

Letter to: hooracán energy's partners and people interested in what we do  
From: Alex Gospodinov  
Re: zero to one

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The basic idea behind **hooracán energy** is the quest to convert our experience and knowledge into economic value, in a way that creates a meaningful social impact. This naturally led us to two domains that we understand most – wind energy and emerging markets.

Well, but why does the world need hooracán energy?

In the coming years emerging countries would likely have to spend the most on energy transition infrastructure, relative to GDP. This is because their high dependency on fossil fuel power generation, as well as projected rates of economic growth in these markets that will naturally create higher energy spending needs.

On the other hand, today many renewable energy investors have difficulty in understanding phenomena in emerging markets. This, in theory, should create mispriced opportunities. However, a lot of uncertainty and ignorance in these markets often translates into untenable value proposition to international investors.

Nothing bad goes on forever. Our ambition for hooracán energy is to start creating a portfolio of wind energy projects in emerging markets that explore expectation gaps and build strategies to bridge these gaps by effectively allocating development capital to retire project risks. Ultimately, when the policies in these markets converge with the world we all see coming hooracán, our partners and our investors will be well positioned to capitalize.

### **On hooracán energy's early days**

A clear vision and a little bit of nuttiness are some of the ingredients at our disposal to start experimenting with hooracán's market proposition. And, as with any experiments, we adopt a three-step process – build, measure, learn.

To date, we have tested a partnership value hypothesis – for creating scalable, morally aligned partnerships in our core markets. The market-level equity partnership model and the scope delineation matrix that we have created is proving to be offering a valuable proposition to our local partners. It already enabled to us to enter into first co-development relationships in Eastern Europe and South Asia.

As hooracán's initial project development activities progress, we, alongside our local partners, will test value hypothesis with prospective investors and development capital providers – a combination of what risk profile in what markets is most relevant to them.

Naturally, some of our development activities are contrarian bets. Therefore, we are looking to create a diverse portfolio of such bets to improve the probability of successful liquidity events for hooracán and our partners. It makes it very important to recognizing a critical path to focus on and ignoring everything else.



## **Approach to local partnerships**

Our geographic coverage ambition means that we are dealing with countries and business cultures where we are not native. It is, hence, imperative to know as much as we can about what we do not know about these markets.

Our approach to this is simple – build strong local partnerships and then, importantly, employ a relationship mentality, rather than a deal mentality.

In our partners we look for ability to judge the situation locally and have courage to take on challenges associated with project consenting, grid access and land lease negotiations. We, on the other hand, bring the technical and commercial expertise, ability to interact with global renewable energy marketplace and ability to build confidence into the project development strategy.

Prerequisite to our local partnerships is alignment on hooracán's values of curiosity, perseverance and accountability. Our partners have fundamental drive by the desire to make meaningful contribution to energy transition on the local market.

We believe that together we can create a unique and compelling solution to project development challenges and that we can clear everything in our path.

## **Approach to retiring project risk**

By definition, emerging markets are high risk environments, including a risk of default. As constructive optimists, we believe that we can apply our skills to alter the probability of success.

Ultimately, the risk arises from not knowing what you are doing. In the nutshell, our strategy towards retiring project development risks is threefold:

- Leverage on local partners: to improve our knowledge on what we do not know about a local market and establish efficient access to key local stakeholders.
- Deploy our project development experience and wind energy domain expertise.
- Look out for patterns: we have been around the start of many successful energy transition programs across the world and can recognize these patterns in new markets again.

It is inevitable that errors will occur in the process of making assumptions about our projects that can be impacted by ignorance, risk and uncertainty. To make successful predictions about our project outcomes we, therefore, look to introduce a margin of safety in our commercial assessments to build in a financial safe distance – so that even if there will be mistakes made along the way, the projects still can be financially rewarding to the sponsors.

## **Approach to funding**

The market tells us that capital is not scarce for the right project opportunity and right delivery solution.

As we progress through the iterative process of testing hooracán's project development value hypothesis with the market, our primary task is to efficiently allocate limited development capital that we have at our disposal. The business model we put in place ensures that our burn rate is not ramped up until we are certain that we have the right project development product and the right process in place to deliver that product to the market. We are confident that the fiscal discipline and lean methodology that we build into hooracán's culture now, will serve the company well going forward.



As we achieve liquidity events on our first development projects, hooracán will re-invest the proceeds into subsequent development initiatives. We would then look to develop these to a later stage, thus creating a greater value for hooracán and our partners on exit.

To assist with short-term liquidity, we would additionally look to engage in select project advisory activities – where we can leverage on our skills and expertise to guide energy intensive companies in their quest towards net zero emissions. We expect this to also help expand our rolodex of senior relationships on the market.

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Ultimately, we need to foster the ability to steer the business as conditions change in our core markets. If we are successful at this, which I believe to be more important than the ability to create long-term plans, we would have a uniquely valuable proposition and a sustainable competitive advantage.

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