For the creation of a "regional operator" dedicated to the support of renewable energy projects emerging from local authorities:

The SEM « Nord énergies »

Managenergy meeting, October 13th 2015
1. Reasons of the creation of a RES operator
2. Governance and funding
3. Missions of the SEM « Nord Energies »
4. Business plan
5. Next steps
1. Reasons of the creation of a RES operator (1)

• Through the SRCAE (Energy, Air and Climate Regional Scheme) and the « Climate Strategy » of the SRADDT (Planning and Sustainable Development Regional Scheme) the region has defined ambitious objectives related to renewable energy, in order to reach the **3x20 in 2020** and to enter the **4th factor** by changing the energy mix:
  – Evolve from 3% RES in the regional final consumption in 2009 to 12% in 2020, multiplied by 4,
  – Approximately 1 billion € investments in RES are needed each year

• Implementation of the Third Industrial Revolution (TIR)
  → The energy transition is based on a decentralizing approach of the energy policy: thus, the local authorities and the inhabitants play a key role
  → A new type of funding is necessary in order to maximise the leverage effect of public intervention: from grants to an equity capital contribution, using an intermediary, the « RES operator »
    → in order to encourage the participation of other investors
    → in order to raise credit
1. Reasons of the creation of a RES operator (2)

- At the opposite of the existing devices, the operator, aiming at increasing the investments in RES, will not exclude the projects of moderate profitability
  - The idea is to share risk these investments by participating actively to the capital, in order to encourage private funding.
- The existing devices do not concern local authorities, or not enough
- In general, nor financial experts, nor investment funds, nor venture capital companies offer technical support to territorial projects
  - The operator, specialised in RES will be able to provide a specialised technical expertise to the territories and the project managers on their RES projects.
2. Governance and funding (1)

- The operator will be established as a **public limited company with a Board of Directors and a General Directorate**;

- The **Board of Directors** will be composed of members representing the different shareholders, with a majority of members from the local authorities, including the region;

- A commission will be created by the Board of Directors:
  - The Commitment Committee composed of experts of the financial and RES sector, that will assess the projects for the Board of Directors.
2. Governance and funding (2)

- Initial equity capital of the operator: **5,2 M€ over 5 years** of which:
  - 2 M€ from the region, including European funds mobilisation
  - 1,6 M€ from the other local authorities
  - 1,6 M€ from other public and private partners

- A significant public capital share and a controlled public governance;

- The **financial involvement of different territorial levels**, in order to ensure that local projects will be submitted;

- Expected return on investment over 15 years: 6 to 8%
3. Missions of the SEM « Nord Energies » (1)

→ 2 types of actions:

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<th>Investment in RES projects</th>
<th>Provide support and assistance to local authorities</th>
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<td>Acquisition of shares in RES companies</td>
<td>Animation and promotion missions</td>
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<td>Pre-feasibility studies and feasibility studies for the local authorities</td>
<td>Search for potential investors</td>
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<td>The counter-expertise of private developers studies</td>
<td>Following the counter-expertise, negotiation with companies</td>
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<td>Support the citizens for their integration in the projects</td>
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**Targeted projects typology:**

- Any RES. Priority targets to the following sectors, given their potential: wind projects, PV, hydro, methanization, geothermal, wood.
3. Missions of the SEM « Nord Energies » (2)

The leverage effect works on three levels between the regional funds and the final investment:

(A) A combination of fundings from the Region, other public and private investors, and from local authorities to constitute the equity capital of the operator.

(B) As a supporting tool to the projects, the operator will try to obtain minority shares in most of the projects (between 20% and 50%, that is to say a leverage effect between 2 and 5).

(C) The investment is made thanks to the equity capital of the company and to its ability to raise bank loan. For mature projects, it must be possible to raise around 75% loan, 50% for emerging projects (that is to say a leverage effect between 2 and 4).

According to the ability to attract investors, and to raise the debt, the operator’s funds (A) will benefit from a leverage effect from 4 to 20 thanks to the (B) and (C) effects.

A maximum global impact on RES local economy of 104 M€ during 5 years, for a regional contribution of 2 M€ and a contribution of 3,2 M€ from the local authorities and other public and private investors.
4. Business plan

<table>
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<th>Resources</th>
<th>Expenses</th>
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<tr>
<td>Consultancy activities’ revenues</td>
<td>Administrative expenses</td>
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<td>Project revenues</td>
<td>Staff expenses</td>
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5. Next steps

• By the end of this week (16th of October) : agreement of all the local authorities to be part of the SEM, with financial commitments

• General meeting at the end of November

• First Commitment Committee in 2016
Thank you for your attention!

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