

Banco Sabadell

Financing Renewable Energy Projects
Storage

Project Finance

November, 2023



Banco Sabadell's Extensive Track Record

Banco Sabadell is among the most active banks in greenfield renewable financing in Iberia. Always at the front edge of innovative energy finance.

We are present in energy project financing in Iberia since the early 1990s.

Main Figures for the last 5 years

- > **170 renewable projects** in Spain and Portugal (out of which >70% greenfield).
- > Total investment provided by Banco Sabadell in financing was **more than 4.900 Mn €**
- > **10 GW** structured by Banco Sabadell in Iberia.

We have worked together with some of the **most experienced sponsors** to arrange the financial structure needed to develop the projects.



Key aspects for stand-alone storage project financing

Main considerations (high level pros/cons)

- Revenues are a mix of: intraday arbitrage + technical constraints market + other ancillary services + capacity market + subsidies/grants
- Revenues are market-specific and there is lack of track record in Iberia.
- Storage provides added value to the power system, it provides high flexibility and contributes to reduce price volatility.
- Source of flexibility and diversification also at a portfolio level.
- Limited track record on technical issues: degradation and failure versus cycling in real-life operation; probability and severity of fire hazard, etc.

Key aspects for stand-alone storage project financing

Main bankability aspects for non-recourse financing

- Having long-term (5-15 years) contracted revenues (10-20%) would better enable profitability and reduce volatility of cash flows. It may be from the capacity market or from private offtakers.
- Moderate leverage levels: 50% - 55% (over total project costs, with adjusted Devex).
- Having prior experience developing – constructing – operating stand-alone battery assets of similar size/volume (as of now, most likely in other jurisdictions).
- Use of top tier OEMs – EPC – O&M – Long term Maintenance.
- Reasonable Maintenance CAPEX plan (and associated reserve account).

Key aspects for stand-alone storage project financing

Current situation

- There are no precedents of stand-alone BESS financed with no recourse in Iberia yet.
- Market advisors have developed / are developing revenue forecast tools, but there is little track record yet to evaluate their accuracy.
- Recently closed IDAE CAPEX grant tender will facilitate bankability, as it directly reduces project costs.
- Likely to get first financial closes in the second half of 2024 / early 2025.
- Frequent reference to the UK as experienced market. Quick cannibalization of ancillary services revenues -> extrapolation to Iberia?

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