



Euroheat & Power – Congress - Nantes

‘Financing of DH projects : a bankers perspective’

Joost Declerck  
**BELFIUS BANK**  
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## Context : facts



- Plenty of liquidities to finance good projects : access to finance is not the problem
- Lack of projects – market not mature
- Financing of district heating : new for bankers
- Scale of the project ? Complexity : multi stakeholders / new residential living area / SPV / Energy Corporation / City Authority ? Permits – long time to market



# Project Finance approach / Corporate finance approach

## Corporate Finance approach :

analysis based on the solidity of the borrower – the stronger the solidity, the less the project will be assessed.

## Project Finance approach :

Analysis based only on the project

Banks don't like risks & uncertainty



# Project Finance : Risk Assessment

Risks	Risk Mitigation
Engineering Risk	
Project Risk	
Operations Risk	
Demand/Revenue Risk	
Supply Risk	
Environmental Risk	
Financial Risk	
Performance Risk	
Legal Risk	
Regulatory Risk	
Competitive Risk	

Quantitative & qualitative risk assessment

Sensitivity analysis

Risks sharing

External experts

Worst case scenario

Cost & Time overrun

Debt service coverage ratio

Debt service reserve account

Maintenance reserve account

Sculpting of the debt



# How to improve bankability ?

- Don't come to the bank when the project is not mature
- Give comfort to the bank with a complete file:
  - Full description of the project
  - Description of risks and how to mitigate them
  - Well prepared business- & financial case (worst case scenarios)
- Government incentives ? External government guarantees ?
- Subsidized study costs ?



Solutions : EIB : PF4EE (Private Finance for Energy Efficiency) : flexible and cheap financing thanks to EIB funding & Portfolio Guarantee

Belfius Energy Efficiency Package (BEEP)

Belfius financing for energy efficiency projects

Pilotbank in Belgium



# Example : District Heating Ostend : Beauvent CVBA

Energy corporation project !





Thank you !

[Joost.declerck@belfius.be](mailto:Joost.declerck@belfius.be)

Joost Declerck  
Energy Efficiency Promotor

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