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FINANCING BATTERY PROJECTS

Enspired Event - September 9, 2024



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Who is HEINRICH & MORTINGER

- & a privately-owned corporate finance platform, providing advisory and consultancy services in specialized aspects of infrastructure finance, corporate finance, structured finance, acting independent of banks and financial institutions, guaranteeing the absence of any conflicts of interest when providing tailor-made solutions for our clients
- & a team of dedicated corporate finance experts with many years of experience and in-depth knowledge of financial structures, market trends, bank requirements, best practice, transaction costs, and access to a professional network of market, legal and finance industry experts
- & Between 2007 and 2024, we have successfully advised clients around the world on over 450 successfully closed finance transactions.
- & **Since 2019, we have been advising clients in connections with the financing of battery energy storage systems (BESS), especially in Germany, where we have been able to arrange financings for more than 9 BESS facilities (200MW) and are currently working on further 300MW debt financings and M&A/equity opportunities.**

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FINANCING BESS IN GERMANY – Introduction

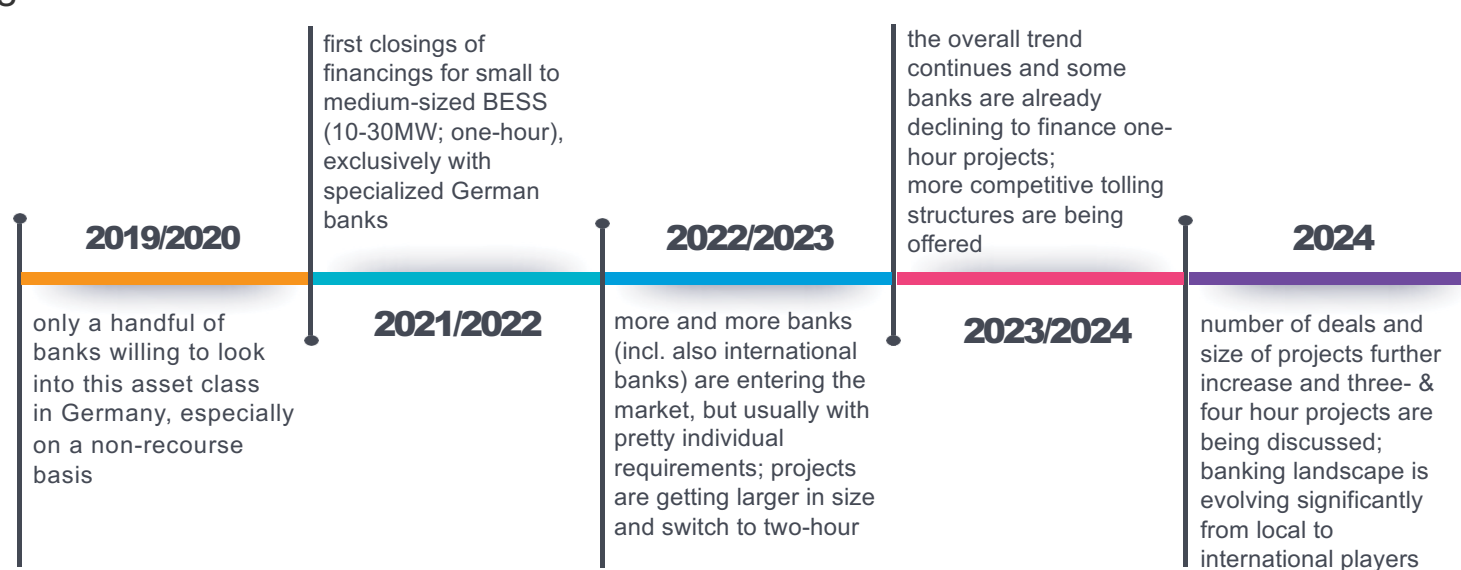
- & BESS is the **fastest growing segment of the renewable energy sector**. As a result, financing options have become increasingly important as the demand for energy storage solutions has grown exponentially in recent years.
- & The **choice of financing depends on various factors**, such as project size, duration, marketing strategy/ risk appetite and regulatory environment.
- & BESS remains a fairly new asset class for most banks, and standard risk models typically used by banks are not yet properly set up for multi-use BESS in Germany. Therefore, there are **no standard financing structures** available.
- & Financing structures successfully applied in other jurisdictions can not be applied to Germany without major modifications, in large part due to **major differences on the revenue side and regulatory framework**, especially for stand-alone projects.



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FINANCING BESS IN GERMANY – Developments

& BESS has been a highly dynamic market with an increasing number of equity and debt players getting more and more comfortable:





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FINANCING BESS IN GERMANY – Opposite Ends

& Plain-vanilla senior financings offered by specialized banks VS. project finance-style transactions offered by large international players:

	Plain-vanilla senior financings	Project finance-style transactions
Size	up to EUR35mm per deal and lender	EUR45mm - 100mm+
Structure	long-term fixed-rate loans	miniperm structures; usually floating-rate
Covenant package	light/not existent	project finance covenants
Tenor	10-14y	COD + 5-12y (heavily depending on revenue strategy)
Cash sweeps	none	yes
Optimizer strategies	fully merchant acceptable for most	most need some kind of contracted element (at least for part of the deal)
Gearing	up to 70%	50 - 70% (heavily depending on revenue strategy)
Fees & margins	med	med-high



FINANCING BESS IN GERMANY – Tolling Agreements

& Tolling Agreements are playing a growing role, especially for larger BESS, as some asset owners as well as lenders are looking for more stability in revenues. Since there are no “off-the-shelf” structures available, structuring is still required.

PROs	CONs
(i) downside protection through IG counterparty (ii) bankability (iii) planning certainty	(i) no/limited upside potential, i.e. reduced expected IRR (ii) less flexibility (iii) penalties

Tolling Counterparty	Utilities; oil&gas companies; others
Credit Risk	Credit Rating / PCG / CoC / other protection
Term	5 -10 Years
Fee	EUR100 - 140k p.a./MW
Fee Structure	Flat vs. Declining
Tolling %	50 - 100%
Credit Support of Asset Owner	Credit Rating / Credit Support / Change of Control / PCG
Critical Factors	- Delay Issues / Long Stop Dates 6-12M acceptable - Penalties (planned/unplanned unavailability) - Warranty provisions



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FINANCING BESS IN GERMANY – Critical Factors

- & Optimizer strategy (fully merchant; floor; tolling)
- & Commercial DD (reliable provider; consistent results)
- & Full wrap EPC or several contractors (consider the interfaces)
- & BESS experience (strategic VS. pure financial investor)
- & Warranty (duration/set-up; compatibility with optimizer strategy)
- & Technology and track record of EPC/cell provider (proven technology and experience)



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FINANCING BESS IN GERMANY – H&M reference transactions

- & Evaluating bankability of various BESS projects in Germany and Austria (*current*)
- & Equity and Debt search for 66MW pipeline of BESS in Austria (*current; mandated in July*)
- & Equity for 500MW+ pipeline of BESS in Germany (*current; termsheet phase*)
- & EUR 65mm – Senior debt financing of 1 BESS in Germany (*current; DD phase*)
- & EUR 125mm – Senior & mezzanine debt financing of 1 BESS in Germany (*current; documentation phase*)
- & EUR 30mm+ – Senior debt financing of 2 BESS in Germany (closed Apr 2024)
- & EUR 60mm+ – Refinancing of senior debt of 5 BESS in Germany (closed Dec 2023)
- & EUR 13.4mm – Senior debt financing of 2 BESS in Germany (closed Apr 2022)
- & 6.9MW – Equity for large-scale battery storage facility in Germany (closed Dec 2021)



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