

Vinson&Elkins

Energy Series

Pitfalls in Project Development

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Meet the Speakers



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Alan's practice focuses on project development, project financings and joint ventures. He has experience working with petrochemical companies, midstream developers, exploration and production companies, and financial investors on complex projects and transactions in the upstream, midstream and downstream sectors. In addition, Alan has significant experience working with clients on matters and projects in Mexico's energy sector.



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Stephanie practices in the areas of project development, mergers and acquisitions, complex structured transactions and joint ventures. She has experience in multiple sectors of the energy industry, including upstream, pipelines, LNG, downstream and chemicals, and power generation (including renewables). Stephanie has broad experience with project and infrastructure construction and development.



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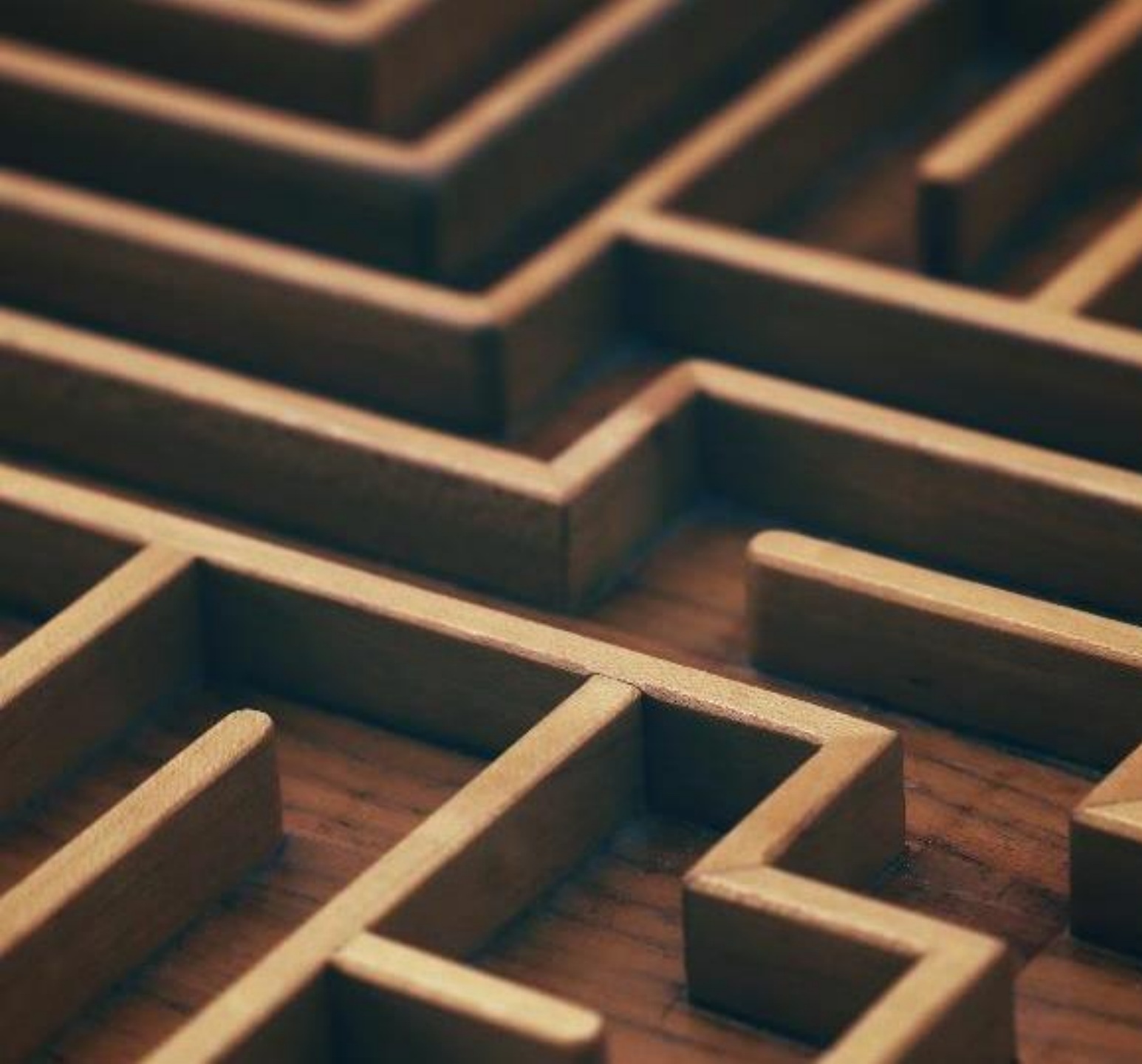
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Simone is a member of V&E's worldwide Energy Transactions and Projects practice group. She represents project sponsors and financial institutions across a range of domestic and cross-border project and structured financings and acquisitions and investment transactions in the energy, power, infrastructure, oil & gas, mining and metals industries.

Agenda

1. Early structuring considerations
2. Development stage work
3. Competition v. single source
4. Regulatory, technical and other specialty support
5. Development incentives
6. Financing considerations



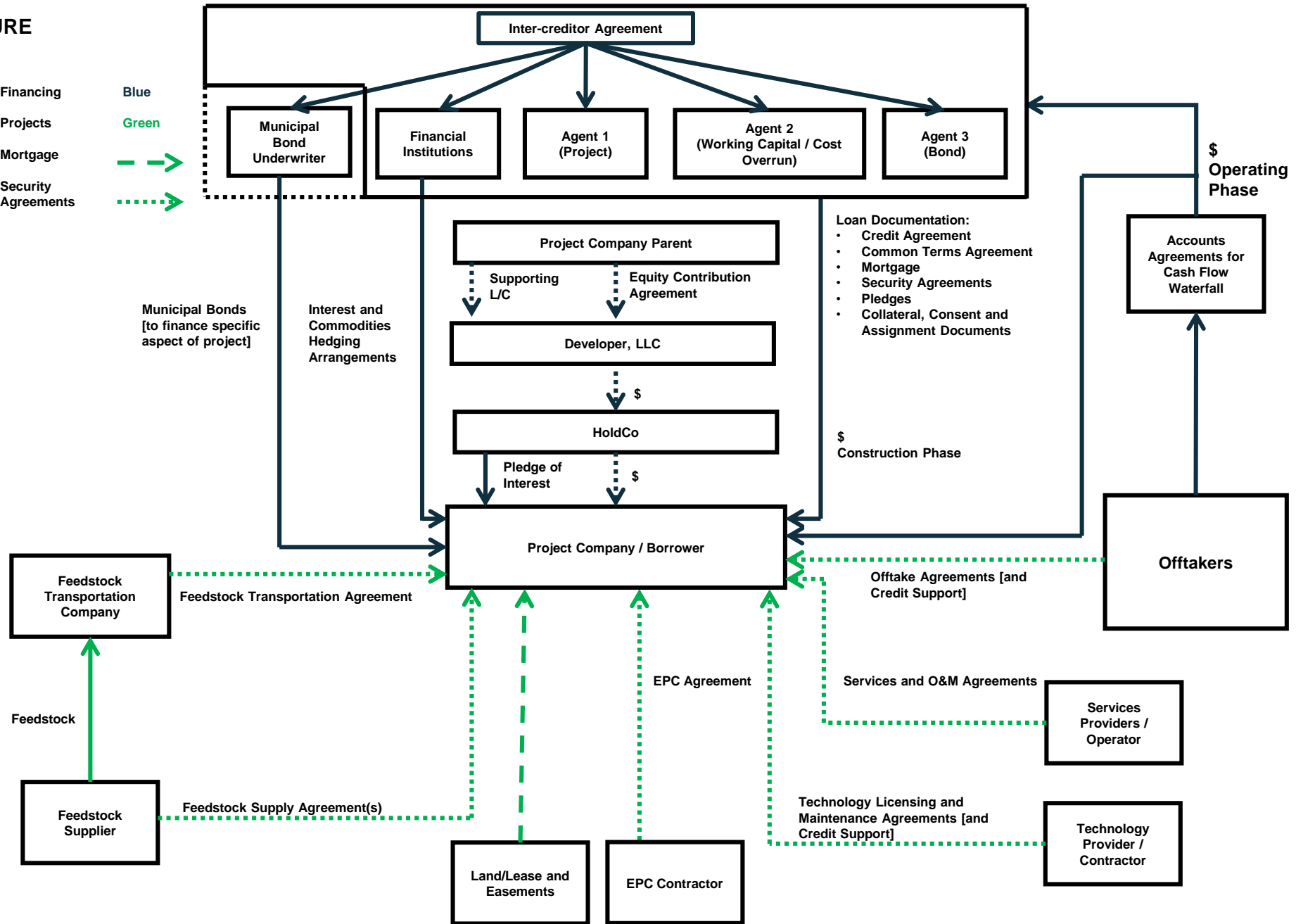
Early Structuring Considerations

Early Structuring Considerations

- Understand the revenue stream for the project
- Consider financing structure
- Develop an overall contracting structure for all aspects of the Project
- Emphasis on coherent, consistent project agreements

FINANCING STRUCTURE CHART

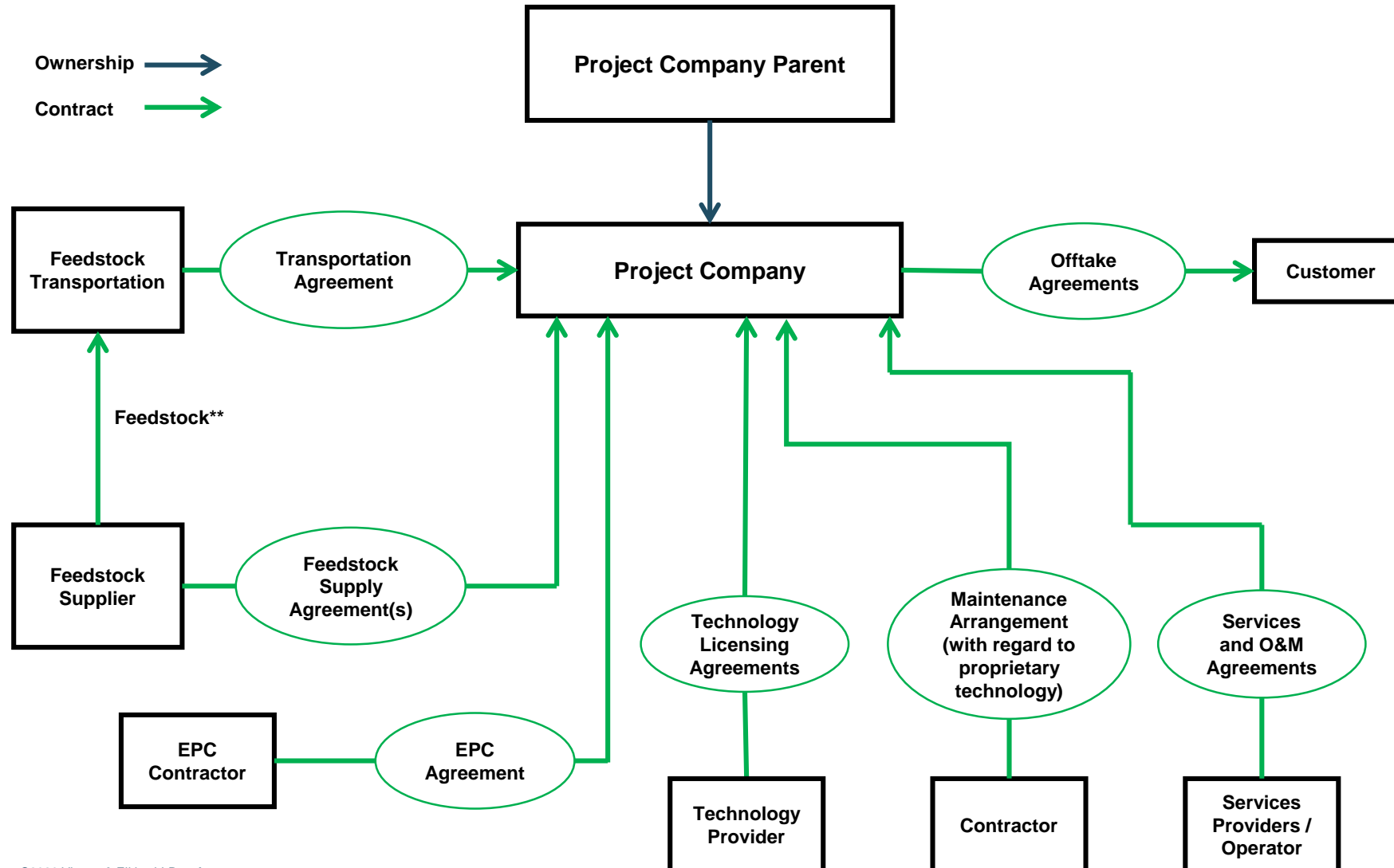
Financing Blue
 Projects Green
 Mortgage - - ->
 Security Agreements ·····>



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Example Contracting Structure (Process Plant)





Development Stage Work

Development Stage Work

- Early investment in front end engineering and design work
- Common development stage traps:
 - Exclusivity
 - Economic incentives for small investors/participants that reduce the value of the project to serious financial backers
 - Insufficient intellectual property license to work product
 - Delay and cost creep



Competition v. Single Source

Competition v. Single Source

- Competition typically results in better terms and gives other benefits as well
- To the extent possible, utilize competitive processes with and/or diversify:
 - EPC Contractors
 - Site alternatives
 - Feedstock suppliers
- Certain scenarios where competition may not be possible:
 - Unique technology
 - Specialized site
 - Pre-existing partnership



Regulatory, Technical and Other Specialty Support

Regulatory, Technical and Other Specialty Support

- Permitting
- Tax
- Environmental
- Technical Advisors
- Project Management



Development Incentives

Development Incentives

- Federal, state and local
- Obtaining state and local incentives will sometimes be dependent upon showing that the incentive is a key consideration for locating the project in the applicable jurisdiction
- Project viability should not be dependent upon development incentives (excluding renewables and carbon capture projects)



Financing Considerations

Financing Considerations

- Key project documents should be held by the Borrower/Project Company
- Assignability, financing cooperation and direct agreements
- Financing considerations when structuring key revenue/offtake agreements
- Lenders seek down-side risk protection
- Sponsor-specific considerations
- Administrative considerations

THANK YOU

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