



Indian Energy Minerals Forum

Native American Financial Services

September, 2020



Energy Market Update

Energy Market Project Finance Discussion

Oil & Gas Project Finance Feasibility

- Asset coverage: ~2.0x on a conservative bank price deck with limited credit for non-producing reserves
- Maximum leverage: 3.0-3.5x with expectation of leverage likely <2.0x
- Pricing: utilization-based grid of 300-400 bps subject to a 1% LIBOR floor
- Minimum hedges: ~50% on a rolling 24 months
- Restricted payments limitation: Max leverage of 2.5x and <80% funded, and only from FCF
- Lender friendly provisions like anti-cash hoarding (max of 10% of the borrowing base) and deposit account control agreement
- Likely do not want facility funded > 50% at closing

Summary of North American Oil & Gas Bankruptcies

	Secured	Unsecured	Total
2015	\$9,428,934,657	\$7,948,644,822	\$17,377,579,479
2016	\$20,381,058,466	\$36,458,841,062	\$56,839,899,528
2017	\$ 4,028,066,757	\$4,525,455,884	\$ 8,543,522,641
2018	\$8,467,115,402	\$4,688,644,031	\$13,155,759,433
2019	\$11,654,278,568	\$14,113,409,067	\$25,767,687,655
2020 YTD	\$20,011,488,087	\$29,683,324,986	\$49,694,813,073
Total 2015-2020	\$73,970,941,937	\$97,408,319,872	\$173,379,261,809

Energy Market Project Finance Discussion

Renewable Energy Project Finance Requirements

Power Purchase Agreement

- A PPA with an investment grade entity. Historically, this has been with a utility. Recently, there are more “corporate” PPAs with investment grade entities like Microsoft, Alphabet, Facebook, Walmart, etc.

Interconnection Agreement

- This agreement needs to not only document that the power generated has an outlet, but that all the costs associated with getting power to the buyer are identified, including curtailment.

Contracts and Permits

- Turbine/Panel Supply and Major Equipment Contracts
- Required Permits: This includes local, state and federal permits for construction, conditional use, environmental issues and wildlife.
- Construction Contracts: Engineering, Procurement and Construction (EPC), Balance of Plant (BOP), and Transmission/Sub-station Contracts.

Financial Model and Feasibility Reports

- Model that sizes the debt based on the financing parameters for wind or solar projects. We look at P50 generation and P99 generation cash flows in sizing the debt for a project.
- Independent Engineer and Insurance Consultant Reports

Equity Commitments

- Generally requires 10-15% cash equity from the sponsor that is invested before loan funds are advanced.

