

ENERGY PROJECT FINANCING
GTM B - G2B

MOVING LARGER-SCALE VIABLE ENERGY PROJECTS INTO
THE “IN BUSINESS” STAGE ON A MORE-TIMELY BASIS



Biofuels Opportunities for Producer Initiatives (BOPI)

Moving Forward Towards an Energy Strategy for Agriculture: Investment and Commercialization

This project is funded in part by Agriculture and Agri-Food Canada through the Biofuels Opportunities for Producers Initiative (BOPI).

BOPI is administered in Ontario by the Agricultural Adaptation Council.

Funding has been provided in part by:



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada



ENERGY STRATEGIES ... ENERGY SOLUTIONS

AG – GENDA

- VISION FOR AGRICULTURE
- BENEFITS - WHY?
- ISSUES / PROBLEM STATEMENT
- SOLUTION – MODEL
- BOPI LINK
- WHAT WORKS
- SOLUTION
- CHALLENGES – THE PATH AHEAD
- NEXT STEPS
- QUESTIONS

ENERGY WITHIN AGRICULTURE – THE VISION:

“... agriculture should commit to being a net producer of energy within a fixed number of years without adversely affecting its role as a producer of food.”

PURPOSE:

“To get agricultural based energy projects up and going on a more timely and cost effective basis.”

Energy ...

- From agriculture
- by agriculture
- to the benefit of agriculture
- for the greater good of all!

- Attract investment – individual, corporate, public, private to raise equity capital,
- Provide a vehicle for individual or group business plans for current or emerging energy opportunities to bring them forward,
- Structures to assess studies or business plans with a view to commercialization for the benefit of stakeholders
- Develop partnerships with private/public players with expertise in their areas of business – convergence,
- More timely progress for the development of sustainable energy projects

Energy ...

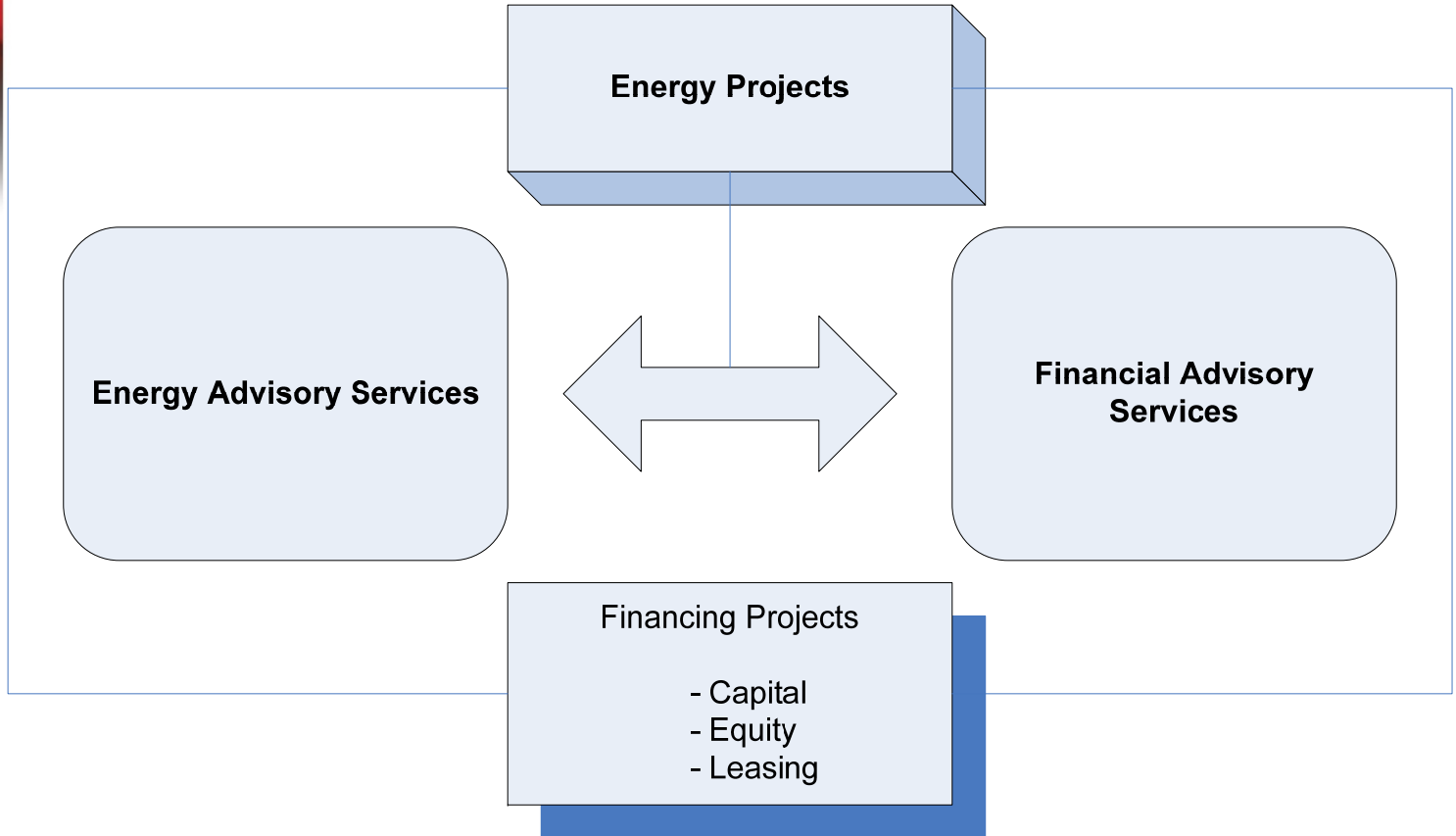
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A large gap exists in commercializing energy policy and to encourage investment to achieve energy conservation, energy management and renewable energy goals.

- Canadian banks have < 3% of their capital in agriculture.
- Ag is not a career choice!
- The desire exists but
- When money is tight it is one of the first things to drop

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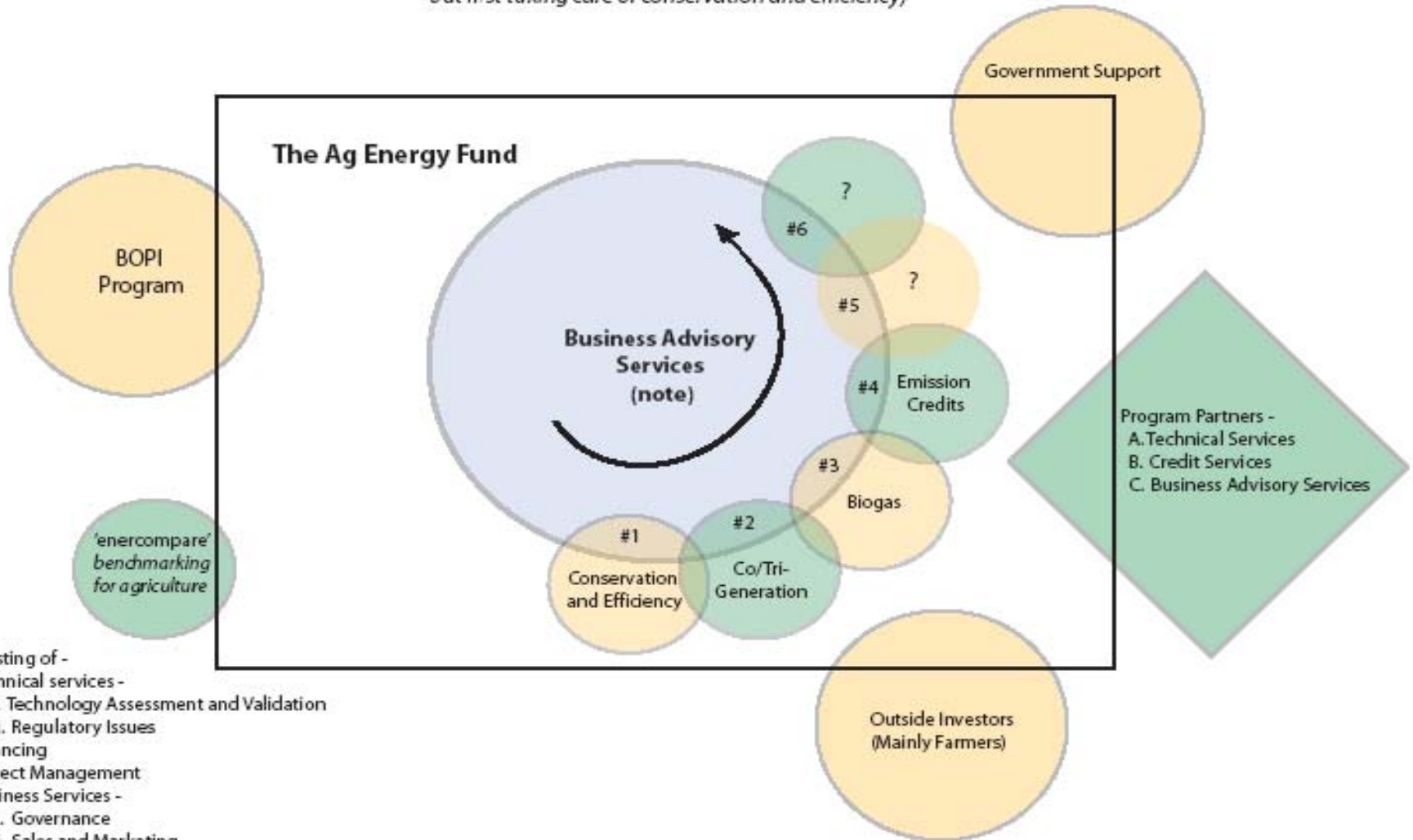


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Farmers Helping Farmers

(focusing on clean and renewable energy generation and related infrastructure but first taking care of conservation and efficiency)



Note

Consisting of -

A. Technical services -

- i. Technology Assessment and Validation
- ii. Regulatory Issues

B. Financing

C. Project Management

D. Business Services -

- i. Governance
- ii. Sales and Marketing
- iii. Operations
- iv. Finance
- v. Human Resources
- vi. Financing

Biofuels Opportunities for Producers Initiative (BOPI)

- The largest BOPI project funded in Ontario
- Create a farmer owned investment fund to enhance the availability of financing for renewable energy projects
- Study US & Canadian experience – what works?
- Identify financing models to attract diversified investment sources
- Develop a complete Energy Investment Business Plan
- Provide short-term, start-up assistance to support initial investment establishment

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WHAT WORKS – CO-BANK

- US – Depression started – Farmer Owned
- Co-op structure
- > Average return to farmer owners last year
- Low cost of capital – 1.5% margin
- 11% average return on capital for the past five years
- > \$7B invested in renewable or agri-business projects
- BAS – conducted over 160 feasibility studies – lead to project financing
 - Strategic Business Modeling Workshops
 - Market Assessments
 - Feasibility Studies
 - M&A Facilitation
 - Operational Assessments
 - Process Improvement Initiatives

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Key Needs / Considerations:

- A co-op structure is preferred
- Designed by farmers for farmers
- Control of credit and financing in the hands of farmers
- Designed based on advisory capacity
- The fund is a catalyst to bring projects forward
- Requires a sustainable approach - allows reinvestment and growth - ROI
- Design a strong model, top management team, build confidence in the fund to attract investment

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Key Needs / Considerations:

- Must provide a reasonable return to investors - new sectors
- Provides a vehicle for government investment
- Various tax alternatives may be involved
 - Flow through shares,
 - RRSPs
- Use a portfolio approach for investors – no need to commit to a single project.
- Due diligence by BAS leads to easier access to debt capital
- Control project risk through the ability to do follow on debt investments.

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- + Create value in the agriculture sector
- + A well-run farmer owned bank can provide the owners with above market returns
- + Canada - invest farm based retirement capital that provides an 11 % return
- + Farm sector has the ability to fund sustainable projects / businesses
 - An allowance for credit losses - 1.66% rate of loan loss means very up to date portfolio
 - Establish start up capital – Federal/Provincial Gov't.
 - Develop management structure & resource pool

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- Complete feasibility assessment and alternatives - Completed.
- Develop best structuring strategies - under way.
- Communicate with potential capital collaborators - Commenced.
- Concept marketing - Underway.
- Marketing involves acquiring both capital and projects.

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- Develop a national fund - Part of the strategy.
- Gather feedback from a wide range of groups and individuals.
- Startup will be gradual with the potential for one or more pilot projects
- The greatest need for new sources of green energy!

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Ag Energy has committed \$250,000 to support fund development!!

QUESTIONS?