An Interview with Mr. Tobias Andrist, EBL's Head of Business Unit Power

Tobias Andrist is member of the executive board of EBL and head of its business unit power. His main tasks are electricity sales in Switzerland and Germany, Trading and Generation. EBL is a Swiss utility company based in Liestal, Canton Basel County, with over 113 years of experience in electricity distribution, grid asset management and renewable energy project execution including new technologies.

In February 2011, just after financial closing of the Puerto Errado II concentrating solar power ("CSP") project, for which Tobias was the project leader at EBL, we had asked Tobias for his views and impressions in relation to this transaction (see AILSF newsletter of February 2011). Today, in a first part of this interview, we wanted to take stock approx. 16 months after closing and just about a year after start of operations. In a second part, we discuss the current market situation in Switzerland and Europe and what this means for EBL's strategy in respect of the development or acquisition of new power generation assets.

AIL Structured Finance (AILSF): After a first year of operations, how is the Puerto Errado II project doing from an operational point of view? Have your expectations been met?

Tobias Andrist (TA): Yes indeed. The availability of the power station significantly exceeds what we have expected for a new technology installation in the first year.

AILSF: Spain has recently introduced several changes to the feed-in tariff system and/or the regulatory and taxation system in general. What are the major changes and to what extent have these changes affected Puerto Errado II?

TA: The major changes are a new tax on revenues from generation and a change to the indexation regime of the feed-in tariff. Both effects obviously have a negative impact on the operations.

AILSF: You have worked with a group of banks under a limited-recourse project finance scheme. Can you tell us what your experience was during the construction phase and the initial months of operations with such a set-up?

TA: Once financial close was reached, the subsequent interactions with the financiers became very practical and task oriented. A non-recourse debt-finance structure does involve a significant amount of interactions with the lenders; this was new for EBL indeed. However, the most important element is a basis of trust, which can only be achieved through open and direct communication.

AILSF: What are your plans for new projects using this technology?

TA: At the moment we are not pursuing new CSP projects as the regulatory frameworks are not supportive for this. However, we are engaged in wind projects in Germany and are looking out for French assets.

AILSF: Let us turn to the present situation in the electricity markets. Can you describe the biggest macro-trends that are currently influencing your business and how is EBL reacting to those trends?

TA: In our view, the major trends affecting our business are the low wholesale electricity prices in Europe. The effect of this on our operations is twofold. In Germany, we are heavily benefiting from this situation as we are operating as a "free retail supplier", meaning that we do not have any long-term power purchase agreement ("PPA"), but purchase the electricity for our new clients at prevailing market conditions. By this, we can offer very competitive prices to new clients and they do respond. In Switzerland, we are an established electricity supplier and we do have these kinds of PPAs in place. As a consequence we are experiencing an increasing competition in the Swiss market. The main challenge now is to transfer our market know-how from Germany to Switzerland and to benefit from this momentum to strengthen our market position.

AILSF: In Switzerland, the federal government has decided to exit nuclear energy. At the same time European electricity markets are undergoing significant changes, due, in part, to the large increase in renewable energy supply in Germany. How are these macro-trends influencing your business and, more specifically, your investment plans for new power generation assets?

TA: At the moment and with the current prices, investments in conventional power stations are impossible. On the other hand, feed-in tariff regimes in Europe come under pressure, which makes investing in renewable assets more difficult. The question is now, how the electricity markets and electricity market policies will develop in the near term. In my view, it is likely that we will see more government regulation, e.g. capacity markets, or protectionism. At EBL we are monitoring these developments very closely and will adapt our investment strategy accordingly.

AILSF: Thank you very much!

Belarus / Stadler – Successful Closing, AIL Structured Finance advises Stadler Rail on the export of six FLIRT trains for Belarusian Railways

Mid April 2013, an export finance transaction structured and arranged by AILSF, acting as advisor to the Swiss rolling stock company Stadler Rail AG, has reached financial closing. Purpose of the transaction is the delivery of six trains of the type FLIRT to Belarusian Railways. After 2010, this is the second delivery contract for Stadler Rail with Belarusian Railways, the national state-owned railway company of Belarus.

Delivery of the five-carriage trains will already start in November this year and continues until mid of 2014. Belarusian Railways will use the trains for the urban and suburban traffic of Minsk. The FLIRTs for Belarusian Railways are based on the FLIRTs delivered to Helsinki, which have been especially designed for extreme winter conditions down to -40° C.

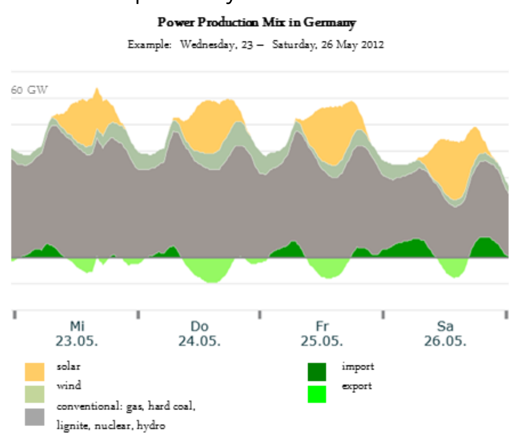
The export finance for the six trainsets takes into consideration the specific environment of the Belarusian financial market and thus has been structured as bank-to-bank export financing transaction (similar structure used as for the 1st Belarus transaction in 2010). Under this scheme, a Belarusian bank, for this project Belarusbank, provides a loan to the Belarusian Railways for financing of the six Stadler Rail trainsets. Belarusbank is refinanced by a consortium consisting of three international banks. The Swiss Export Credit Agency SERV covers the bank consortium's credit risks in relation to the refinancing.

This bank-to-bank export financing structure enables the local financial institution Belarusbank, the largest financial institution of Belarus, access to long-term refinancing (i.e. 10 years) at attractive conditions (i.e. pricing) and in a hard currency (i.e. EUR, being also the currency of the delivery contract). On the other hand, for the bank consortium and SERV this scheme comprises an important risk mitigation factor with Belarusbank as counterparty. As borrower, Belarusbank has already been accepted by several ECAs, among others Euler-Hermes, SACE, OeKB.

Carnot Capital Ltd: Scarcity or abundance of electricity?

Carnot Capital AG is an asset management company, established in July 2007, which manages an investment fund open to qualified investors. The fund pursues a value approach and concentrates on companies within the energy sector. Specifically the fund invests in listed companies that create value by enabling a more efficient use of energy. Carnot Capital AG is an associated company of AIL Structured Finance Ltd. For further Information: www.carnotcapital.com

Fluctuations in power mix: Together with its advisory board Carnot Capital has looked into the insides of today's electric power markets. There hasn't been much talk about the forecasted electricity gap recently. The dramatic decline of wholesale electricity prices over the last couple of years rather indicates electricity abundance. As a matter of fact, scarcity and oversupply alternate within short periods of time. And the continuous expansion of solar and wind capacity accentuate the market imbalances year by year. Electricity producers and utilities face complex challenges in order to procure adequate amounts of energy and maintain grid stability. Coal power plants, which were built to produce base load power, are forced to ramp up and curb production within hours (see graph).



New methods of load management: The challenges of the utility companies open new markets for other companies that can help ensure the grid stability. The Carnot Efficient Energy Fund sees new opportunities particularly in the following areas:

- **Flexibilisation of power consumption:** A power consumer who is ready to have disconnected a plant (load shedding) can be offered advantageous conditions by the utility. Heating and cooling processes as well as some chemical process (e.g. electrolysis of aluminum) are particularly eligible to adapt the load to current power prices.

- **Intelligent grid management:** There is an increasing demand for equipment that makes the grid more intelligent across all voltage levels in order to control all power entries and power offtake. This offers opportunities for companies like ABB.

- **Power storage:** The growing quantities of unplanned solar and wind power provoke an urgent demand for storage capacities. Up to know, only pump storage power plants are eligible for large quantities. Batteries are still extremely expensive. The power to gas technology looks more promising to us although it is still in its infancy (electrolysis with excess power, methanization and conversion to electricity when needed).

Investment Opportunity

AIL in its role as financial advisor is currently looking for:

Co-Investor(s) for an **electricity and wood pellets production project in Croatia** with an electrical capacity of 1.1 MW_{el} and an annual pellets production capacity of 51’000 t. The Project has been developed by an experienced Norwegian company, which is focused on the development of renewable energy projects in South East Europe. Most of the required permits and approvals are in place with start of construction anticipated in Q4 / 2013 and start of operation in Q1 / 2015. The Project provides prospective investor(s) with a high potential return (equity IRR) of > 19% with respect to a 10 years’ operating period and of > 23% with respect to a 15 years’ operating period. Risks will be mitigated through long-term offtake agreements (electricity, pellets, district heating) and long-term raw material supply contracts. Requested **equity amount is EUR 4.7 million for a share of 60% in the project company**. For any further information please contact Mr. Thomas Enz, +41 43 299 62 08, thomas.enz@ailsf.ch

Contact

AIL Structured Finance Ltd
Schaffhauserstr. 418
CH-8050 Zurich / Switzerland
www.ailsf.ch
Attn: Urs Gerspacher
Phone: +41 43 299 62 01
Email: urs.gerspacher@ailsf.ch