



LOW CARBON HYDROGEN

BUSINESS MODEL & BANKABILITY FACTORS

JUNE 2021

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HYDROGEN – BUSINESS MODEL

Low Carbon Hydrogen has the potential to become one of the prime energy sources for the future. As most new markets with need for development, some key challenges will need to be addressed:

MARKET

- Circularity of supply and demand – how do you build the first plants if there is not yet a market and how does the market develop if there is no production
 - Existing “grey” H2 replacement is the first natural step
 - Support from regulators and governments through policies and goals

COST

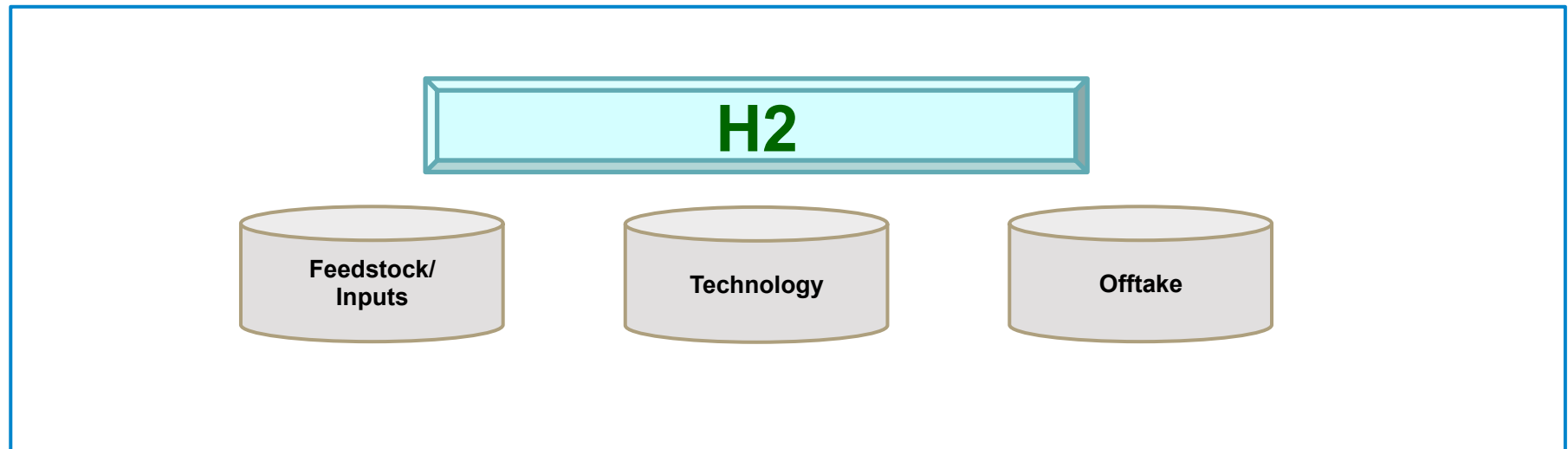
- Green and Blue Hydrogen are currently up to 4x more expensive than gray hydrogen, a mechanism will have to be implemented to fill the cost gap
 - Support similar to the feed-in tariffs and tax equity that benefited renewable electric generation
 - Consumer subsidy (Asian markets) to cover the difference between delivered H2 price and the fossil fuel product it is replacing
 - Other markets are also looking at an end use subsidy, hydrogen obligation, certificate or other means to subsidise the industry

CAPITAL

- Private sector financing will be needed for the development of the hydrogen market. The financing will most likely be in the form of Project Financing, which will benefit from a structure, or appropriate credit enhancement in order to raise the required capital

BANKABILITY FACTORS

There are three pillars that will anchor the bankability of Low Carbon Hydrogen



FEEDSTOCK AND INPUT

- Availability of water
- Access to renewable energy - significant expansion of the renewable energy generation will be required for the development of H2 Projects
 - The intermittent nature of the electric renewable generation also has an effect on production and costs. Additional factors such as storage may increase the efficiency of the production and enhance its pricing competitiveness

BANKABILITY FACTORS

TECHNOLOGY

- Despite the technology (electrolyzers) has existed for some time, as projects scale up there will be added scrutiny into:
 - Credit quality of the technology suppliers – supports on warranties and O&M
 - EPC arrangements and performance support
 - Track record of operations and maintenance reserve requirements

OFFTAKE

- Capital raised for the Projects will determined by the terms of the offtake agreements
 - Price - Initial projects will likely require capacity payments that will provide cash flow regardless of production or sales, in order to raise capital for the project
 - Tenors – shorter tenors will limit the debt capacity of the Projects
- Offtakers are likely to be corporate entities (as opposed to utilities) bringing different challenges to the debt providers in terms of credit quality
- Location – contracts to provide product FOB as the best (cheapest) areas to produce hydrogen are not always aligned with the largest potential markets. Shipping hydrogen is technically more difficult than LNG and expensive.
















HYDROGEN – BANKABILITY FACTORS

GOVERNMENT'S INVOLVEMENT

- Governments will play a key role in the development of the Low Carbon Hydrogen market:
 - Provision of economic incentives to enhance the economic competitiveness of the Projects - CO2 incentives, government directives, etc
 - Clear and appropriate standards and regulations for transportation and markets
 - Provisions of grants, guarantees and/or multilateral funding to support the initial projects

Past experience has taught us that appropriate government policies, incentives and support have driven new technologies (as renewable generation) to significant growth resulting in lower costs and significant expansion

MULTI SECTORAL PRESENCE IN CHILE

 <p>Mantoverde Project Finance</p> <p>USD 571,600,000</p> <p>Financial Advisor</p> <p>2021</p> <p>CHILE</p>	 <p>Power Portfolio</p> <p>USD 1,760,000,000</p> <p>Structuring Bank, Joint Lead Arranger (JLA), Joint Bookrunner and Hedge Provider</p> <p>2020 CHILE, COL., PAN</p>	 <p>Arrayan 115 MW wind Conejo 122 MW solar</p> <p>USD 429,000,000</p> <p>Mandated Lead Arranger LC provider and Hedge Provider</p> <p>2020 CHILE</p>	 <p>Condor Energia Portfolio</p> <p>USD 552,100,000</p> <p>Mandated Lead Arranger, Letter of Credit Provider, Hedge Provider</p> <p>2019 CHILE</p>	 <p>Cerro Dominador, 210 MW CSP and PV Facility</p> <p>USD 758,000,000</p> <p>Mandated Lead Arranger (MLA), Hedge Provider</p> <p>2018 CHILE</p>
 <p>Prime Energia</p> <p>698 MW Power and Solar Portfolio</p> <p>USD 400,000,000</p> <p>Joint Mandated Lead Arranger</p> <p>2018 CHILE</p>	 <p>Santiago International Airport</p> <p>Infrastructure and Asset Based Finance</p> <p>USD 497,860,000</p> <p>Mandated Lead Arranger, Hedge Provider</p> <p>2016 CHILE</p>	 <p>Conejo Solar, 104 Mwac PV Generating Facility</p> <p>USD 206,700,000</p> <p>Mandated Lead Arranger, Letters of Credit Issuing Bank, and Hedge Provider</p> <p>2015 CHILE</p>	 <p>Hospitals El Salvador y Geriátrico Santiago Oriente Sotero del Río</p> <p>UF 6.714.000 UF 5.300.000 UF 8.800.000</p> <p>Tender price Financial Advisor</p> <p>2014 CHILE</p>	 <p>Aeropuerto Arturo Merino Benitez</p> <p>Santiago De Chile Airport Concession</p> <p>2014 CHILE</p>
 <p>Revolving Credit Facility</p> <p>USD 350,000,000</p> <p>Joint Lead Arranger Joint Bookrunner</p> <p>2014 CHILE</p>	 <p>Molibdenos y Metales SA</p> <p>Commercial Loan</p> <p>\$200,000,000</p> <p>Manager & Lender</p> <p>December 2014 Chile</p>	 <p>Abengoa Chile CDEC Transmission Project</p> <p>USD 12,240,000</p> <p>Financial Advisor, Bid LC Provider</p> <p>2012 CHILE</p>	 <p>Empresa de Transporte de Pasajeros Metro</p> <p>Global Line for WK</p> <p>USD 30,000,000</p> <p>Sole Mandated Lead Arranger</p> <p>2011 CHILE</p>	 <p>ENAP Técnicas Reunidas CESCE Buyer Credit & TCL</p> <p>USD 200,000,000</p> <p>Mandated Lead Arranger</p> <p>2010 CHILE</p>

