KEEPING UP WITH THE ROMANIANS

THE ROMANIAN RENEWABLES MARKET HAS BECOME ONE OF THE MOST ACTIVE IN EUROPE WITH SPONSORS AND INFRASTRUCTURE FUNDS PILING IN. GRID CAPACITY UP FOR GRABS AND A NEW CONTRACT FOR DIFFERENCE (CFD) SCHEME IS DUE OUT. BY CRISTIANA SANDEVA.

A Lithuanian fund launched to invest in Polish renewables turned its plans around and ended up with a 400MW pipeline in Romania. A new British JV with a €500m equity injection is stepping into Romania with wind park plans of up to 1GW. A London-based energy firm with global activities announced it is entering two new countries for its solar development expansions: Canada and … Romania. A listed Israeli developer with a 10-year track record of renewables commissioning in Italy and Spain is directing its triple-digit fundraising to Romania. So have done a few of its Israeli peers already, with concrete plans and schemes starting to emerge since the spring. The list of firms piling into Romania from all over Europe and beyond keeps growing, and it takes serious commitment to keep up with it.

All these firms are choosing to take the road less travelled to Romania because of lower investment costs and more grid availability. How long it will take before grid capacity is exhausted is what most developers are wondering in the back of their minds. While an accurate answer cannot be given, the question itself prompts developers to rush even more towards the country, while megawatts are still up for grabs.

Last but not least, developers are curious and overall enthusiastic about the upcoming contract-for-difference (CfD) scheme to be launched soon in Romania.

"The introduction of the CfD scheme in 2023 will help provide more long-term predictability to the Romanian market, encouraging further investment and engagement from foreign investors," said Eyal Podhorzer, CEO of Tel Aviv-listed developer Econergy. The scheme has been under development with the EBRD since 2019 and should be launched early next year. PFI understands it will be "more similar to the British CfD scheme than to the Polish one", with details from the EBRD coming shortly. Developers' hopes are that eligibility criteria for the Romanian CfDs will be less stringent than in Poland, where projects need to be shovel-ready to apply for the scheme. More details on the CfD scheme will be revealed this month, the EBRD confirmed with PFI.

Lithuania's INVL Renewable Energy Fund 1 (INVL RE1), part of INVL Asset Management, entered the Romanian market in June and has already brought its planned pipeline to 268.7MW of solar developments. It acquired its first batch of three projects totalling 166MW for €120m in June, and invested at least €80m in September for an additional 102.7MW of projects it purchased from two local firms. It is understood to be in final talks with a local developer to acquire 174MW of additional solar capacity. All projects signed so far have grid connection approval, and some have construction permits. They should all be shovel-ready in Q1 2023.

The fund's managing partner, Liudas Liutkevicius, explained that INVL RE1 was originally launched last year with the intention to build a renewables pipeline in Poland, but after an initial investment for a 35MW pipeline there, it shifted its focus to Romania because Poland's grid connection capacity is nearly exhausted. "We continue to witness the sustained growth of interest from foreign investors for the country's renewable energy sector", he said, adding that is not very wise overall to pay for Polish energy prices given there are better options.

For these reasons, INVL RE1 had been considering Romania since late last year and officially stepped into the country in February this year – one of the main pushes towards shifting the investment route from Poland to Romania was the reintroduction of power purchase agreements (PPAs) into the country in January after a ten-year halt by the government (see PFI 728). PPAs in Romania have additional appeal because the law allows the signing of euro-denominated offtakes despite the country's local currency not being euros.

Podhorzer says that "Romania represents a key target geography for Econergy, where changes to the regulations allow the industry to expand via PPAs, diversification of services to the grid and the introduction of other renewable energy technologies". Econergy's pipeline in Romania exceeds 2GW and the company will "have approximately 400MW under construction by the end of the year", Podhorzer confirmed. He added that the company's approach will be to delay closing offtake agreements as it waits for the newly reopened market to mature.

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Podhorzer positions the Romanian market as "probably 12 months behind the Polish one in terms of PPAs and project financing". Comparing it to markets in Western Europe, he said: "The development process in Romania is in most cases faster than the one in Spain or Italy and together with the lower costs in the market, the development cost is probably approximately 30%–40% lower" with project risk begin "quite the same" across all countries.

Both INVL RE1 and Econergy are relying on available equity to fund project acquisitions. Econergy has €500m currently available commitments from investors and partners, which it has gathered in the past 15 months. It has commitments totalling €200m in place from Israel's Phoenix Insurance and French asset manager RGreen. It has also successfully completed two fundraising rounds, respectively of NIS150m (US$42.2m) and NIS250m, both mainly backed by Israeli insurance major Migdal. Commitments are understood to be coming from both international and Israeli investors. INVL RE1's equity at present is €35m, and the fund is currently raising additional capital to double up its equity sheet. It should raise at least €20m and up to €30m in the current round. The fund's hard cap for equity is set at €150m for its four-year lifetime, Liutkevicius confirmed.

Econergy plans to initially fund project construction with mezzanine debt, to be transitioned into project financing after PPAs have been signed in about a year's time. INVL RE1 is understood to be in talks with German and French debt funds for initial bridge financing to start project development. The initial funding would be a "high single digit or low double-digit percentage of short-term debt", PFI understands.

It would then refinance the bridge loans in two to three years with project financing of between €200m and €300m, which is expected to be syndicated to four or five lenders. Interested financiers in the fund include development finance institutions (DFIs) such as the EBRD and EIB, as well as commercial banks with active branches in Romania. Austria's Erste is understood to have signed a head of terms agreement with INVL RE1 through its local branch BCR. The fund is about to appoint a financial adviser, which would either be a German firm that has worked with INVL Asset Management in the past, or an international advisory that has a specialised branch in Romania.

Econergy should begin construction of its 91MW Parau solar project in Romania this month, backed by €50m from RGreen's equity commitments. Phoenix Insurance will back the development of the 81MW Oradea PV project, which Econergy acquired from German developer PNE in March. Before signing long-term PPAs in six to 12 months from now, Econergy plans to sell energy on a merchant basis. For INVL RE1, a first round of project construction should start in Q1 2023 and some operations should commence in 2024, with the entire portfolio operational by H2 2025

New players that have entered the Romanian market in the past month include Austrian oil giant OMV via its Romanian branch OMV Petrom, and Romanian state-controlled coal-based energy producer CE Oltenia. OMV and CE Oltenia will invest approximately €60m equity each to build four solar PV parks with total installed capacity of 450MW and total cost €400m. The remaining 70% of the funding, about €280m, will come from the EU's Modernisation Fund. The four PV plants will be built on former mining sites operated by CE Oltenia in Isalnita, Tismana, Rosia and Rovinari. Each project will be developed through a separate legal entity, which will sell 50% of the electricity produced to OMV Petrom and the other half to CE Oltenia. The partnership between the two companies was established last year when CE Oltenia chose OMV Petrom as investor for the projects.

Vienna-based Enery Power Holding, which announced acquisitions totalling 117MW of renewable capacity in a two-week timeframe. It first took over Toronto-based Jade Power Trust's 81MW operational portfolio in Romania for €71m, comprising 16.6MW solar, 62MW wind and 2.4MW hydropower. Less than two weeks later, it added 36MW to the Romanian solar photovoltaic (PV) portfolio, acquiring five operational projects from a local developer comprising the 6.6MW Pantazi PV plant, the 8.7MW and 8.8MW Sebis 1 and 2 projects, and the Cluj 1 and Cluj 2 PV plants of 5.9MW each. The latest portfolio additions are eligible to receive Green Certificates (GCs), which would be valid for 10 years. The acquisition was funded with a new 10-year €37m loan, on which Kommunalkredit was sole mandated lead arranger. Dentons' Romanian branch advised the bank on the debt financing.

The plants have long-term PPAs in place with France's Engie branch in Romania and will be signing offtake agreements with local industrial users soon, the company said. Enery is majority owned by the Three Seas Initiative Investment Fund (3SIIF), managed by Amber Infrastructure. It was originally founded by ContourGlobal veterans Lukas Nemec and Richard Koenig with RP Global. It operates in Austria, Romania, Bulgaria, the Czech Republic and Slovakia. The pipeline ranges in size from single-megawatt installations to multi-hundred-megawatt farms.

Starlight, the project development branch of London-based NextEnergy Group, recently signed land rights and preliminary connection terms for 435MW of total solar photovoltaic (PV) capacity in Romania and Canada. It is negotiating grid connections and land rights on another 450MW

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expansion in the two countries, where it hopes to have 1.75GW of utility-scale PV projects by 2027. The company was set up in March with a development portfolio of 2.2GW of solar PV in Italy and the UK at mixed stages of development and a 1.3GW pipeline in Greece.

Another London-based renewables developer, Low Carbon, announced it would be partnering with London and Prague-based Rezolv in the acquisition and development of the 450MW Vis Viva wind farm east of Bucharest from Dutch developer NERO Renewables. Rezolv and Low Carbon are to develop Vis Viva and two more wind projects in Romania on a 51:49 basis.

The companies are in talks with NERO Renewables to acquire its two wind projects in Constanta, each with approximately 250MW of planned capacity, PFI understands. NERO Renewables' projects had been planned 10 years ago and had already secured grid connection pre-pandemic, but were halted due to changes in Romania's green support scheme (GC). Financial close is scheduled for H1 2023. Rezolv is backed by €500min equity from UK infra fund Actis and is in talks to raise €1.5bn of debt next year from lenders including Erste, UniCredit, ING and the EBRD.

Romania's network operator Transelectrica gave the green light for grid connection in August for a 629MW wind project to Hoopeks International, which appears to be fully owned by Romanian firm Electrocentrale Borzesti, acquired by international energy developer Renovatio Group (RNV Group).

The project would overtake Romania's largest operational wind plant, the 600MW Fantanele-Cogealac-Gradina scheme in Constanta owned by Macquarie Asset Management. Swiss company Axpo buys 50% of the output under a corporate power purchase agreement (PPA) signed in 2021. It was among the first private offtakers to return to Romania after the decade-long halt. RNV Group's website shows a 122MW operational asset in Romania and a pipeline comprising 1.2GW of wind and 112MW of solar photovoltaic (PV). Renovatio's operations outside Romania include projects in Kazakhstan, Indonesia, Mexico and Colombia.

Danish developer Eurowind Energy (EE) is considering raising project financing for the 48MW Pecineaga wind farm in Constanta, south-eastern Romania. A final investment decision (FID) is expected shortly. It will be developed by local special purpose vehicle company WEP Technology Investment, of which EE owns 71.7% with the remaining 28.29% owned by on-site company administrator Adrian Dobre. The project cost has been estimated at between €70m and €84m. Siemens Gamesa will supply the turbines for the project, which will be the first involving Siemens Gamesa in the country since 2014. It will also be the first development involving the supplier not backed by government subsidies.

Developers which have already emerged over the summer in Romania are Israel's Nofar and EnLight, both listed on the Tel Aviv stock exchange. Nofar is partnering with Econergy on the 153MW Ratesti solar plant. It is also developing the 169MW Iepuresti solar farm; and a 255MW project near Bucharest it fully acquired with equity from a Romanian company. Commissioning of the three projects is expected in 2023, 2024 and 2025 respectively. Ratesti has an estimated cost of €100m, Iepuresti's construction cost is €128m and the latest acquired project is expected to take €135m of investment. The acquisition cost for the latter was €26.7m including land. Ebitda for Ratesti, Iepuresti and the third plant is estimated respectively at €8m, €15m and €24m. ■

The largest wind farm in Romania in the Cogealac-Fantanele area, Dobrogea © Cristian Duminecioiu | Dreamstime.com