

The Financing Challenge For Offshore Wind

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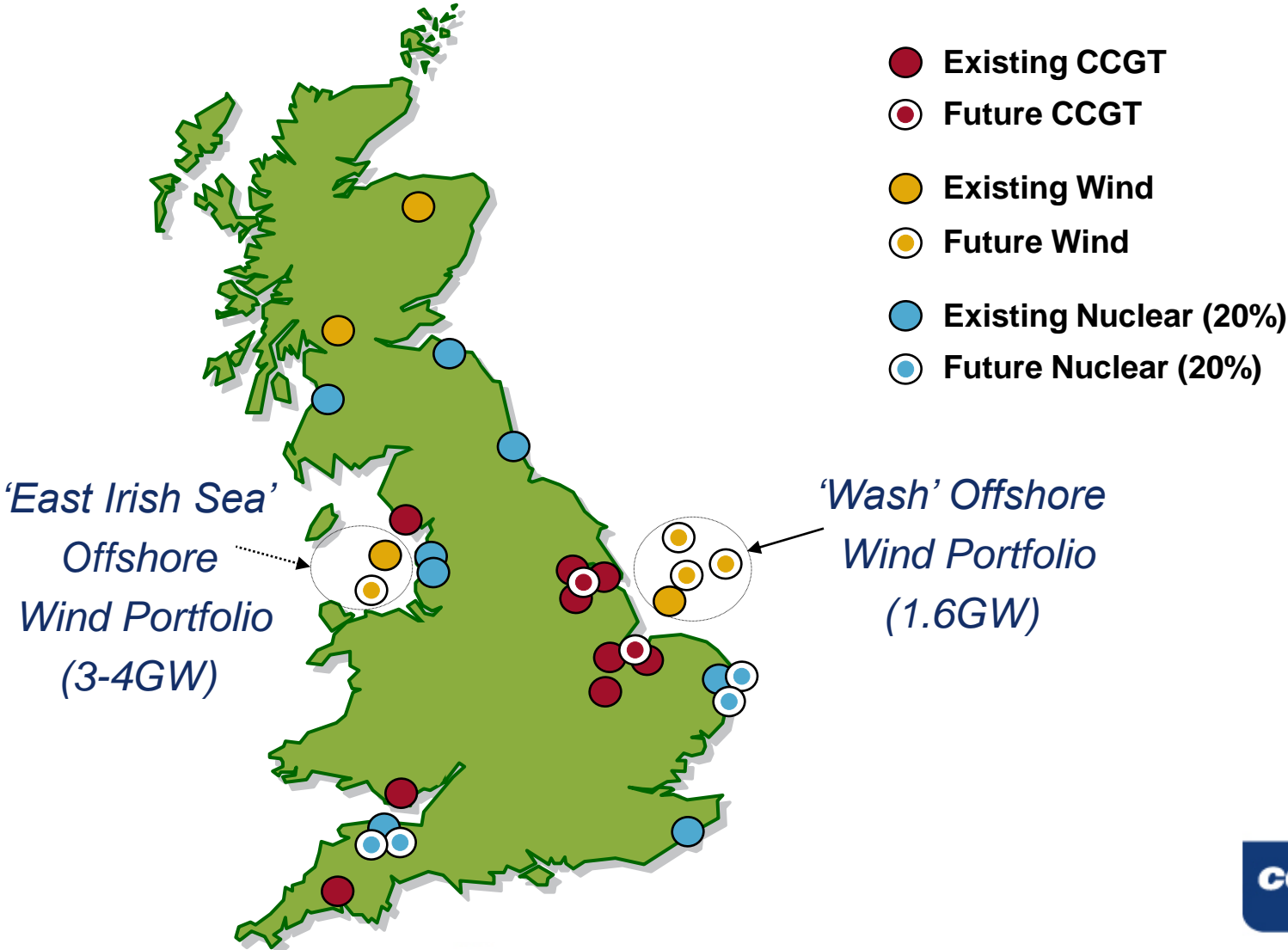
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22 January 2010



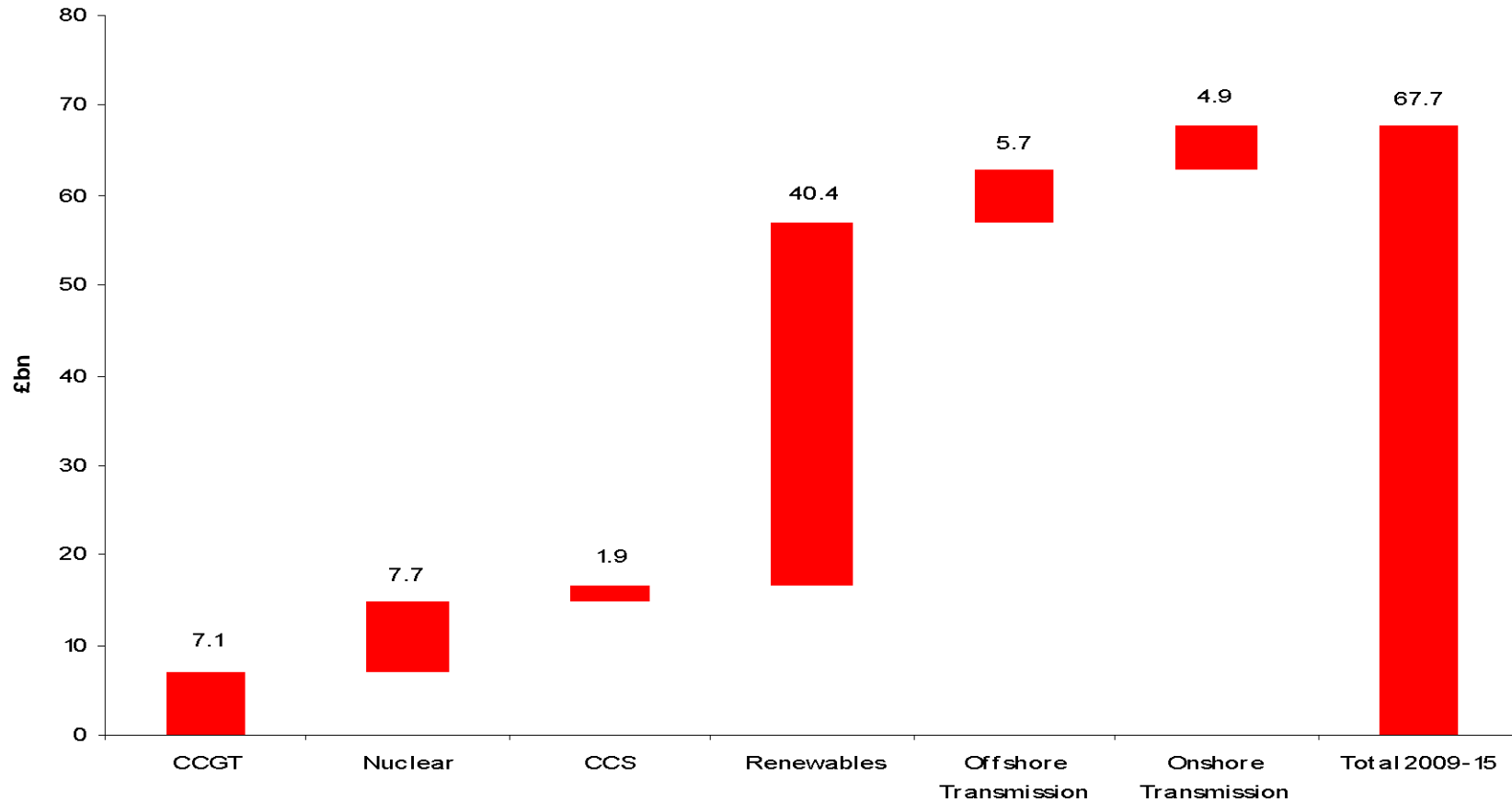
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Centrica's Power Generation Portfolio



Significant investment in UK Energy infrastructure in next five years

Cumulative CAPEX 2009 to 2015

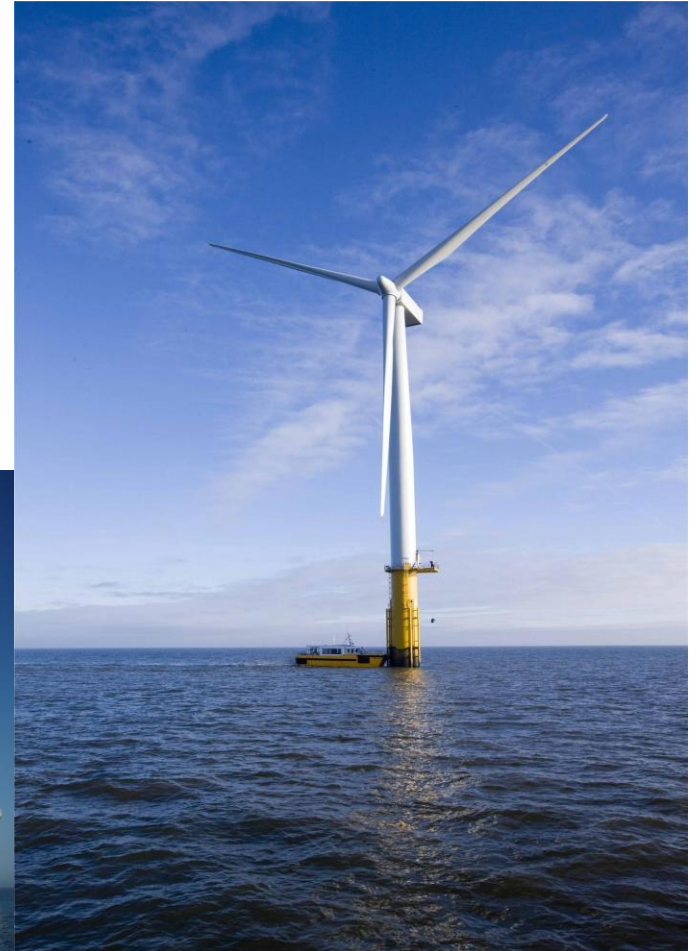


Source: Ernst & Young

Giant Centrica deal gives hope to future funding of green energy

CENTRICA today pulled off the world's biggest wind-power refinancing deal in a joint venture between private equity and banks that is set to become a model for the industry.

The £460-million package enabled the owner of British Gas to announce a £725-million investment in an offshore wind farm at Lincs, off the coast of Skegness and next to its existing wind plants, that it will start building next year.

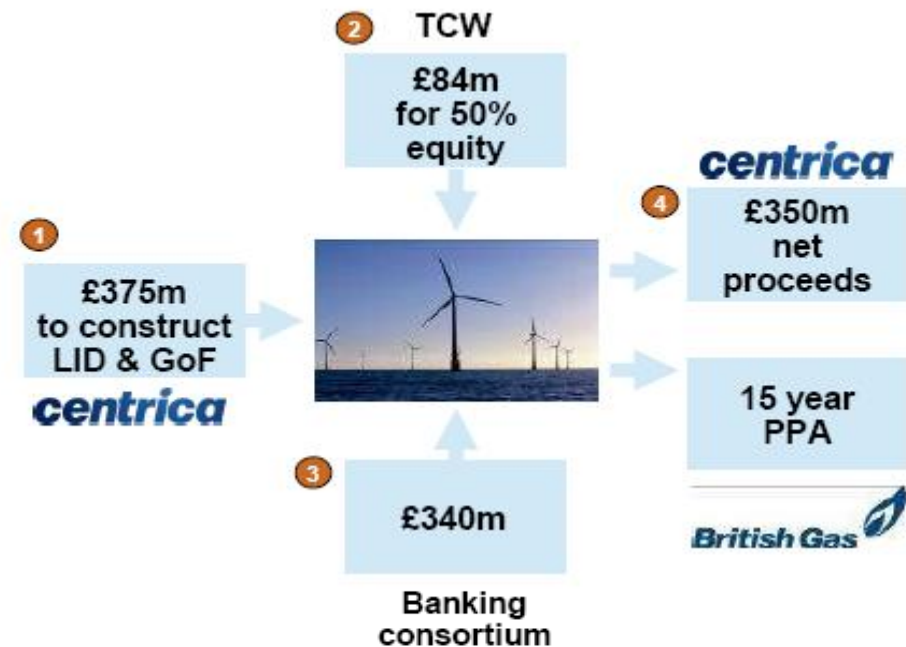


Evening Standard, 28 October 2009

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Project Boreas: Offshore Wind Refinancing

- New sources of funding to UK Offshore market
 - Club of 14 project finance banks
 - Infrastructure funds as source of equity
- Release cash from operational assets to finance construction pipeline
- Model to extend to include construction assets



Key Considerations for Investors

Equity

- PPA and commodity exposure
- Stability of Renewable Obligation Certificate (ROC) regime
- Availability guarantee
- Wind yield
- Technology
- Cost / schedule overruns (non constructed assets)
- Opportunities for out performance

Debt

- Credibility of sponsor group
- PPA
- Stability of ROC regime
- Wind yield
- Proven technical performance
- Long term O&M arrangements

Summary

- Offshore wind could represent the most significant part of future UK energy investment (over the next 5 years)
- Investment requires wider investor community
- Key to attracting investors:
 - **Credible project sponsors**
 - **Stability of RO**
 - **Confidence in technology**
 - **Long term offtake**