

From Plan to Power

A guide to how clean energy and grid projects actually get financed

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AIB is a leading financial services group operating predominantly in Ireland and the UK, serving 3.5 million customers across Retail Banking, Capital Markets and Climate & Infrastructure Capital.

Guided by our purpose to empower people to build a sustainable future, we put customers first, support the transition to a low-carbon economy and drive operational efficiency and resilience.

Our ambition is to deliver sustainable, long-term value for our customers, communities, economies, all other stakeholders and wider society.

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Interactive report available at the Ireland Pavilion

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AIB at COP31

AIB's presence at COP31 reflects our long-term commitment to sustainability as a first mover and proven leader in Ireland's green transition.

Turning climate ambition into real-world delivery requires investable projects at the scale and speed needed. Alongside access to capital, bringing those projects forward is a critical challenge. Banks have an important role in turning that ambition into financeable action.

The transition to a low-carbon economy is one of three strategic priorities for AIB and is backed by dedicated climate action targets. Since 2019, we have provided €28 billion in green and transition finance, reaching 93% of our €30 billion 2030 target. We are committed to decarbonising our own operations by 2030 and our lending portfolio by 2050.

Our Climate & Infrastructure Capital (C&IC) segment finances large-scale renewable energy, grid and infrastructure projects. In the first nine months of 2026, new lending in our C&IC segment rose €0.9 billion year-on-year to €2.0 billion. Our contribution also includes issuing green bonds, helping households retrofit their homes, and supporting farmers and businesses to decarbonise.

A fair and just transition means supporting customers and communities as the economy decarbonises and helping ensure the benefits are widely shared. Alongside our financing, our branch network and community partnerships support that commitment. These include our work to tackle food waste and insecurity and with overseas development organisation GOAL to support vulnerable communities facing climate challenges.

A more sustainable economy, in Ireland and globally, will also be a stronger, more competitive and more resilient economy. The transition will not always be linear, and progress will at times be challenging. For AIB, staying the course means maintaining our long-term commitment to financing the transition and supporting our customers. We must work together to bring more investable projects forward and turn climate ambition into delivery.



€30bn

Green and transition finance target.

93%

Progress towards reaching our cumulative green and transition finance target.

→ **See page 2 for more highlights**

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A guide to finance for non-financiers

This guide provides a simple, practical introduction to how project finance works, drawing on practitioner experience and expertise.

It is designed primarily for non-financiers, including governments and policymakers, regulators, project developers, utilities, grid operators, and international climate organisations.

We hope it can contribute to the ongoing work of COP31.

The guide explores the conditions required for financing to happen, the risks that can prevent it, and how those risks can be managed.

It then follows a project through four typical stages, explaining what happens at each stage, what can go wrong, who is likely to provide finance, and what needs to happen to unlock financing for the next stage.

AIB's progress in numbers

€28bn deployed, €30bn in sight

€28bn

AIB has deployed €28bn, or 93% of our €30bn green and transition lending target for 2030. By 2030, we expect green and transition finance to account for 70% of all new lending.

Green and transition lending momentum

€5.3bn

In the first nine months of 2026, we have delivered an additional €5.3bn in green and transition lending.

Renewables and infrastructure finance

€2.0bn

New lending in our Climate and Infrastructure Capital segment rose €0.9bn year-on-year to €2.0bn in the first nine months of 2026, supporting large-scale renewable energy and infrastructure.

Climate leadership

1st

AIB was the first Irish bank to make decarbonisation commitments and the first bank globally to secure an SBTi-validated electricity generation maintenance target.

Operational delivery

92%

Today, the equivalent of 92% of our electricity demand is met through a virtual power purchase agreement with two solar farms, while Scope 1 emissions are down 55% versus our 2019 baseline.

Sustainable funding

€8.95bn

Since 2020, AIB has issued €8.95bn in green and social bonds, helping finance projects with clear environmental, climate and social benefits.

Low-carbon power portfolio

1.14 gCO_2e/kWh

Our Electricity Generation portfolio has an emissions intensity of just 1.14 gCO_2e/kWh, compared with a global average of 432 gCO_2e/kWh.

Limited direct exposure to fossil fuels

<1%

Lending linked to fossil fuel-related activities represents less than 1% of our total lending portfolio.

Supporting customers to transition

61%

In the first nine months of 2026, 61% of AIB Group's new mortgage lending supported energy-efficient homes. Our Business Sustainability Loan and specialist advice supports farmers, clubs, trusts, charities and businesses.

Knowledge and advocacy

€20m

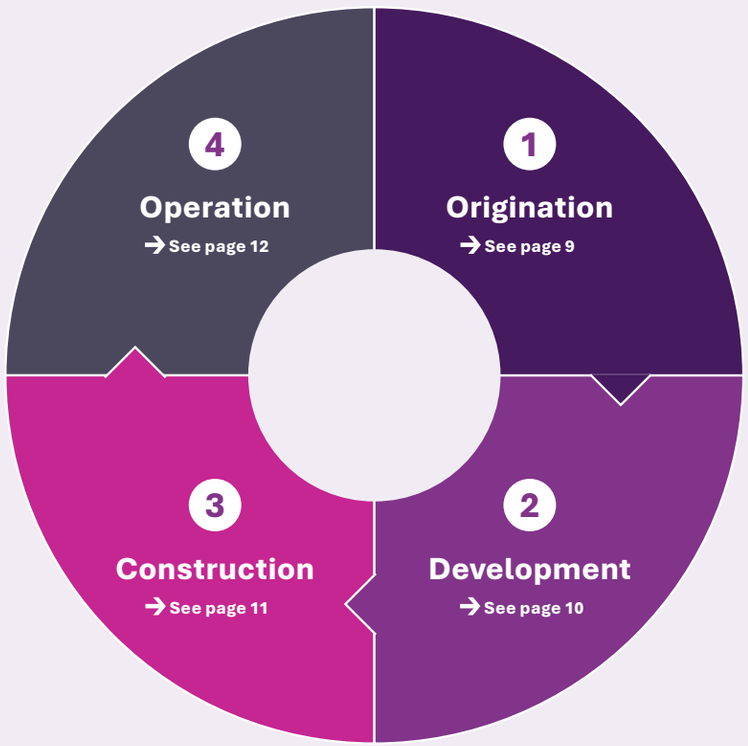
We are investing in the next generation of climate solutions by committing over €20 million to sustainability education and research, including support for the AIB Trinity Climate Hub at Trinity College Dublin.

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Unlocking investment in electrification

The world is not short of capital for clean energy. It is short of projects that investors can back with confidence, and affordable capital where risks remain high.

The four project stages



In many developed markets, capital is usually not the binding constraint. The harder task is creating a sufficiently mature project pipeline amid grid constraints, consenting delays, supply-chain pressure and, in some cases, revenue uncertainty.

In emerging and developing economies, the challenge is different. Capital may exist in theory, but it is often priced for risks the project cannot absorb, or it does not arrive at all. For some clean-energy technologies, the cost of capital can exceed twice the level seen in advanced economies, materially affecting project viability.

A project is not financeable or unfinanceable in its totality. It becomes financeable in stages across origination, development, construction and operation.

As it moves from concept to operating asset, the probability of failure falls while the capital required rises. Small amounts of expensive, risk-tolerant capital enter first. Large amounts of lower-cost, patient capital enter later. Each provider carries the project through one stage and hands it to the next.

Projects stall when no one is willing or able to take on the next stage.

Unlocking the gateways at each stage turns a good idea into a fundable project. Most stalled projects stop or falter not because finance is unavailable, but because a critical hurdle remains unresolved elsewhere.

In all projects, it's worth considering the following perspectives:

If you are in government or a state body

The role you play has a significant impact on whether projects get funded. Planning and permitting (consenting), grid capacity, revenue certainty and the ability to run a credible procurement matter more to the cost of capital than anything a lender decides.

If you deploy public or concessional finance

Your money does the most work at the earliest stages, where it is scarcest and where commercial capital cannot flow. However, much of this concessional finance currently sits later in the chain, alongside money that would have come anyway.

If you lend or invest

The gateways provide a structured way to explain investment decisions. Making them explicit helps project developers understand what is preventing projects from progressing, which in turn increases the number of projects that become finance-ready. A larger pipeline of investable projects benefits both financiers and project sponsors.

Developed and developing markets

Our perspective is that of an Ireland-based commercial lender operating in a country that is navigating this transition. In our primary markets across Ireland, the UK, Europe and North America, we finance renewable energy, interconnection and related infrastructure projects. We also see first-hand why projects with strong economics can still struggle to reach financial close.

Where this guide refers to developing and emerging markets, it draws on external evidence and the experience of development institutions rather than presenting those markets as our own. At the same time, we recognise there is much we can learn from those markets and their experience.

For that reason, this financing guide does not claim to have all the answers. It is a practitioner's perspective, offered not as a prescription but as a contribution to discussion about infrastructure finance at COP31.

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Chapter 1

Creating the right conditions

Climate commitments and infrastructure finance

These two conversations run in parallel at every COP, but they are not the same.

Climate commitments are the negotiated finances committed for climate objectives. How much public money flows, from whom, to whom, and on what terms. It sets the direction and carries obligations that this guide does not replace.

Infrastructure finance is the delivery mechanism. It is how a commitment becomes a wind farm, a substation, or transmission line, for example.

Lenders and investors do not finance ambition in the abstract. They finance specific projects whose risks are allocated to parties able to manage them; appropriate risk allocation is key. A project may support an agreed national target and still be declined if those risks sit in the wrong place.

Rather, the two are complementary. Climate commitments set the direction; infrastructure finance determines whether that direction is reachable in practice. Public money is finite and cannot fund the build-out directly, so most of what gets built will be funded by private balance sheets.

The more useful measure of public money is not its size but how much private capital it moves towards climate projects that would otherwise have stayed where it was.



Enabling conditions

Before any individual project of scale is assessed, a set of conditions either holds in a market or it does not. Most of these conditions are set by the public sector, and the role is a facilitating one rather than a funding one. Governments rarely pay for the build-out of projects, but they largely determine whether anyone else can.

Where critical enabling conditions hold – as outlined in the following graphic – financing becomes a technical exercise. Where they are absent, structuring does not compensate, and the cost of capital carries the difference.

Governments can't fund the build-out of all projects so they need to be selective.

Policy that outlives a government

Investors are typically pricing twenty-five years of revenue against a political cycle of four or five. What matters is not ambition but durability. Auction schedules that run on time, support schemes that are not amended retrospectively, and targets backed by legislation rather than announcement.

A market that maintains its rules through one change of administration is worth several percentage points of cost of capital.

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Planning decisions that arrive when expected

Development capital is the most expensive money in the chain, and it is spent before anyone knows that the project exists at all. A planning system that takes two years and is known to take two years is easier to finance than one that usually takes twelve months and occasionally takes five years. Delays damage returns.

What gets priced is the variance, not the duration.



Grid ahead of demand

Where grid investment fails to keep pace with new generation, access to the grid becomes the key constraint, and it is a constraint the private sector cannot solve on its own. This is a common point of failure across many jurisdictions.

A generation asset without a connection date is not a project.



A creditworthy buyer of output

If that buyer is not financially strong, there is a risk they may not be able to meet their payment obligations, undermining the project's revenues and its ability to secure financing.

Secure revenues underpin project finance.



Currency and macro stability

Many otherwise viable projects have failed because revenues are in the local currency while debt is in foreign currency. The mismatch must be addressed through indexation, local-currency debt, or a party willing to absorb the risk. Ignoring it is not an option.

Currency mismatch can derail projects.



Public-sector capacity to transact

The responsible public authority (government) must be adequately resourced and able to run a competitive process, negotiate contracts and manage counterparties over time. This work is often the difference between a pipeline of real projects and a pipeline of announcements.

Where capacity is limited, technical assistance can be more valuable to developers and investors than a project subsidy.

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Chapter 2

Managing project risks

This guide provides the analytical bridge between the enabling conditions and the four project stages.

At each gateway to the next stage, the relevant question is not simply whether risk exists, but how it has been reduced, allocated, transferred or absorbed, and whether the party carrying the residual exposure has the capacity and incentive to do so.

The sequence matters. Risks should be reduced where possible, then allocated to the party able to manage them, transferred where an efficient market or credible guarantor exists, and absorbed only where residual risk cannot be removed at reasonable cost.

A project is unlikely to become bankable if these responses are confused. Transferring an unresolved risk may merely move it to a weak counterparty, while subsidising the cost of capital may conceal rather than correct poor risk allocation.

A project becomes financeable not because risk disappears, but because each material risk is treated in a way that makes its probability, impact and ownership acceptable to the providers of capital.

Four different responses are often grouped together as “de-risking”, but they perform different functions:

Risk reduction

Risk reduction lowers either the probability that an adverse event occurs or the loss if it does. Examples include completing technical studies, securing permits, strengthening procurement, completing grid works ahead of commissioning and using proven technology.

Risk allocation

Risk allocation assigns a risk to the party best able to control or manage it. Construction completion risk may sit with an experienced contractor; operating risk with the operator; and policy or regulatory obligations with the relevant public authority.

Risk transfer

Risk transfer moves the financial consequences of a risk to another party for a price or contractual commitment. Insurance, hedging, guarantees, fixed-price contracts and political risk cover are common transfer mechanisms. Transfer does not eliminate risk; it changes who bears the loss if the risk materialises.

Risk absorption

Risk absorption is the deliberate retention of risk by a party with the mandate, capital or return expectation to bear it. Sponsor equity, first-loss capital, subordinated debt, contingency reserves and some forms of concessional finance absorb losses that senior commercial lenders cannot accept.

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Project level tools

With enabling conditions and coherent risk management structures in place, a set of tools is required to drive project success.

Paying for work that could amount to nothing

- Project preparation facilities
- Development grants
- Technical assistance
- Early-stage equity

Small sums, deliberately at risk, at the stage where no commercial lender will follow. This is the most under-supplied category in the toolbox relative to its impact.

Making the income predictable

- Contracts for difference
- Competitive auctions with an indexed tariff
- Long-term power purchase agreements
- Regulated returns
- Availability payments

Predictable income is critical to success. A project with a creditworthy long-term revenue contract can raise debt in most markets. A project selling into an uncertain market price cannot, regardless of its economics.

Taking the first loss

- First-loss tranches
- Subordinated and mezzanine debt
- Partial credit guarantees
- Sovereign guarantees
- Capital held by an institution whose mandate is to absorb what commercial lenders will not

The mechanism is simple – someone stands in front of the private lender, so the private lender's own risk is lower and its price falls accordingly.

Covering the shocks nobody controls

- Political risk insurance
- Expropriation and convertibility cover
- Currency hedging
- Local-currency lending facilities
- Construction and delay insurance

These convert risks that are unquantifiable for a lender into a premium that can be priced.

Lowering the cost of the money itself

- Concessional finance (public loans)
- Interest rate subsidies
- Longer tenors
- Blended structures that mix concessional and commercial capital in a single facility

These are useful, but frequently reached for too early, because cheap money applied to an unallocated risk simply subsidises the risk but does not remove it.

Here are two observations from practice

1

The sequence matters more than the selection: a guarantee arranged at the development stage changes what is possible at the construction stage, whereas the same guarantee offered at the construction stage often arrives after the project has already been shelved.

2

The scarcest tool is not money but a credible counterparty, and no tool on this list manufactures one.

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Chapter 3

Financing across four stages of a project

Every project runs the same course. Risk falls as it progresses and the money required rises, which is why the type of capital changes at each stage.









Stage	1 Origination	2 Development	3 Construction	4 Operation
Chance of failure	Very high	High	Moderate	Low
Money required	Small	Modest	Largest	Large but refinancing possible
Who pays	• Developer equity • Government grants • Project preparation facilities	• Developer equity • Sponsor equity • Development Finance Institutions (DFIs)	• Commercial banks • Development Finance Institutions • Sponsor equity	• Institutional investors • Bond markets

The following section looks at each of these stages in more depth, noting the risks and what can go wrong, the likely financiers, what needs to happen to unlock financing for the next stage, and importantly where markets tend to differ across developed to developing markets.

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Stage 1: Origination

What is happening?
Site identification, resource measurement, early landowner and community engagement, a first view on grid access and route to market.

What can go wrong?
Almost everything, and it often does. The resource disappoints, the land cannot be secured or no connection is available. Most spending at this stage is written off.

Who pays?
Developer equity, and in some markets, grants or project preparation facilities. Institutions providing this capital must be willing and able to withstand losses, which is why DFIs matter most at this stage. Project Preparation Facilities are the highest-leverage intervention available and they are chronically underfunded.

Gateway to stage 2
A credible developer, a resource assessment that stands up, a defensible view of grid access, and an identified route to market. Risk is reduced through credible resources, site and grid work. The remaining development risk is primarily absorbed by developer equity or purpose-built preparation capital.

Where markets differ
In developed markets, this stage is relatively crowded and competitive, and the scarce commodity is often grid capacity. Risk is reduced through credible resources, site and grid work so that the remaining development risk is primarily absorbed. There is still value in considering how a more joined-up, nationally supported approach to infrastructure financing could help translate strategic priorities into a stronger pipeline of investable projects.

Case study: Derrinlough Wind Farm

Delivering large-scale infrastructure through innovative corporate offtake arrangements

Derrinlough Wind Farm is a 126MW onshore wind project in the Irish midlands, developed by BnM (formerly Bord na Móna), a semi-state energy company, and capable of supplying renewable electricity equivalent to approximately 68,000 homes annually.

The project is financed through a €140 million senior term loan, underpinned by a long-term corporate power purchase agreement (PPA) with a large technology company. The PPA provides contracted revenues, reducing exposure to wholesale electricity prices and providing the revenue visibility needed for non-recourse project finance.

AIB provided €46.7 million of the financing and acted as Mandated Lead Arranger, Original Lender, Agent, Security Agent and Account Bank. Combining contracted revenues, strong sponsorship and long-tenor debt, the structure enabled significant private capital investment in new Irish renewable electricity generation.

Transaction Snapshot

Metric	Detail
Asset	Derrinlough Wind Farm
Capacity	126MW onshore wind
Sponsor	BnM (formerly Bord na Móna)
Revenue	Long-term corporate PPA
Senior debt	€140m term loan
AIB financing	€46.7m
AIB role	Mandated Lead Arranger, Original Lender, Agent, Security Agent & Account Bank



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2 Stage 2: Development

What is happening?
Converting a plausible project into a defined set of risks with a named owner for each. Permits, grid agreement, a revenue contract, a construction contract, and a financial model that lenders will test with all their rigour.

What can go wrong?
Consent is refused or delayed past the point where costs hold. No creditworthy buyer will sign. Equipment pricing moves higher. Local opposition hardens. The revenue on offer will not support the debt the project needs.

Who pays?
Development capital continues, it is now larger and often joined by a strategic partner or a development finance institution. Guarantees and first-loss commitments are usually arranged at this stage even though they take effect later.

Gateway to stage 3
This can happen when permits are in hand; grid connection is agreed with a date; a revenue contract with a creditworthy counterparty is in place; a construction contract on terms a lender will accept is in place, and risks are allocated to parties capable of carrying them. At this gate, permitting and design risks should have been reduced, construction and operating risks allocated contractually, insurable or political risks transferred where efficient, and residual downside absorbed by sponsor equity, guarantees or subordinated capital.

Where markets differ
In our own lending market, this is largely a queueing and contracting exercise. Evidence from emerging and developing markets indicates that projects can stall here over the creditworthiness of the buyer or the durability of the tariff. This is where risk mitigation instruments like guarantees, first-loss capital and political risk cover are most valuable. Without them, projects often fail to get financed.

Case study: Greenlink Interconnector

Financing cross-border energy infrastructure with targeted regulatory support

Greenlink is a 504MW HVDC interconnector linking Ireland and Wales through approximately 190km of subsea and underground cable, recognised by the European Union as a Project of Common Interest (PCI). Its financing is underpinned by a 25-year Cap & Floor regime, jointly implemented by energy regulators Ofgem (GB) and CRU (Ire), providing a minimum revenue floor while returning revenues above an agreed cap to consumers.

Senior debt was sized solely against regulated floor revenues, reducing lender revenue risk and supporting long-term financing.

The total financing package of over €500 million was provided by commercial banks, including AIB, and the European Investment Bank. AIB committed €90 million of debt and participated in approximately €16.6 million of interest-rate hedging facilities, helping finance strategically important energy infrastructure.

Transaction Snapshot

Metric	Detail
Asset	Greenlink Interconnector
Capacity	504MW
Infrastructure	HVDC electricity interconnector
Route	Ireland–Great Britain
Revenue structure	25-year Cap & Floor regime
Debt sizing	Regulated floor revenues
Total financing	Over €500m
AIB debt commitment	€90m
AIB hedging participation	c. €16.6m interest-rate facilities



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Stage 3: Construction

What is happening?
The financial process closes and building/development commences. The largest sums in the whole chain are drawn down here, against certified progress rather than in a single payment.

What can go wrong?
Delay, cost overrun, contractor failure, supply chain problems, or the grid connection slipping behind the asset. The chance of total failure is lower than at earlier stages, but the money exposed is at its peak.

Who pays?
Commercial banks provide the bulk of the debt, repaid from the project's own cash flows rather than from a corporate balance sheet. Sponsor equity sits beneath it and takes losses first. Development institutions frequently lend alongside, and their participation may provide additional confidence around policy continuity, contractual enforcement and international standards.

Gateway to stage 4
Built, connected, tested and generating to contract. Construction risk is reduced through testing and certification, allocated through the construction and operating contracts, transferred through insurance and warranties, and absorbed through remaining contingencies and sponsor support.

Where markets differ
In developed markets, long-term construction debt is generally available where revenue is contracted and project risks are appropriately allocated. In many emerging and developing markets, shorter loan tenors, limited local-currency finance and higher refinancing risk can create a mismatch between the financing available and the long operating life of the asset.

Case study: Project Torc

Demonstrating the importance of scale, diversification and predictable revenues in attracting capital

Project Torc finances seven utility-scale solar farms across Ireland, with 289MW peak capacity (180MW combined export). Aggregating the assets creates a diversified portfolio capable of supporting substantial long-term debt while spreading project and location risk.

Central to the financing is RESS-2, the Irish Government's second Renewable Electricity Support Scheme. Under this competitive, auction-based scheme, renewable projects bid for capacity and receive a guaranteed price, providing long-term revenue certainty and greater visibility over cash flows available to service debt.

The financing comprises approximately €220 million of total facilities, with AIB participating with €74 million. The long-term project finance structure supports construction and operation, demonstrating how portfolio diversification combined with RESS-2 revenue certainty can underpin significant debt financing for renewable infrastructure at scale.

In addition, the portfolio is expected to deliver approximately €7 million in Community Benefit Fund investment, supporting more sustainable, resilient communities across renewable energy development.

Transaction Snapshot

Metric	Detail
Asset	Project Torc Solar Portfolio
Sponsor	Power Capital
Technology	Solar PV
Portfolio	7 solar farms
Revenue structure	RESS-2
Financing structure	Project finance
Total facilities	c. €220m
AIB participation	€74m



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4 Stage 4: Operation and recycling

What is happening?

The asset produces power and predictable cash for decades. Its risk profile has changed completely, widening the range of investors able to own or finance it.

What can go wrong?

The risks are narrower but remain material – for example, asset availability, maintenance, exposure to market prices where revenue is uncontracted, and regulatory change.

Who pays?

Pension funds, insurers and bond investors, who want long-dated and stable rather than high returns. They buy the asset or refinance its debt, releasing the original lenders and developers to start again.

Gateway to recycling

This is a crucial stage. What is required is a demonstrated operating record, transferable and durable contracts, stable cash flows and a credible market of long-term buyers. Once an operating record has reduced uncertainty, the remaining operating, market and regulatory risks can be allocated, transferred or priced for long-term investors.

The reason is capital recycling. A bank's balance sheet is finite. If it lends to a wind farm and holds that loan for twenty-five years, it has funded one wind farm. Once construction risk has fallen, a bank may refinance, syndicate or sell down part of its exposure, while institutional capital can enter through project bonds, private placements or asset ownership. Green bond funding can also support the bank's wider eligible lending portfolio. Together, these channels help recycle funding and risk capacity into new projects. A market with no exit route for operating assets runs out of lending capacity long before it runs out of projects.

Where markets differ

In developed markets, operating assets can often access institutional capital through refinancing, project bonds, private placements or asset sales. In less-developed capital markets, fewer long-term investors and limited refinancing channels can leave projects dependent on their original lenders, restricting the recycling of capital into new assets.

Case study: Greenlink Interconnector

Demonstrating that once a project has been successfully operationalised the next step is often capital recycling

The Greenlink Interconnector (see Stage 2 case study) became commercially operational in early 2025 having received a total financing package of over €500 million provided by commercial banks (including AIB) and the European Investment Bank. At that stage, it was wholly owned by Partners Group, one of the largest firms in the global private markets industry, who initially acquired a controlling stake in 2019 before taking full ownership in 2021.

In March 2025, Partners Group agreed to sell Greenlink to Equitix (a UK investor, developer, and fund manager of infrastructure assets) and Baltic Cable AB (an interconnector transmission system operator) in a deal which put an enterprise value of over €1 billion on Greenlink. This project is an example of how ownership and debt financing on projects like this often change hands, ensuring capital previously committed to a project can be released and recycled into new projects.



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Chapter 4

What sits outside project finance?

Everything so far describes project finance: a standalone company financed against its own contracted cash flows. This is well suited to assets such as wind and solar projects, but it will not finance the full electrification build-out.



Networks

Transmission and distribution are largely built by regulated utilities borrowing on their own balance sheets against an allowed return set by a regulator. The financing question is not whether a project stacks up but whether the regulatory settlement supports the investment programme and whether the utility's credit rating can carry it. Because grid is often the most common point of failure for otherwise viable projects, this is not a detail but a critical prerequisite. Where a utility is unable to borrow at reasonable cost, the entire generation pipeline behind it is constrained, regardless of how well-structured those projects are.

Corporates

Large industrial and commercial users fund their own electrification from cash flow or corporate borrowing, without a project structure. Their decisions turn on power prices, grid access and policy certainty rather than on financing technique.

Municipalities and public bodies

Public lighting, fleets, district heating and building stock often compete for limited public capital, creating a need for financing structures that often do not rely on or cannot be delivered from public balance sheets.

Households and small businesses

Heat pumps, rooftop solar, batteries, electric vehicles and building retrofits are funded through own finances, mortgages, consumer loans, asset finance and SME lending. While they are individually small, they are collectively significant from a financing point of view but almost entirely absent from the climate finance conversation. The constraints here are different – for example, upfront costs against longer term payback for a home owner, split incentives between a landlord and tenant if a home is rented, and the practical difficulty of lending against a saving rather than an income.
The process of pooling small loans and refinancing them, known as aggregation and warehousing, is what connects these projects to institutional capital.

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Chapter 5

Finance alone cannot unlock projects

A financing guide can create the impression that finance is the binding constraint. Often it is not. It is therefore important to be explicit about what financial structuring cannot solve.

It cannot create grid capacity that has not been built, or move a grid connection date. It cannot shorten a consenting process, secure community consent, or supply the engineers, electricians and planners that a build-out requires. It cannot conjure turbines, transformers or cable from supply chains that are already committed for years. It cannot ensure policy durability or institutional continuity, or make a loss-making utility creditworthy, though guarantees can rent someone else's credit temporarily at a price.

It also cannot resolve the affordability question underneath all of this. Someone ultimately pays for the power: a consumer through a tariff, or a taxpayer through a subsidy. Financing structures determine how that cost is distributed across time and between parties, and they can reduce it considerably by lowering the cost of capital. They cannot remove it.

What finance does well is narrower but no less valuable. It converts an uncertain future into a set of defined obligations that parties can act on today, and it makes the price of risk visible.

Where the underlying conditions are secure, finance delivers capital at a scale nothing else matches. Where they are not, the cost of capital rises.



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Chapter 6

The gateway checklist

This checklist is provided as a working tool to support project development and financing decisions.

For any project, the key questions are which gate is it facing, and who controls or opens it?

If a project cannot pass a gate, the remedy is rarely a different financing structure. Instead, the required action usually sits with a party identified in the last column.

Gate	What has to be in place	Principal risk treatment	Who usually controls it
Into development 	• Credible developer • Resource assessment that stands up • Defensible view on grid access • Identified route to market	• Reduce resource, site and grid uncertainty • Absorb early-stage loss through developer or preparation capital	• Developer • System operator
Into construction 	• Permits granted • Grid connection agreed with a date • Revenue contract with a creditworthy buyer • Construction contract on bankable terms • Risks allocated to parties who can carry them	• Reduce permitting and design risk • Allocate construction and operating risk • Transfer insurable, political and currency risks • Absorb residual downside	• Government • Regulator • Off-taker
Into operation 	• Built, connected, tested, generating to contract	• Reduce completion uncertainty through testing • Enforce contractual allocation • Retain contingencies and sponsor support for residual risk	• Contractor • System operator
Into recycling 	• Operating record • Transferable contracts • A market of long-term buyers for the asset	• Use operating evidence to reduce uncertainty • Transfer or price remaining market and operating risk for long-term capital	• Policy and market structure

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Glossary

Concessional finance – money lent on better terms than the market would offer, usually by a public institution, to make a project viable.

Contract for difference (CfD) – an arrangement where a project is paid a fixed price for its output: if the market price is lower, the difference is topped up; if higher, the project pays the excess back.

Cost of capital – the blended cost of the debt and equity funding a project and a primary driver of the price of the power it produces.

Development finance institution (DFI) – a publicly backed institution lending or investing where commercial capital will not yet go.

First-loss capital – money that agrees to absorb the initial losses if a project underperforms, so that other investors are protected and can charge less.

Off-taker – the buyer of the project's output, usually under a long-term contract. Their creditworthiness is effectively the project's creditworthiness.

Power purchase agreement (PPA) – a long-term contract to buy the electricity a project generates, at an agreed price.

Project finance – lending to a standalone project company, repaid only from that project's own cash flows, with no recourse to the sponsor's balance sheet.

Project preparation facility – a source of public funding and technical support during the early-stages of development that determines whether a project is viable at all.

Refinancing – replacing the debt raised to build an asset with cheaper, longer debt once it is operating and the risk has fallen.

Sponsor – the party developing and owning the project, whose equity takes losses before any lender.

Tenor – the length of time a loan runs for. Short tenor against a long-lived asset is a structural barrier in many markets.



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Notes

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