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## HYDROELECTRIC PROJECT

CLS Europe Invest Ltd. intends to take full advantage of the excellent investment opportunity that has arisen in Italy after the State set criteria and guidelines for the general regulation of the use of water intended for this purpose, in Legislative Decree No. 79 of 16 March 1999, Article 12, amended several times, most recently by the Competition Law 2021.

CLS Europe Invest Ltd. has started the process of participating in the public tender procedures for the award of hydroelectric derivation concessions.

In Italy, 86% of concessions for hydroelectric big derivations have already expired or will expire by 2029: it is therefore a priority to address the criticalities of the current Italian regulatory framework and unlock investment.

Hydropower is the number one renewable energy source in Italy, and Italian plants that harness energy from water are concentrated in the north and generate 39% of the national production from renewables. In 2021 they produced more than 45 terawatt hours and the number of plants increases every year. According to Terna's data, updated in February 2024, there are 4,860 plants producing hydroelectric power in Italy. Geographically, the plants are distributed mainly along the Alpine area: there are in fact 1092 hydroelectric reservoirs in Piemonte, 891 in Trentino-Alto Adige, 749 in Lombardia and 408 in Veneto. The situation in the south is very different: in the south we find Calabria with 74 plants, followed by Campania with 63, Molise with 40, then Sicilia with 31 and Basilicata with 21 plants. Closing the ranking are Sardegna with 18 and Puglia with only 10 plants with a total installed capacity of about 21,729 MW.

The Pnrr rule provides that competitive procedures for tendering out expired concessions should be implemented by the end of 2023. In particular, for large hydroelectric generation plants with a capacity of more than 3 megawatts.

Lombardia region, which has an average annual nominal capacity of 430,000 kw, will start the process of re-allocating 60 hydroelectric concessions that have already expired or will expire by 31 December 2029. 20 are expected to go out to tender by the end of 2024.

CLS Europe Invest Ltd., involving expert consultants in the hydroelectric industry, participated as promoter, in the entire process of analysis and technical/financial evaluation required to participate in the first tender in Italy for the reallocation of concessions called by the Lombardia Region, structuring the entire project, identifying the best solutions both technical and financial to arrive at the best bid for the assignment of the Concession of large derivation for hydroelectric purposes called "CODERA RATTI-DONGO" and "RESIO" in accordance with Legislative Decree no. 79/1999, Regional Law no. 5/2020 and r.r. Law no. 9/2022. A public call for tenders was issued pursuant to Article 12, comma 1-bis, lett.a), Legislative Decree no. 79 of 16 March 1999 on 'Implementation of Directive 96/92/EC on common rules for the electricity market; and pursuant to Article 7, paragraph 2, letter a) of Regional Law no. 5 of 8 April 2020, on regulations on the modalities and procedures for the allocation of concessions of large hydroelectric derivations in Lombardia and determination of the royalty fee in application of Article 12 of Legislative Decree March 16, 1999, no. 79 (Implementation of Directive 96/92/EC establishing common rules for the internal market in electricity), as amended by Article 11c of Decree-Law No. 135 of December 14, 2018 (Urgent provisions on support and



simplification for businesses and the Public Administration) converted, with amendments, by Law No. 12 of February 11, 2019.

The call for public notice for the procedure of public evidence for assigning the concession of large derivation for hydroelectric purposes, called Codera Ratti-Dongo is adopted by virtue of d.g.r. n 1601 of December 18, 2023 on “call for the procedure of reallocation of the concession of large hydroelectric derivation called ‘Codera Ratti-Dongo’, pursuant to art.11, paragraph 3, of Regional Law No. 5 of April 8, 2020, and art.5, letter a) of Regional Regulation No. 9 of December 2, 2022,” taken pursuant to Article 11, paragraph 3, of Regional Law No. 5/2020.

The concession of large water derivation for hydroelectric purposes called Codera Ratti-Dongo, has as its object the obligation to derive, regulate, pot and use public waters and the related hydraulic force including the use of public property made available consisting of the works referred to in art.25, paragraph 1, r.d. 1775/1933, passed into the ownership of the Lombardy Region, pursuant to art.12, paragraph 1, legislative decree no.79/99, for the purpose of producing energy from renewable sources also consistent with the objectives of reducing energy consumption from fossil fuels.

Estimated value of the 30-year CODERA RATTI-DONGO concession: € 395,439,007.00.

Estimated value of the 30-year RESIO: € 76.030.338,00.

A consortium under Italian law (SCARL consortium company) is being established to develop the project.

The Consortium combines the experience and expertise of two joint venture groups for the technical part and an additional company to provide equity, all to participate in tenders for the reallocation of large derivation hydroelectric concessions in Italy. CLS holds a 29 percent share in the consortium through its subsidiary dedicated exclusively to the hydropower project and will provide equity and capital support to the project in accordance with the provisions of the equity and capital contribution agreement (see financial documents) and, in particular, is responsible for providing the services of administration, finance, control, procurement (extra technical management), general, IT, marketing and public relations.

The technical partner (one of the largest hydropower operators) holds a 22% equity participation in the Consortium (the percentage and capital amounts will be adjusted from time to time to conform to the requirements of the minimum amount of share capital and the percentage of participation of the technical partner required in the various tenders) through its subsidiary dedicated exclusively to the hydropower project and provides equity and capital support to the project in accordance with the provisions of the equity and capital contribution agreement (see financial documents). Specifically, it is in charge of providing all technical requirements as required by the various calls for tenders and providing full technical plant management services (O&M services) in accordance with the O&M agreement. The additional company, which holds 49% of the shares of the Consortium, (open to entry into the share capital by investors interested in an excellent profit, more than 15% per year, constant over time, with reduced risks, given that this is a business that has a yield history of now a hundred years. The entry of share capital of such a company by investors can take place at any time) is responsible for providing the required percentage of equity for financial coverage, resources and means to pursue the hydroelectric project activity.



To meet the capital requirements needed to finance the project as outlined above, an amount equal to 30 percent equity provided by the consortium members is provided while the remaining 70 percent is needed for the functional interventions to upgrade and improve the efficiency of the currently installed megawatts by optimizing the use of available water resources, minimizing the environmental impact of the plants, and integrating works with landscape and compensatory value, with positive impacts on the territory.

**To read the entire article on the presentation of the hydropower project and to evaluate further excellent forms of investment that this opportunity offers, either in the form of financing or equity, by any interested investors, send an email to [hydroproject@clseuropeinvest.co.uk](mailto:hydroproject@clseuropeinvest.co.uk)**

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