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HAUER & FELD, LLP

Renewable Energy Hedging for Today's Markets

July 20 - 21, 2022 | Akin Gump Strauss Hauer & Feld LLP Offices | New York, NY

Wednesday, July 20, 2022

1:00-1:05pm **Welcome Remarks by Infocast**

1:05-1:15 **Introduction and Opening Remarks by Lead Instructor**

Dan Lynch, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

1:15-2:15 **Session 1: Hedge Finance for Energy Projects--Why Hedging is Big in Today's Market**

What is a Hedge? This session will cover the basics of hedging electricity prices. Attendees will gain a working definition of a hedge and understand what a hedge can do, in the words of the Lead Instructor, "If you've heard people talk about hedging and wondered exactly what they mean, this is the perfect session for you." During this session, attendees will:

- Gain a basic framework and definition for a hedge
- Understand conceptually how hedges work and what their limitations are
- Review why market participants enter into hedges
- Learn how to calculate hedge settlement prices
- Hear why hedging is increasing popular in today's energy market

Dan Lynch, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

2:15-3:15 **Session 2: Key Terms in Renewable Energy Hedges**

Knowledge of the critical terms and features of a renewable energy hedge is necessary when reviewing a term sheet and the legal documentation used to delineate hedging arrangements. Attendees in this session will:

- Review a typical hedge term sheet and define what each component means
- EEI, ISDA, CFD – What do these acronyms mean and how they work to fit within specific deal structures?
- Grasp the difference between a physically-settled and financially-settled hedge
- What are the risks that each component can mitigate?

Dan Lynch, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

3:15-3:30 *Networking Break*

3:30-4:30 **Session 3: Assessing & Mitigating Basis Risk**

Learn what basis risk is and how the market is evolving to handle basis risk. Stop being a wallflower when the conversation turns to basis risk and, instead, lead the conversation in the latest strategies for mitigating basis risk.

- Define what "basis risk" is, why it exists, and how it creates issues in financial planning

- Learn where basis risk strategies came from and where they are headed in the future
- Understand the strategies available for mitigating basis risk

Dan Lynch, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

4:30-5:30

Session 4: Hedging in Renewable Financing: How the Hedge Piece Fits into the Overall Financings

In entering a hedge, it is crucial to understand what the various components of renewable energy financings are, how they interact, and how it is all documented. Hear how the complicated income stream in a hedge document fits in with the other financings and with the construction of the project. Gain an overview of the roles of construction to term debt, tax equity, and hedging while discussing key issues in the interplay of these various parties, including:

- Contractual rights and hedging: What lenders look for when financing a project through a hedge as a contracted revenue stream
- The roles of the construction to term conversion lender, tax equity investor and hedge provider at each stage of project development
- Lender/tax equity investor requirements regarding contracted cash flow, security arrangements, and cure rights
- Hedge vs. PPA differences
- Construction/back leverage loan considerations and security arrangements
- Construction period security vs. term conversion security
- TE indemnification requirements and cash flow distribution blocks
- Documentation issues, including interparty agreements and estoppel certificates

Jeff Cohen, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

5:30pm

Day 1 Concludes

Thursday, July 21, 2022

8:00-9:00am

Registration and Networking Breakfast

9:00-9:05

Opening Remarks by Lead Instructor

Dan Lynch, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

9:05-10:00

Session 5: Beyond the Basics: Typical Hedge Features and Calculations

This session is a dive deep into select features of typical renewable energy hedges, in which attendees become familiar with several topics that are in a “standard” hedge, including:

- Define and delineate a “partial unwind” and the scenarios typical for such partial unwind
- How termination payments are calculated and why they’re not simply a fixed, agreed upon amount
- Typical collateral packages for hedges
- How credit support amounts for hedges are traditionally calculated and how renewable energy hedges deviate from such traditional structures

Dan Lynch, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

10:00-11:00

Session 6: Deviations from the Standard Renewable Energy Swap

In the last few years, contracting parties have gotten creative in how they share risk. In this session, we'll explore different risk sharing mechanisms that deviate from the "norm", giving particular focus to pricing.

- Risk sharing
- Caps and collars
- How these deviations affect the model

Dan Lynch, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

11:00-11:15

Networking Break

11:15-12:15

Session 7: Understanding and Protecting Collateral and Interparty Rights

What rights do different parties have at various times during the project process, and how are those rights protected when something goes wrong? If construction lenders were to take over during a stumble, how does this affect the other parties? What happens once construction is over? Learn how to navigate these tricky waters and gain a working knowledge of interparty and collateral risks among construction to term debt, tax equity, and hedging in renewable financings. Discuss collateral requirements and interparty arrangements, understand what constituent parties want, and grasp how agreements parse the finite amount of collateral in the project.

- PPA v. Hedge
- Interparty considerations
- Tax equity cure rights
- Lender cure rights
- Foreclosure considerations prior to construction loan term conversion
- Collateral sharing/control of rights

Jeff Cohen, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

12:15-1:15

Lunch Break

1:15-2:15

Session 8: Understanding Risk Tolerance in Today's Market

How does each party to a hedge view risk, pricing, and the balance between their needs and the needs of their counterparty? Learn how financing considerations affect specific provisions within the hedge and what provisions are likely to make or break a deal when negotiating. Understand the most important risks to mitigate and where the market is headed in terms of deals done and deals fallen apart. In this session you will:

- Hear viewpoints on hedging structures emerging from the current economic climate
- Understand how specific provisions affect the financing of a project
- Grasp the changing risk appetites among lenders
- Hear what offtakers are looking for in pricing structures and how deals are evolving
- What risks are each party willing to take?

Moderator:

Dan Lynch, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

Panelists:

Angelin Baskaran, *Managing Director*, MORGAN STANLEY

Bailey Johnson, *Vice President, Renewable Energy & Environmental Finance*, WELLS FARGO

Sondra Martinez, *Managing Director*, NORD/LB

Abdul Syed, *Energy & Global Infrastructure*, GOOGLE

2:15-3:15

Session 9: Contractual Reactions to Current Events

Trade Wars, the COVID-19 Pandemic, Winter Storm Uri – these are just a few recent examples of events that have influenced and shaped how contracts are drafted and negotiated. In this session, we'll examine how contracting parties have sought to address, overcome, and possibly learn from the challenges faced by recent events when drafting their renewable energy contracts.

- Effects from the Winter Storm Uri
- Force Majeure
- Imports from China: slave labor, sourcing panels, commercial operation date viability

Dan Lynch, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

3:15-3:30

Networking Break

3:30-4:30

Session 10: Understanding & Using Proxy Generation Instruments

Knowing how to use the features of proxy generation instruments is critical to re-allocating risks. This session will introduce the suite of available proxy generation instruments—including the proxy revenue swap, proxy generation PPA, volume firming agreement, settlement guarantee agreement and balance of hedge, and quantify how they insulate various project participants from risk.

- Understand the key mitigants that proxy generation instruments provide, including an exploration of empirical data
- Discuss the major terms and conditions of these instruments, including credit support, termination and unwind

Lee Taylor, *CEO*, RESURETY

4:30-5:25

Session 11: Recap: Recent Developments in & Top Issues for Renewable Energy Hedges

This session will provide an overview of the recent developments in renewable energy hedges, how they have been affected by recent events (such as Winter Storm Uri) and top issues to watch out for with respect to renewable energy hedges. Everything from the prior two days will be incorporated into this fast-moving session to prepare attendees to be sent into the exciting world of renewable energy hedges. In this session, you will:

- Know what to be aware of when negotiating hedges
- Understand common concerns that arise when financing a renewable energy hedge agreement
- Gain comfort in your ability to review a renewable energy hedge in light of an upcoming financing transaction

- Understand recent developments in renewable energy hedge contracts

Dan Lynch, *Partner*, AKIN GUMP STRAUSS HAUER & FELD LLP

5:25-5:30

Closing Remarks by Infocast

5:30pm

Master Class Concludes