NET ZERO CITIES

EU MISSION PLATFORM

CLIMATE NEUTRAL AND SMART CITIES

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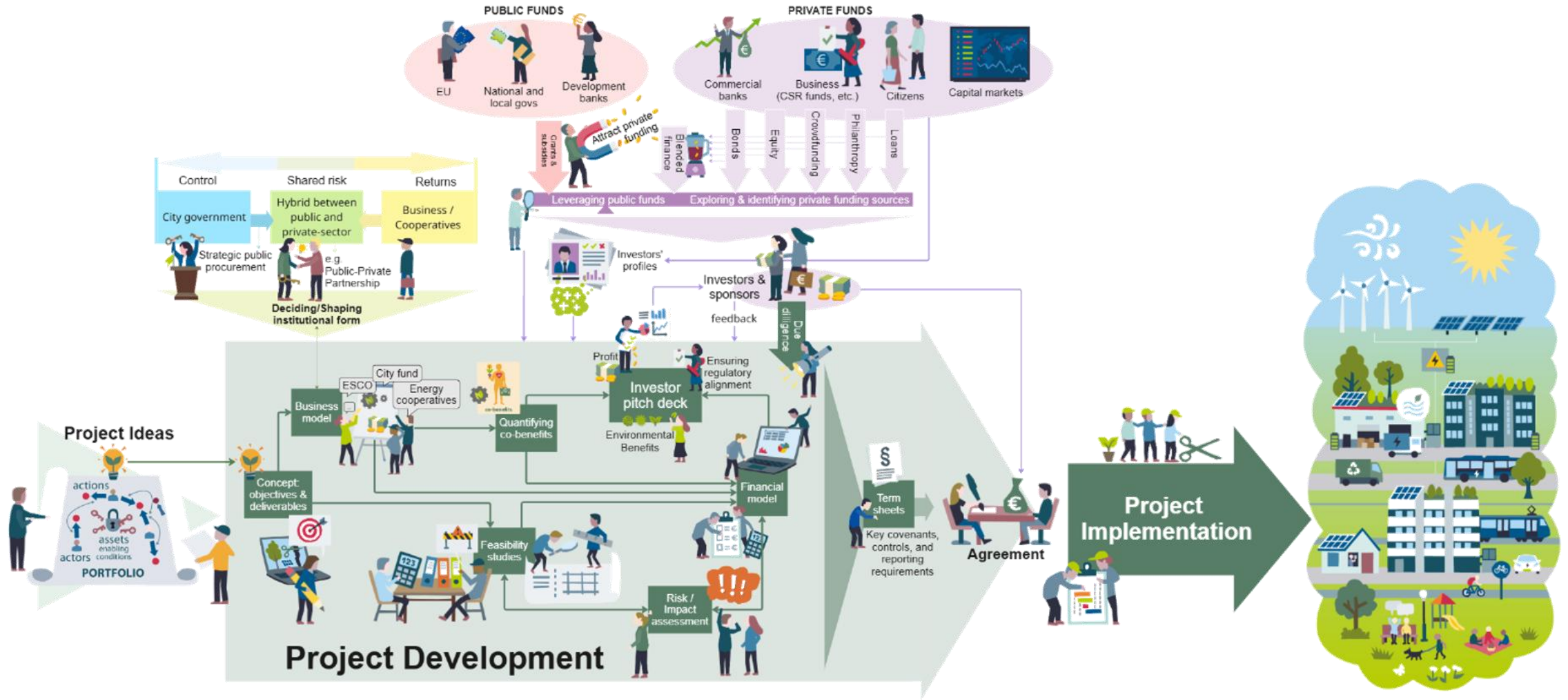
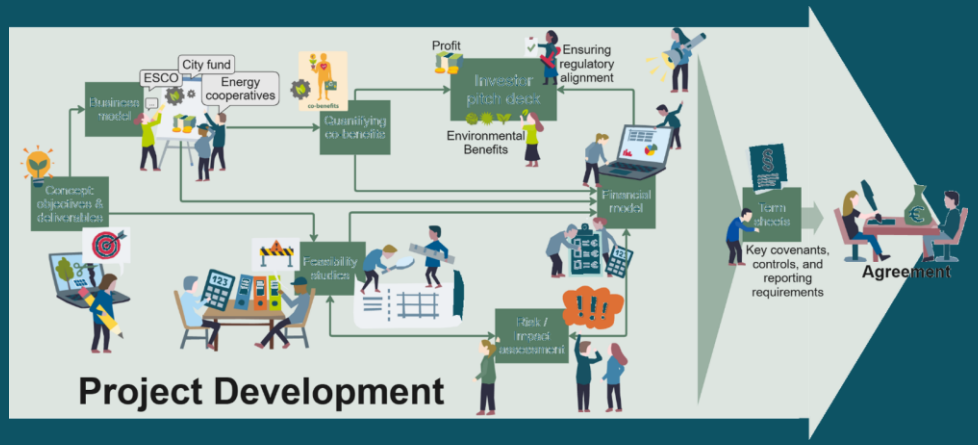

PUBLIC FUNDS
EU
National and local govs
Development banks
PRIVATE FUNDS
Commercial banks
Business (CSR funds, etc.)
Citizens
Capital markets
Attract private funding
Grants & subsidies
Blended finance
Bonds
Equity
Crowdfunding
Philanthropy
Loans
Leveraging public funds
Exploring & identifying private funding sources
Control
Shared risk
Returns
City government
Hybrid between public and private-sector
Business / Cooperatives
Strategic public procurement
e.g Public-Private Partnership
Deciding/Shaping institutional form
Investors' profiles
Investors & sponsors
feedback
Due diligence
Profit
Ensuring regulatory alignment
Investor pitch deck
Environmental Benefits
Business model
City fund
ESCO
Energy cooperatives
Quantifying co-benefits
Project Ideas
actions
assets
actors
enabling conditions
PORTFOLIO
Concept: objectives & deliverables
Financial model
Feasibility studies
Risk / Impact assessment
Project Development
Term sheets
Key covenants, controls, and reporting requirements
Agreement
Project Implementation

20/11/2025

Module 5 - Spotlight Session 1

Preparing a Pipeline of Projects for External Financing

"We don't know which projects could be externally financed and how to prepare them for financing"



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Preparing a Pipeline of Projects for External Financing

YOUR PRESENTORS TODAY

Vaneshree Naidoo

Senior Lead, Sustainable Infrastructure and Smart Cities

south pole
The Climate Company

Helen Reed

Head of City Leap, Client & Energy Service

BRISTOL CITY COUNCIL | ENERGY SERVICE BRISTOL

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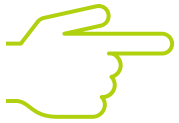
Learning Objectives

This session is a spotlight of Module 5 Finance

By the end of this session, participants will:



- Understand how to identify/select projects for external financing (key considerations)

- Understand how to prepare projects/data for external financing (key documents, data, and timing)

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Agenda Overview

1. Introduction & Framing *(5 min)*
2. What Can Be Financed & Who Funds It? *(10 min)*
3. The Financing Journey – Investor Lens *(10 min)*
4. Transaction Readiness – Preparing the Key Documents *(20 min)*

Break and Wooclap: 10 min

5. Selecting the Right Projects - Bristol experience *(10 min)*
6. Bristol Case Study & Workshop *(20 min)*
7. Reflections & Resources *(10 min)*

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Rate/ Score yourself!

1. Did you read the pre-reading?

2. How well did you understand the pre-reading?

3. How confident are you, to be able to answer the below questions? (100%?, 75%?, 50%, 25%, 5%?)

(Don't answer the below questions yet)

1. *Name the key documents needed for external financing*
2. *What are most common types of financing*
3. *What are the key investor criteria?*
4. *List the characteristics of a transaction ready project*

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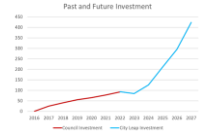
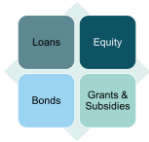
KEY CONCEPTS:

- External financing is crucial for SCALING net-zero projects

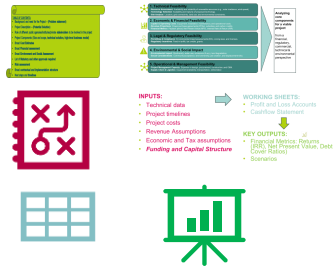


- Sustainable Infrastructure Projects can be financed through BLENDED FINANCE



- To attract financing, projects must demonstrate clear financial viability and alignment with INVESTOR CRITERIA

- Achieving "Transaction Readiness" involves a STRUCTURED journey and comprehensive DOCUMENTATION



1. Introduction & Framing

- Why external financing matters:
  - Municipal budgets are limited
  - Many projects require private capital to scale
  - External funders bring a level of due-diligence and credibility for project success.

- Funders expect credible, structured, and ready projects

- Key Concept: Transaction readiness = "Financeable" €

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2. What can be financed? Uses of Funds

Capital for the development of infrastructure assets in a wide array of sectors:

Built Environment

Mobility

Energy

Waste and Water

Nature & Adaptation

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Typical Sustainable Infrastructure Projects

Built environment

Building retrofits: Retrofits can improve energy efficiency and so reduce greenhouse gas emissions with better insulation and windows, efficient lighting, and advanced heating and cooling systems.

Greening of district heating & cooling: Exchange the energy sources of district heating and cooling systems with renewables, often coupled with system retrofits, efficiency improvements, added connections and building retrofits

Sustainable Transportation

Low emission vehicles: Exchange of bus/taxi fleet with low emission alternatives, incl./or installation of charging stations/battery swaps, potentially incl. modal shift incentives for citizens

Bike lanes & last mile transportation: Supporting the creation of bike lanes and the introduction of connection/last mile transportation models (e.g. how to bring people to switch from car to train outside of city, or commute without car)

Renewable Energy

Mid-to-large scale on-grid systems: Wind, solar or hydro-electric electricity generation dispatched to the grid

Solar rooftop/community solar: Small-scale (typically) solar PV installations supplying a/several buildings, industry, areas – feed into grid and backed up by grid

Carbon Capture & Storage

Bioenergy with Carbon Capture and Storage (BECCS): bio energy production coupled with carbon capture and storage technology (CO2 separated, captured and stored geologically)

Waste & Water

Improved efficiency and greening of waste-water treatment facilities: Managing and treating wastewater through eco-friendly methods (constructed wetlands, bioreactors, biofiltration) or in decentralized manner

Repurposing biowaste: Improve biowaste collection and repurposing it e.g. for energy or fuel production

Nature & Adaptation

Urban greening: Repurposing and regreening of community spaces or neighbourhoods in Cities, improving air quality and managing temperatures through vegetation

Managing water resources: improved accessibility and/or protection of water sources in Cities

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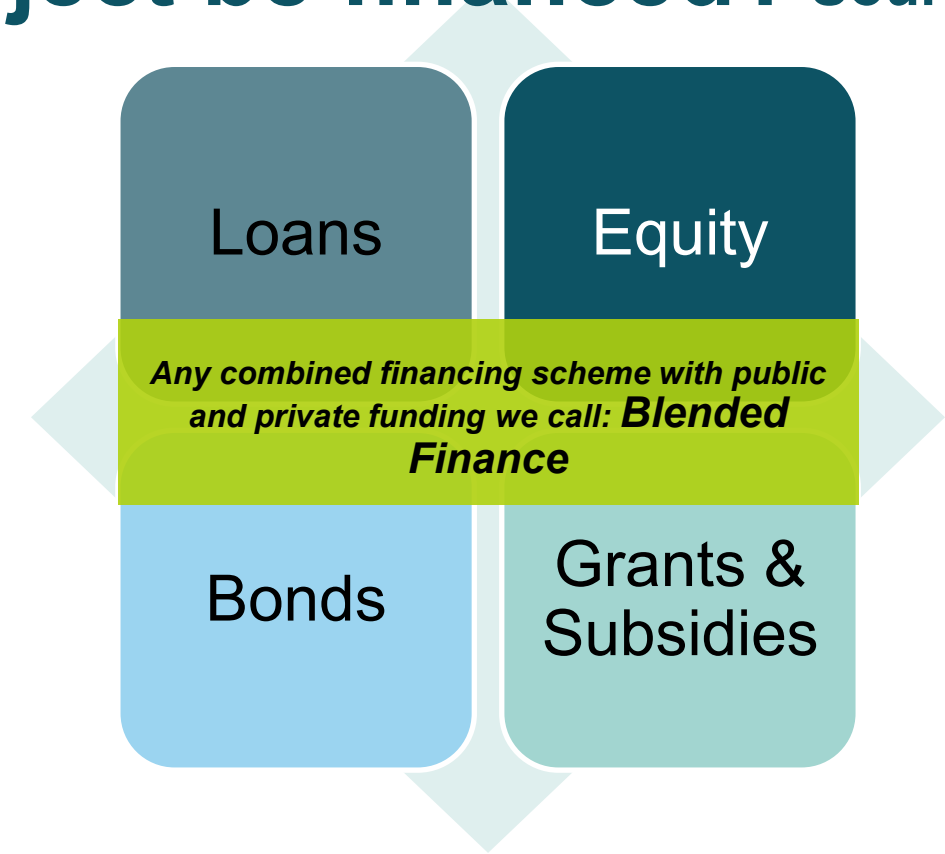
How can a project be financed? Sources of Funds/Capital

Raising capital by borrowing money that must be repaid over time, typically with interest (Loan Agreement)

Fixed-income financial instrument. When an investor buys a bond, they effectively lend money to the issuer in return for periodic interest payments and the payment of the principal amount at maturity (Bond)



Raising capital by selling ownership stakes financiers, who receive returns based on the project's performance instead of fixed repayments (Equity Agreement)

Non-repayable financial aids provided by governments or organizations to support specific projects, often to promote public benefits (Grant Agreement)

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3. Financing Journey: Investor Lens-Project Criteria

External financiers, including private investors, look for specific characteristics and assurances in climate projects such as:

- **Clear Alignment with Climate Goals**
- **Regulatory Alignment & Credibility**
- **Financial Viability and Returns**
- **Revenue Generation Potential**
- **Project Scale and Bundling**
- **Proven Technology/Concept**

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Investors Lens - Public Sector Counterparty

In addition, when evaluating public sector projects, investors also look for:

Creditworthiness of the Municipality:

- For loans and bonds, a municipality's creditworthiness is usually a critical factor. A higher credit rating can lead to more available finance at lower interest rates.

  Project financiers look to the project itself to be financially viable, to produce secure cashflows to repay debt.
  The NetZeroCities Consortium is partnering with grant and project funders to bridge the financing gap.

- If the municipality is paying for services, i.e. purchasing electricity, then its ability to pay comes into question.

  Creating the right **business model** with the right mix of revenue can make a project viable.
  CCCH Project preparation support includes business model, financial modelling and financial structuring.

Internal Capacity and Expertise:

- The municipality's internal capacity to execute the project and manage finances.

  Having **skilled technical expertise** can be a key advantage.
  CCCH provides technical assistance and financing expertise to support the municipalities.

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Transaction Readiness

"Transaction –ready" refers to a project that meets all the financial, technical, legal and stakeholder requirements to attract investment and secure funding from public and private financiers.

Key Characteristics of a transaction-ready project:

- ✓ Comprehensive Documentation
- ✓ Alignment with stakeholders
- ✓ Clear governance and legal structures
- ✓ Defined financing strategy
- ✓ Risk mitigation plans

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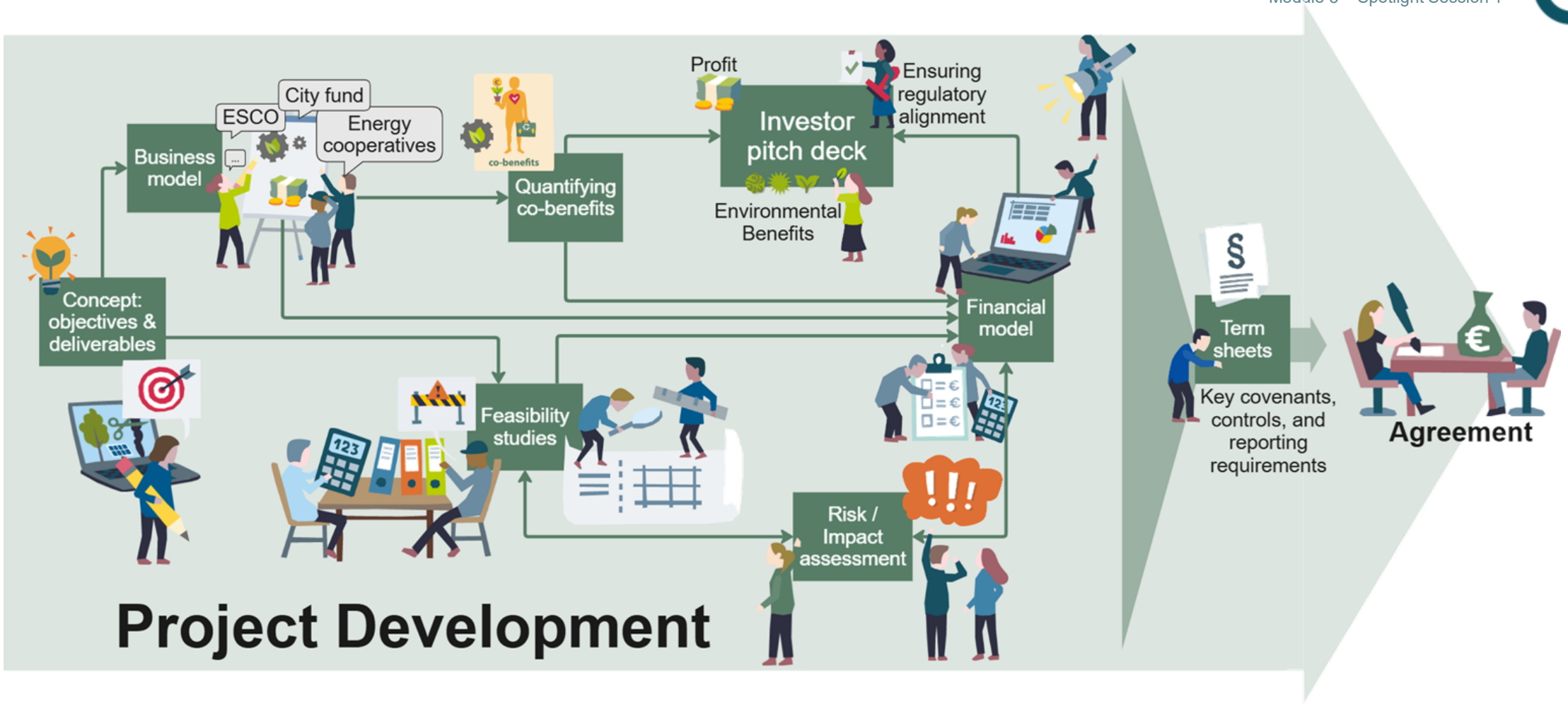

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4. How to get a project transaction ready and financed






Starting point	I. Project definition and technical design	II. Economic and financial modelling	III. Financial structuring	IV. Access to finance	V. Transaction implementation
City NZC Action & Investment plans	Clarify the **why**, the **what** and the **objectives** of the project.	Further **detail the what** and work out the **how**.	Evaluate best **capital** combination for your project	Receive investor feedback	Finalize the transaction.
	Develop **Concept**, perform **technical** and **financial feasibility** studies.	Get the **Project Documentation** ready including the **Financial model**.	Evaluate **financial structures** and **models**, map out investors.	**Verify** investor interest, integrate investor feedback.	Undergo **due-diligence**, answer questions, provide more information. Negotiate the Financing Agreements

TECHNICAL ASSISTANCE

FINANCING ASSISTANCE

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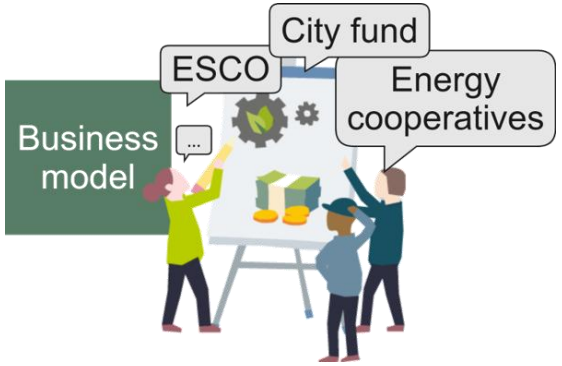
Project phase (I/V)

I. Project definition and technical **design** | II. Economic and financial modelling | III. Financial structuring | IV. Access to finance | V. Transaction implementation

Target: Clarify the **why**, the **what** and the **objectives** of the project.
How to reach it: Develop **concepts**, **technical** & **financial feasibility** studies.



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Project phase (I/V)

I. Project definition and technical **design** | II. Economic and financial modelling | III. Financial structuring | IV. Access to finance | V. Transaction implementation

Target: Clarify the **why**, the **what** and the **objectives** of the project.
How to reach it: Develop **concepts**, **technical** & **financial feasibility** studies.

Main information to clarify:

- Project objectives & deliverables
- Informed evaluation of technical solutions and **business model**(s) for project;
- Policy and regulatory aspects evaluated;
- Realistic assessment of project scope;
- High-level project costing (Budget compiled);
- High-level organisational project structure;

Main Documents to prepare:

- High level **concept note**/planning document of project;
- **Pre-feasibility study**;
- **Feasibility study**;
- Indicative budget;
- Tender documents for procurement in case of ESCO, PPA, PPP structures;

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What is a Concept Note?

A concept note serves as an initial articulation of a project idea. It is used to communicate the draft information about the project to other partners to gauge interest.

MY CONCEPT NOTE

TABLE OF CONTENTS:

- Background and need for the Project – **(Problem statement)**
- Project Description – **(Potential Solution)**
- Role of different public agencies/institutes/private **stakeholders** to be involved in the project
- Project Components (Size and scope, **technical solution, high-level business model)**
- Broad **Cost Estimates**
- Broad **Financial assessment**
- Broad **Environment and Social Assessment**
- List of **Statutory and other approvals required**
- **Risk assessment**
- Broad **contractual and implementation structure**
- Next steps and **timelines**

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What is a Feasibility Study?

1. Technical Feasibility

- **Resource Assessment**: Availability and reliability of renewable resources (e.g., solar irradiance, wind speed).
- **Technology Selection**: Suitability and maturity of proposed technology.
- **Site Analysis**: Location, grid connectivity, land use, and environmental constraints.

2. Economic & Financial Feasibility

- **Capital & Operating Costs**: Equipment, installation, maintenance, and operational costs.
- **Revenue Projections**: Power purchase agreements (PPAs), subsidies, and carbon credits.
- **Financial Metrics**: Payback period, Net Present Value (NPV), Internal Rate of Return (IRR)

3. Legal & Regulatory Feasibility

- **Permitting & Compliance**: Environmental impact assessments (EIA), zoning laws, and licenses.
- **Regulatory Incentives**: Feed-in tariffs, tax credits, grants.

4. Environmental & Social Impact

- **Environmental Impact**: Biodiversity, water use, emissions (if any), land degradation.
- **Social Considerations**: Community acceptance, land ownership, job creation, and displacement risks.

5. Operational & Management Feasibility

- **Project Management Capacity**: Expertise in design, procurement, construction, and O&M.
- **Supply Chain & Logistics**: Equipment availability, transportation, skilled labour.

Analysing core components for a viable project

from a financial, regulatory, commercial, technical & environmental perspective

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Project Prep Phase (II/V)

I. Project definition and technical design | **II. Economic and financial modelling** | III. Financial structuring | IV. Access to finance | V. Transaction implementation

Target: Further detail the **what** and work out the **how**.

How to reach it: Get **Project Documentation** ready

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Project Prep Phase (II/V)

I. Project definition and technical design | **II. Economic and financial modelling** | III. Financial structuring | IV. Access to finance | V. Transaction implementation

Target: Further detail the **what** and work out the **how**.
How to reach it: Get **Project Documentation** ready

Main information to clarify:

- Organisational Project structure defined;
- Technical solution(s) finalised;
- **Business model**(s) defined;
- Implementation plan made;
- Detailed budget;
- Risks and mitigation measures evaluated;
- Impact measurement framework and reporting plan developed;
- Project stakeholders onboarded;

Main Documents to prepare:

- Detailed Project plan:
- **Detailed Financial Model incl. summary for investors;**
- **Risk (incl. ESG) mapping, framework incl. mitigation measures defined;**
- Impact measurement framework and reporting plan;
- Necessary permits and licenses;

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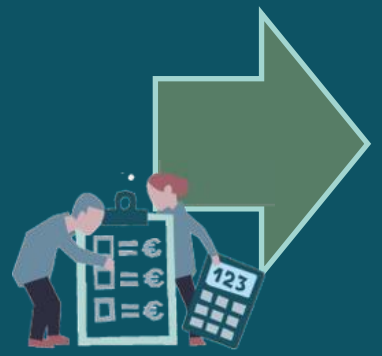
What is a Financial Model?

A mathematical representation of a project's projected financial performance

INPUTS:

- Technical data
- Project timelines
- Project costs
- Revenue Assumptions
- Economic and Tax assumptions
- ***Funding and Capital Structure***



WORKING SHEETS:

- Profit and Loss Accounts
- Cashflow Statement

KEY OUTPUTS:

- Financial Metrics: Returns (IRR), Net Present Value, Debt Cover Ratios)
- Scenarios

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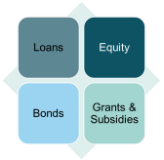
Project Prep Phase (III/V)



I. Project definition and technical design | II. Economic and financial modelling | **III. Financial structuring** | IV. Access to finance | V. Transaction implementation

Target: Identify best **grant/bonds/loans/equity** split to optimize use of City funds

How to reach it: Structure projects (in collaboration with investors) to maximize impact and probability of execution

Main information to clarify:

- Potential investors identified;
- Decision matrix for subsidies/ national funding versus **private capital or blended finance**
- **Overview of investment criteria, conditions, and preferences of investors**;
- **Derisking solutions** evaluated e.g. guarantees, insurances, phased project implementation etc.;

Main Documents to prepare:

- NDAs and exclusivity agreements with private capital
- **Investor pitch deck**;
- Project doc. updates throughout fundraising
- **Update Financial model** with Capital Structure and with key metrics: payback, coverage ratios, etc.

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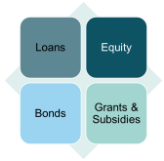
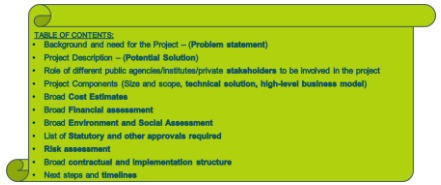
Project Prep Phase (III/V)



I. Project definition and technical design | II. Economic and financial modelling | **III. Financial structuring** | IV. Access to finance | V. Transaction implementation

Target: Identify best **grant/bonds/loans/equity** split to optimize use of City funds

How to reach it: **Structure** projects (in collaboration with investors) to maximize impact and probability of execution



INPUTS:
- Technical data
- Project timelines
- Project costs
- Revenue Assumptions
- Economic and Tax assumptions
- ***Funding and Capital Structure***

WORKING SHEETS:
- Profit and Loss Accounts
- Cashflow Statement

KEY OUTPUTS:
- Financial Metrics: Returns (IRR), Net Present Value, Debt Cover Ratios)
- Scenarios

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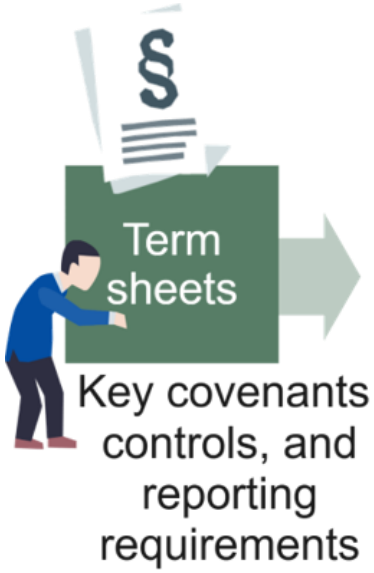
Project Prep Phase (IV/V)

I. Project definition and technical design → II. Economic and financial modelling → III. Financial structuring → **IV. Access to finance** → V. Transaction implementation

Target: Receive Investor feedback and Conditional Investor Commitments

How to reach it: Engage **investors** for collaborative transaction structuring



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Project Prep Phase (IV/V)

I. Project definition and technical design → II. Economic and financial modelling → III. Financial structuring → **IV. Access to finance** → V. Transaction implementation

Target: Receive Investor feedback and Conditional Investor Commitments
How to reach it: Engage **investors** for collaborative transaction structuring

Main information to clarify:

- Shortlist distilled and Investor interest verified;
- Investor feedback re. terms (financing, security terms etc.) incorporated;
- Iterative **due diligence** (technical, commercial/market, financial, ESG, HSE, etc.)

Main Documents to prepare:

- **Term sheets** with key covenants, controls and reporting requirements;
- Investor specific documents additional to project documents already developed;
- RFP/grant applications prepared;
- Signed commitments conditional on confirmation of key terms in agreed timeframe;

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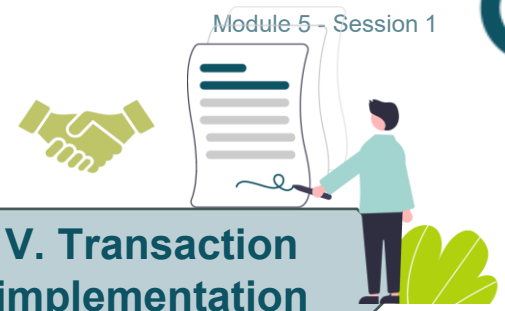
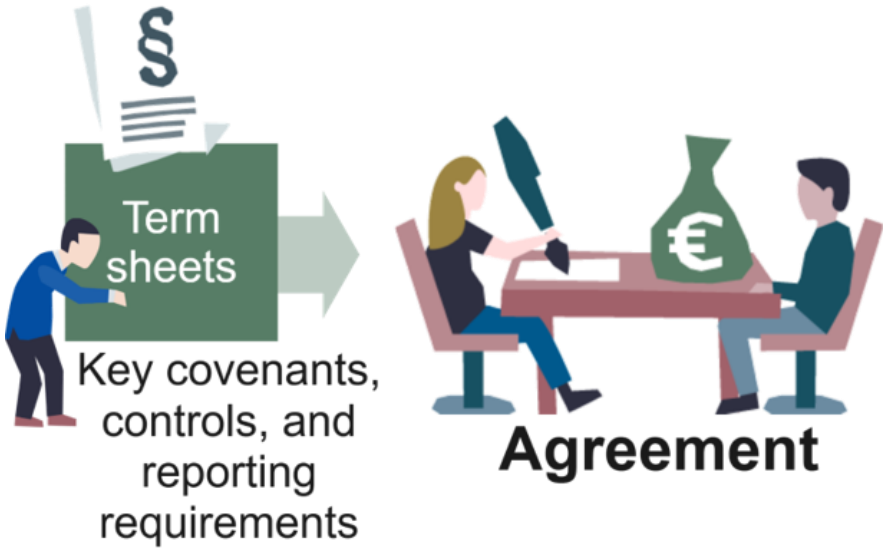
Project Prep Phase (V/V)



I. Project definition and technical design → II. Economic and financial modelling → III. Financial structuring → IV. Access to finance → **V. Transaction implementation**

Target: Financial documentation signed & project funds disbursed

How to reach it: Undergo **due diligence**, answer questions, provide more information



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Project Prep Phase (V/V)

I. Project definition and technical design → II. Economic and financial modelling → III. Financial structuring → IV. Access to finance → **V. Transaction implementation**

Target: Financial documentation signed & project funds disbursed

How to reach it: Undergo **due diligence**, answer questions, provide more information

Main information to clarify:

- Key financing terms: interest rates, equity contributions, voting rights, security, collateral requirements, etc.
- Sculpting: drawdown (debt, grant or equity) and repayment schedules (for debt)
- Risk management: FX and/or interest rate hedging
- Reporting requirements

Main Documents to prepare:

- Finalized risk matrix discussed with investor(s)
- Periodic reporting templates
- Construction and Operating agreements; governing risks allocations;
- Necessary permits, licenses, approvals and procurement docs that were still outstanding in step II;
- **Financing agreements (T&C's between Sponsors, lenders and investors)**

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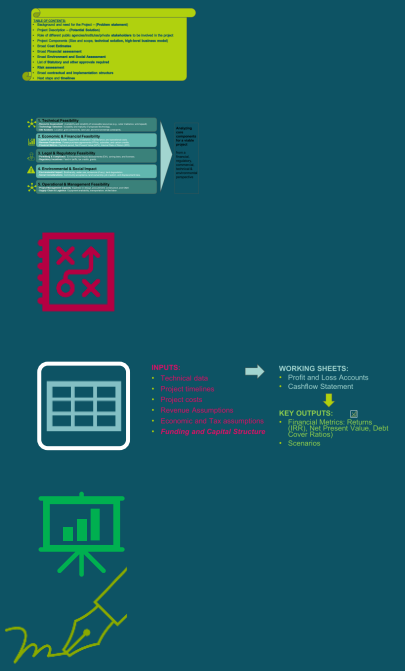
Key Documents Required

- Concept Note
- Feasibility Studies
- Risk/Impact Assessment
- Business Model (Value), Revenue Model (Income) & Financial Model
- Investor Pitch Deck/ Project Information Memorandum (PIM)
- Term Sheets & Agreements



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BREAK

Wooclap QUIZ:

1. Name some key documents needed for external financing
2. What are the most common types of financing?
3. What are the key investor criteria?
4. List the characteristics of a transaction ready project

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Bristol City Leap

Unlocking Investment and Delivering Citywide decarbonisation

Contact: Helen.reed@bristol.gov.uk or
Alex.Minshull@bristol.gov.uk

In partnership with BRISTOL city leap

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Bristol: thriving and innovative

- **Largest city in the South West** and one of the UK's 11 'Core Cities'
- **Population of 479,000** and rapidly growing
- Consistently rated as '**one of the best places to live and visit in the UK'**
- Home to two **world class universities.** Economy boasts **strengths in high tech, zero carbon, creative and professional** services
- November 2018, **first UK local authority to declare a Climate Emergency**
- **Decarbonisation targets fully embedded** in BCC's Corporate Strategy and the One City Climate Strategy

- As a City, reduced emissions by **42%** since 2005
- Bristol City Council: reduced own **direct emissions by 50%** since 2015
- Recognised need for **increased scale and pace** of delivery:
  - Public sector budgets & resources limited
  - Private capital needed to achieve scale of ambition
  - Public sector risk profile
- Our previous Energy Service had established a portfolio of projects, including heat network development which were sufficiently developed to allow investment.
- **City Leap:** we've procured a private sector partner to form a joint venture with BCC that is focused on strategically delivering decarbonisation projects across a range of technologies in a joined up way over a 20-year partnership.

City Leap Energy Partnership

ENERGY SERVICE BRISTOL | BRISTOL city leap | AMERESCO Green • Clean • Sustainable | VATTENFALL

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What the council has procured (1/2)

- The council has let a **20-year concession** to a City Leap Strategic Partner, Ameresco Limited, **to fund and deliver** low carbon energy projects on all land/property owned by the council.
  - Land/property includes council offices, investment buildings, unutilised land, social housing and car parks. Vattenfall are working with Ameresco to build out the heat network – we provide land for energy centres and buildings to connect providing anchor loads.
  - Projects include low carbon heat network build out, building retrofit, solar energy, wind energy, battery storage, electric vehicle infrastructure
  - The model leaves it to Ameresco to identify the best funding source for the project. Retrofit typically grant funded, renewable energy typically loans/equity, heat network to date has been fully funded by Vattenfall on balance sheet
  - The key is that for external funding there must be a revenue stream to provide the return, making it financially viable. Where the Council is not providing funding through grant, it provides other support to de-risk (e.g. lowering project cost or energy off-taker)
  - Ameresco take on the development cost to get the project finance ready

- City Leap will seek to **leverage work on the council's estate** to deliver projects in the residential and commercial sectors, as well as working with other local authorities and public bodies:
  - Council's estate acts as test-bed for projects and enables growth of local supply chain. This makes it easier to deliver projects in the residential and commercial sectors

- As Ameresco are **pre-procured** the council does not have to go through regulated procurement processes for delivery of each low carbon energy project - enabling faster delivery.

City Leap Energy Partnership

ENERGY SERVICE BRISTOL | BRISTOL city leap | BRISTOL ONE CITY

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What the council has procured (2/2)

- Ameresco has a **right of first refusal**, meaning that projects originated must still meet several **pre-set project acceptance tests** before they are approved by the council
  - Important to ensure continued regulatory and policy support
  - Ameresco must produce risk register and risk mitigation plan before approval is given
  - Funding arrangements must be finalised – provided to BCC on an open book basis to ensure BCC is not paying above marketing price
  - Strong client arrangements essential for completing these checks
- Ameresco must produce an annual business plan. Projects included in this must offer a **range of IRRs** across a range of **different technologies and sectors**.
- To attract the private sector, we had to have a credible offering, a pipeline of projects that were sufficiently developed and potential for future financeable projects.
  - Ameresco started to deliver against grant funded and well-developed projects from day 1
  - Meanwhile Vattenfall have expanded the existing heat network
  - Ameresco have worked up private financing solutions for wind and solar, and are working up concepts for building retrofits

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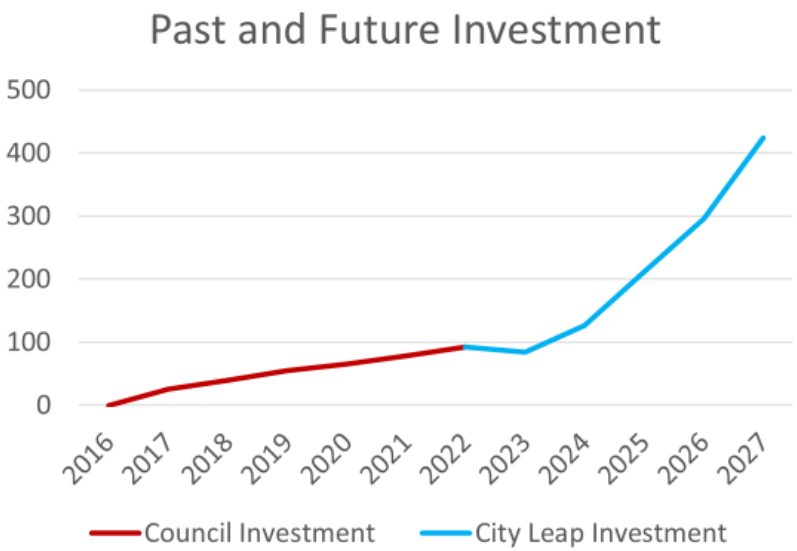
Ameresco's commitments

A catalyst for achieving decarbonisation AT SCALE



- Deliver a minimum capital investment of c£424m by 2027 and c£1bn over the 20-year partnership.
- Make the council's own operations carbon neutral by 2025 - covering its direct energy and transport emissions (Scope 1 and Scope 2).
- Decarbonise BCC's social housing by 2030 – to EPC ratings of C or higher.
- Substantially expand the council's heat network and make it carbon neutral by 2030.
- Making a material reduction in the overall carbon emissions for Bristol.
- **£61.5m of social value** (as measured by the Social Value Portal), including c£50m of expenditure with the local supply chain

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How Does City Leap Work?

Ameresco are responsible for all steps up until Transaction Implementation:

I. Project definition and technical design	II. Economic and financial modelling	III. Financial structuring	IV. Access to finance	V. Transaction implementation
Ameresco propose projects on the Council estate or develop projects where an idea has been proposed by the Council. They will complete **feasibility studies** – we help provide them with building access and data needed to do this.	Ameresco completes the **economic and financial modelling** and identify funding routes for the projects. City Leap structure gives flexibility to enable the correct funding route for the project, and **blended funding** if appropriate. Council facilitates the delivery of the projects to reduce costs associated with delivery (e.g. land price, placed based approach) – this is factored into the model	The Council is under no obligation to provide capital funding, but may do so (pass through of grants or its own capital by loan or payment for delivery (BCC will own asset)). Availability of finance is facilitated by: . Council as an off-taker (renewables/heat). . Ability to take security over the asset is an important part of the funding discussion. As such, generally ownership of the assets built follows the funding.	Ameresco arrange the necessary finance from third parties and assist with grant funding applications (sometimes required to enable third party finance). Returns are made: . On Council funded projects – costs pass through plus profit margin (traditional design and build type arrangement) . On Ameresco funded projects – PPA (for renewables), Energy Performance Contracting or Energy as a Service/Heat as a Service models . On Vattenfall Heat Network – Connection and Supply Fees	Ameresco deliver the project (if approved by BCC)

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The City Leap Prospectus

- BCC produced a **high-level prospectus** outlining potential opportunities for soft market testing. This was our **initial "teaser" pitch deck**.
- BCC could offer (i) **assets** (land, heat network, council's estate, offtaker of PPAs with strong financial standing) and (ii) "**soft benefits**" (status as known and trusted entity in city, connections and convener)
- Existing energy service had some projects in development (HNW, decarbonisation of certain council buildings) & an **allocated capital funds** for decarbonising corporate estate. These formed seed projects for City Leap
- Following a huge response, conducted an options appraisal to identify our preferred structure. Key factors in decision making included:
  - **Risk & reward share**
  - **Level of control**
- More detailed MOI was produced as part of the tender and energy data provided for the council's estate, generation data on the council's existing renewable assets and operational data on the council's existing heat network.
- Still high level for majority of opportunities – we asked the bidders to tell us what they could do based on energy data.
- Scale of potential opportunity was key to attracting bidders.
- With City Leap, onus is on the strategic partner to develop the projects and find their financing routes.

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Selecting Projects for External Financing

Could the project attract financing ? (Investor Lens - Project Criteria)

Clear Alignment with Climate Goals ?	Does it seek to reduce Emissions?
Regulatory Alignment & Credibility?	Is there political, regulatory support?
Financial Viability and Returns?	Does it make economic and financial sense?
Revenue Generation Potential?	Is it revenue-generating or savings-based?
Project Scale and Bundling?	Can it be bundled to achieve an attractive investment size?
Proven Technology/Concept?	Is the technology/ concept known to be successful?

Is the transaction ready? (Preparing the projects)

✓ *Comprehensive Documentation?*	Are the key documents/data available? (Concept Note, Feasibility Studies ,Risk/Impact Assessment, Business Model, Revenue Model, & Financial Model, Investor Pitch Deck, Term Sheets)
✓ *Alignment with stakeholders?*	Are stakeholders aligned? Can it align with existing plans?
✓ *Clear governance and legal structures?*	Are you clear about what roles the external parties could play?
✓ *Defined financing strategy ?*	Have you clarified how it could be financed?
✓ *Risk mitigation plans?*	Have key risks been identified with plan to mitigate?

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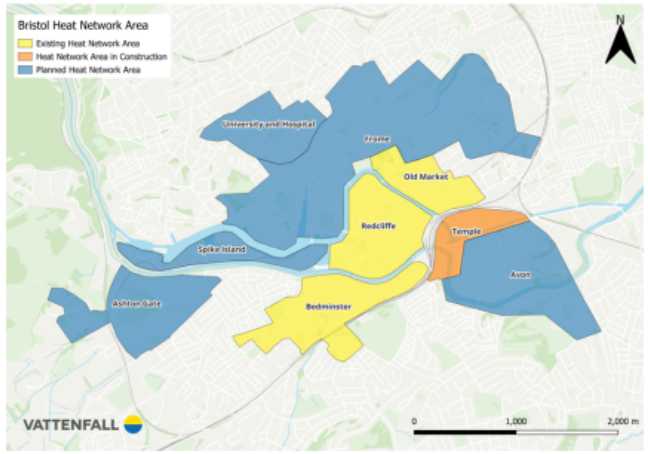
Example Project: Bristol Heat Network

- Pre-City Leap Bristol had a small heat network that it had started to decarbonise and look at feasibility to expand. Funded from grant and BCC capital (c. £26m).
- The Council made the decision to dispose of the heat network having looked at various ways of funding. Grant funding and Council capital would not be sufficient for scale of build out required.
- Clear route to expand:
  - BCC conducted feasibility studies in new areas of heat network (grant funded)
  - Connection Agreements in place or negotiated (off-takers of heat)
  - Had a low carbon energy centre (water source heat pump) for the initial heat network areas (funded by BCC capital and grant)
  - Clear opportunity to expand based on feasibility studies, and existing heat network with capacity to provide heat to more connections.
  - Potential energy centre sites identified for new heat network areas, in context of major regeneration projects in the City.
- BCC put in place policy measures to support the heat network:
  - Supportive planning policy in local plan, requiring connection by new developments
  - LDO to help build out of pipework in ground
- As part of the City Leap Concession arrangements, BCC supports the build out – co-ordinating highways, regeneration and providing land at below market value.
- Vattenfall acquired the heat network – repaying all BCC capital spent to date. Made contractual commitments as to expansion, decarbonisation and operation/pricing.
- Vattenfall planning to invest c.£225m in heat network over next 5 years.



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Interactive Case Study – Bristol Heat Network

Review the case study and discuss and answer the following questions in your groups:

- Breakout Room 1: From the Investor lens perspective- what are the project characteristics that attracted external financing ?

- Breakout Room 2: What potential financing sources were considered?

- Breakout Room 3: What preparatory processes or documents made the project transaction ready?

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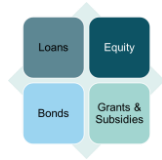
REFLECTIONS Case Study – Bristol Heat Network

- Breakout Room 1: From the Investor lens perspective- what are the project characteristics that attracted external financing ?
- Breakout Room 2: What potential financing sources were considered?



- Breakout Room 3: What preparatory processes or documents made the project transaction ready?



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Reflection & Sharing

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KEY TAKEAWAYS:

- **External financing is crucial for scaling net-zero projects:** Municipal budgets are limited, and private capital is essential for the significant investment required to achieve climate goals. External funders also bring valuable due diligence and credibility.
- **Sustainable Infrastructure Projects can be financed through blended finance:** Built environment, mobility, energy, waste and water, and nature & adaptation projects can be financed by blending public and private sources of funds/capital, including grants, bonds, loans, and equity (project finance)
- **To attract financing, projects must demonstrate clear financial viability and alignment with investor criteria:** External financiers scrutinize projects for strong climate alignment, regulatory credibility, revenue generation potential, appropriate scale (often requiring bundling), and proven technology/ concepts. They also assess the public sector counterparty's creditworthiness and internal capacity.
- **Achieving "Transaction Readiness" involves a structured journey and comprehensive documentation:** This includes progressing through phases of project definition, technical design, economic/financial modelling, financial structuring, and access to finance. Key documents like concept notes, feasibility studies, financial models, and investor pitch decks, termsheets are vital at each stage to make a project "financeable.“

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Tools and Resources

Connect: https://netzerocities.app/group-designyourcitysnetzerostrategyonlineplanninglab

Tools:

- NetZeroCities Portal: https://netzerocities.app/resource-4240
- NZC Finance Guidance Tool: https://netzerocities.app/financeGuidanceTool

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