

## **Reznick Group Client Alert: DOE Announces Renewable Energy Guaranteed Loan Program**

On July 29, 2009, the Department of Energy (DOE) issued an announcement for lending authority to support loan guarantees for renewable energy and transmission projects.

Specifically, the DOE released a solicitation for up to \$8.5 billion in lending authority for renewable energy projects under the existing section 1703 innovative loan guarantee program. Applications must comply with the existing rules and regulations whereby all fees and subsidy cost will be paid by the developer but with loans provided through the Federal Financing Bank (FFB).

In addition to expanding the existing section 1703 program, DOE announced within the same solicitation up to an additional \$30 billion in loan guarantees for renewable energy projects as part of the new section 1705 program, created in the American Recovery and Reinvestment Act of 2009. Applications will be accepted under a streamlined and accelerated process.

### **Finance Considerations for Applicants**

1. Loan guarantees must generally conform to the final regulations for Section 1703 under Section 609.10(d) (3). The face value of the debt guaranteed by DOE is limited to no more than 80% of total project cost. Additionally, the borrower and other principals involved in the project must have made or will make a significant equity investment in the project.
2. The documentation and information required must conform substantially in scope, quality, and detail with the information typically requested and documentation typically produced during the course of an arms-length commercially negotiated project or commercial financing of this scale.
3. DOE is mandated by Congress to ensure that projects financed have a reasonable prospect of repayment by the borrower of the principal and the interest of the guaranteed obligations and other project debt. Moreover, the guaranteed portion of the guaranteed obligation together with amounts available to the applicant from other sources must be sufficient to carry out the project.
4. DOE expects to analyze projects primarily on a limited recourse project financing basis. Under such an approach, DOE will not assume any preconstruction risks.
5. DOE will consider a variety of financing structures presented by applicants as long as there is a reasonable prospect of repayment by the borrower of the principal and interest on the guaranteed obligations and other project debt. The guaranteed portion of the guaranteed obligation, together with amounts available to the applicant from other sources, must be sufficient to carry out the project.
6. Loan guarantee structures that fall outside the classic limited recourse project finance approach, like corporate financings, but that meet the above criteria and that assist both DOE and the applicant in efficiently meeting the objectives of loan guarantee program are encouraged.

The above is a very general summary and should not be considered as definitive guidance or advice. If you have questions, or want specific information on how loan guarantee programs from the American Recovery and Reinvestment Tax Act of 2009 could help your business, please contact your Reznick Group representative.

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