IHS emerging energy research

On Point

EUROPE WIND ENERGY **ADVISORY**

30 January 2012

ID# EW 915-120130

Marc Mühlenbach
Analyst

Tel: +34 93 272 6776
Marc.Muhlenbach@ihs.com

Josefin Berg
Analyst

Tel: +34 93 467 67 53
Josefin.Berg@ihs.com

Marguerite, EIB Channel Funds to Wind, Solar PV

INDUSTRY DEVELOPMENT

On 9 January 2012, the Marguerite Fund announced that it would acquire approximately 31% of France's largest solar park, the 115 MW Toul-Rosieres project, from EDF. In December 2011, the investment fund acquired 9% of Belgium's largest offshore project, the 326 MW Thornton Bank park, also from EDF.

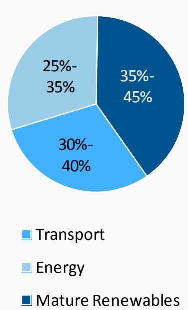
The Marguerite Fund—or 2020 European Fund for Energy, Climate Change and Infrastructure—is backed by six core sponsors contributing €100 million each. These include public lending institutions from France, Germany, Spain, Italy, and Poland, as well as the European Investment Bank (EIB). In addition, the European Commission, Bank of Valletta (Malta), and Caixa Geral de Depósitos (Portugal) have committed €110 million for a total of €710 million. The fund's final target for 2012 is €1.5 billion and will prioritize renewable energy (35-45%) for equity investment. The six sponsors along with other institutions have also set up a €5 billion debt facility.

Marguerite Fund Investment Strategy Overview

Overview of Marguerite Fund Investment Strategy

- **Transaction size**: Minimum of €20 million and maximum 10% of total fund size. The Fund's investments will focus on projects whose estimated costs exceed €200 million for projects in the transport and energy sectors and of €50 million for mature renewable projects
- **Type of projects**: 65% of funds for new projects and 35% for refurbishment of projects
- **Geographic diversification**: No more than 20% of the total fund size will be invested in one single EU country
- **Backing Institutions**: EIB, Caisse des Dépôts et Consignations, Cassa Depositi e Prestiti, Instituto de Crédito Oficial, Kreditanstalt für Wiederaufbau, PKO Bank Polski (€100 million each), European Commission (€80 million), Bank of Valletta (Malta), Caixa Geral de Depósitos (Portugal)
- **Targeted Additional Investors**: EU public sector institutions, long-term private sector investors
- **Targeted Renewables Investment in 2012**: €100 million (for consideration of 10-50% stakes in onshore wind projects in Poland and Sweden, CSP in Spain, and PV in Southern Europe

Equity Allocation Targets by Sector



Investments To Date

Country	Tech	Project	Stake	MW
Belgium	Offshore Wind	Thornton Bank	9%	326
France	Solar PV	Toul-Rosieres	31%	115

Source: Marguerite Fund, IHS Emerging Energy Research

EER INSIGHTS

EIB, private investment funds prop up PV deal flow. On the back of a €500 million EIB loan awarded in 2009, EDF has built roughly 200 MW of PV in France and Italy and is constructing an additional 280 MW in France. As French law requires EDF to divest stakes in its PV plants, EDF recently sold off 48 MW to infrastructure funds like DIF and Aquila, in addition to the Marguerite deal. Another 24 MW of the Toul-Rosieres project are also up for sale. Of the 44 PV asset transactions in 2011 (896 MW), financial players including private equity and insurance firms acquired 73% (655 MW). Several investment funds such as Impax and HG Capital have received co-financing from the EIB in further public-private ventures. In 2011, the EIB distributed a total of €1.2 billion aimed to fund solar PV mainly in Italy, France, and Spain to utilities, investment funds, and credit institutes.

Wind risk acceptable in Western Europe for private players; Eastern Europe leans on multilaterals. In 2011, over 1.9 GW of wind power was acquired by financial players, including mostly private equity funds, but also insurance groups such as Allianz and corporations such as IKEA. Of this capacity, 95% of transactions occurred in less risky Western European markets. Investments in Eastern European markets have been almost exclusively carried out by multilateral financing bodies often involved in early-stage project development. This includes the European Bank for Reconstruction and Development's (EBRD) 25% equity stake in Iberdrola's Hungarian and Polish project pipelines, its Sustainable Energy Financing Facility, and the EIB's roughly €420 million of co-funding in Eastern European wind projects since mid-2009.

Massive investment still required for offshore wind transmission; multilaterals continue to play a crucial role. Bidding in the UK's offshore transmission tender is currently foreseen to cover over 4.8 GW of capacity, or 15 transmission links. These would require over €3.8 billion, with the EIB as of yet only having committed to around €350 million for six of the nine Round 1 links. Twenty-year regulated revenue streams for the ownership and regulation of UK offshore transmission assets is attracting a host of equity, corporate finance, and commercial debt finance providers. Pairing up with these players in the transmission segment may fit well with Marguerite's strategy as offshore wind matures.