



LOW CARBON
CONTRACTS COMPANY

LCCC CFD Investor Profile Report 2023

13th June 2023

[lowcarboncontracts.uk](https://www.lowcarboncontracts.uk)



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Agenda

Background

Key Findings

Summary

LCCC CfD Investor Profile Report 2023

1. Background



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Drivers for the Report

Allocation
Round 4

Maturation of
the CfD
Scheme

Understanding
the Wider CfD
Environment

Non-Price
Factors

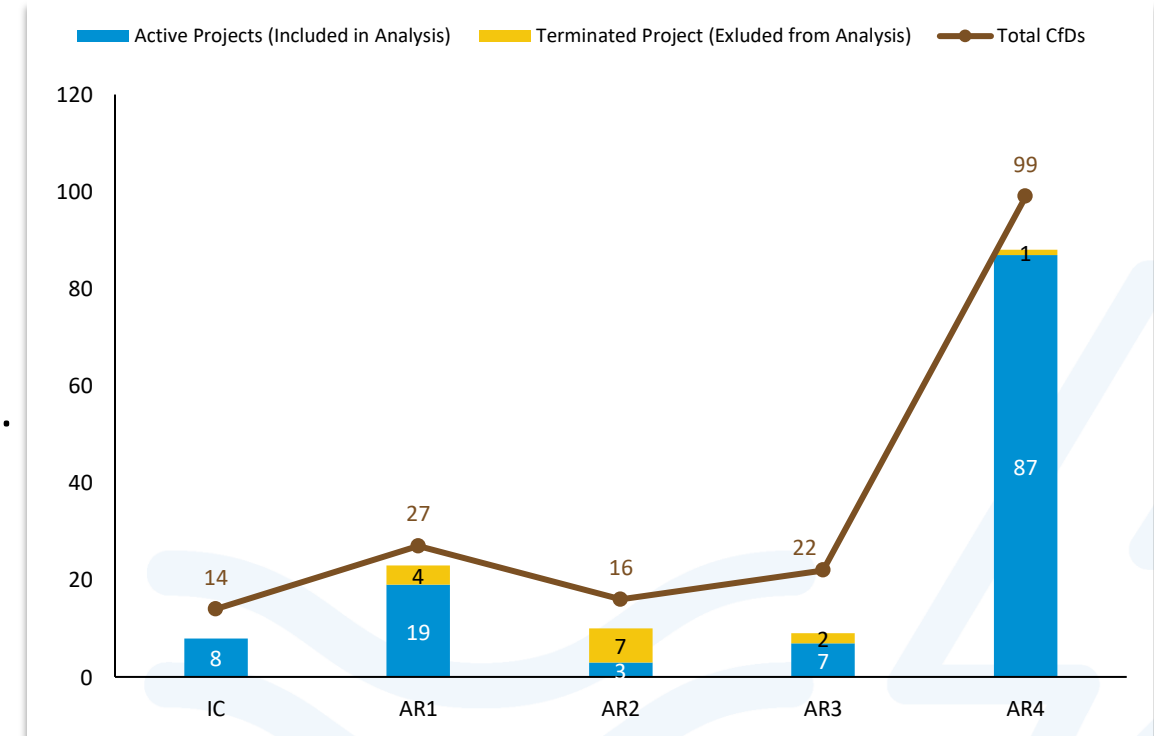
- A new Allocation Round gives a logical period to review the investor profile of the CfD scheme
- As the scheme matures there is more data to analyse and spot trends
- LCCC engages directly with the CfD generators and the Government but we are keen to see who also contributes to the scheme
- We are keen to understand what other benefits the scheme brings

Methodology

- A desktop analysis of investor type was performed for each identified CfD project to understand the initial ownership, any investment provided by those entities or any additional external investment being raised in the form of debt.
- Data sourced from:
 - Licensed platforms providing insight into financing and investment of infrastructure projects.
 - News sites.
 - Company websites etc.
- Data is accurate in the report up to March 2023

Approach to phased and terminated projects

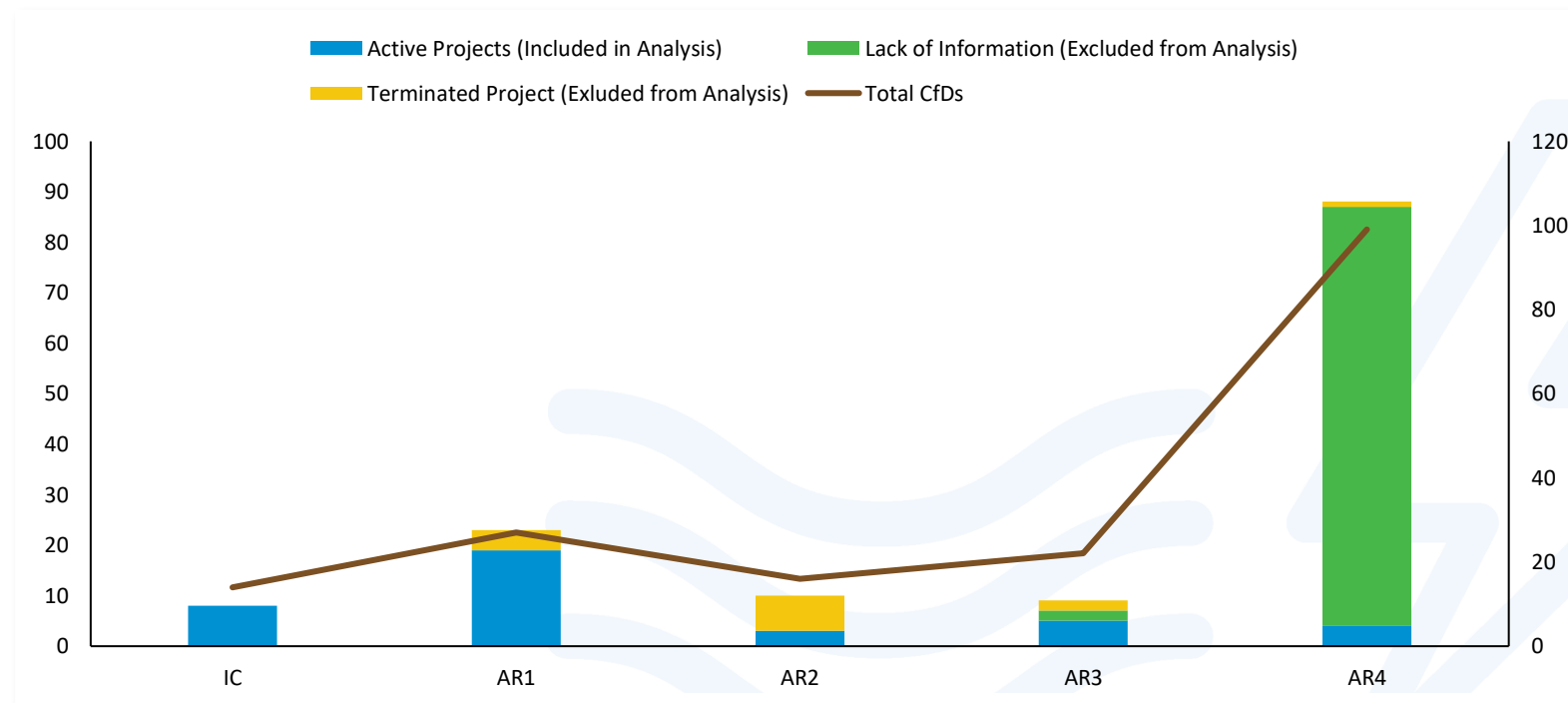
- 138 projects from 178 CfDs have been assessed.
- Projects developed in multiple phased CfDs have been considered as one project.
- 12 (now 14) CfDs out of 178 have been terminated.
- 9 out of 12 terminated CfDs were ACT projects.



Availability of information

Overall 1.5% of capacity from IC to AR3 projects were not analysed and it was not possible to quantify the capacity in AR4 as it was only completed in July 2022.

| | No. of Projects Analysed | Projects where investment information is available | Capacity of Allocation Round not analysed |
|--------------|--------------------------|--|---|
| IC | 8 | 8 | 0% |
| AR 1 | 19 | 19 | 0% |
| AR 2 | 3 | 3 | 0% |
| AR 3 | 7 | 5 | 4.2% |
| AR 4 | 87 | 4 | Unable to quantify |
| Total | 124 | 39 | 1.5% (excl. AR 4) |



Investor Categories

| Investor Type | Definition | Example(s) |
|------------------------|---|--|
| Bank | A bank with the primary purpose of providing financial products and services to corporations, institutions and governments e.g. through commercial loans. This also includes state-owned banks. | Lloyds Banking Group, Santander |
| Institutional Investor | An entity which pools money to invest in investment assets (not specifically infrastructure assets) such as a pension fund or insurance company. | Aviva, Foresight |
| Infrastructure Fund | A fund managed by specialist fund managers to invest pools of money in infrastructure assets and projects. | Green Investment Group |
| Utilities | A company that supplies basic amenities (electricity, gas or water) to the end user/public. The utility may also have generation or network assets. | Ørsted |
| Developer | A company responsible for the design, project development or construction of a CfD project. | Banks Renewables, Lightsource |
| Other | Relates to entities, organisations, governments which do not fit under the categories above. | European Regional Development Funds, Scottish government |

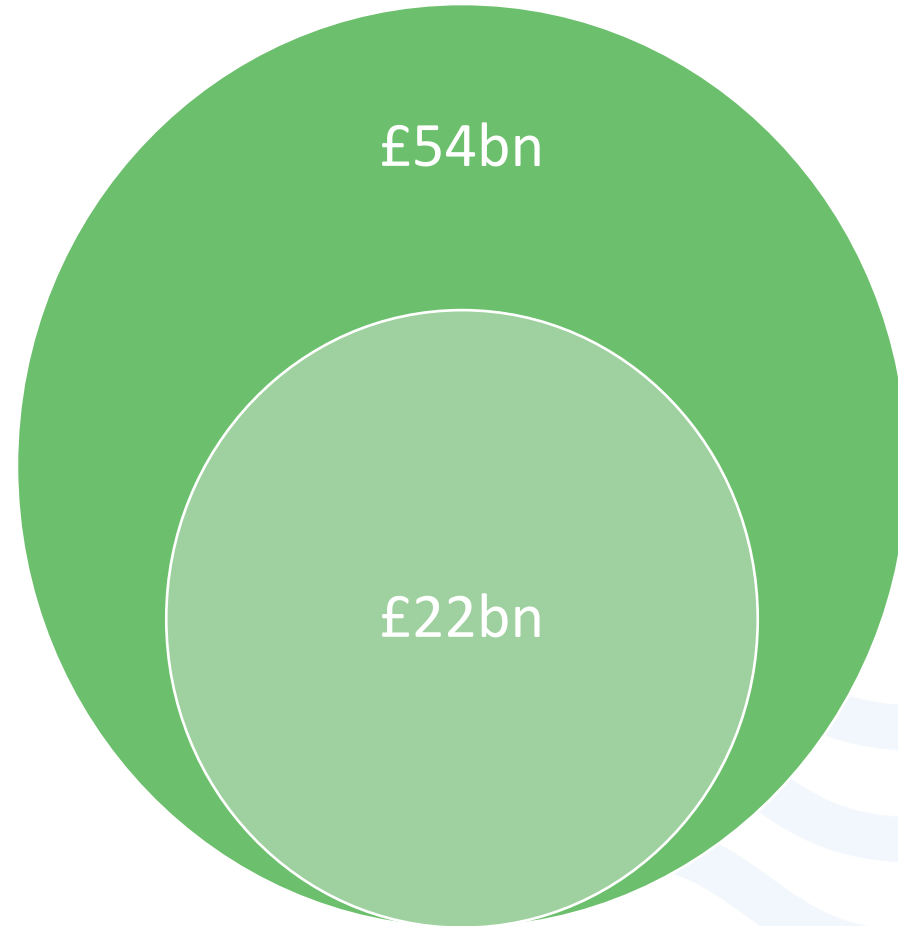
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2. Key Findings



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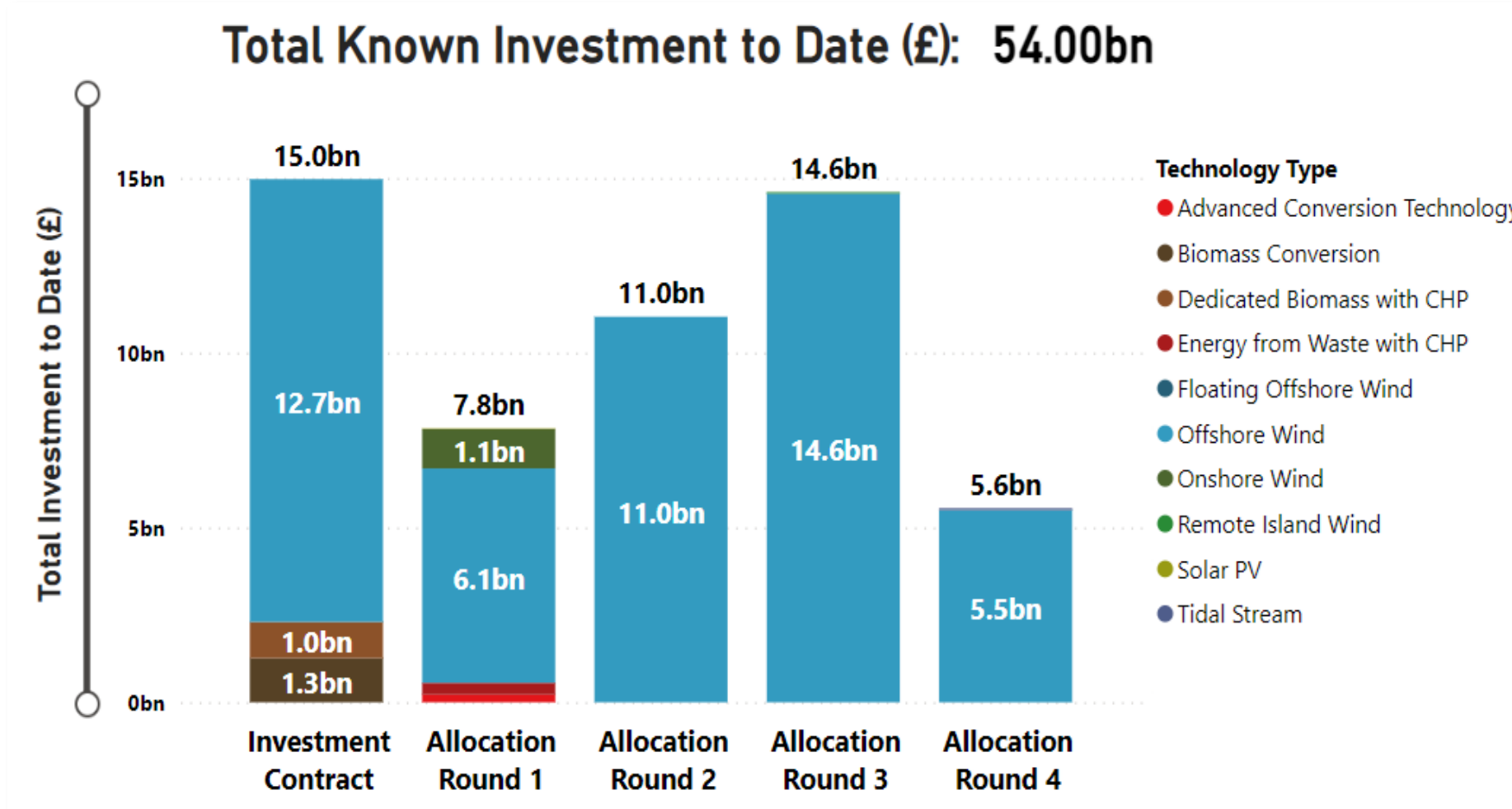
Total Investment



2023 Report including known spend

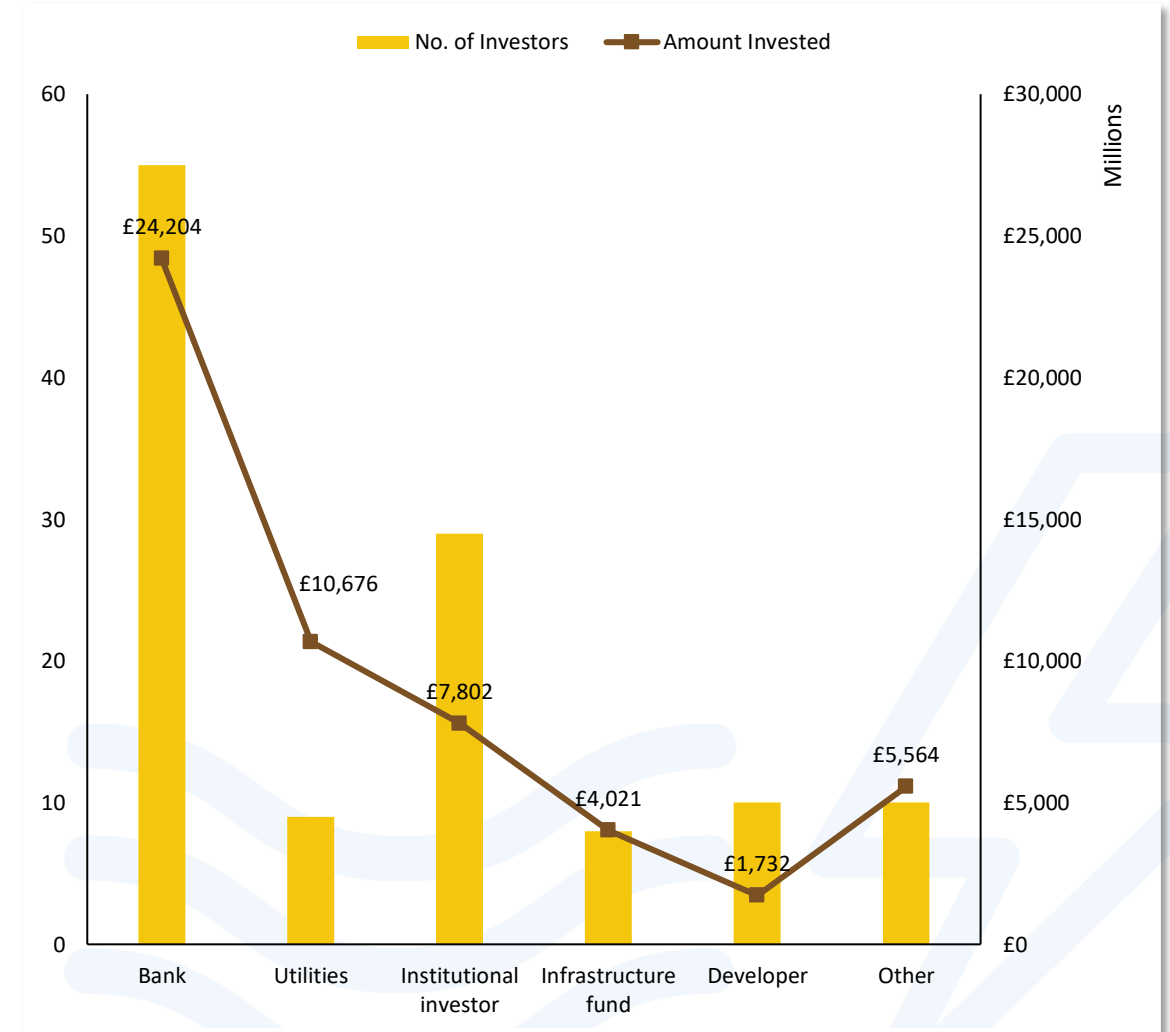
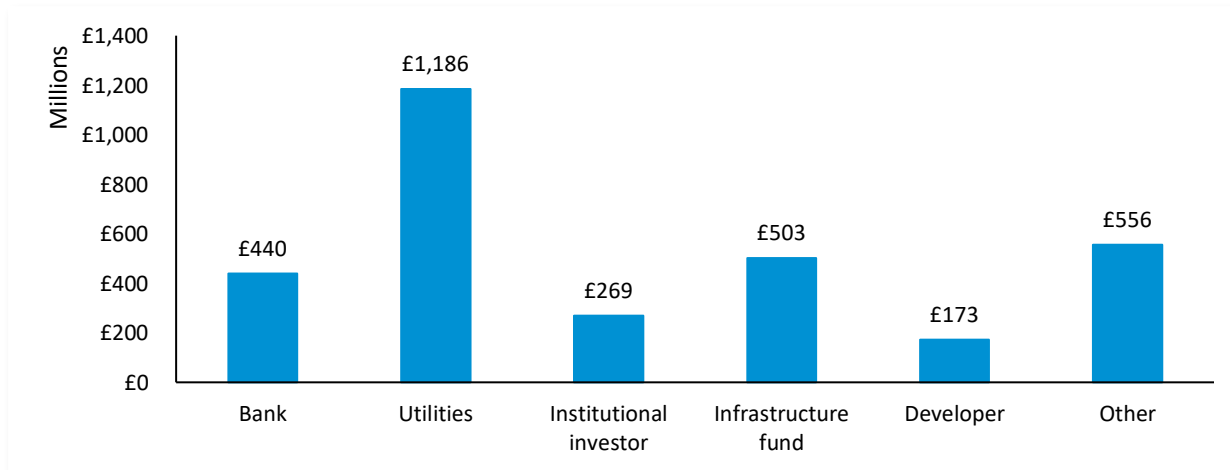
2020 Report including known spend for AR2

Investment by Allocation Round

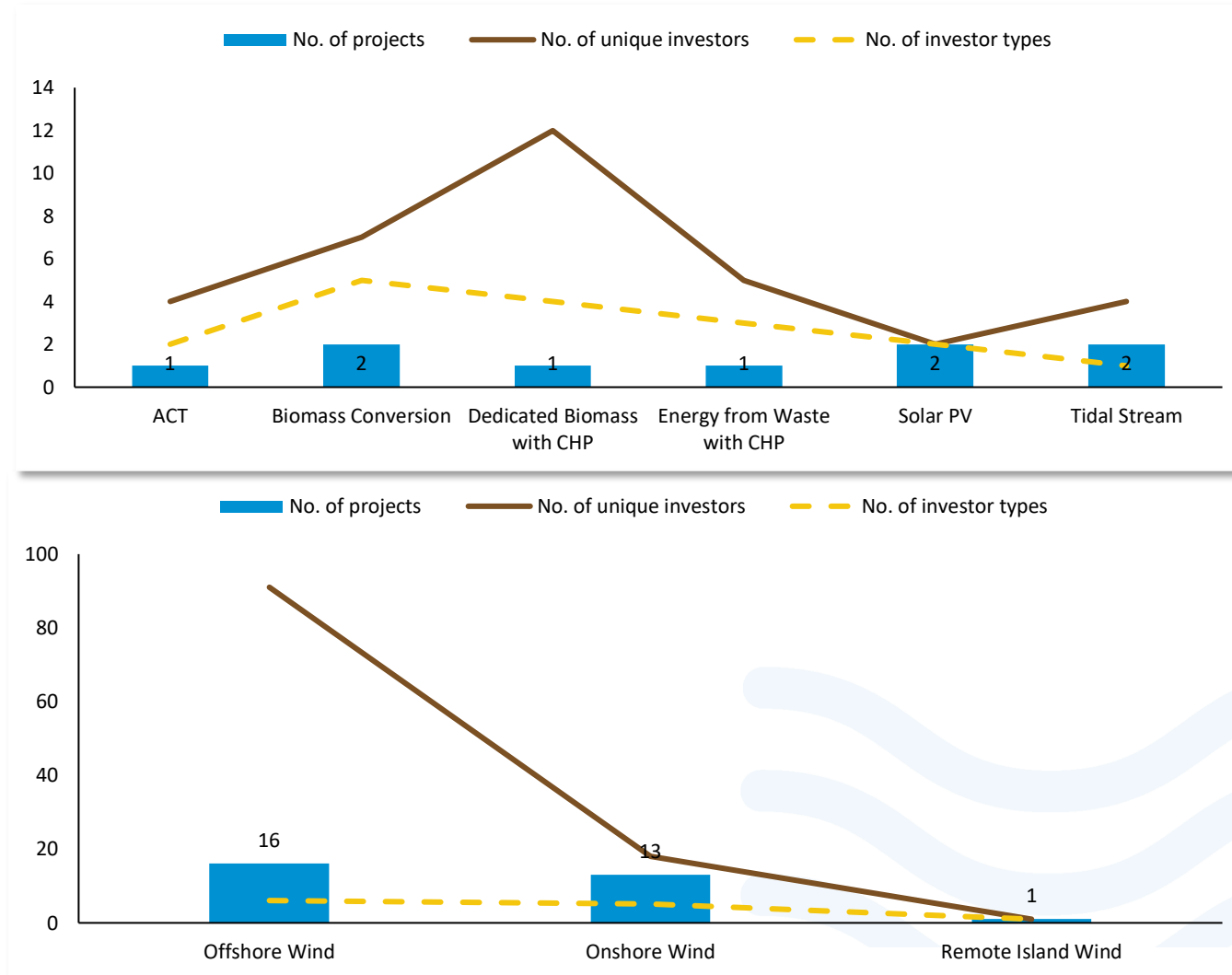


Investor Mix

- Banks are by far the most common type of investor - **55** different banks have invested into a project with the total known amount invested to date over **£24.2bn**.
- Utility companies are investing the most on a per investor basis (driven by a high level of investment from two investors) at **£1,186m** per investor.

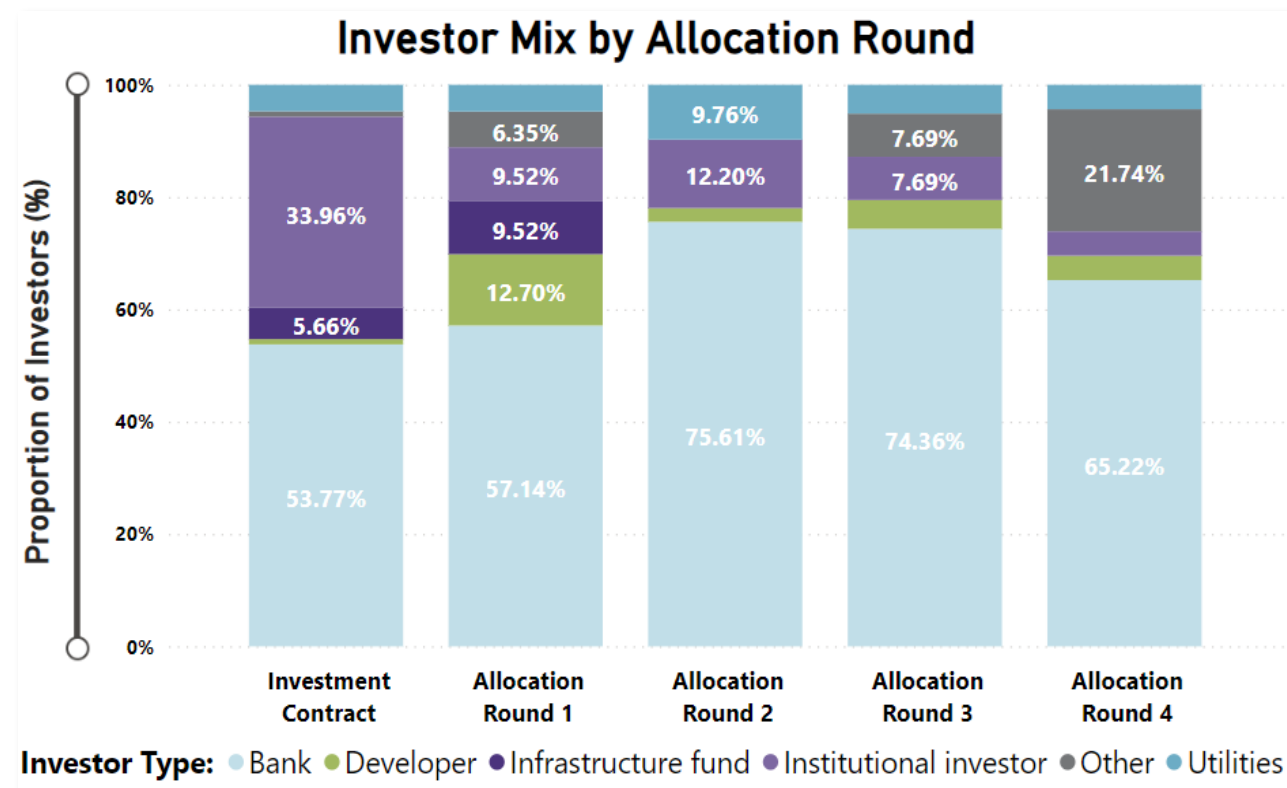


Investor Mix by Technology



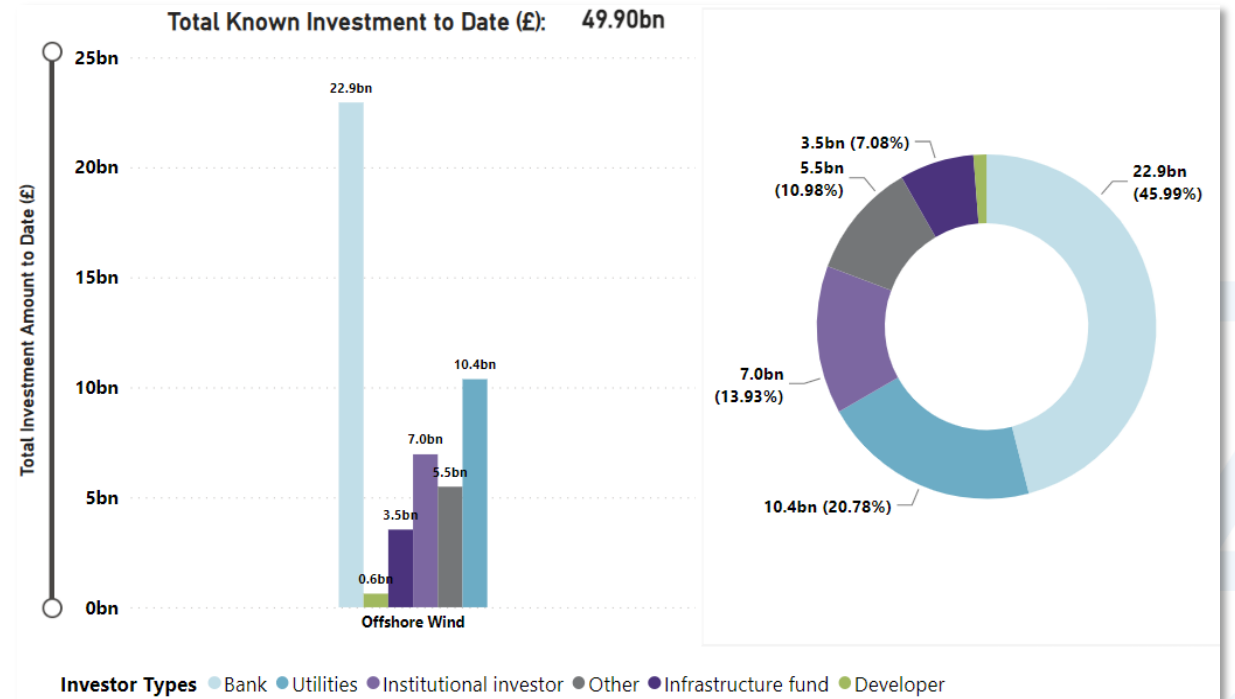
Investor Mix by Allocation Round

- The ICs as well as AR 3 projects have seen the highest volume of known investment reaching close to £15bn of investment each.
- AR 1 has been the smallest in terms of absolute volume of investments, whereas AR 2 is the smallest in terms of active projects.
- Banks are the most common investor type. They have increased their involvement with each allocation round, whereas there is a negative trend observed with the institutional investors and infrastructure funds.



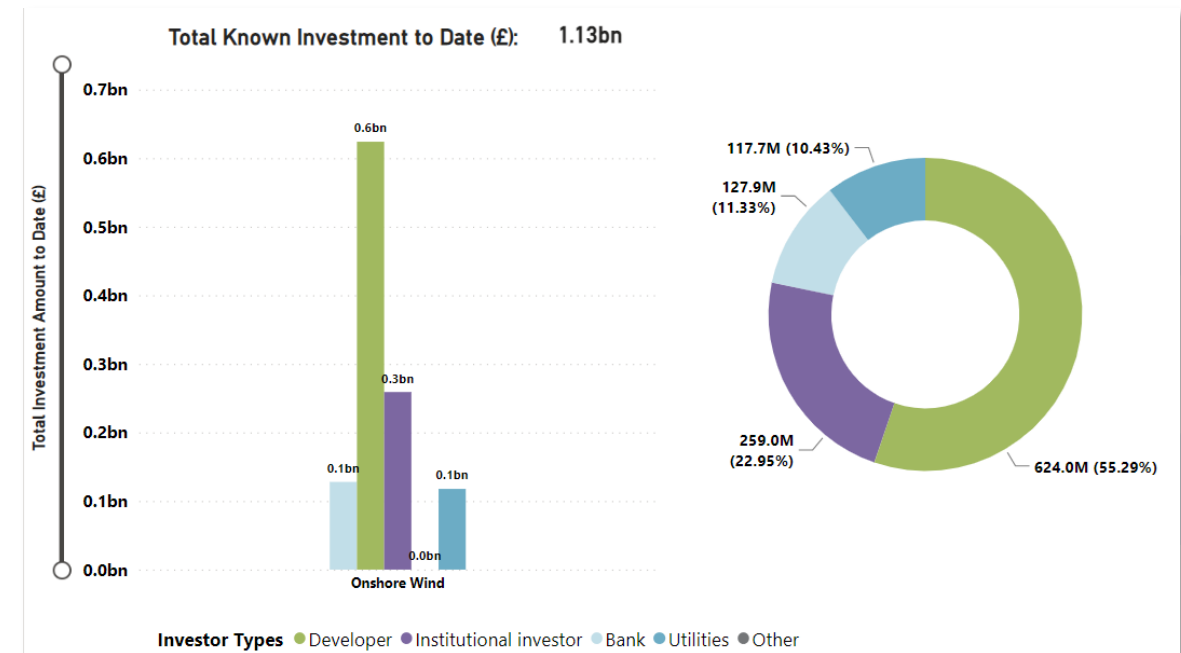
Investment – Offshore Wind

- Total investment in Offshore Wind amounts to **£49.9bn**, which is over **90%** of the overall known investment into all projects.
- There are a total of **15** projects with an average investment per project of **~£3.3bn**. Overall Offshore Wind is predominantly funded by raising **debt** from a variety of investor types.
- Approximately 46% of the investment (~£23bn) is supplied by banks - there are 51 individual banks contributing towards these volumes, with an average investment per bank of ~£450m.
- There was a debt:equity ratio of 70:30 emphasising bank borrowing.



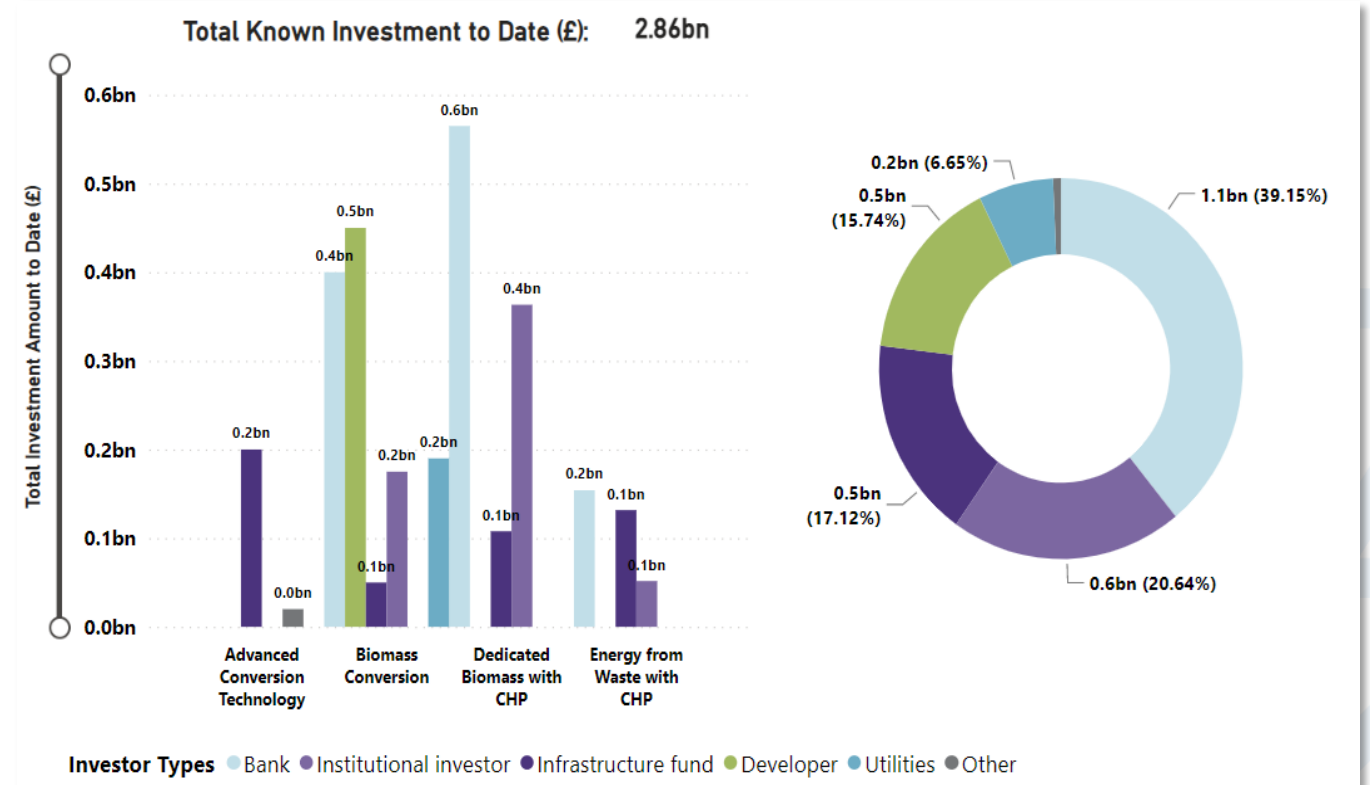
Investment – Onshore Wind

- Onshore Wind is the next most represented technology type (after Offshore Wind) with **12 projects** although at **£1.13bn** of total investment.
- Close to **60%** of investments come from **six individual developers** with an average investment of **£104m**. Institutional investors also play a larger role and contribute towards **£260m** (~23%).
- Banks have contributed **£128m** towards Onshore Wind projects with a lower average investment of **£21m**.
- There was a debt:equity ratio of 22:78 emphasising developer led on balancesheet projects.



Investment – Fuelled Technologies

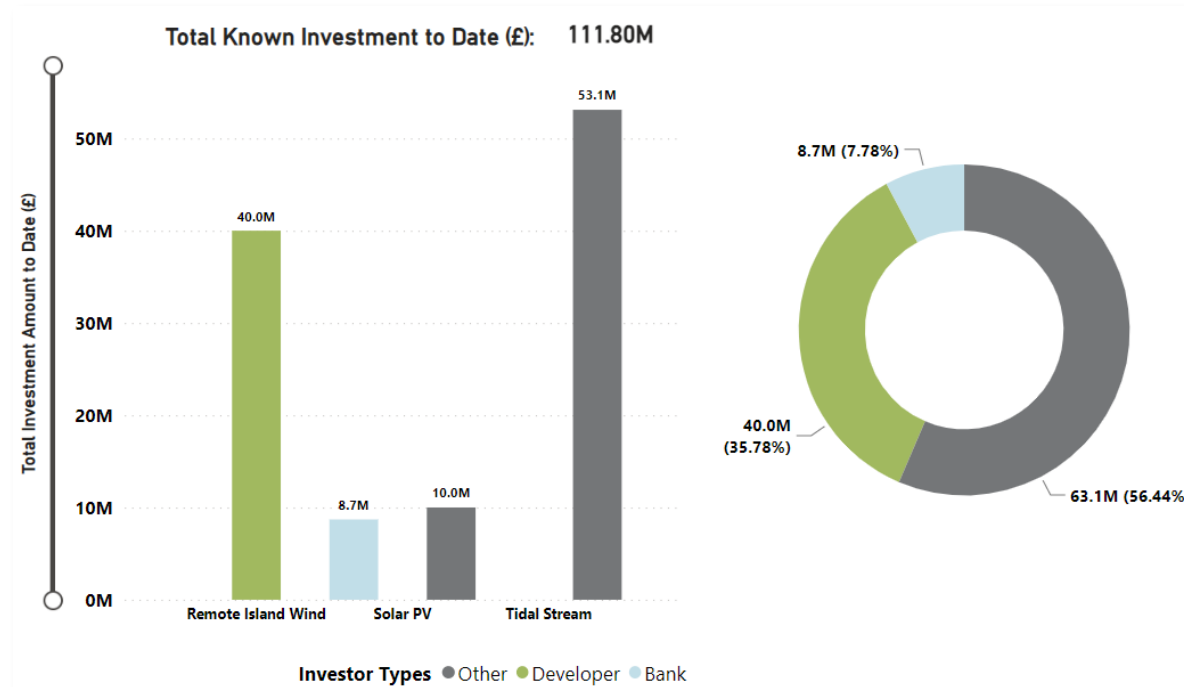
- The fuelled technologies are more commonly featured in the earlier allocation rounds.
- They have driven a known investment of **£2.86bn**.
- A high proportion of the investment comes from banks at **£1.1bn (~40%)**, with further investment of **£0.5bn** sourced from institutional investors, infrastructure funds and developers.
- Collectively these technologies see a wide range of investor types.



Investment – Other

There are limited trends that can be drawn for the Solar, Remote Island Wind and Tidal Stream (“Other”) technologies both in terms of the investor mix and the gearing ratios because:

- Solar features more heavily in AR 4 with only 2 projects from AR 1 - one of these is funded by debt and the other one is funded by a council. These may be unique scenarios so it is not possible to establish any trends.
- Remote Island Wind has not seen any significant spend to date as the projects are awaiting transmission connections.
- Tidal Stream is only featured in AR 4 where there is limited available information around investment.



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3. Summary



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Summary

Total investment increased from £22bn in 2020 to £54bn in 2023

Banks increasing in number, infrastructure funds decreasing

Offshore Wind debt:equity ratio is 70:30, whereas Onshore Wind is 28:72