

# The Scottish Investment Bank

## Investing in Commercial Generation Projects

Andrew Smith



**ICOE**  
**2014**  
INTERNATIONAL CONFERENCE  
ON OCEAN ENERGY

NOVEMBER 4-6, 2014  
Halifax, Nova Scotia Canada

[ICOE2014CANADA.ORG](http://ICOE2014CANADA.ORG)



## Who are we?

- The **investment arm** of Scottish Enterprise
- Established in 2010 as an expansion of Scottish Enterprise's investment team
- Investing into Scottish businesses

## Areas we cover

- The **whole of Scotland**, including the Highlands and Islands

**SIB**  
Scottish  
Investment  
Bank

Delivered by  
Scottish Enterprise

# Facts and figures

In 2012/2013 we invested **£32.4m** in **111** Scottish companies

**£8.8m** of this was in renewable energy

This investment was made alongside **£93.3 m** private sector investment

We helped **378** companies **get ready to raise finance**

We also helped support **3367** jobs among our **254** existing portfolio companies

These companies delivered over **£16.6m** of income, which is recycled back into SE for economic development



# Supporting Scottish renewables

## Renewable Energy Investment Fund (REIF)

A **£103m** fund that **supports** projects that:

- **deliver energy** from a renewable source
- **reduce the cost** of renewable energy **OR**
- provide **key solutions** for renewable energy generation

Examples of areas that can be supported are:  
**marine, community owned renewables, and renewable district heating**



*Image courtesy of Neil McKinnon – Isle of Barra*

# REIF

## Funding Mechanisms

REIF will consider various funding mechanisms:

- **Equity**
- Debt
- Guarantees
- No minimum or **maximum**, but gap funder alongside **private players**
- **NO GRANTS – COMMERCIAL TERMS**

# REIF

## General Criteria

- To be eligible for REIF support, all projects must:
  - provide benefit to the economy of Scotland;
  - *deliver energy from a **renewable** source;*
  - be at sufficient stage of development to allow draw-down of funding before **March 2016**; and
  - have a well advanced funding package with a demonstrable gap for REIF to consider.
- REIF will not support early stage R&D projects or sub-scale prototype devices.
- **Community benefit** and supply chain important in all the deals across all sectors – promoting deep rooted **renewable energy experience** and expertise in Scotland, from concept to reality.

# REIF

## Approach

- The REIF team is keen to speak to all those developing and considering developing projects as early on as possible so that we can lay out the possible REIF funding contribution and see if it makes commercial sense for project developers to shape their projects in such a way as enables REIF to assist with funding.
- We also need to **understand the pinch points** around projects to see if we can help with them and to be one of a range of parties that reports back to Scottish Government .

# Case study

## MeyGen

- REIF £17.2m debt equity mix – all commercial terms
- Crown Estate - £10m enhanced rent product
- DECC - £10m grant
- HIE £3m Grant
- Private equity
- This is a project finance deal; fully (very) diligenced
- It was very hard to do
- It is a pathfinder project for the world



# .....But How?

## For Tidal PROJECTS

- IF you want **increasing** amounts of private funding to flow into the sector you need to make your deal as close to a commercial project finance deal as you can
- Combine commercial private equity and commercial private debt with public funding available on commercial terms
- Give those charged with delivering the public funding as wide a degree of flexibility as is possible - they need to be able to be **deal makers** NOT process driven
- That flexibility should be around amount as well as mix of debt/equity, timing of tranches, milestones and
- Retain the **ambition** to deliver the project for its strategic as well as its commercial outcomes

# .....But How? for Marine DEVICES

- Gated process permitting of new entrants that add value
- Encouraging collaboration
- **Protecting IP**
- Involve private sector with in kind help, with the gate reviews
- Future funding **dependent** on technology route map

## Lessons Learned?

£5m to £18.5m via “No”, “Well...” , “Are you serious?” and “Yes”

- The importance of **Narrative**
- Flexibility
- Influencing
- A perfect storm of skill sets
- A common aim emerging
- **Understanding** ... REALLY ..... what it is that each stakeholder needs to be able to play

# The Aftermath

## What Next?

- Leveraging the most out of the deal
- For **Scotland**, UK and the industry
- Let's share diligence – across the industry
- Let's pool **knowledge** – across the industry

# REIF Team

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