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## Investment & financing overview



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# The OFTO investment case – Equity Investors



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## Step Up In Pipeline

- A **step change** from previous rounds commences in TR10
  - 3 assets coming to market in **TR10** valued at **£2bn in total**
  - 10 more assets coming in TR 11 & 12
- Over **£10bn** worth of assets coming to market in the **next 3 tender rounds**

## Availability Based Inflation Linked Returns

- **Investment profile aligns with low-risk core infrastructure**
- Fully constructed assets **inflation-linked availability-based revenues**
- **Low operating and regulatory risks**

## Attractive Strategic Assets

- A wider degree of offshore electricity connectivity is expected in the future and OFTOs can act as **strategic nodes** for other assets

## Green Investment

- Aligns with **UK Government's green energy strategy**
- Enhances the **ESG credentials** of funds and companies investing in them

## Future Value Upsides

- Initial licence for up to 25 years whereas technical and **economic life of assets may be greater than 25 years**
- Ofgem consultation on End of Tender Revenue Stream in summer 2022. Decision expected in Spring/Summer 2023

# The OFTO investment case - Debt Investors

OFTO processes allow for three alternative debt finance sources

## Bank Funding

- TR7 & 8 bids saw an average of 60% of debt financing via banks (commercial and ECA)
- Some evidence of emergence of hybrid financing structures with shorter dated bank/longer dated private placement

## Private Placement

- TR7 & 8 bids saw an average of 40% of debt financing via institutional private placement
- Private Placement financings are protected across the bidding period using the 'Private Placement Adjustment Mechanism' adjusting credit spread based on iBoxx Utilities 10yr+ index

## Public Bonds

- Public bonds have not featured since Dudgeon in TR5 due to price competitiveness
- UKIB is interested in supporting potential bidders in their TR10 bids and has been working closely with Ofgem to develop the role of their financial guarantee product

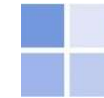


## UKIB Financial Guarantee

### UKIB is interested in supporting potential bidders in their TR10 bids

- **Improving energy security** and supply is a top UKIB policy priority for UKIB through its investments in Clean Energy
- UKIB has been working closely with Ofgem to develop the **potential role of a guarantee product** in TR10
- Ofgem is keen to add the UKIB guarantee to TR10 to support its policy of ensuring **strong, resilient and continued access** to funding for OFTOs in light of the step change in scale and ambition of investment needed for the UK offshore wind market
- UKIB and Ofgem have discussed using the financial guarantee to create a number of benefits
  - **Additionality** – opening up the public bond market
  - **Supporting wider market participation** – UKIB would consider the possible use of a guarantee for any interested bidder
- **Key terms**
  - **Form of guarantee** – sovereign credit substitution, expected to be published soon
  - **Size of guarantee** – Up to **£250 million** on any of the TR10 projects
  - **Applicability** – aimed at the public bond market, but can be used to wrap commercial bank and institutional private placement debt
  - **Support letter** – UKIB is looking to make a support letter available to all bidders as part of the EPQ

# Features of TR10



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- Streamlining of EPQ process
- Price discovery post Sterling market turbulence & rate rises
- Multi asset tender round - volume step change in pipeline starts here
- UKIB financial guarantee

