All West Balkan-South East Europe countries have significant RES unexplored potentials. Despite the challenges new renewable power gen projects are attractive for investors. Smart wise approach in project development in the Balkan countries is the key for effective efficient project development in RES power gen sector.

Balkan countries, with their vast untapped renewable energy potential, have adopted obligatory binding targets for renewable energy, but have struggled to mobilize capital to fund and bring projects to fruition. It is estimated that EUR 2.3 billion is required to finance regional renewable projects of common regional interest (Energy Community, 2013). Restricted by public budgets, state-owned incumbent utilities are unable to finance such projects on their own balance sheets, thus creating opportunities for private sector independent power producers (IPPs) to bridge the funding gap. However, attracting investors has proven to be rather difficult as national energy markets do not yet provide for stable, transparent regulatory frameworks and a competitive environment for such investments. Moreover, national markets are considered to be small on an individual basis which limits potential for economies of scale.

Renewable energy projects essentially go through three distinct phases: development, financing and implementation. A combination of both equity and debt is required for renewable projects, with equity sponsors being instrumental in driving projects through the first two phases. As each phase is completed and the project de-risked by the structuring and development work, project values increase and they become more attractive for equity investors and lenders alike.

Initial development funding in the Balkans is usually sourced from either local developers or international renewable project developers with a local or regional presence. There has been some progress in project planning activities throughout the region, however challenges remain to structuring complete bankable solutions to attract non-recourse project financing. Sourcing debt for renewable projects requires use of internationally tested financing structures, such as project finance, which are designed to suit the long term nature of infrastructure projects in heavily regulated industries, such as energy. In such structures, project debt (typically covering up to 70% of total cost) is issued entirely on the basis of the project as a stand-alone activity with repayment entirely dependent on the future cash flow of the project and with limited or no recourse to the ultimate project owners.

Non-recourse debt relies on a robust contractual structure allowing for major risks (regulatory, offtake, operational, construction, fuel supply etc.) to be mitigated often by a pass-through to third parties via project agreements – power purchasing (PPA), engineering, procurement and construction (EPC), operation and maintenance (O&A), leasehold agreement etc., so as to give the necessary comfort to the investors and financiers that the project is indeed viable and bankable.