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DEVELOPER Q&A:

ABO Wind's Alexander Koffka

ABO Wind is venturing further afield from its home market of Germany while bringing along its hybrid and hydrogen know-how and strong balance sheet, explains Public and Investor Relations General Manager Alexander Koffka.

The developer's portfolio spreads across Europe, Latin America and Africa. The company sold 19.8MW Donaboròw wind in Poland in November and 50MW Margariti solar farm in Greece in December, both to German IPP Encavis. Recently in Germany, ABO Wind sold three hybrid battery-solar projects to a European utility. Finance Quarterly interviewed Koffka in mid-January.



ABO Wind Public and Investor Relations
General Manager Alexander Koffka

FQ: What kinds of PPA deals has ABO Wind secured recently?

AK: We still don't have that many PPA deals. Most of our projects are realised under tariffs. We participate in auctions in most of our markets. In Germany and France, all our wind projects so far are realised with Feed-in Tariffs awarded in auctions.

But PPAs are quite common in Finland, where we are in the process of realizing our biggest wind project so far, 86.8 MW Pajuperänkangas. We have already secured a PPA for this project.

The current energy crisis has slightly changed PPA conditions. Formerly it was quite attractive to get a baseload PPA, so that you guarantee an amount of energy you deliver in a certain time period. But now, it's quite difficult and expensive to secure energy at times. In Finland, the wind is blowing constantly, but you still have times when wind turbines don't produce. With a PPA baseload tariff, the developer then has to secure the energy on the market, and that could be quite expensive. Nowadays it is more favourable to conclude pay-as-produced PPAs, so only you deliver what you produce with turbines and don't guarantee a certain amount of electricity in a period of time. This is true now at least in every European market because of the energy crisis we face in Europe. In Latin America, the problem is not as big.

FQ: What projects does ABO Wind plan to develop in Latin America?

AK: In Colombia, we have projects with PPAs as well, but there we have PV projects that are not as big. For a 10 MW finished project in Colombia, we have already secured a PPA. Now we are going ahead with this project, and we are quite confident that we will realise it by 2024, but will still have to secure the modules and do the purchasing. It will be our first project in Colombia.

FQ: Is ABO Wind in financing talks for any newly developed wind projects, and if so, at what stage are those talks?

AK: We are regularly working with several banks that do the project financing for us. There is a constant flow of projects being financed in Germany. We prefer working with partners we have already worked with. Of course, sometimes we work with a new partner, but we find that the first time the processes can be difficult. You need much more time to get to a common understanding. Therefore we value long-term relationships with banks and investors. It's also important to have different kinds of investors, and not just to work with utilities, big oil companies, or financial investors. We have good clients in all these groups of investors. The mix of investors makes us independent from fashions and trends in the various industries.

“There is a constant flow of projects being financed in Germany.”



FQ: Is the company planning any public equity or bond issuances for wind this year?

AK: We plan neither public nor private issuances this year. We did some financing transactions in the last few years: We issued promissory notes in 2022 and bonds in 2021 and we had capital increases in 2019 and 2020. Now we are quite well-financed, and we are able to realise bigger projects on a turnkey basis by ourselves. Two or three years ago, we weren't able to realise big projects on a turnkey basis. It was necessary to sell the projects before the construction phase, and then do construction as a service provider without bearing the risks ourselves.

Now, with a strong financial basis, we carry out the construction of projects in the category of the 86.8MW wind farm in Finland by ourselves. It is no longer necessary to sell these projects at an early stage. But sometimes we still realise projects at an early phase. It depends on market conditions.

For example, in Spain we see demand for projects is high and we have very good offers for projects, even in the development phase when they are ready to build. We are in negotiations on selling these projects, but we also have the power to build them by ourselves.

FQ: Which of the company's wind projects will start construction this year?

AK: Several projects in Germany and in France are going into the construction phase, as well as the PV project in Colombia. In Finland the project is still in a construction phase, and that will last the whole year. It will be commissioned in 2024. We have some PV projects in Hungary that will enter the construction phase in 2023.

“Now we are quite well-financed, and we are able to realise bigger projects on a turnkey basis by ourselves”



FQ: What wind projects do you expect to offer for sale, or have been offered recently?

AK: We are always in talks. We have a few clients who repeatedly buy projects and we are in constant talks with them.

In December we sold Margariti, a 50MW solar project in Greece. It's our biggest turnkey erected solar project so far. The buyer is a family-owned investment company for renewable energy projects worldwide called Wirtgen Invest. In November, Aquila Capital, a sustainability-focused investment company, bought our first wind farm in Poland. That project, the 20MW-project Donaborów was erected on a turnkey basis as well.

Recently we also sold Sheskin Wind Farm in County Mayo in the West of Ireland to the IPP Encavis. It is a project in two phases: Phase 1 comprises five Nordex N117 turbines with a total of 16.8MW, which ABO Wind is currently building on a turnkey basis, and which will be commissioned in late 2023. The sale of Phase 2 includes the project rights to another three turbines with a total of 10MW.

We are in negotiations on some other wind and solar projects that are already permitted or in the construction phase in Germany. Usually, we start the selling process when we get the permit for a wind farm, and then either we do a PPA or take part in a tariff auction.

In the usual selling process, we ask six or seven of our clients from different groups of investors: utility and financial investors like investment companies or pension funds. Then the client with the best offer goes into a due diligence process which lasts about two months, and afterwards we sell the project.

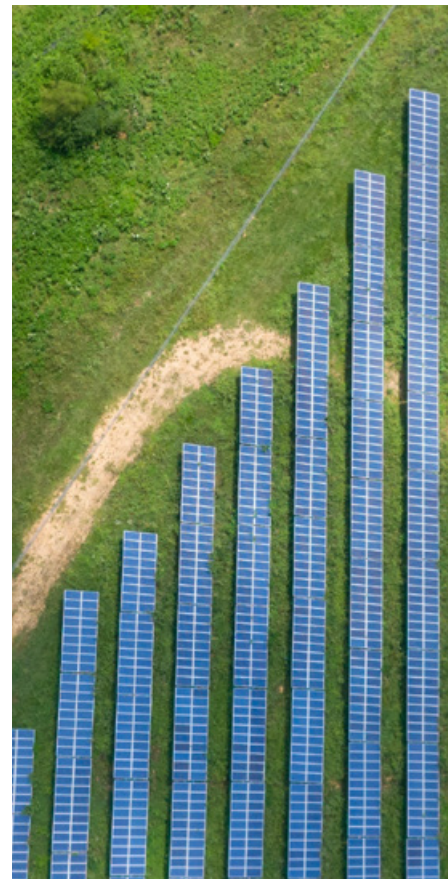
We just sold a portfolio of three battery projects in Germany to a European utility a few weeks ago. These are standalone batteries in Germany that do balancing of the grid where there is wind and PV. We sold a single standalone battery in Northern Ireland to SUSI Partners in October. We are in negotiations about some other wind and solar projects, especially in Germany, where we constantly have projects in the selling phase.

FQ: It seems that ABO Wind has two hybrid solar projects in Germany, both subsidised. How is the revenue strategy for a hybrid project different from traditional wind?

AK: So far, our hybrid projects in Germany are always battery and solar. In Germany there are innovation tenders, which award a special tariff for projects seen as innovative. The revenue of innovative projects stands on two pillars. They get a market price for electricity and a fixed premium as a subsidy. In the auction, projects secure the premium. Currently our second hybrid project is in the construction phase and is due to be commissioned in a few weeks. There are three more which are being built in 2023, always solar and battery.

FQ: What are your plans for hybrid-wind projects outside of Germany?

AK: Greece is going to establish auctions for hybrid projects as well. Some Greek islands are not connected to the main grid, so they have an independent small grid. Today diesel generators usually deliver the power for these islands. It's cheaper and much better for the environment to produce power with hybrid projects using a combination of PV, wind and batteries. We have some projects under development and hope to participate in these tariff auctions, so we may be able to build some of them.



“It’s cheaper and much better for the environment to produce power with hybrid projects using a combination of PV, wind, and batteries.”

FQ: ABO Wind is building hydrogen projects tied to new wind development in Canada, Argentina and Germany for export, maritime fuel/export and vehicle fuel respectively. Would you please tell us how green hydrogen fits into your wind development strategy?

AK: The international wind-to-hydrogen projects in Canada, and in Argentina especially, are in an early stage. We have secured land for wind farms, and these projects are in areas where there is not much need for electricity – not many people are living there. You have a lot of space, but you don't have a strong grid.

These sites are near ports and wind conditions are very good. Internationally, there is a big demand for green hydrogen, so we secured places with favourable conditions to produce electricity from wind and then green hydrogen.

ABO Wind is working on the development of several large wind farms in three Atlantic provinces in Canada. The planned wind farms have a capacity of 11GW. The green electricity could be used to produce up to 900,000 tonnes of hydrogen, convert it into ammonia and ship it to Germany, for example.

Four months ago, German chancellor Olaf Scholz and Robert Habeck, Minister for Economic Affairs and Climate Action met the Canadian Premier Minister Justin Trudeau. In Newfoundland they signed an MOU on delivery of hydrogen from Canada to Germany. We took the opportunity to present our projects in the region.

But ABO Wind is a mid-size company and could not realise a hydrogen project with an investment volume of several billion euros, so our part in these projects is mainly to develop and build the wind energy projects. For the rest we need partners.

For some of these projects, we are in negotiation with partners, and some are making good progress. In Germany, our hydrogen activities are different: We have a small, advanced hydrogen project which we do all by ourselves. We are building a little wind farm near the town Fulda. There is a logistics centre for a supermarket chain that wants to decarbonise its logistics. We will build an electrolyser, a wind farm and a hydrogen filling station in close proximity to the logistics centre. The project funded by the German government shows how hydrogen can enable the decarbonisation of the transport sector.



FQ: How would you describe the financing environment for wind-to-hydrogen development projects?

AK: The business models for hydrogen projects are just emerging. Currently, mainly pilot projects are being implemented that are subsidised. But it is foreseeable that the value of green hydrogen will continue to rise. At the same time, it is important to reduce the costs of production, for example, through economies of scale. If the projects are economically viable, sufficient investors will be found, just as they are for wind and solar parks.

Our international projects in Canada or Argentina, whose hydrogen production is intended for export, are extraordinarily large. The enormous size of the investments limits the circle of possible investors.

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