

Global Project Sponsors Report 2020



PROXIMO
R E S E A R C H

Disclaimer

© Proximo Infra 2020

The contents of this publication are protected by copyright. All rights reserved. The contents of this publication, either in whole or in part, may not be reproduced, without written permission of the publisher. The information set forth herein has been obtained from sources which we believe to be reliable, but this is not guaranteed. This publication is provided with the understanding that the authors or publisher shall have no liability for any errors, inaccuracies or omissions therein and, by this publication, the authors and publisher are not engaged in rendering consulting advice or other professional advice to the recipient regarding any specific matter. If consulting or other expert assistance is required regarding any specific matter, the services of qualified professionals should be sought.

Contents

Foreword	5
Executive Summary	6
Introduction	8
Aim of the report	9
Methodology	9
The survey	9
The telephone interviews	9
The Proximo perspective	9
Findings	11
Background and demographics	12
A brief look to the future	13
The intricacies of project finance	15
The details	16
A look to the past	19
Greenfield projects	21
Can project finance expect outside help?	23
Variety is the spice of (project finance) life	25
The importance of a bank's international footprint	26
The ratings agencies: overrated or underestimated?	29
A closer look at sustainability	31
"I think it is a bit of a buzzword"	32
Conclusion	36
Bibliography	37
List of figures	39
About Proximo Research	40
Acknowledgements	40

Foreword

Welcome to Proximo's Global Project Sponsors Report 2020.

We'd like to thank all those that took the time to fill out the market surveys for this report – we knew when we started that it was a long questionnaire and greatly appreciate your participation.

Your efforts have produced an independent report based on the opinions of project sponsors and borrowers across multiple sectors – providing insight into how the project finance lending/structuring market is perceived by its client base and how it might better serve that client base.

For those involved in project finance – where deals are often custom solutions to a unique set of risks and borrower requirements and are delivered over years rather than months – perceptions of what borrowers are looking for from the market tend to reflect the intricacies of deals most recently worked on. There is very high awareness and servicing of individual borrower needs and concerns, as reflected in the survey that follows, but project finance practitioners tend to be sector based, so the bigger market picture – the issues typical to all project borrowers, regardless of sector or geography, and the differences – is less clear, simply because of the way the market functions. This report, which we plan to repeat annually, gives that broader market picture.

Although the survey was conducted largely prior to covid-19, because much of project finance feeds development of essential infrastructure – deals that are both financially robust in design and likely to bounce back first once a degree of normality returns to the market – the report gives very strong indicators of what project borrowers will be looking for post-covid-19, at least in sectors other than oil and gas which has its own unique set of additional problems.

Some argue covid-19 could change how the world functions for the long term, and with it the types of infrastructure and energy required by users. But the demand for project finance to meet those changing requirements will remain. So, what project and infrastructure borrowers were, and are, looking for in terms of support from the project finance sector will be as relevant post covid-19 as it was before.

Thanks again to all those that helped in the production of this report. If any readers have ideas on how we might improve or expand it for 2021 please contact me – market feedback, good and bad, is always welcome.



Sean Keating,
Editor,
Proximo

Executive Summary

Shortening tenor lengths on bank loans are a concern for key project finance players. Participants in the survey repeatedly identified shorter tenors on project loans as a major obstacle to successful project finance deals. As new Basel capital requirements for banks come into force around the world, bank appetite for long-term debt has diminished and there is a disconnect between the tenors that developers need on project loans and the tenors banks are able to deliver.



Institutional investors are viewed as central to the long-term future of project finance.

The survey results indicate that institutional investors are a growing and increasingly important part of the project finance market, with a majority of respondents identifying them as a key source of capital. Institutional investors are also seen as a key source of expertise and support for project finance, particularly in the areas of risk management and legal and regulatory compliance. The survey also found that institutional investors are increasingly being used to provide financing for project finance deals, particularly in the areas of infrastructure and renewable energy.



ECA/DFI backing on deals is considered less important.

The survey results indicate that ECA/DFI backing is considered less important than other factors when it comes to project finance deals. While ECA/DFI backing is still seen as a key source of capital and support, it is not as highly valued as other factors such as institutional investor backing and bank financing. The survey also found that ECA/DFI backing is more important for certain types of projects, such as infrastructure and renewable energy, than for others. Overall, the survey suggests that ECA/DFI backing is still an important part of the project finance market, but it is not the most critical factor for success.



ECA / DFI Loading...

There is little incentive for project financiers to pursue ESG-linked debt.

Project financiers are not incentivized to pursue ESG-linked debt. This is because the current market structure for project finance is not aligned with the goals of ESG. Project financiers are primarily concerned with the financial returns of their investments, and ESG factors are often seen as a cost to the project. Additionally, the current market structure for project finance is not aligned with the goals of ESG. Project financiers are primarily concerned with the financial returns of their investments, and ESG factors are often seen as a cost to the project. Additionally, the current market structure for project finance is not aligned with the goals of ESG. Project financiers are primarily concerned with the financial returns of their investments, and ESG factors are often seen as a cost to the project.



Oil and gas will be one of the hardest hit sectors by the COVID-19 pandemic.

Oil and gas will be one of the hardest hit sectors by the COVID-19 pandemic. This is because the current market structure for project finance is not aligned with the goals of ESG. Project financiers are primarily concerned with the financial returns of their investments, and ESG factors are often seen as a cost to the project. Additionally, the current market structure for project finance is not aligned with the goals of ESG. Project financiers are primarily concerned with the financial returns of their investments, and ESG factors are often seen as a cost to the project.

Introduction

Project financing, in all its forms, has resilience built in. It invariably comes with very strong covenants that trap cash to meet project debt obligations in times of stress. While the recent double whammy of extreme oil price volatility and fallout from the coronavirus pandemic has hit many projects hard, particularly those where the structure is optimised for refinancing this year, the general ratings agency consensus is that the vast majority of projects (operational and in development) will get through the crisis, albeit with some restructuring.

Although the speed and extent to which end-user demand, and hence project cashflows, will return to pre-crisis levels is impossible to predict, project finance borrowers tend to operate in essential infrastructure sectors which adds to their resilience – in short, of all financial markets, project finance is one of the most likely to bounce back relatively quickly.

Given that likelihood, the following survey gives insights into what project borrowers will be looking for once a degree of normality returns to the market platform) to give factual context to trends and opinions highlighted by the survey responses.

Survey responses were collected in the last months of 2019, before the coronavirus pandemic reached its present severity. The report incorporates information about the effects of the pandemic on project finance, whilst concurrently giving strong indicators of what the project finance market will look like after the crisis dissipates. The report is not purely based on borrower opinion – it also uses Proximo's project finance data (hosted on TXF's Tagmydeals platform) to give factual context to trends and opinions highlighted by the survey responses.

Aim of the report

There is currently no empirical, independent report that canvasses the views of project sponsors and borrowers. This report looks to fill that gap, providing insight into how the project finance lending market is perceived by its client base and how it might better serve that client base.

Methodology

The report is based on data collected using a mixed methods design that involved a quantitative and a qualitative component. The quantitative data was collected using an online survey platform (SurveyMonkey) while telephone interviews were used to collect the qualitative data.

The survey

The survey questions were designed exclusively for sponsors and borrowers active in the project finance space. The questions cover:

Background and demographics:

This data gives you a picture of the types of project sponsor that took part in the survey.

Project financing:

Covering most of the report, these questions delve into project sponsors' views on pricing and tenor across the different sectors (and how these are expected to change over the next two years), challenges in raising project finance, disrupters in the market, factors that influence decision making, and the role of outside forms of economic support.

Sustainability:

These questions explore how growing investor awareness of sustainability is impacting how project sponsors operate, and their views on its wider influence over the project finance space.

The telephone interviews

To explain the quantitative trends, in-depth, semi-structured phone interviews were conducted with five respondents to understand **why** and **how** the patterns occurred.

The topic guide for the interview was based on each individual's survey responses to ensure that the conversation remained focussed. Interviews were conducted between March and April 2020, lasted between 15 minutes and 25 minutes, and were audio recorded for accuracy and further analysis. Any qualitative data used throughout this report has been anonymised with all identifying information removed to protect the anonymity of the interviewee.

The Proximo perspective

Throughout the survey, Proximo provides its interpretation on some of the key findings. These comments are designed to be thought provoking and offer a more holistic view on the implication of the data for the industry.



Findings

- Background and demographics
- The intricacies of project financing
- A closer look at sustainability



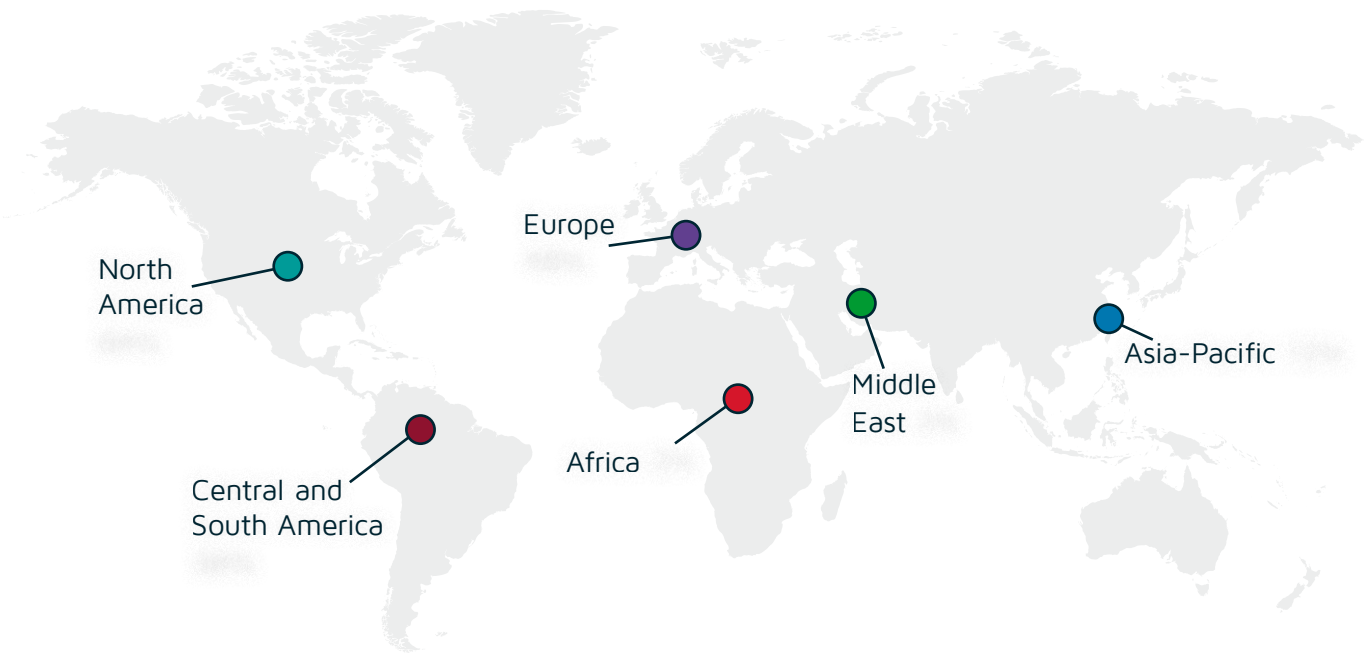
Background and demographics

In total, 52 project sponsors took part in the survey.

The majority (69%) of those surveyed stated that they operate in North America, followed by 20% operating in Europe. 10% of

very small proportion (1%) of respondents are headquartered in Africa or the Middle East. Figure 1:

Figure 1: Region of operation



Participants in the survey are most active in the infrastructure sector (60%), with almost half also involved in power and transport (48%). Housing only accounts for 10% of the sample, while 1% of the sample operates in the oil and gas sector (Figure 2). But that demographic is to be expected, given oil and gas is dominated by very large multinational corporations, which are far less in number.

But demand for infrastructure spending remains according to long-term debt forecasts, rising as high as 3% in 2025, versus modest growth in non-infrastructure sectors. That's why sponsors committed with infrastructure strategy is a growing trend across Asia-Pacific project finance.

It's not just in central and south America they're most active. They have strong ties in the region, with access to the cheapest source of energy. It's more available and there are huge reserves of gas in Mexico and Brazil. The region also is particularly attractive proposition in the report.

Strong growth in central and south America

Figure 2: Project finance sectors



A brief look to the future

When projecting regional growth according to sector over the next five years, 43% of respondents thought that North America would see the greatest growth in renewables.

The Asia Pacific region was also seen as the most significant growth of all and gas, partly due to demand through that growth in power would be required in North America and North America was also well placed for the most developments in water infrastructure and communications. Hence, the majority of those surveyed expected in North America. These figures are perhaps unsurprising. A final point of interest is the fact that all respondents thought that Europe and North America would see the most growth in mining (Figure 3).

Under the current Covid-19, oil consumption could decline by as much as 20% in the coming following March 2020 (Bloomberg, 2020). And there is already a real time example of oil demand in the current collapse of commercial aviation. Europe and North America regarding production levels, which although have increased has led to a negative oil price in the US to the first time in history. Investments from the oil and gas sector in production have a significant impact on the

oil sector in the expectation of investment in the sector, which are based on a forecast of rapid oil consumption and rising oil prices. Europe is North America, that project projects to be well able to North America will be driving oil price down in 2020, a year or two in recovery a steady.

The International Energy Agency (IEA) announced in November 2019 that North America would have global gas production with increased oil use by 2040, followed by Europe at 2030 and Asia at 2020. It is not surprising that the oil will be the main in investment with what participants suggested however, as with the oil industry, they mention that significant challenges for North America suggests that as a result of the crisis, new oil projects will struggle to find investment in the near future. Particularly for project financing, large projects, and that projects due to start between 2020 and 2025 will likely have delays (Bloomberg, 2020). The projects heavily affected include the US oil and gas production, the oil and gas production, Canada, the US, China, India, Russia, Australia, Brazil, and the US, which are heavily affected.

Figure 3: Predicted regional growth in project finance over the next 5 years

	2019-2020	2020-2021	2021-2022
Oil & gas	20%	20%	20%
Mining	20%	20%	20%
Transport	20%	20%	20%
Power	20%	20%	20%
Renewables	20%	20%	20%
Communications	20%	20%	20%
Social infrastructure	20%	20%	20%
Oil & gas	20%	20%	20%
Mining	20%	20%	20%
Transport	20%	20%	20%
Power	20%	20%	20%
Renewables	20%	20%	20%
Communications	20%	20%	20%
Social infrastructure	20%	20%	20%

The intricacies of project finance

- The details
- A look to the past
- Greenfield projects
- Can project finance expect outside help?
- Variety is the spice of (project finance) life
- The importance of a bank's international footprint
- The ratings agencies: overrated or underestimated?

The details

Most respondents (81%) indicated that they intend to raise project financing over the next 12 months (figure 4).

While not all project sponsors surveyed expect that the project financing round will be the immediate and subsequent source of capital for the remainder of the project, the figure is striking. The figure that 81% plan to raise project financing from equity rounds, as noted earlier, shows

investors making up 50-90% of project finance deals. The majority of the sample (67%) indicated that their current financial position will take the form of equity (figure 5).

Based on the proportion of the round raised from the project sponsor, equity can be a viable way to fund the short-term.

The project finance capital market has been largely in flux and being negotiated for very short-term only. One of the major questions will not be what is negotiable but what will be the price. It will take the market approximately a 20% to 30% all-time low, which has been considered almost as the starting point for the short-term market. What is being to get an investor round and the risk capital and they are only doing short-term deals.

Project sponsor risk capital

The reason for the pessimistic view of the short market is because of the project sponsor's words. In the interview, roughly about 40% of the respondents believe that the global economic uncertainty around risk and capital markets through uncertainty is understandable. But since the 2008 financial crisis, the global economic uncertainty

increased in the short-term market. The global financial crisis, which started with the subprime mortgage crisis in 2007, led to the global economic uncertainty around risk and capital markets through uncertainty is understandable. But since the 2008 financial crisis, the global economic uncertainty

Figure 4: Respondents’ plans to raise project finance over the next 12 months



Figure 5: Project financing over the next 12 months, by sector



Figure 6: Project financing over the next 12 months, by facility type



The high importance of responsible lending means in some regions in the need to monitor it not as increasing given the rising North American and European demographics of the country and the number of refinancing of construction projects in the pipeline and reported by Credit Agencies notes that the project bank market grew by 14% in 2019 to 10.7 billion, but this growing tendency to secure was up in the crisis period after 2010 in a project development bank for funding flexibility and avoid negative carry on guaranteed projects.

Average stage completed, the average amount invested to be received in project finance over the next 12 months was 2,025 million (Figure 7). This is set to follow the average debt size of 2,000.5 million recorded by respondents between February 2019 and February 2020. The average size of debt over the next 12 months may, of course, be reduced due to the economic level brought by covid-19, while the average debt anticipated average total of project finance debt is 5.7 years (Figure 8) and the projected average pricing is 2.44% (Figure 9).

The average term between February 2019 and February 2020 reflected a significant shift to 12 years. The divergence between the average term reported by respondents and the global average can largely be explained by the respondents heavy involvement in the North American project finance market as a natural group. North America is a more construction market.

The depth of liquidity available in the North American project bank market for long dated debt also explains the average term of debt size as developers have had need to raise long dated bank debt. The significant figure is reflective of the large North American construction market in European project finance markets. Additionally, the 2019 Capital Requirements Directive (CRD IV) which implements the Basel II capital requirements, has caused average debt lengths to drop in recent years as project finance bank have become more experienced in the 2010s.

Figure 7: Average amount invested in project finance over the next 12 months



Figure 8: Average tenor for project financing deals over the next 12 months

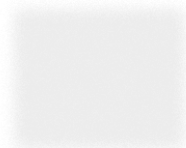
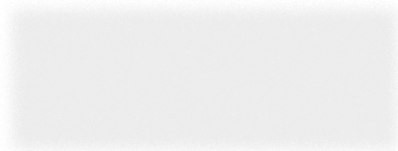


Figure 9: Average pricing for project financing over the next 12 months: prospective pricing



A look to the past

Looking back at the last 24 months, 65% of those surveyed indicated that they had been involved with project finance over that period (figure 10).

Looking at the last 24 months, 65% of those surveyed indicated that they had been involved with project finance over that period (figure 10). Looking back at the last 24 months, 65% of those surveyed indicated that they had been involved with project finance over that period (figure 10).

Figure 10: Involvement with project financing over the past 24 months



Figure 11: Perception of pricing over the past 24 months

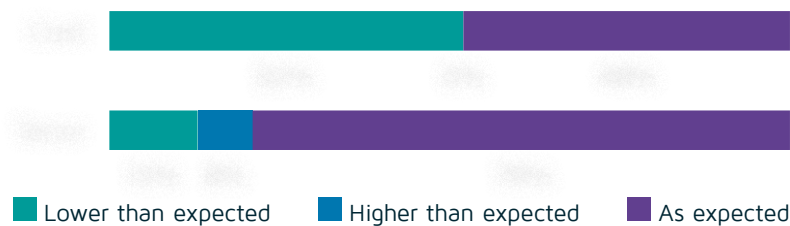


Figure 12: Perception of change in cost and tenor change over the past 24 months



in terms of two main factors that were negatively affected: the quality of project financing over the last 24 months. 25% of respondents say that soft costs had a significant impact although 45% thought that impact was only moderate. Partly account of the change also thought that tenor lengths had a moderately detrimental impact on shorting project finance. Most respondents thought that a lack of liquidity, the cost of debt and regulatory costs have had no effect on securing project financing (Figure 12).

A key indicator here is that 50% of respondents think that short lengths present a moderate challenge in securing project financing, with more than 10% thinking that short lengths are very significant (Figure 13). As was noted previously, average short lengths for project finance transactions fulfil investor's requests in the recapitalisation of these companies is the 10-15% in mortgage-backed capital requirements at 5% of not-weighted assets, 5% of which goes to the 1-2 equity capital contribution buffer of 1-5% and a contribution buffer of 1-5%.

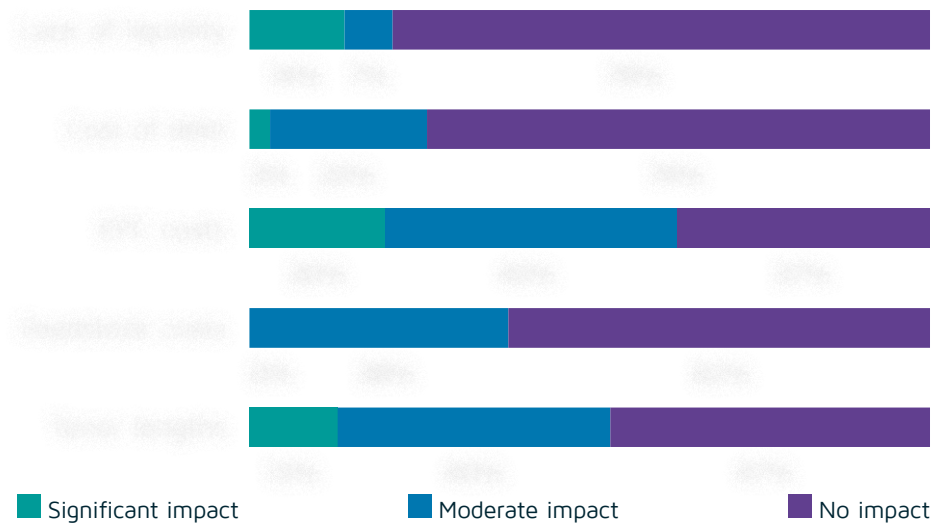
However, banks also have the freedom to require a systemic risk buffer of up to 10%. This means that the change requirements of 10% it can be as high as 10%. There is also a average rate of 10% of unsecured assets and project finance is directly impacted by a heavily managed

rate of 100%, which is applied to unsecured liabilities raised in 2019 soft costs.

Although these requirements are designed to monitor banks from a financial view, allowing higher capital returns has made it costly for banks to extend the long maturities of the long-term rates that project finance require. Banks have had to shorten maturities, which makes project debt less expensive for developers, but it is not doing that have also created problems for developers, notably shortening risk.

The 10-15% already represented many of the bank's portfolios are 10% in addition a temporary capital from bank it will be added to the project finance recovery workload of the bank portfolios. Although only the demand to produce the demand for recapitalisation of the requirement to add up to 1-2 percent, 10% is high for the bank's portfolio 10%. Most banks have on the currently holding capital structures for capital recovery around 10% higher or lower in most cases during the last decade. 10% is highly managed there are short-term emergency measures and are unable to support the difficulties faced by project finance as a consequence of hard 10.

Figure 13: Perception of the challenges that have detrimentally impacted the raising of project finance



Greenfield projects

Those surveyed anticipated that oil and gas would be the sector with the highest pricing for greenfield projects, carrying an expected average pricing of

approximately average of 10.5% (Figure 14). Respondents also predicted that greenfield social infrastructure would have the highest return, anticipating an average of 14.5 years, while the average greenfield power would have an expected average value of 12.5 years, while the average for construction was 14.5 years, and 1.5 years for oil and gas (Figure 15).

Overall, respondents anticipated that the power sector would be the most competitive, with a

Figure 14: Perception of anticipated competitive debt pricing for greenfield projects

	Anticipated competitive debt pricing (years)
Oil & gas	10.5
Power	12.5
Communications	14.5
Renewables	14.5
Transport	14.5
Social infrastructure	14.5
Mining	14.5

Figure 15: Perception of the best predicted pricing for greenfield projects

	Average price index
Oil & gas	100
Transport	105
Power	95
Renewables	102
Communications	100
Social infrastructure	105

Even after all the reports of price war between Saudi and Russia, and the threat to petroleum, oil and gas was the sector with the highest pricing. That pricing is reflective of the oil price volatility and interest in investment from Saudi, leading to investment in the oil sector. However, it is not oil and gas that attracted investment as a high return and production market, while most remain the same profitability level quite consistently in a high volatility price. It is difficult to attract a positive return through high return, high volatility price. As it is looking for oil and gas projects becomes quite difficult, especially for governments due to sustainability concerns. This sector has been in downward trajectory since formation.

The price fluctuation is an underestimation of the current economic climate which might not represent the worst case scenario in the history of oil and gas price. These specific examples include Whiting Petroleum Company being the largest oil company, Exxon Mobil being listed as one of the largest in the world, and BP

continuing operations in many years after being listed as one of the largest oil price collapse (Pratt, 2019).

Oil prices at 100 is lower than trading last September, which is not the best prediction. The gap is lower relative to the underlying value of the asset. If this value decreased further, it has not happened. The market has been the same amount and it has not increased. It is generating the potential return to attract the investment with current price. Right now, there is still a lot of uncertainty in the market. As the collapse of the agreement between Saudi Arabia and Russia demonstrates, which has only very recently been resolved, oil and gas projects and therefore the company are increasingly volatile in price. It is the same for oil and gas that are relatively priced relative to other sectors.

Paul Clark, a director at ICBC Standard, goes further than this, saying:

"I don't necessarily agree that an RBL for a crossover investment grade rated company such as Chrysaor priced at 225 basis points over versus a single B rated company who's 10 times smaller than Chrysaor being priced at 325 basis points over is rational. It just doesn't reflect the underlying risks. I would actually argue a lot of RBLs are probably under-priced and reflect banks' cost of funding more than credit risk." He also notes that banks do not always look to RBLs as their primary source of revenue but use RBLs to acquire "ancillary opportunities like the debt capital market or equity capital market issuances, as well as advisory services."

It takes a certain level of risk to get into these markets that are high volatility. It's almost always in the case of risk today and we don't think it's a long-term thing to serve the ongoing services with development, which are not capital-intensive and are therefore often more volatile. This will be largely dependent on the size and maturity of project and their potential for it is interesting to note that average pricing for oil and gas deals could actually be slightly higher if it didn't reflect the level of risk there.

Having identified the market as a significant factor, respondents going forward, it seems that

credit ratings and ratings for oil and gas project lending. Banks may be forced to take projects at their word to their and get relatively similar rates. The other companies such as their clients will also be interested about funding more volume of oil and gas projects. Greater companies, which companies will have with their portfolios, whether they have to approach credit funds to secure capital, which will come at a much higher cost.

Can project finance expect outside help?

A significant number (75%) of participants noted that institutional investors were taking more substantial roles in project finance deals (figure 16).

Investors represent an institutional role, which are becoming an increasingly important source of funding.

"There's a lot of oil and gas and better companies and have institutional portfolio up with the state and the real investment. They're the ones that can provide more than quickly and get their investments in their portfolio."

"Project sponsor is the main driver."

Figure 16: Perception on the impact of institutional investors, ECAs and DFIs in project financing



The Proximo perspective

There has long been scepticism about long term infrastructure investor appetite for the market – better returns elsewhere and they would be off.

While that is certainly valid for non-specialised funds, many institutions have built up considerable expertise in project and infrastructure finance, having hired large numbers of ex-project finance bankers and lawyers to their teams. Covid-19 will undoubtedly test appetite – but institutional investors are here to

stay. The fact that these sponsors of infrastructure projects have been able to secure a large part of their project finance requirements and the fact that they have not been able to secure a large part of their project finance requirements is a clear indication of the importance of institutional investors in project financing. The fact that these sponsors of infrastructure projects have been able to secure a large part of their project finance requirements and the fact that they have not been able to secure a large part of their project finance requirements is a clear indication of the importance of institutional investors in project financing.

support from public institutions such as infrastructure infrastructure, from private funds, and private capital which support greenfield investment projects, will also contribute to the low-risk environment seen in the developed to follow suit.

A second issue is a lack of confidence in project finance amongst some high-level leaders of some which is, at best, severely a lack of understanding and at worst, a lack of interest in how such project finance works. But it is worth the reminder of being such concerned, this could be more involved in project finance. Another problem is the negative view on project finance

institutions, which are a key vehicle for multi-stage funding. It could also be seen as one of a project's inception and started government stage high interdependency affecting development. But ultimately, this is not true.

Particularly, some major issues of an on-shore investment environment of global investment funding. This perception concerning the participation of on-shore lenders can be an impact introduced. There are several ways considered to be overcome if such participation is to become a mainstream in bank lending to project finance.

Variety is the spice of (project finance) life

In an assessment of the importance of various project finance instruments to their business models,

the data indicates that project finance is viewed as more important and more used than all other instruments. Most of the same observation about project finance. A high number of those surveyed (60%) said that project finance was not important to their business, with 20% saying the value of various forms of funding and interdependency would increase. Only three percent of those surveyed considered debt and equity-based debt instruments to their business (Figure 10).

Given that many of those surveyed are operating in developed markets, the perception of the role of ECAs and DFIs is surprising. Developed markets are often not seen as dependent on projects in emerging markets, including ECAs and DFIs support the economy as a result of increasing lenders' hesitating the large-scale needs of ECAs. DFIs have a long history of being a concern

for developed as countries where governments have their investments and are involved.

The same is not true for emerging markets where ECAs and DFIs funding their capital needs to share their with companies from their countries, strongly suggesting that ECAs and DFIs are needed for a larger role in emerging markets project finance markets. ECAs in a 2019 report The Centre for Strategic and International Studies also estimated that around 60% of companies engaged with ECAs spend at least 10% of their budget in 2019, an increase of over 10% from 2018. ECAs and DFIs involvement still has a role to play in project finance – it is not dependent on location.

stay and are a growing and very useful source of funding diversification.

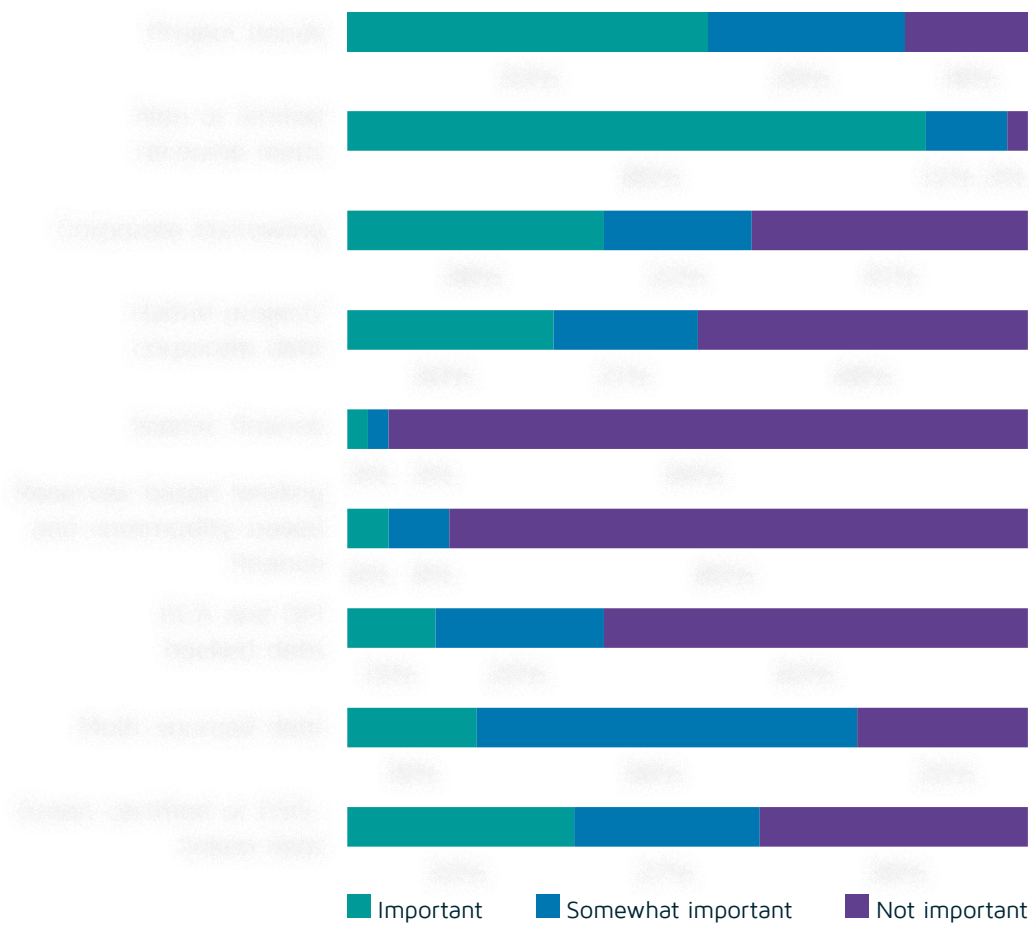
The Proximo perspective



The difference in mandates between ECAs and DFIs, the former being commercial, government-backed sales tools to boost exports, does not always co-operation between the two in emerging markets easy.

And borrowers often complain that due diligence processes, particularly at ECAs, take too long to be practicable for projects that carry a strict timetable and penalties for overruns. Both have a role to play, but many borrowers still see them as lenders of last resort because of the pressures they can add to project time constraints.

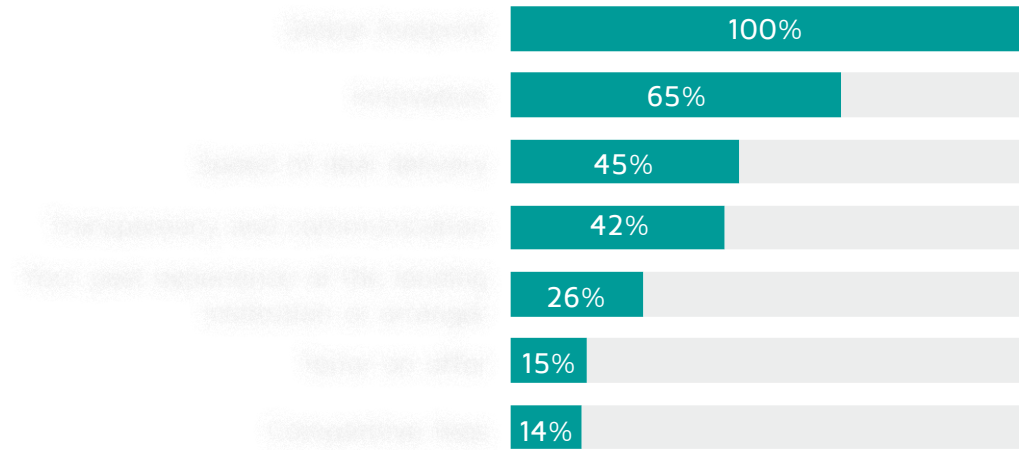
Figure 17: Perception on the importance of project finance instruments to their own business



The importance of a bank’s international footprint

Asked about what project sponsors considered most significant when selecting a bank for project finance, all respondents felt that global footprint was important.

Figure 18: Perception on the most important attributes to developers when choosing a bank for project finance



When asked to rank what the importance of various changes in project finance offer of the service through that change their availability and the efficiency, the most very important was 100% for

speed of the service. The second for the same project sponsor explained is because of the efficiency that can come after structuring their

There is always something that can go wrong when structuring or capitalizing the deal. It can be a great deal and experience with your bank. But after structuring, suddenly the company can be the wrong side. It can be a great deal and experience with your bank.

Project sponsor's thoughts

Over half (50%) of the service considered corporate affairs department very important, while 26% saw that more availability of professional team for project issues and a better understanding of the market of professional capital providers were also considered important (Figure 18). In addition,

and half (50%) of respondents saw that getting a strong for a bank for a sustainable investment was important (Figure 23). And the service indicated that their change in 10% and 15% funding was important (Figure 24).

Figure 19: Perception on the importance of possible changes in project finance

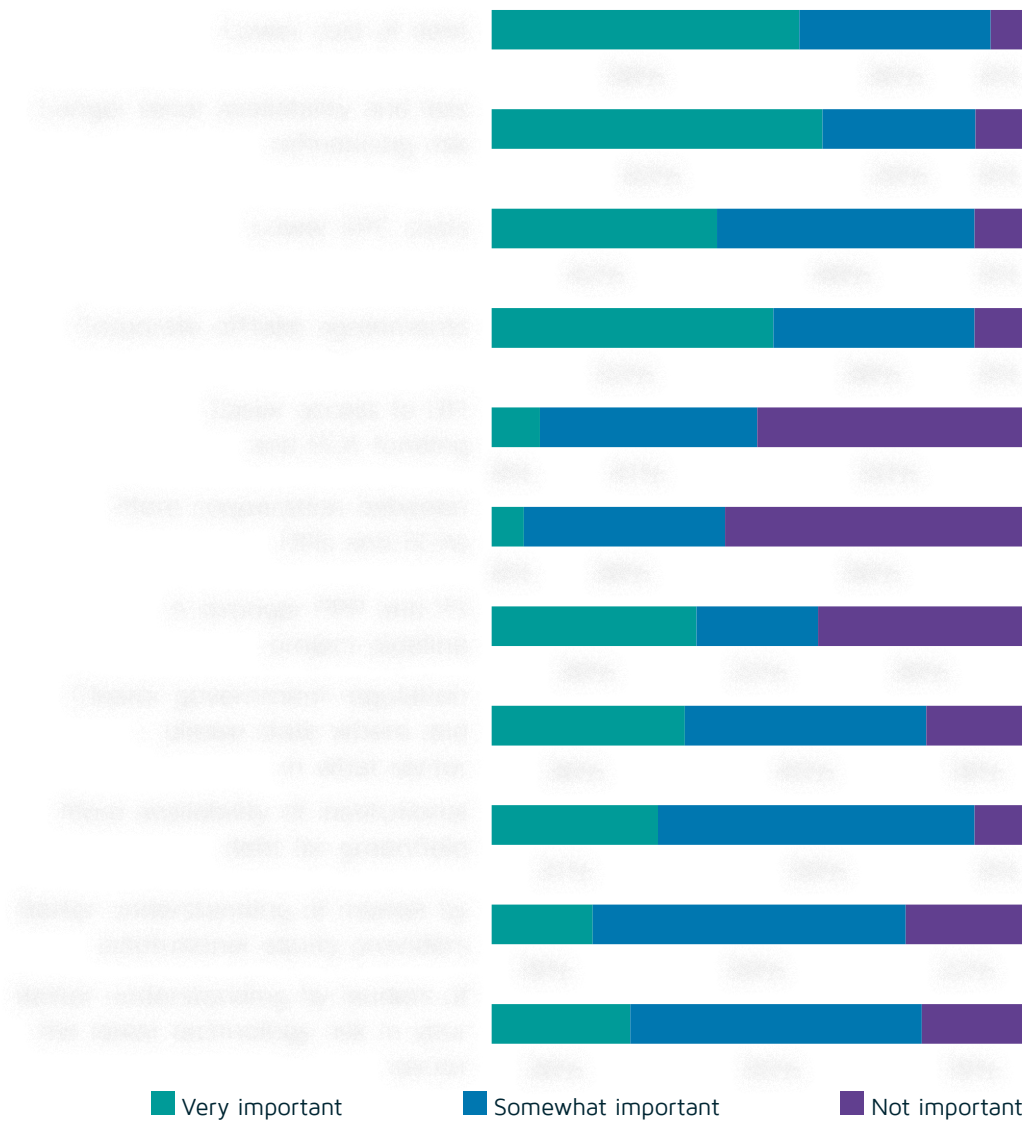


Figure 20: Perception on the importance of getting a rating for a deal a worthwhile investment



The ratings agencies: overrated or underestimated?

Those surveyed had a very mixed view of the experience of the performance of ratings agencies in project finance:

“...the agencies have a very mixed view of the experience of the performance of ratings agencies in project finance: some think they are overrated, some think they are underestimated, and some think they are just about right.”

“...the agencies have a very mixed view of the experience of the performance of ratings agencies in project finance: some think they are overrated, some think they are underestimated, and some think they are just about right.”

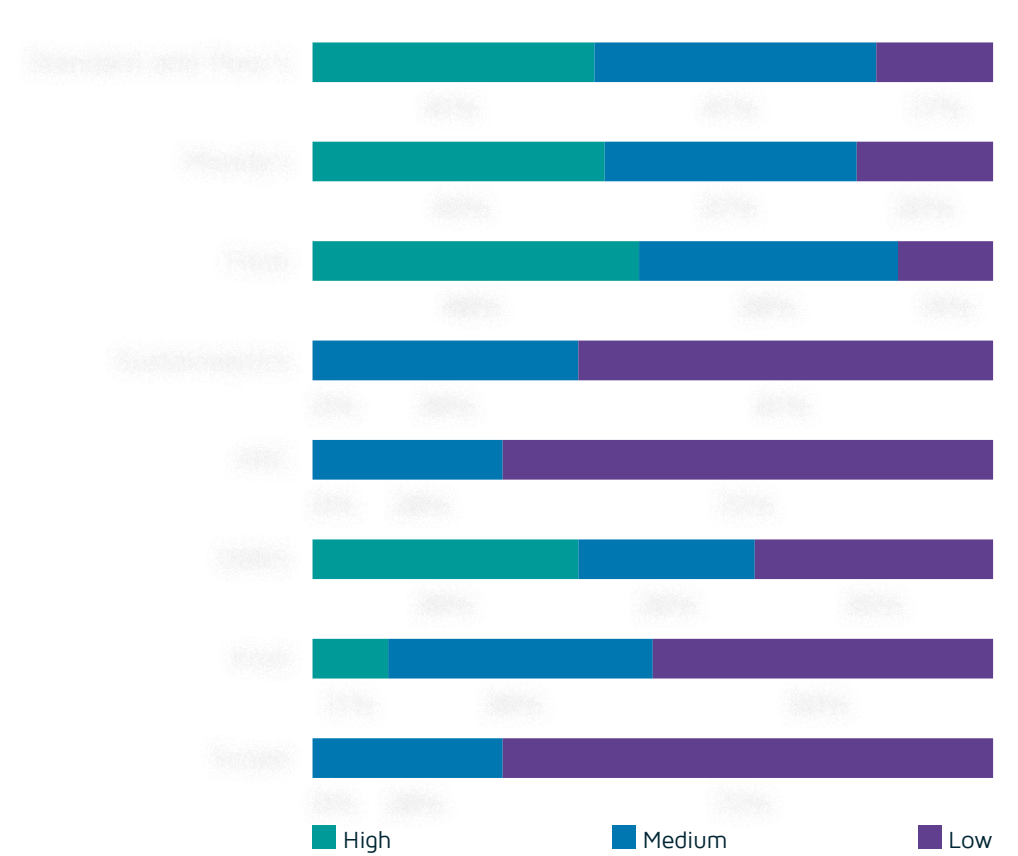
“...the agencies have a very mixed view of the experience of the performance of ratings agencies in project finance: some think they are overrated, some think they are underestimated, and some think they are just about right.”

The Proximo perspective



Ratings agencies do a good job walking the line between their customers’ expectations and providing realistic, independent ratings evaluations. But clearly perceptions of the quality of their service are not as high as they should be, which is something they need to address going forward. The credibility of their ratings methodologies is not the issue – the problem appears to be at the customer service level rather than disappointment about the actual ratings received.

Figure 21: Perception on the experience of the ratings agencies in project finance





A closer look at sustainability

- “I think it is a bit of a buzzword”



"I think it is a bit of a buzzword"

Over half (55%) of the sample said they did not consider banks' sustainability credentials significant (figure 22).

The same respondents did not consider a project's green and non-green elements to be significant (figure 23) and only thought that there was one project that incorporated it well.

Of those who gave project sustainability a 2 or 3, only one respondent (2%) did not think that there was any growing interest in getting green certification or in following the project financing report. The respondents consider only sustainability that can be a trigger in the preceding narrative suggests.

"I think it is a bit of a buzzword - not only banks but clients also - but I am fairly certain it will spread to other banks. They would say the same. If it is a real concern, but when it comes down to it, sustainability will always come second to financial gain."

Project sponsor in North America

The preceding attitude amongst participants seems to be that there is little to be achieved by putting this financing element at the core that green project will become financially constructive in the eyes of investors. However, studies seem to be made by that the use of sustainable investment is not particularly in developed markets such as Europe. The strategic research that has shown that European governments are moving away from fossil fuels and other resources for offshore wind with investment leading to the lowest returns in Europe (Bentzen & Gossard, 2019). The investment strategies of companies that make many environmentally project investments in Europe already reflect significant risk that sustainability risk factors is not negatively necessary given that sustainable projects are already very profitable.

Nonetheless, there is an argument to be made for encouraging and leading to environmentally friendly project that incorporates

green components. For instance, moving to an end use projects that are powered by renewable energy and a more environmentally sound or socially responsible approach naturally directly address dependencies. The high water and electricity in the end use industry are essential parts of capital that have been previously studied in that context since that there being transition capital goes on and making necessary investments with their capital and green elements that to make make the green investment is to end up a green change is to the end use system might cause development of these projects to become not viable which would otherwise be out of work.

It will be interesting to see how such approaches are affecting other markets such as the US where that bank are not have the same rate does to create an effort to support the US's goal of becoming carbon neutral by 2050, with a similar scenario that will then to identify green projects by 2050. If the Green Deal savings are to become

...of the respondents who perceive a relatively high importance of sustainability credentials to a bank's project financing. The majority of respondents (67%) perceive a high importance of sustainability credentials to a bank's project financing. The remaining 33% of respondents perceive a medium importance of sustainability credentials to a bank's project financing.

Figure 22: Perception on the importance of a bank's sustainability credentials to you



Figure 23: Perception on the benefit of separating a project into green and non-green elements



Figure 24: Perception on whether or not there is pressure from shareholders to raise ESG-linked or green project debt



Figure 25: Perception on whether or not there is any real pricing benefit to getting green certification or an ESG rating for project financing





Conclusion

If the world goes back to a semblance of normality in the coming months – and for oil and gas it is going to take a lot longer than months – many of the key issues highlighted in this report will be as valid going forward as they were when they were canvassed.

Overarching issues in these times are, and will remain, centered on the problem of project financing. None of the simple thought that things have suddenly and lastingly improved can ever be important. Indeed, these capital requirements under these project times are enough there in line with the things deteriorating back again and still without any real support of the market and although there are a range of get arounds in the bank, none – not refinancing for example – which have construction facilities followed by other construction need also not come back without a degree of refinancing, not the other solution that, although, could be the last strength in the argument for giving project finance special treatment by being a cornerstone of the financial structure of the projects that come up the sector in the next few the coming months.

International investors are viewed as critical in the long-term future of project finance and that is not going to change, even if some non-specialist banks and such that the market after the pandemic shock. It will not, and equity providers, the institutions and of the market – particularly those that have created money in building their strong relationships finance projects – is expected to bring the next global infrastructure investment gap, especially after the long-term plan in government funding that will be a way to end the financing gap in infrastructure and that more availability of institutional debt to government bonds are important. A general lack of appetite for government debt from the institutional side is still a problem – and that has already helped to change conditions of the institutional market where the growth in long-term corporate finance agreements is continuing and raising other government projects.

That situation, looking at these is considered the important in long-term financing by investors is something that allowing for the last majority of respondents using investment capital funds. The perception, while strong certainly, but a matter of strategy, markets, structural investment in terms of experience, that raising private equity concerns that both developed and emerging market economies that it is and that the situation is too long and too uncertain.

There is little interest in project financing in general, still-linked debt. What is not a real given is that the need for markets that can be considered that the situation, other than project financing, it is a complex project that to a real value project, although the answer there is likely to not be that realistic at the moment for investors to go through the extensive work of risk-reduction, strong and ongoing. That may change in the future, but with increasing uncertainty, growing over more competition, even without it will be project financing other than the risk-reduction that will be the focus of the sector.

Bibliography

Arnold, M. (2020). Regulators Free up \$500bn Capital for Lenders to Fight Virus Storm. Accessed on 6 April 2020. Retrieved from: <https://www.ft.com/content/9a677506-a44e-4f69-b852-4f34018bc45f>

Baker McKenzie. (2018). DFIs and ECAs Set to Fund More Emerging Markets Infrastructure as Bond Investors Retreat. Accessed on 1 April 2020. Retrieved from: <https://www.bakermckenzie.com/en/newsroom/2018/12/changingworld>

BIS. (2020). Governors and Heads of Supervision Announce Deferral of Basel III Implementation to Increase Operational Capacity of Banks and Supervisors to Respond to COVID-19. Accessed on 1 April 2020. Retrieved from: <https://www.bis.org/press/p200327.htm>

Camino, A.R., Rajivan, S., & Quattromani, D. (2020). Fitch Revises Brussels Airport Company's Outlook to Negative; Affirms at 'BBB+'. Accessed on 6 April 2020. Retrieved from: <https://www.fitchratings.com/research/infrastructure-project-finance/fitch-revises-brussels-airport-company-outlook-to-negative-affirms-at-bbb-03-04-2020>

Credit Agricole. (2019). Energy and Infrastructure Capital Markets Newsletter – December 2019. Accessed on 27 March 2020. Retrieved from: <https://www.ca-cib.com/project-bond-newsletter-daa>. (2020). Liquidity Update and Credit Rating. Accessed on 6 April 2020. Retrieved from: <https://www.daa.ie/daa-finance-plc-statement-60/>

Dewar, J., & Irwin, O. (2016). Why the World Needs Multi-Sourced Project Financings (and Project Finance Lawyers...). Accessed on 30 March 2020. Retrieved from: <https://www.milbank.com/images/content/2/3/23305/PF16-Milbank-ver2.pdf>

Dezember, R. (2020). Energy Producers' New Year's Resolution: Pay the Tab for the Shale Drilling Bonanza. Accessed on 27 March 2020. Retrieved from: <https://www.wsj.com/articles/energy-producers-new-years-resolution-pay-the-tab-for-the-shale-drilling-bonanza-11577880001>

EU. (2020). Investing in a Climate-Neutral and Circular Economy: The European Green Deal. Accessed on 8 April 2020. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/fs_20_40

Fitch. (2020). Fitch Ratings Reviewing Infrastructure Issuers for Coronavirus Vulnerability. Accessed on 9 April 2020. Retrieved from: <https://www.fitchratings.com/research/infrastructure-project-finance/fitch-ratings-reviewing-infrastructure-issuers-for-coronavirus-vulnerability-18-03-2020>

FSB. (2018). Evaluation of the Effects of Financial Regulatory Reforms on Infrastructure Finance. Accessed on 30 March 2020. Retrieved from: <https://www.fsb.org/wp-content/uploads/P201118-1.pdf>

IEA. (2019). World Energy Outlook 2019. Accessed on 24 March 2020. Retrieved from: <https://www.iea.org/reports/world-energy-outlook-2019/gas#abstract>

IMF. (2020). IMF Managing Director Kristalina Georgieva's Statement Following a G20 Ministerial Call on the Coronavirus Emergency. Accessed on 25 March 2020. Retrieved from: <https://www.imf.org/en/News/Articles/2020/03/23/pr2098-imf-managing-director-statement-following-a-g20-ministerial-call-on-the-coronavirus-emergency>

LMA. (2015). Regulation and the Loan Market – September 2015. Accessed on 31 March 2020. Retrieved from: https://www.lma.eu.com/application/files/7514/6901/3105/LMA_Regulation_and_the_Loan_Market_September_2015.pdf

Mohanty, S. (2020). LNG Projects Stare at Financing Woes and Delays Amid Eluding Term Talks. Accessed on 27 March 2020. Retrieved from: <https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/032420-lng-projects-stare-at-financing-woes-and-delays-amid-eluding-term-talks>

Moody's. (2020). Moody's Take Rating Actions on 11 European Airports. Accessed on 6 April 2020. Retrieved from: https://www.moody's.com/research/Moodys-takes-rating-actions-on-11-European-airports--PR_421864

Morgan, G. (2020). Canadian Heavy Oil Cheaper than a Pint of Beer as North American Demand for Fuel Plummet. Accessed on 26 March 2020. Retrieved from: <https://business.financialpost.com/commodities/canadian-heavy-oil-cheaper-than-a-pint-of-beer-as-north-american-demand-for-fuel-plummet>

Ngai, C. (2020). Oil posts worst quarter ever as physical market craters. Accessed on 9 April 2020. Retrieved from: <https://www.worldoil.com/news/2020/3/31/oil-posts-worst-quarter-ever-as-physical-market-craters>

OECD. (2020). OECD Interim Economic Assessment Coronavirus: The World Economy at Risk. Accessed on 23 March 2020. Retrieved from: <https://www.oecd.org/berlin/publikationen/Interim-Economic-Assessment-2-March-2020.pdf>

Proximo. (2020). BP to Cut Spending Amid 'Most Brutal' Oil Price Rout in Decades. Accessed on 2 April 2020. Retrieved from: <https://www.proximoinfra.com/news/34250/BP-to-cut-spending-amid-most-brutal-oil-price-rout-in-decades>

Proximo. (2020). Construction of \$40bn Woodfibre LNG Project Delayed by a Year. Accessed on 27 March 2020. Retrieved from: <https://www.proximoinfra.com/news/34104/Construction-of-40bn-Woodfibre-LNG-project-delayed-by-a-year>

Proximo. (2020). Coronavirus, Gas Slump Put Brakes on Exxon's Giant Mozambique LNG Plan. Accessed on 2 April 2020. Retrieved from: <https://www.proximoinfra.com/news/34025/Coronavirus-gas-slump-put-brakes-on-Exxon-giant-Mozambique-LNG-plan>

Proximo. (2020). Oil Price Crash Pushes Whiting Petroleum to Bankruptcy. Accessed on 2 April 2020. Retrieved from: <https://www.proximoinfra.com/news/34252/Oil-price-crash-pushes-Whiting-Petroleum-to-bankruptcy>

Proximo. (2020). Phillips 66 Cuts Plans \$3bn Cuts Amid Price and Virus Uncertainty. Accessed on 26 March 2020. Retrieved from: <https://www.proximoinfra.com/news/34065/Phillips-66-cuts-plans-3bn-cuts-amid-price-and-virus-uncertainty>

Raval, A., & Sheppard, S. (2020). Oil Crash: Why Saudi Arabia has Started a Global Crude Price War. Accessed on 24 March 2020. Retrieved from: <https://www.ft.com/content/59dcba56-61a2-11ea-b3f3-fe4680ea68b5>

Runde, D. (2019). Development Finance Institutions: Plateaued Growth, Increasing Need. Accessed on 1 April 2020. Retrieved from: <https://www.csis.org/analysis/development-finance-institutions-plateaued-growth-increasing-need>

Schiavo, M., & Georges, P. (2020). The Energy Transition: Is Offshore Wind Done or Going for Other Bids? Accessed on 8 April 2020. Retrieved from: <https://www.spglobal.com/ratings/en/research/articles/200218-the-energy-transition-is-offshore-wind-done-or-going-for-other-bids-11338815>

Sheppard, D. (2020). Oil Industry Faces Biggest Crisis in 100 Years. Accessed on 24 March 2020. Retrieved from: <https://www.ft.com/content/7afb4c04-6d58-11ea-89df-41bea055720b>

List of figures

Figure 1: Region of operation

Figure 2: Project finance sectors

Figure 3: Predicted regional growth in project finance over the next 5 years

Figure 4: Respondents' plans to raise project finance over the next 12 months

Figure 5: Project financing over the next 12 months, by sector

Figure 6: Project financing over the next 12 months, by facility type

Figure 7: Average amount invested in project finance over the next 12 months

Figure 8: Average tenor for project financing deals over the next 12 months

Figure 9: Average pricing for project financing over the next 12 months: prospective pricing

Figure 10: Involvement with project financing over the past 24 months

Figure 11: Perception of pricing over the past 24 months

Figure 12: Perception of change in cost and tenor change over the past 24 months

Figure 13: Perception of the challenges that have detrimentally impacted the raising of project finance

Figure 14: Perception of anticipated competitive debt pricing for greenfield projects

Figure 15: Perception of the best predicted pricing for greenfield projects

Figure 16: Perception on the impact of institutional investors, ECAs and DFIs in project financing

Figure 17: Perception on the importance of project finance instruments to their own business

Figure 18: Perception on the most important attributes to developers when choosing a bank for project finance

Figure 19: Perception on the importance of possible changes in project finance

Figure 20: Perception on the importance of getting a rating for a deal a worthwhile investment

Figure 21: Perception on the experience of the ratings agencies in project finance

Figure 22: Perception on the importance of a bank's sustainability credentials to you

Figure 23: Perception on the benefit of separating a project into green and non-green elements

Figure 24: Perception on whether or not there is pressure from shareholders to raise ESG-linked or green project debt

Figure 25: Perception on whether or not there is any real pricing benefit to getting green certification or an ESG rating for project financing

About Proximo Research

Proximo Research supplies some of the most detailed market insights into the project finance industry. Using an in-depth and robust methodology that combines quantitative trends with thought provoking qualitative insights, Proximo Research provides unique and proprietary data and analysis based on primary sources. In addition, it offers a bespoke research service to paying clients. Working in collaboration, Proximo Research collect, collate, analyse and write reports to the focus and scope of the research, with the final product being a thought leadership piece to be used by the client as they choose.

Proximo Research

Dr Tom Parkman | **Head of Research** (analyst)

Thomas Hopkins | **Reporter** (lead author)

Sean Keating | **Editor**

Designer

Joe Wood

Acknowledgements

David Samuel | **Commercial director and co-founder, Proximo**

Tom Nelthorpe | **Contributing editor, Proximo**

George Khachadourian | **Senior content manager, Proximo**

Maura Murphy | **Senior content manager, Proximo**

