

HOW CAN THESE FINANCIAL INVOLVEMENTS BE FACILITATED?

Round table led by Mr Philippe Rocher, Cabinet Metrol, France

Mr. Philippe ROCHER

(*Translated from French)

For this last round table, we have invited:

- 2 bankers, Jan Poppe who is based in Belgium but represents Triodos, a Dutch bank, and Jean-Michel Youinou, Director of loans in La Nef, a co-operative finance company with 8,000 members, private persons and legal entities as well
- a representative of the Ministry of the Environment and Sustainable Development, Nathalie Guimbert, from the economic and environmental assessment department
- 2 representatives of wind professionals, Jean-Yves Grandidier for France-Energie-Eolienne and Antoine Saglio from the Syndicat des Energies Renouvelables
- a representative of the national agency for energy management ADEME, Philippe Beutin, head officer of renewable energy department.

Jan Poppe, you are responsible for renewable energy at Triodos bank, which is known as an “ethical bank”, the only bank of this size in Belgium. What is the difference with a “normal” bank?

Mr. Jan POPPE, Account manager project finance for renewable energy, TRIODOS Bank, Belgium

(*Translated from French)

Well in fact we manage money, taking into account not only financial but also social concerns. We offer loans in environmental protection, social development and culture. It is very important for us to make sure our loans and our investments contribute to sustainable development. The Bank was founded in the Netherlands in 1980. We started working in Belgium in 1993, in the UK in 1994, and we will start working in Spain, in Madrid, in January 2004.

Mr. Philippe ROCHER

You funded numerous wind farm projects with a cooperative structure. How does it work regarding financial arrangements?

Mr. Jan POPPE

We have to-date financed 250 wind turbines in the 4 countries I have mentioned. We have projects that were developed and operated by private operators, by utilities, by associations, by cooperatives, all sorts of customers. What matters to us is to fund the renewable energy activity as such. If we can do this in a citizen-oriented matter, that is a plus.

Mr. Philippe ROCHER

You also insist on the fact that you made bank facilities available. What is specific about your bank to that extent? Do you offer special arrangements to cooperatives when they invest in renewables?

Mr. Jan POPPE

We have heard today about your difficulties in France with the approval of Stock Exchange Commission prior publicly calling for funds. In Belgium, raising public money is free, with no need of approval by SEC, including for co-operatives. This status however put constraints when agreed by the State, like compulsory provisions and limitation to 6% of the dividends served.

We offer credit facilities to this kind of cooperatives. We first define the amount of own funding needed for building and operating the wind farm. Then we make the rest of money available for the operation by loans. Along the whole life of the project, the cooperative will be allowed to refund the loans by anticipation without penalties.

Mr. Philippe ROCHER

Where do these available liquid assets come from?

Mr. Jan POPPE

What happens is that cooperatives submit a project on paper. There are no turbines yet. Once the turbines are there people are much more interested, they no longer see it as a risky project. After the turbines start operating people become more confident and it is easier to raise money. That is why we are flexible with the cooperatives so they can refund earlier.

Mr. Philippe ROCHER

You worked on a 4 megawatt project in Flanders Region. Can you give us ratios regarding the equity you expect from the cooperatives?

Mr. Jan POPPE

I can give you the example of Ecopower, a cooperative based in Eeklo. They installed 2 Enercon turbines, 1.8 MW each in 2001, an investment around 3.5 million euros. They started with their own contribution of 400,000 euros, issuing from a subsidy by the regional government and we provided the rest. 2 years later they had more than 1 million Euros in equity and they were able to pay back 600,000 Euros.

Mr. Philippe ROCHER

This means that you consider investment subsidies as an equity?

Mr. Jan POPPE

We offer a kind of "deck loan" for pre-financing this kind of subsidies, benefiting from a lower rate of interest based on EURIBOR.

Mr. Philippe ROCHER

This type of subsidy is quite rare in France except in the case of the Champagne region, in which the ADEME and the regional government contributed. But that is something that no longer happens since feed-tariffs are available. So now, back to your case: how many people were in the cooperative at the beginning and what about now?

Mr. Jan POPPE

At the beginning the 400,000 euros in equity were shared by 100 members in the cooperative. But today they are 2,000 members sharing more than 1 million Euros in equity.

Mr. Philippe ROCHER

What average value of shares do you usually recommend?

Mr. Jan POPPE

In the case of Ecopower, it was 250 euros per share, a lower amount to make sure that as many people as possible could invest, so as to have many members and to get more public support for the project. This was a way to convince the municipalities to grant the building permit. The number of shares has no limit, but the voting rights will always be one per physical member based on the "one person, one vote" principle.

In such a system however, you have sooner or later to limit the issuing of new shares, since in a cooperative, they must be issued at their nominal value, not at their real value. That is a typical problem of cooperatives. Former shareholders get an equal dividend at 6% although they accepted higher risks than newcomers.

Mr. Philippe ROCHER

What about risk analysis in this type of financial package? What and who do you focus on and what are the criteria you use?

Mr. Jan POPPE

For us it is regardless of the legal structure of a given project. All criteria need to be met. For example, the choice of high-quality turbines, duration and conditions applying to the O&M contracts, and of course the conditions for sailing power on the long term. In France you have your 15 years sales contracts, but in Belgium it is more complicated since our system is based on green certificates, so it is more difficult to negotiate a long-term contract.

Mr. Philippe ROCHER

What kinds of drawbacks did you noticed in the projects that you supported?

Mr. Jan POPPE

In most cases the projects are submitted by developers, so there is usually no problem regarding the legal issues. They submit only ready-to-start projects, with all development risks eliminated before getting in touch with the bank. A bank cannot be involved before the permit is obtained and before the developer can demonstrate that the project could be profitable. So it is a matter of designing a proven project rather than assuming development risk.

Mr. Philippe ROCHER

You said that the approval of the Stock Exchange Commission is not requested for those cooperatives agreed by the State. Who in this case guarantees to future shareholders that the project submitted is valid? Is it the bank?

Mr. Jan POPPE

It is not the bank that tells the public to buy shares, but the developer who takes its own responsibility when advertising. The usual procedure with a leaflet approved by the SEC have the advantage to protect potential

investors, its main target, but this induces high expenses and time consuming for that. Next year for example, we are going to issue loan bonds for a package of 3 projects for which we will ask for the approval of the Stock Exchange Commission. This operation represents 4 millions Euros for a total investment of 12 million Euros. For such an amount you can follow the procedures set by the banking commission in spite of their extra costs.

Mr. Philippe ROCHER

So if you issue the bonds, will you distribute fixed income?

Mr. Jan POPPE

That is a solution to introduce local participation in projects that have been developed by commercial companies or utilities since they generally do not want to open their capital to other shareholders. That is our experience in Belgium. These fixed-rate bonds allow local investors to be involved in a safe investment, whatever the situation of the company should be, but with no voting rights.

This situation is following from the will to be in position to make strategic decisions. Under our system in Belgium, each operator must get each year a certain number of green certificates, and if they don't they pay penalties. This means that they have to permanently take decisions for purchase and sales. On the contrary, with your 15 years purchase contracts in France, you don't need any strategic decision during the whole operation period. So as to be sure that there will not be major debates or conflicts within the shareholders base, they don't open it.

Mr. Philippe ROCHER

How will you design and implement this bond loan?

Mr. Jan POPPE

In fact the project developer is a local public energy company. Triodos bank will prepare the leaflets and ask for the SEC approval. We will work in cooperation with a network of conventional local banks. Since we are established only in Brussels, we need working with local banks to reach people in areas around the projects.

Mr. Philippe ROCHER

As a conclusion, what is the philosophy behind your approach of renewable energy financing?

Mr. Jan POPPE

We started funding wind energy in 1986, just after the Chernobyl disaster, and we developed our own project in The Netherlands with a technical consultancy. That was a decision we took at that time to contribute to environmental protection, today to comply with Kyoto commitments. It is not just a commercial opportunity, we have been present in this sector for 15 years.

Mr. Philippe ROCHER

Thank you Mr Poppe.

Mr Youinou, you are the credit director in La Nef. It is not a bank, but a cooperative financial establishment. This means that each of your members somehow owns a share of La Nef. What is the difference between a cooperative bank as compared to a conventional bank?

Mr. Jean-Michel YOUINOU, Loans Manager, La Nef, France

(*Translated from French)

I will not give you all the details about banking regulation, but it is a matter of equity level, of sectors to be funded and of specific agreement with the Banque de France.

Mr. Philippe ROCHER

What sectors do you preferably fund?

Mr. Jean-Michel YOUINOU

We are no so different from Triodos, since our 8,500 members trust us for manage with their savings and to invest them in projects linked to environmental protection, to social and cultural activities. With regard to the environment, whether it be agriculture, safe products and in the field of energy we also fund solar thermal or photovoltaic energy, wood energy. We are more and more often contacted by people who want to invest in wind power, should they be simple savers or project managers.

Mr. Philippe ROCHER

What about what is known as solidarity funds, is it like ethical funds?

Mr. Jean-Michel YOUINOU

Most banking establishments do have in their range of products what they call ethical funds, based on social and environmental rating carried out by specialised organisations like Ethibel, Vigéo ou Core-Ratings. Solidarity funds involve an additional will to share the money: the saver gives back a part of his or her interest to an organisation or an association chosen among the partners of the Fund.

Mr. Philippe ROCHER

Do you restrict your participation in conventional industrial or commercial projects?

Mr. Jean-Michel YOUINOU

There must be an environmental or social concern behind the project if we are to fund it. It might be a large industrial project of several MW, but we will in any circumstances require an appropriate consultation process at local level. We tend to advise these investors to open their capital to local funding for acceptance purposes among others. It could also be cooperative projects like those described by Jan Poppe in Belgium or by Gunnar Boye Olesen in Denmark. In fact we don't exclude any approach as far as it clearly includes a fair relationship with local populations.

Mr. Philippe ROCHER

You would like to describe a potential financial tool known as Fonds Commun de Placement à Risques [Venture Capital Mutual Fund]. What is it?

Mr. Jean-Michel YOUINOU

There are several ways for local private persons or professionals to invest in wind projects, for example in the owner company or in the operation company. So it could be direct investment into the company or cooperative, whatever status, it doesn't matter, that is a legal consideration, and there is no ready-made solution. Another way is more indirect, through a delegated and common management of investor's shares, which can be a FCPR.

This gives additional advantages to the investors, since they are eligible to tax rebates on incomes and on appreciation, provided the shares are maintained for at least 5 years in the Fund.

Mr. Philippe ROCHER

Concretely, how does it work? What is the value of each share?

Mr. Jean-Michel YOUINOU

If we want it to be accessible to the largest public, the price per share must be relatively low. A figure between 250 and 1,000 euros seems realistic.

Mr. Philippe ROCHER

Do you think there is an acceptable or an optimum percentage of local investment in the equity?

Mr. Jean-Michel YOUINOU

Let's take a 10 to 12 megawatt project, roughly 10 to 12 millions Euros of investment. An appropriate balance between the private investor and the risk covered by the bank requires a significant part of own funds. Depending on the wind conditions of the site, between 20 and 30% of shareholders' equity will be requested, the rest being supplied by long-term loans. This means 2 to 2.6 millions Euros provided by shareholders' equity. The FCPR cannot anyway legally invest more than a certain share of the equity.

Local investment of private persons can be organised as follows. In case of a project supported by the local Authorities, the main operator will usually take 51% of the shares and leave the remaining 49% available to the local residents or neighbouring population. They should be farmers around the site, craftsmen or local professionals in the next village. For making up the investment, the FCPR will allow integrating a much broader population. By investing in a wind project, they show that, concerning, their are not only asking for profitability of their savings, but also for giving their use a special meaning.

Mr. Philippe ROCHER

To what extent is it possible for FCPR to give priority to local investors?

Mr. Jean-Michel YOUINOU

It is not necessarily included in the statutes of the FCPR. For being proposed by a bank network, a FCPR must be identified by a special code (named SICOVAM in France), making it by the way is accessible to everybody.

Mr. Philippe ROCHER

So we can say this not exactly local financing but rather ethical funding, can't we?

Mr. Jean-Michel YOUINOU

Another solution can be found with the Local Investment Funds, named FIP for Fonds d'Investissement de proximité, which had just been created in France. Their implementing regulation is not yet clear enough, but they give advantages, particularly regarding tax regime. A private individual can get tax relief up to 3,000 euros if he or she invests over 12,000 euros, doubled when married.

This is a main difference with the FCPR regime, which does not offer tax relief but a rebate on income and appreciation taxes since the money is left during 5 years.

Mr. Philippe ROCHER

Some rumours are speaking of astonishing profitability of investment in wind energy, up to 23%. What do you think of that?

Mr. Jean-Michel YOUINOU

Let's look at this FCPR, which as a mutual investment fund must include listed and unlisted shares in order to distribute the investments. Unlisted shares represent the "ethical part" of it, with a maximum rate up to 60% of the portfolio. Listed shares will provide more stability, since they are acknowledged values, subject to numerous transactions. That makes it more liquid as compared with unlisted shares, which need a longer period for investment and can be successful in certain cases and unsuccessful in other cases. So the choice of the sites to invest is a sensitive issue that must take into account their technical and wind qualities.

Mr. Philippe ROCHER

So when we talk about investments in listed companies, they don't have to work in the same sector?

Mr. Jean-Michel YOUINOU

Not compulsory. It is rather good to have diverse investments in different sectors, so as to spread the risk. In this kind of FCPR, you have the opportunity to also invest partly in the agricultural property, which has a strong link with wind farms. Of course the profitability rate on agricultural real estate is not that high, between 1.5 and 2.5% of safe yield. The land may be complementarily rented to farmers who want to set up their business there.

Mr. Philippe ROCHER

What about the costs of those funds? How are these costs spread?

Mr. Jean-Michel YOUINOU

All kinds of Mutual Investment Funds such as FCPR cause management fees because of the administrative structures that are required to manage them. These fees are taken off the final yield percentage, what means to be competitive if you reach a profitability of 6% or so. Social contributions must however been taken off this figure.

Mr. Philippe ROCHER

How do you get in touch with interested people?

Mr. Jean-Michel YOUINOU

Mainly through our structure. We are in fact a cooperative financing structure, with about 50 volunteers who actually get our cooperative up and running. They often are in contact with the local population and project initiators even through their professional activities and through their membership in different associations. We have advanced contacts in Brittany and in the North of France.

Mr. Philippe ROCHER

What are these people actually looking for?

Mr. Jean-Michel YOUINOU

Beyond any return on their investment, they want it to be meaningful from a social and environmental point of view.

Mr. Philippe ROCHER

You have also been given a mandate by the FEBEA, which is a European Federation of “ethical banks”. Does this reflect an evolution of your status?

Mr. Jean-Michel YOUINOU

Well La Nef is at the heart of several networks. You mentioned the FEBEA, we are also a founder member of Finansol, an association promoting ethical investments with several ethical and alternative banks and finance companies as members. We created the European Federation of Alternative Banks and we are in partnership with the Crédit Coopératif in France and with Etica Bank in Italia for the biggest. Our job is to federate a certain number of financing organisations sharing our values and to promote projects at European level.

Mr. Philippe ROCHER

So there is a new species of bankers appearing on the marketplace who of course are looking after secure and profitable investments but at the same after ethical projects. Thank you for your explanation.

Nathalie Guimbert, you are Head of unit in the Ministry of Ecology and Sustainable Development. You are probably not so much concerned by the financial and legal aspects we have just talked about. You tend to come in much earlier, during the procedure, don't you?

Mrs Nathalie GUIMBERT, representative for Energy in Ministry of Environment, France

(*Translated from French)

You advisedly pointed out that the issues discussed before are not under our scope. However the message that we would like to convey is that the upstream stages are of the highest importance, mainly the territorial approach and the association of different players as early as possible. A regulatory framework was set up over the past 12 months. We have tried to make sure that this is properly explained to the different players. A memo was sent out to the Prefects concerning this.

We want to incite the different players at different territorial levels to develop procedures that will consider the territorial aspect as early as possible. We are also developing territorial management tools. Different experiences had taken place in France with varying results: expert groups, local task forces, monitoring teams, and so on.

Some expert groups at regional or district level had developed very interesting initiatives like Charters, maps, plans, ... At national level, we are thinking of complementary tools, mainly widely targeted guidelines, useful for developers and consultancies, but local Authorities and associations as well, so as to properly develop a wind project.

Two examples of on-going projects. The first one, the “Guideline for wind project developers”, embraces all aspects of the development, it gives advice for the whole approach to be followed. It will be published quite soon. The second one, to be published in early 2004 will specifically cover the methodology to be used for the exploratory study and the impact assessment study. They will both be available to ADEME.

Mr. Philippe ROCHER

What is the Ministry's advice to project developers? You said they have to be involved as early on as possible: is it at the moment of the impact assessment study? Even earlier?

Mrs Nathalie GUIMBERT

What we advise and what we indicated in the memo to the Prefects is to associate local actors long before the impact assessment study start and before the public hearings. These procedures of course offer opportunities to give information and to make public participation possible, but they come very late into the process, that why we incite to start consultation before these steps.

Mr. Philippe ROCHER

The Memo to the Prefects we talked about the memo is now official, although non legally opposable. What is the objective of this document?

Mrs Nathalie GUIMBERT

The idea is to inform the Prefects and the different state departments as to how to apply the new legislation specific to wind energy projects. There are a certain number of recommendations there. The memo is an inter-ministerial memo, signed by the ministries in charge of industry, civil works and ecology. It concerns the entire development of wind energy projects: ground use, connection to the grid, environmental assessment... At our level we insisted on the consultation phase and on territorial involvement in the wind energy projects.

Mr. Philippe ROCHER

It seems that this memo is not taken into account everywhere?

Mrs Nathalie GUIMBERT

Well, we have heard of some problems. Of course it took a long time to be signed, it was impatiently expected, that a pity to see such reactions.

Mr. Philippe ROCHER

Back to our guidelines, do you think it should be possible to publish another one about local investment? Could we imagine an inter-ministerial working group on this topic?

Mrs Nathalie GUIMBERT

Well, the two guides I mentioned to be published do not consider local investment as such. This topic seems however interested to be investigated, may be through other tools, like a best practice book or an inter-ministerial exchange committee. I'm not sure that the Ministry of Ecology is the best place to tackle these financial and legal issues. But of course consultation would be a good idea.

Mr. Philippe ROCHER

We can see the impact on the environment is a top priority when developing a wind project, so of course the ministry is expected to play a very active role. Back to local financing, do you think there should a causal effect between local financing and a possible multiplication of small local project likely to strongly damage the landscape? We spoke of rather small projects and we said they should not be opposed to big ones. What does the ministry think of that?

Mrs Nathalie GUIMBERT

There are many important challenges to face and everybody must clearly know his competence. Basically we will contribute to the territorial coherence and environment conservation.

Landscaping is a complex issue that concerns all projects, whether small or large. Two elements of an answer: first to develop complete tools appropriate for territorial management prior to any wind project emergence so as to have a clear understanding of the territory as a whole and to be in position to make the different approaches coherent. Second, to carry out a true landscape study on a case-by-case basis so as to define co-visibility and other sensitive impacts.

Mr. Philippe ROCHER

Professional landscape gardeners say you should not integrate a wind turbine into an existing landscape, but rather create a new landscape. Would you agree with that?

Mrs Nathalie GUIMBERT

Yes, absolutely. The ministry also conveys this message. We insist on this in the memo. We will give details on methodology to be used about landscaping in further guidelines, but it is already written that the right way is to create new landscape including those big machines rather than insert them in the landscape.

Mr. Philippe ROCHER

Thank you Mrs Guimbert.

Jean-Yves Grandidier represents France Energie Eolienne, with roughly a hundred wind professionals as members. What is the position of FEE concerning local financing?

Mr. Jean-Yves GRANDIDIER, secretary of France Energie Eolienne, France

(*Translated from French)

One of the main issues is to clearly ascertain when and under which condition local financing can be introduced in a project. It might be very early in the development process, but you must be aware not to make it too risky for people who do not know much about wind energy. Even investors who are familiar to renewable energy sector are reluctant to finance the development costing 300 000 Euros beyond two or three years, even though building permits are not granted despite the memo. That is why I think local financing can be seriously considered only after the developer has obtained the building permit and is starting construction phase. Of course it can be considered later, but in that case, it will make loose time and generate extra costs. Developers needs to get their profit back when the project is ready to be built, so they will be tempted to get in touch with big investors so as to avoid waiting five to nine months more that are technically needed for involving local investors.

Local financing has the advantage to share the wealth created by the wind project, but developers are usually small and fragile companies needing to take profit from their development activity. Another problem is the need to get in touch with dozens or even hundreds of shareholders. We saw the difficulties in France to deal with the public calls for funding under the control of AMF [Autorité des Marchés Financiers], but in addition there is no particular incentive for the project manager to promote local financing. Well a local investor is likely to accept lower profitability than a big investor, but this is not sufficient for allowing developer to earn money from his work.

Mr. Philippe ROCHER

FEE brought out a quality charter for wind energy projects and this is like a commitment. Why doesn't this document refer to local financing?

Mr. Jean-Yves GRANDIDIER

We brought out this charter in order to obtain exemplary behaviour from developers all along the development phase. If a project complies with this charter of quality, it will also be beneficial for the environment, at first landscape, but projects do not need to be locally financed for being environment-friendly. This is a charter that people have to sign in order to enter our association, so we cannot set the bar too high otherwise people should not come in. Basically we prefer an educational approach. We keep our energy for promoting wind technology as a whole among institutional organisations and for ensuring that our message is properly conveyed to our members.

Mr. Philippe ROCHER

Tools like FIP [*Fonds d'Investissement de Proximité* - Local Investment Funds] and FCPR [*Fonds Commun de Placement à Risques* - venture capital mutual fund] has been explained sooner. What other type of local financing possibility could you see? What about contribution in current accounts?

Mr. Jean-Yves GRANDIDIER

When a project is mature we of course try to sell a part of it to investors – either several dozens of them or a single one. Instead of immobilising their money in capital it can actually be kept on a current shareholder account, which is in fact a kind of loan made to the company from which the shareholder will get interest in return. Within the 6 to 7 first years dividends cannot be paid on the investment, since the high level of depreciation leads to a result in deficit. During that time however a cash flow is generated and what we are looking for is a pay back through that cash flow. This way the money is not mobilised for a long period of time. Knowing that the bankers ask for a pay back that respects the ratio between the subordinated and the major loan.

Mr. Philippe ROCHER

Is there a counter-example of a locally financed project, i.e. a project that would not have taken the ideal course?

Mr. Jean-Yves GRANDIDIER

There are actually few projects in which people had invested without expected returns. Several factors should have lead to this situation, for example a wrong choice for the turbine, an under-estimated wind potential or the need to stop the turbines at night because of noise...

We must offer as much guarantee as possible to those investors who are not professionals or experts in wind energy. Wind study in particular must be very accurate, if needed submitted to a second expert opinion, and one should prefer a proven turbine rather than a new head of series. You also must get guarantee from the manufacturer for the longest possible period of time. To-date, manufacturers currently offer their guarantee for ten to twelve years on power curve and on turbine availability, thus securing the investment. Finally the project initiator, who perfectly knows his project, should take his remuneration after the local investor, who generally do not know is so well.

What we are trying to do is to maximise security for people who are investing. Thank to special arrangements that I had already experimented, it must be possible to pay a 12% interest rate to investors even if the actual wind is only 80 % of the expected one.

Mr. Philippe ROCHER

The need for clear information about appropriate legal status or financing tools seems obvious. Would it be a good idea for FEE to publish a guide for the local investors in wind power?

Mr. Jean-Yves GRANDIDIER

It is quite possible, but again there are a number of obstacles against local financing, even if restriction to public call for fund can be justified. I know a project that had been sold to German investors following from the diffusion in Germany of a leaflet for potential investors. I had the surprise to read in it that the annual indexing rate for purchase tariffs was claimed at 2.4%, while calculation based on official ratings from the last 4 or 5 years led to a mere 1.6%. In this leaflet, there was not a single justification for this figure. In such a case I agree that the sincerity of the documents must be controlled.

Mr. Philippe ROCHER

Mr Grandidier, thank you very for your speech on behalf of France-Energie-Eolienne.

Mr. Saglio your organisation SER represents large part of professionals from the renewable energy sector with roughly one hundred members, of which 40% are involved in wind. If we look at the lobbying power that you have, it is quite important. But what actual effect can you have on local authorities.

Mr. Antoine SAGLIO, Director of Syndicat des Energies Renouvelables, France

(*Translated from French)

Our main action toward the government is to be a central negotiator for laws and regulations concerning renewable energy as a whole. That was the case for the feed-in tariff level and for the planning document published (PPI) in 2003. Concerning local financing, our task is to remind the State that project holders and investors are generally favourable to it. But local investment is not so much developed in France. In concrete, we have pushed an amendment to the renewable energy chapter of the on-going draft of the future orientation law on energy suggesting in general words that specific incentives for local financing should be established.

Different things in my opinion are on the one side the need to mobilise huge amount of savings for being in position to comply with the wind targets set up for France, and the will to promote local participation in wind projects, for which France is obviously lagging behind.

Mr. Philippe ROCHER

If we consider the recurrent figure of 6 to 10 GW of wind energy to be developed, what is level of funds to be mobilised for reach them?

Mr. Antoine SAGLIO

The European Wind Energy Association has just published a detailed summary of a study forecasting 75,000 megawatts in Europe in 2010, as compared to the current 25,000 MW in operation. According to this study, France will probably not reach its objectives, but is likely to have installed 6,000 megawatts of wind energy at that time. Given that 1,000 megawatts represents about 1 billion euros in investment, this means we have to

leverage 6 billions of private money in France. That is a lot of money, so we need to call for private savings funds not only for funding from banks.

Mr. Philippe ROCHER

Don't forget that local financing can create jobs, in banks, or for managing legal entities. New skills will be needed for reinforcing the search for local financing. Renewable energies are based on local natural flows, like wind or sun, which are coherent with local financing, aren't they?

Mr. Antoine SAGLIO

This is obviously true for small wind or for solar projects, but also for large wind farms. Two recent opinion surveys, one concerning French people as a whole, the other focused on tourists clearly shows that general appreciation in France is quite favourable to all these projects.

This shows that people are ready to become more involved in local projects because they know them better and thus are more positive. For this, local authorities also need to convey a more positive message. The problem today is that projects holders fearing a refusal in the sensitive process for obtaining building permit prefer not to make too much publicity around their projects. Without public support, they are reluctant to speak about their projects before they are legally secured so we as professional organisation hardly get reliable information on project under development.

Mr. Philippe ROCHER

Some main actors in the energy branch considered that wind is a purely speculative activity. Can local financing change this view?

Mr. Antoine SAGLIO

You are probably talking about the comments made by the Regulator CRE in June 2002 when the feed-in tariffs for wind were published. They were speaking of yield rates up to 20%, a figure that was claimed to offer unjustified profitability. In fact, we never observed such rates with actual projects when operating, and we told that to the Regulator when giving them our figures. The internal profitability rate is rather about 10% on average, and interest served on investment around 5 to 6 %, which is not so high. If French nationals were more involved in wind projects from a financial point of view they would be able to grasp this fact very quickly. Basically we need to give private individuals accurate information if we want them to get involved in projects.

Feed-in tariff and economic development costs are another issue. Legal prerequisite and related costs have considerably increased during the passed years, and so many projects failed that you must develop several of them before a single one can succeed. During the negotiation on the feed-in tariffs, we finally accepted a 3.3% yearly drop, but now we are finding it very difficult to stand. In addition the limitation to 12 megawatts excludes large projects. Without large wind turbines to be installed, wind energy as a whole will fail to develop in France, French people will not appreciate it and even small and medium farms will be blocked.

Mr. Philippe ROCHER

Isn't it a shame that the development that has been reached has been based on a time frame rather than a wind energy capacity?

Mr. Antoine SAGLIO

Yes it is a shame. At the time, this was a way to find a compromise so that the government could publish feed-in tariffs and we thought it was not really a difficulty, but it is now actually one. Another example of cost increase is the discussion that took place recently about financial provisions for dismantling wind farms. A draft decree was about to consider them as classified installations for the environment protection, meaning extortionate expenses for a totally environment harmless machine, the main question being landscape. This shows how more and more constraints are continuously slowing down the development of wind energy in France.

Mr. Philippe ROCHER

Do we have other examples of local investment that involves major building projects in other sectors? Or is it quite new?

Mr. Antoine SAGLIO

Over last decades there has been some good examples of mixed public/private company set up. The so-called Compagnie Nationale du Rhône, a major power producer, is one of these semi-public companies involving several local Authorities as direct shareholders. This was also used at the Widehem wind farm in North of France, with the Regional Government and the City of Dunkerque as shareholders.

We are actually taking things a little further when we want to have not only local Authorities involved but also the local residents, or at least a certain part of the population willing to invest their money in a specific way, not blindly, through these ethical funds.

Mr. Philippe ROCHER

So will it be the professional association that will govern this? Would there be a cooperative with membership?

Mr. Antoine SAGLIO

We could have individual members who are operating wind farms, but not in the same way as for example the German organisation BWE, which gathers several thousands of them. This is not the role of a professional association like ours. Our members are industrialists and professionals rather than private owners.

Mr. Philippe ROCHER

Thank you Mr Saglio.

Mr Philippe Beutin, ADEME is a state organisation with the mission to support renewable energy technologies. What is your position about local financing?

Mr. Philippe BEUTIN, head of Renewable energy Unit in ADEME, France

(*Translated from French)

Wind projects are supported and monitored by our regional delegations so ADEME is in a good position to get information about difficulties for projects to succeed. Some people here have already referred to the difficulties for obtaining building permits from the Prefects. The context is not very positive today, even though in 2003 things changed positively. No doubt that all the reasons that had been referred to are actual and real, but social acceptance per se is of a particular importance. Faced with this observation, the work done with local authorities and local players, should they be farmers or individual or grouped private persons, appeared to be crucial to us in ADEME. This is why we have over the past two years developed a lot of actions targeted to local

Authorities, at first to Regional Governments. In many parts of France, the regional delegations of ADEME are involved in studies, a background duty carried out in linkage with local Authorities, mainly with grouped municipalities. This is expected to help good projects to succeed.

Mr. Philippe ROCHER

Can you please give us some information about the so-called FIDEME, a financial tool set up by ADEME?

Mr. Philippe BEUTIN

We have focussed today on what we could call a collective management of savings or the management of a financial tool, i.e. Mutual Funds. FIDEME is a similar type of tool that was created about 18 months ago and ADEME is one of its main contributors, with a third of the 45 million euros that are available today for funding projects. The remaining two thirds are made up of private banks, like the Caisse des Dépôts, CDC IXIS and an Italian bank.

FIDEME can be called up through an original mechanism, since it enables the shareholders' equity to be strengthened for a given project in a form that is intermediary between equity and senior debt, being considered as near-equity contribution. For a project promoter who has not so great financial resources, this can reduce his capital involvement to 10%, the additional 10% coming from the FIDEME leading to a usual 20% of equity or near-to-equity contribution.

Mr. Philippe ROCHER

How many projects have actually been studied by FIDEME and how many have gone through?

Mr. Philippe BEUTIN

There are two steps in the FIDEME procedure. First we study the eligibility of the projects according to a range of criteria. We carry out a first sorting process and after that the projects go before an investment committee, a usual structure in the banking industry. Then we put forward a financing offer. Over the past 18 months ADEME, with the Caisse des Dépôts and CDC-IXIS, which is the asset manager, has analysed 20 different wind energy projects, ranging from just a few megawatts to 12 megawatts.

The minimum budget to be eligible is statutory said to be 5 million euros, which correspond to 4 or 5 megawatts. Among the 20 projects that have been reviewed, some were not retained after the initial scrutiny because regarded as too weak, for example because wind studies were inadequate or even lacking.

Out of these, 15 were finally selected, which is quite a high ratio. Under conditions that the important questions will be properly solved, such as insurance contracts, operating and maintenance contracts, etc., these projects are likely to go through to the financing stage.

Mr. Philippe ROCHER

Don't you think there is a risk if we promote too much local investment?

Mr. Philippe BEUTIN

Our position is that there is enough room in the marketplace taking into account the commitments taken by France for 2010. There is room for traditional investors, for energy utilities or for people willing to invest in local development. All these are issues that depend on the degree of acceptance and ownership taken by the local

population. We try to go forward in a pragmatic way, with any kind of investors who appear, with this specific view to local authorities as I explained sooner.

Mr. Philippe ROCHER

So there is not a unique way?

Mr. Philippe BEUTIN

No. Specific risks linked to the raising of local funds for local projects and especially if such projects are not well designed have already been underlined. I could mention examples that are considered to be local initiatives but led to almost failure. So one has to be very careful to the contents of each project, to the way the projects are structured. When you talk about projects, whether it is conducted locally or designed by large companies, the processes need to be the same. The split in appropriate phases along the whole process is crucial, from the basic studies that need specific funding until the implementation of the project itself. The quality of the approach is of the highest importance, even more than the legal structure.

Mr. Philippe ROCHER

As a conclusion, couldn't we use this image of an energy bunch that could leave room for conventional energy and renewable energy as well, and that should be funded through a bunch of different financial tools as we told about during this round table?

Mr. Philippe BEUTIN

I do think that we need to be more creative regarding financial arrangements. Some of them have been highlighted today, like the Mutual investment risky Funds or the Proximity investment Funds created by the law in July 2003. This later initiative is expected, while ensuring a mutual management of money collected, to allow a certain share of risks among several projects. They should be implemented at regional level, possibly involving two adjacent regions. Until operational decrees needed for their actual implementation are on the tracks, we will think of a way to use this possibility, for example for a limited number of locally-initiated projects with a certain size by gathering such a Proximity Fund with major private banks, some of them having already shown their interest, and this way joining together FIP [*Fonds d'Investissement de Proximité* - Local Investment Funds] and FIDEME procedures. We must be innovative in financial arrangement but at the same time we must bring safety to savers. We must anyway avoid leading them on a wrong path and creating negative references.

DISCUSSION WITH ATTENDERS

(* translated from French)

M. Paul ROCUET, Emergence, Agence de maîtrise de l'énergie du Pays de Brest, France *

I would like to speak about a complementary tool that has not been listed yet, the so-called CIGALES (Investors Clubs for an alternative management of local and fellowship savings). It can be just 5, 10 or 15 people investing in a given company, but with just 1 person being represented officially in the company. This could be a way of funding. If they combine their funds or their savings, it could be, for example, each person just contributing 1,000 euros, another person 100 euros, and all of that is considered to be just one shareholder.

Mr. Fred URBAN, BASE Agency, France*

In the region of Alsace and also in the district of Moselle, we have cooperatives regulated by a specific local law, which could be used to raise public money locally: we are working on this issue.

Olivier KRUG, KRUG Sarl, France*

I am retailer and installer of small-scale wind turbines and I have a question for the bankers. Are you likely to fund projects led by individuals who had already financed their wind potential studies? Second question, when it comes to small installations, would you be ready to provide loans for individual buyers of a small wind turbine or hybrid wind/PV systems as you already do for buying a car?

Mr. Jan POPPE, Triodos Bank, Belgium*

We collect the money from individuals or financial institutions as well, but we do not provide personal loans, so we cannot fund projects with personal loans. Since we are working with money that was entrusted to us, we have to be very careful. We can't join any project before the building permit is granted.

Mr. Jean-Michel YOUINOU, La Nef, France*

I talked about the approval we got from the Bank of France as a cooperative bank. This approval limits us to funding only associations or cooperatives. So it is necessary for individuals to be organised into a cooperative or an association for us to be in position to fund their projects.

Mr. Michel LECLERC, Eoliennes en Pays de Vilaine, France*

For helping small organisations and grouped individuals, should it be possible get a support for preparing submission to the SEC, so it can provide control, but not provoke blockage?

Mr. Jan POPPE, Triodos Bank, Belgium*

Well, this is a service to be provided by banks, but again, banks are profit-making organisations. So you would have to pay the banks to analyse the viability of the project. That is again the reason why public fundraising, you need to have projects with an amount around 12 million euros. If it is less than that amount, it is not worth it for the bank.