

Insights from:

**DEJA
BLUE**
CONSULTING



**JOHNSTON
CARMICHAEL**
Where sharp minds meet

In conjunction with...

**ITES
2017**



The 11th Annual

International Tidal Energy Summit

14th-15th November 2017 • Hilton London Heathrow Airport Terminal 5

NewEnergyUpdate TIDAL TODAY



The Rt Hon. Lord Deben
Chairman
Committee on Climate Change



Patrick Gougeon
CEO
OpenHydro



Andrew Scott
CEO
Scotrenewables



Martin Edlund
CEO
Minesto



Simon De Pietro
CEO
DP Energy



Tim Cornelius
CEO
Atlantis Resources



Financing tidal power in the post MeyGen era

Here is what to expect from this webinar

- there are 14 slides – this is the third
- the starting point for this session is the MeyGen project so there are 2 slides that provide a high level view on the funding and structuring of that project and why the funders got involved
- the webinar title references “the post MeyGen era”; it is important that we identify and try to understand what this “era” is; there are 4 slides covering that
- there are then 5 slides on what all of this means for funding tidal projects now

Funding MeyGen 1A – high Level background

1 of 2

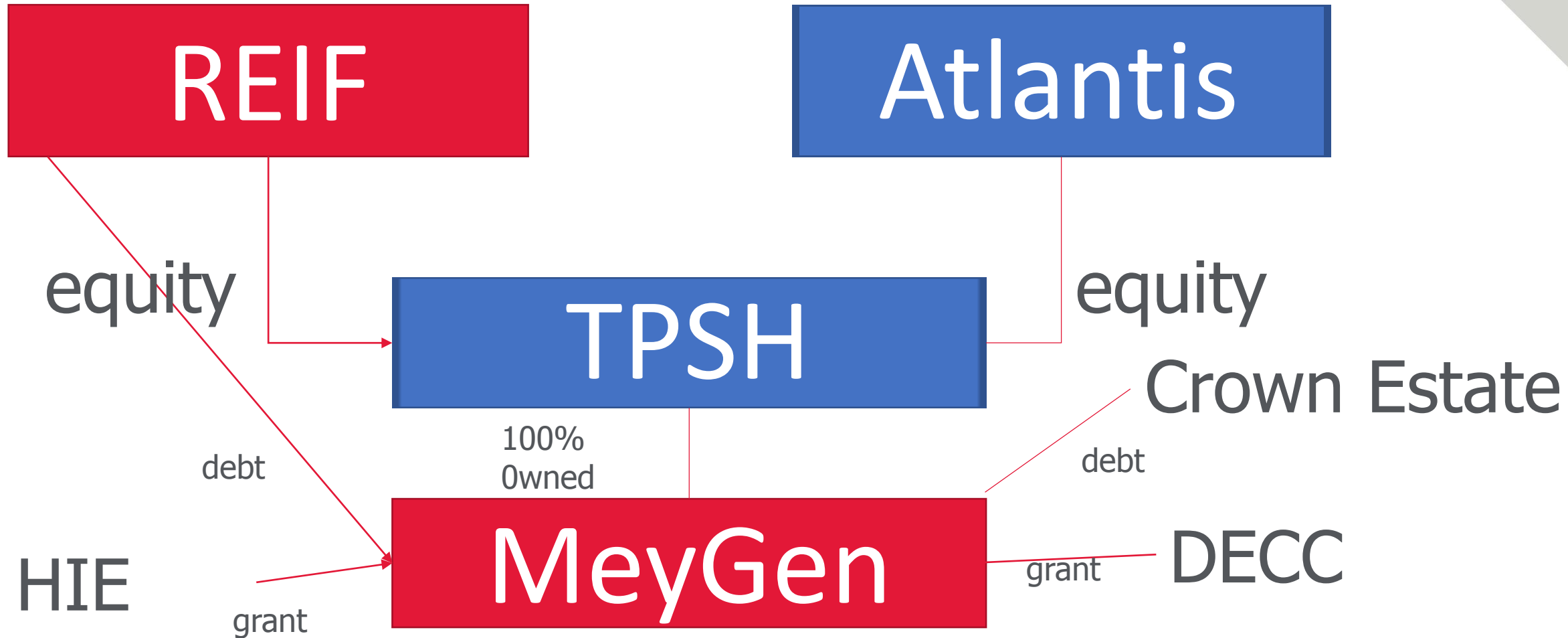
Funding Package

- MeyGen for this purpose is a standalone ring fenced 4 turbine 6 MGW project ... with the potential to be a +300 MGW power station at sea
- The first close was £52m in September 2014 :-
- Crown Estate £10m debt like product ; they needed to preserve & enhance the value of their seabed rights – the programme for tidal projects was stalling and this was a way of helping the sector get started
- REIF £10m debt – a Scottish Enterprise fund with £103m from Scottish Governments share of the UK fossil fuel levy – REIF was tasked with investing into 4 areas one of which was marine energy which then covered wave & tidal
- DECC £10m grant – interested in establishing a new industrial sector
- HIE £3m grant – interested in supply chain benefits for HIE based businesses and in enhancing the developing infrastructure around marine projects – e.g. EMEC
- Atlantis £9.5m Equity- originally a turbine technology developer became a project developer to secure orders for its technology
- REIF £9.5m Equity as above

Funding MeyGen 1A – high Level background

2 of 2

Original Structure



The “Post MeyGen Era?”

1 of 4

- It is a small point – but one worth making - that actually we are still **in** the MeyGen era

The key delivery & OPEX phases are all underway and future phases are being progressed

Does this represent opportunity?

- What are the players doing

REIF as I left June 2016 REIF’s remit was being reviewed – that process is ongoing

Crown Estate – has been re structured with Crown Estate Scotland having been established and a new Bill is expected from the Scottish Parliament by end 2018

DECC – is now BEIS and the Industrial Strategy appears to be the hook upon which support might be hung

HIE – continues to seek economic gains for the HIE region

Atlantis – continues to grow , diversify and develop whilst remaining a key & major player in the tidal energy marketplace

The Post MeyGen Era

2 of 4

- technology development has continued: with, amongst others, Scotrenewables, Nova, Minesto, SME, Tocardo, Schottel, Open Hydro all making progress and in some cases technology developers are doing so by developing their own sites
- site developers like DP energy – who have 4 tidal sites progressing including the Bay of Fundy in Canada – and Atlantis who are leveraging the skills earned in delivering MeyGen continue to provide potential pipeline projects for technology developers in many jurisdictions
- the announced French tidal round offers further pipeline possibilities
- UK Government support has changed
- Brexit limps along

The Post MeyGen era

3 of 4

Offshore wind

- the costs of delivering off shore wind have reduced much more rapidly than virtually anyone expected or forecast; that is a plus **AND** a challenge – it evidences how quickly cost curves associated with ocean energy can reduce BUT it also represents a challenge for other forms of energy generation seeking to compete and here the predictability of tidal energy – **power when** – is a good tool;
- funders appetites for ocean energy projects have been whetted and relatively speaking only a handful have been able to get a position in OSW; that leaves pent up demand for bankable projects and that demand now understands a little more about the benefits of early engagement with, support of & investment in ocean energy projects
- the supply chain has gained some confidence that ocean energy projects are real, deliverable & provide opportunities for growth
- floating wind demonstrates the diversification of oil majors and funders e.g. Statoil & Masdar; neither wants to be designers of technology but customers for a range of proven and bankable technology. Where next for them after floating wind?
- floating wind also provides us with some warning signs against the challenges of course with the Douneray Tri project issues
- Think about community shared ownership - obtain, download & understand the Scottish Government Good Practice Principles for offshore renewables

The Post MeyGen Era

4 of 4

Funds

- Ocean Energy Europe has done a great job in Europe in lobbying for the inclusion of tidal in the ETS Innovation Fund – the summary report on which was published on 12th June this year and there is a rump of funding from the NER pot
- In the UK public sector REIF is looking at its role and the Scottish Government has made funding available to Scottish Enterprise under the Scottish Growth Scheme to allow Scottish Enterprise to enter into an innovative partnership with the European Investment Fund to create the Scottish-European Growth Co-Investment Programme. This is interesting not only as a source of funding but also as an example of a joint platform using established expertise which is a development discussed post the MeyGen deal
- the UK private sector continues to produce specialist funds – I am aware of 2 emerging , one of which I am working on, and the emergence of green bonds represents a positive development - e.g. Abundance

Funding Tidal Projects now

1 of 5

- Projects as an offer- not an ask
- Lessons from abroad
- The importance of narrative
- The right funding in the right projects at the right time
- Identify, interrogate, mitigate and allocate RISK
- The importance of targets, tariffs, policy framework and INFORMED public funding
- Innovative funding is as important as innovative technology
- Collaboration is essential

Funding Tidal Projects now

2 of 5

Creating the right conditions for securing funding for your marine renewable project/device (one)

- Start early – thrash out a strategy – high level values – and stick with them & use them for all big decisions – e.g. Climate Change
- Think about communications – decide and implement
- Honestly assess what you are good at – because funders will – AND PROPERLY ADDRESS THE GAPS – think about an advisory Board/group
- Develop and constantly refresh a real and deep understanding of the assistance programmes, targets, tariffs, policy framework and public funding AND what they are designed to achieve AND WHAT IT IS THEY ARE DESIGNED TO ACHIEVE
- Ensure that Finance/Funding is a core part of your business - at every stage ask " ... ok but how does this decision impact on funding"

Funding Tidal Projects now

3 of 5

Creating the right conditions for securing funding for your marine renewable project/device (two)

- Robust recording of decisions from engineering to business
- Identify risks, look at them from an equity & banking (debt) perspective, mitigate them, allocate them
- If you are funding a project – make it bankable – seabed, cable, grid, consenting, contracting, solve the problems before you ask for £ - if you don't you won't get £ and you will lose credibility
- If you are developing a technology really think about what is new about what you are doing – do you need to spend time, effort and money on a bespoke element if a tried and tested one (and thus a bankable one) already exists
- Engage early with industry – how its manufactured, to be deployed and recovered and maintained should inform design decisions

Funding Tidal Projects now

4 of 5

Preparing for the Pitches

- The importance of matching your narrative with the real need of the funder you are in front of
- Turn your need into an offer- not an ask – you are offering a solution – not a problem
- Presentation – less is more – try something new?
- Listen, Practise, Have hard copies, e mail it ahead, follow up as directed try to have 2 of you
- Be prepared to fail
- Be ready to succeed

Funding Tidal Projects now

5 of 5

- in Scotland particularly – but increasingly elsewhere too – think about communities as a positive source of funding, support, shared ownership and a key part of a really good narrative that will benefit from delivering on policy objectives
- interrogate the material you are using to get funding – teasers, IMs, business plans and revisit them to keep them relevant and up to date in the short time I have been consulting I have seen a really poor and really good examples
- have the best financial model you can get with sensitivities that will allow your business/project to be reviewed properly again I have seen in the past 4 weeks really poor and really good examples
- use the very best advisors that you can – seek funding for this if you need to – if you think using professionals is expensive – wait until you have used amateurs

Questions, discussion & maybe some
answers

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