

Project Finance: The Tutorial

June 25-27, 2008
Coleman Center, New York, NY

Thursday, June 26, 2008

8:30 - 8:45 WELCOME & INTRODUCTION FROM THE CHAIRMAN
Dino Barajas, *Partner*, MORGAN LEWIS & BOCKIUS LLP

Risk Identification and Project Structure

8:45 - 9:30 THE FUNDAMENTALS OF PROJECT FINANCE

Dino Barajas, *Partner*, MORGAN LEWIS & BOCKIUS LLP

This presentation will explain the critical advantages of project finance that have made this technique so widely used by the sponsors of capital-intensive projects. He will show how contractually stable guaranteed cash can be used in place of collateral for project loans. He will identify the main types of project risk—market price risk, market access risk, technical risk, construction risk, completion risk, performance risk, operations risk, feedstock price risk, and feedstock availability risk, among others—and how these risks can be contractually allocated to the various parties associated with a project financing. These can include investors, developers, offtake purchasers, EPC contractors, consulting engineers, lenders, multilateral institutions, export credit agencies and others. This will provide an intellectual framework for the next section, where you will hear from a series of project participants on their roles and how they either assume or mitigate a variety of risks.

9:30 - 9:45 Coffee Break

9:45 - 10:30 THE CONTRACTOR'S PERSPECTIVE ON CONSTRUCTION,
COMPLETION AND PERFORMANCE RISK

David Williams, *Director, Sales, Power Business Line*,
FLUOR CORPORATION

David Williams will outline the role of the Engineering, Procurement, and Construction (EPC) Contractor in a project financing. Current market conditions and dynamics will be analyzed, and the effects these changes are having on project development and financing. There will be discussion on risk identification, quantification, and allocation to the responsible party, and how to deal with uncertainties facing contractors, developers, and financiers in today's

market. The presentation will also discuss the contractor's perspective on using the EPC contractor as a source of equity, and the process for selecting the EPC Contractor and reaching contract closure.

10:30 - 11:00 THE DUE DILIGENCE PROCESS: THE ROLE OF THE INDEPENDENT ENGINEER IN PROJECT FINANCINGS

Debra Richert, *Vice President*,
STONE & WEBSTER MANAGEMENT CONSULTANTS, INC.

Mrs. Chase will explain how independent engineers are used in project financings to evaluate and mitigate technical and other risks in project financings. Mrs. Chase will explain the key technical questions that participants (and especially lenders) must understand and discuss the role of independent engineers in two special circumstances: after the close of project financing and when transactions involve the acquisition of existing facilities.

11:00 - 11:45 ENVIRONMENTAL REVIEW PROCESS

Philip Karmel, *Partner*, BRYAN CAVE LLP

Mr. Karmel will discuss key environmental issues encountered during financing of new power projects and during acquisition of existing facilities. This will include permits and approvals, compliant environmental design, site issues, compliance issues for operating power plants, and other future issues. The presentation will primarily discuss domestic power plants with some comment on foreign projects, and will explore technical detail during the question period.

11:45 - 1:00 Group Luncheon

1:00 - 1:45 ROLE OF CREDIT RATINGS IN PROJECT FINANCED TRANSACTIONS

Chee Mee Hu, *Senior Vice-President, Project and Infrastructure Finance Ratings Group*, MOODY'S INVESTOR SERVICES, MUNICIPAL RATINGS

Ms. Hu will provide an understanding of the key rating factors used by debt rating agencies. She will discuss how emerging market and country risks are incorporated into project rating, how credit-enhancing structures can mitigate risk, the impact of credit rating on project funding, and how to balance risk and rewards while satisfying investor needs and wants. The prospective impacts of carbon limits and regulation on credit ratings and valuations of power companies will also be touched on.

Matching Financial Products to Project Parameters

1:45- 2:30 ROLE OF PRIVATE EQUITY

Jeremy Rosenshine, *Transaction Counsel, North America Infrastructure Group, BABCOCK & BROWN*

Mr. Rosenshine will discuss the role of private equity, including why equity investors (including funds) are interested in financing renewable projects, which equity investors are currently involved in renewable projects, which equity investors are projected to become involved, which sectors are of most interest to equity investors and what are the future trends in the market. What are the challenges and risks facing equity investors and how they are mitigated. Also discussed will be the growing role of environmental commodity markets and renewable energy credit (REC) trading.

2:30-2:45 Refreshment Break

2:45-3:30 ROLE OF INSURANCE PRODUCTS & INSTITUTIONAL INVESTORS IN PROJECT FINANCINGS

Bob Percopo, *Executive Vice President, Investments, AIG GLOBAL ENERGY*

Bob Percopo will discuss the role of insurers in mitigating project risks including political risk, market risk, and operational risk. It will also discuss insurers' role in technical risk analysis and as fund providers.

3:30-4:00 LOAN REQUIREMENTS & TODAY'S LENDING ENVIRONMENT

Ashok Gupta, *SVP, Project & International Finance, MIZUHO CORPORATE BANK, LTD.*

Mr. Gupta will explain how lenders (both commercial banks and other institutional investors) evaluate project financings that are seeking credit, and will detail what levels of risk relative to project cash flows are currently financeable in today's market. It will also discuss some credit enhancement mechanisms that have proven particularly effective at making up any shortfalls in a project's creditworthiness.

4:00-5:00 Panel Discussion:
PERSPECTIVES ON TODAY'S CAPITAL AND LOAN MARKETS FOR PROJECT FINANCINGS

This panel will examine the current status of financial markets, and how it will likely affect project structuring and finance in 2008.

Moderator:

Dino Barajas, *Partner*, MORGAN LEWIS & BOCKIUS LLP

Panelists:

Danielle Kim, BARCLAYS CAPITAL

Ashok Gupta, *SVP, Project & International Finance*,
MIZUHO CORPORATE BANK, LTD.

Chee Mee Hu, *Senior Vice-President, Project and Infrastructure Finance
Ratings Group*, MOODY'S INVESTOR SERVICES, MUNICIPAL RATINGS

Friday, June 27, 2008:

Matching Financial Products to Project Parameters (cont.)

8:30 - 9:15 SYNTHETIC PPAs AND OTHER HEDGING STRATEGIES IN PROJECT FINANCE

Adam Umanoff, *Partner*, CHADBOURNE & PARKE LLC

Synthetic PPAs are increasingly being used in many markets in lieu of traditional power purchase agreements. This presentation will examine the use of both these and other hedging strategies in financing projects:

- Risk reduction strategies for renewable and traditional• energy projects
- Costs and time span of hedges•
- Lender and intercreditor issues in arranging project hedges•
- Impacts on project financeability and economics•
- Using hedging strategies to control fuel and other risks

Overcoming Real World Hurdles in Project Financings

9:15 - 10:00 HOW TO MITIGATE WIND PROJECT SUPPLY CHAIN AND SOURCING RISKS

David Haarmeyer, POWERADVOCATE

- Costs are escalating across the board and not just for wind turbines and towers. How are developers mitigating these risks?
- The cost of delay is getting higher – what are the options to developers and financiers in determining the volatility of costs and the supply chain when determining CODs.
- Lead times are extending for critical components, though have come off their highs from previous years. How does this affect a development schedule?

- Quality issues are the dominant concerns, right now. How does the supply chain reinforce or complicate the supply problems on the larger sets of wind turbines?

10:00 - 10:30 AM Coffee Break

Two Project Financing case studies will conclude the Tutorial, providing detailed insight into the real-world challenges faced by developers and financiers.

10:30 – 11:15 PROJECT FINANCING CASE STUDY I: CARBON OFFSET

Katie Dunn, *Director, Portfolio Development*, BLUESOURCE

11:15 – 12:00 PM PROJECT FINANCING CASE STUDY II: THE CHALLENGES OF FINANCING A SOLAR PROJECT

Matthew Meares, *Structure Finance-Energy*, HSH NORDBANK