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THE FOURTH HERBERT SMITH FREEHILLS AND NLU DELHI

# INTERNATIONAL NEGOTIATION COMPETITION

8 - 10 SEPTEMBER 2017

## SPLASH DOWN GENERAL BACKGROUND INFORMATION

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# GENERAL BACKGROUND INFORMATION

## The parties

### Water Nymphs Limited

Water Nymphs Limited ("**Nymphs**") is a hydroelectric power plant developer headquartered in the UK. Its business model is to diligence, scope and buy sites where it may be possible to locate a hydroelectric plant; create initial plans for development of the site and location of the plant; and undertake consultations and necessary surveys and liaise with government agencies to obtain the various initial permits, consents and licences required in order to commence developing the site. This is known as the consent process.

Once Nymphs has completed the consent process and obtained final approval from the relevant authorities for the development of the site, Nymphs sells all or part of its stake in the site for a premium and moves on to its next project.

Currently Nymphs is working on a large site in Scotland near the River Forth called 'Splash'. The Splash project (including the site and its associated licences) is owned and operated through a project-specific company called Splash One Limited ("**Splash One**"), which is 100% owned by Nymphs.

### Great Hydrom, Inc.

Great Hydrom, Inc. ("**Hydrom**") is a builder, owner, and operator of hydroelectric power plants, headquartered in US. Hydrom primarily has plants and projects based in the US and South America; however it is now expanding its operations into the European market.

Hydrom invests in hydroelectric power plants in various phases of development, but its preference is to acquire sites after they have undergone the consent process as they have limited internal expertise in this area.

It has met with Nymphs on a few occasions and has been impressed with the presentations made on the Splash project. Hydrom is interested in purchasing Splash once the consent process is complete.

It intends to recover the money it spends on the project from the revenue generated by the power plant once built.

## Background

The Splash plant will be constructed near the picturesque River Forth. Tests have shown that the water pressure at the site is ideally suited to harnessing hydroelectric energy.

So far, Nymphs has spent in total US\$35 million on the site, on the consent process for the project, and on undertaking the various studies that need to be completed before the project can be sold on. With the consent process nearing an end, Nymphs is now looking for investors to which it can sell its stake in Splash One. It expects to spend a further US\$5 to 10 million before the completion of a sale.

Nymphs have provided potential investors, including Hydrom, with a short presentation on the Splash project. The presentation shows, at a high level, the steps involved in the consent process and Nymphs' progress to date. The presentation indicates that Nymphs is close to

securing final approval for the project and that it is hoping to sell Splash One on to an investor immediately after final approval has been granted. The presentation indicates that Nymphs is seeking to achieve US\$120 million for Splash One.

Current market predictions indicate that if successfully constructed, the Splash project could generate revenues of up to US\$1.5 billion over a period of 20 years, which is a very enviable income stream and way above the market average for a renewable energy plant of its size. The project is also a pioneer renewable energy plant in the Forth region, so any investor in the Splash project will have the advantage of limited initial competition in the area.

Press coverage of the Splash project has generally been positive as it is perceived as promoting investment and the use of renewable energy in Scotland. However, there have been a few reports of opposition to the Splash

## GENERAL BACKGROUND INFORMATION (CONTINUED)

project, in particular the concerns raised by the reputed NGO Saviours of the Sea ("**SoS**") that the Splash plant will deplete the salmon population in the River Forth. Most of the public reports about SoS's opposition to the project are vague but one local newspaper stated that SoS held a peaceful protest at the site and a SoS member was quoted as saying that they "*would not back down*".

Despite these reports, Hydrom is very keen on the Splash project and has arranged a meeting between its Head of M&A, Howard Whites, and Nymphs' CEO, Charlie Trout, to discuss putting together a term sheet for the potential transaction.

There are rumours in the market that Hydrom has identified another site of interest in Sweden (Syphon) in addition to Splash and that it intends to acquire one of these sites in the coming year. As such, Nymphs is keen

to secure Hydrom's commitment to the Splash site as soon as possible.

Hydrom does not currently have any investments in Scotland and is nervous about the political changes unfolding in the region. It is aware of the referendum that was held in 2014 regarding the possibility of Scottish independence from the UK and understands that a second referendum may be held in the near future. It is concerned about the impact that a further referendum (and Scotland's possible split from the UK) may have on the project.

Although Nymphs is adamant that the success of the project would not be affected by a second referendum (regardless of result), Hydrom has flagged to Nymphs in advance of the meeting that this is something they would like to discuss in more detail.