>Mandated Lead Arranger</p> <p>2009</p> <p><b>Millennium</b> investment banking</p>	<p><b>BARCOCK &amp; BROWN</b></p> <p>Arkadia Parques Eólicos</p> <p>Grécia</p> <p>Project Finance</p> <p>€ 40 Milhões</p> <p>Mandated Lead Arranger</p> <p>2007</p> <p><b>Millennium</b> investment banking</p>	<p><b>energies nouvelles</b> <b>EDF</b></p> <p>Wind Farms Portfolio Refinancing</p> <p>Project Finance</p> <p>€ 234.5 Million</p> <p>Mandated Lead Arranger</p> <p>2007</p> <p><b>Millennium</b> investment banking</p>

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bank



## In summary - “innovation” and “experience” are drivers of success in a more challenging environment

- Financial crisis creating new challenges for large project finance, including energy and transport
- Quality of projects, adequate and stable regulatory and legal frameworks and profile of states and private investors involved
- Key role of Commercial Banks - “a lot more than funding”
- Ability to innovate is key to find solutions to existing challenges
- Millennium bcp has the experience and commitment to be a key partner in Poland