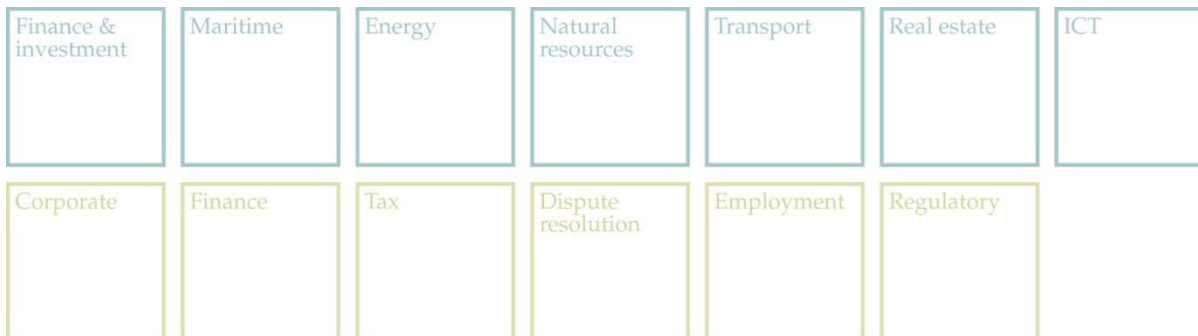


# Making Offshore Wind Bankable

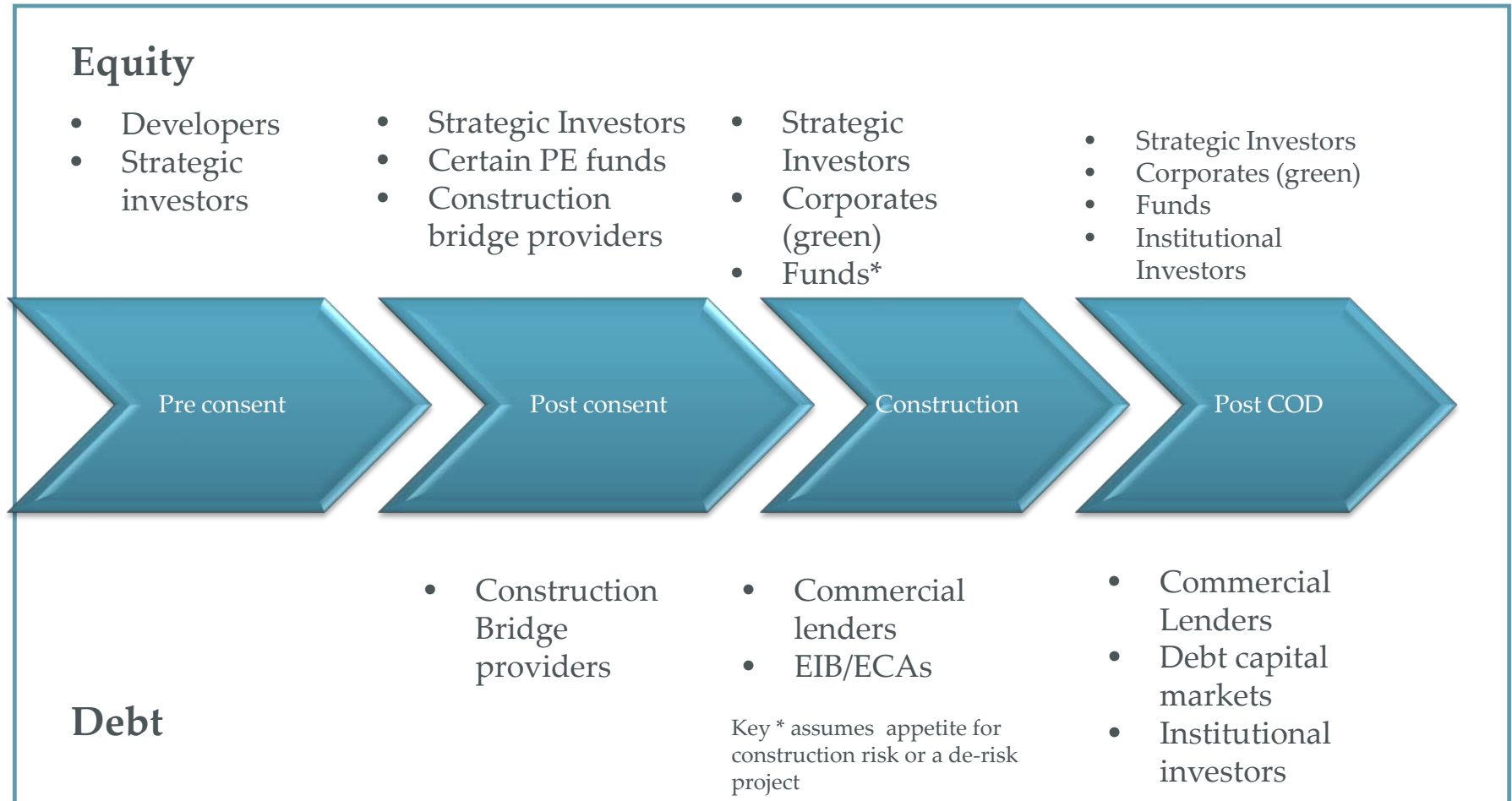
Evan Stergoulis  
Partner, Head of Energy



# Agenda

- Different stages of financing an offshore wind project
- Recent Construction Risk Project Financings – Case Studies
- Liquidity
- Contracting Structures
- O&M arrangements
- Post Subsidy World

# Different stages of financing an offshore wind project



# Construction Risk Project Financings

Recent examples:

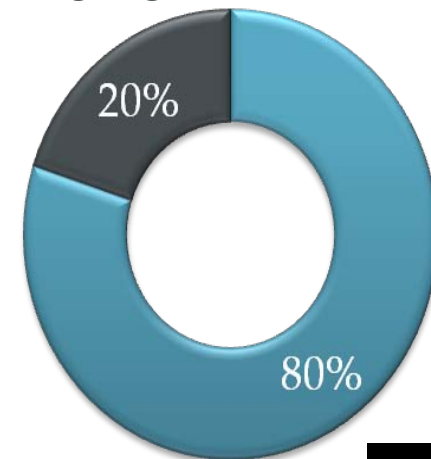
- Meerwind (Germany)
- Global Tech 1 (Germany)
- C – Power (Belgium)
- Lincs (UK)

# Meerwind

- **Date of closing:** 5 August 2011
- **Country:** Germany
- **Size of debt (total package)** US\$1.2bn approx
- **Lenders - Commercial:** BTMU, Commerzbank, Dexia, KfW-IPEX, Santander, Siemens, Lloyds
- **Lenders - ECA/Gov't:** EKF
- **Contract packages:** 10
- **Technology:** 80 Siemens 3.6 MW
- **Subsidy:** Feed-in-Tariff (Compression Model)

## Project sponsors:

Windland  
Energieerzeugungs  
GmbH

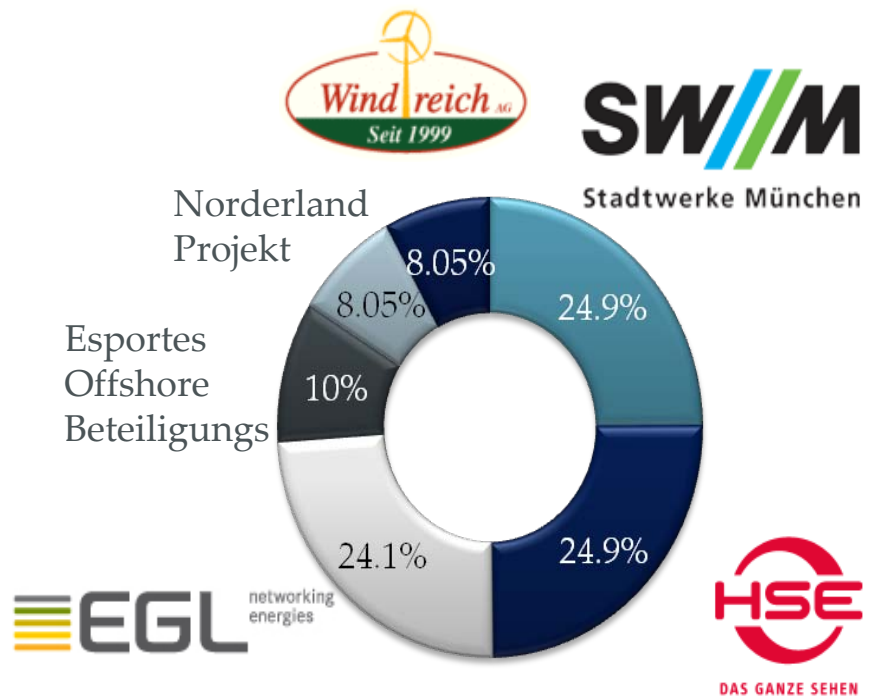


**Blackstone**

# Global Tech 1

- **Date of closing:** 31 October 2011
- **Country:** Germany
- **Size of debt (total package):** US\$1.5bn approx
- **Lenders - Commercial:**  
Societe Generale, KfW-Ipex, NordLB, Dexia, BTMU, DekaBank Deutsche Girozentrale, DnB NOR, HSH Nordbank, ING Bank, Natixis, Banco de Sabadel, Santander, SEB, Rabobank, ASN, NIBC
- **Lenders – ECA/Gov't:** EIB
- **Contract packages:** 6
- **Technology:** 80 Multibrid M5000
- **Subsidy:** Feed-in-Tariff (Compression Model)

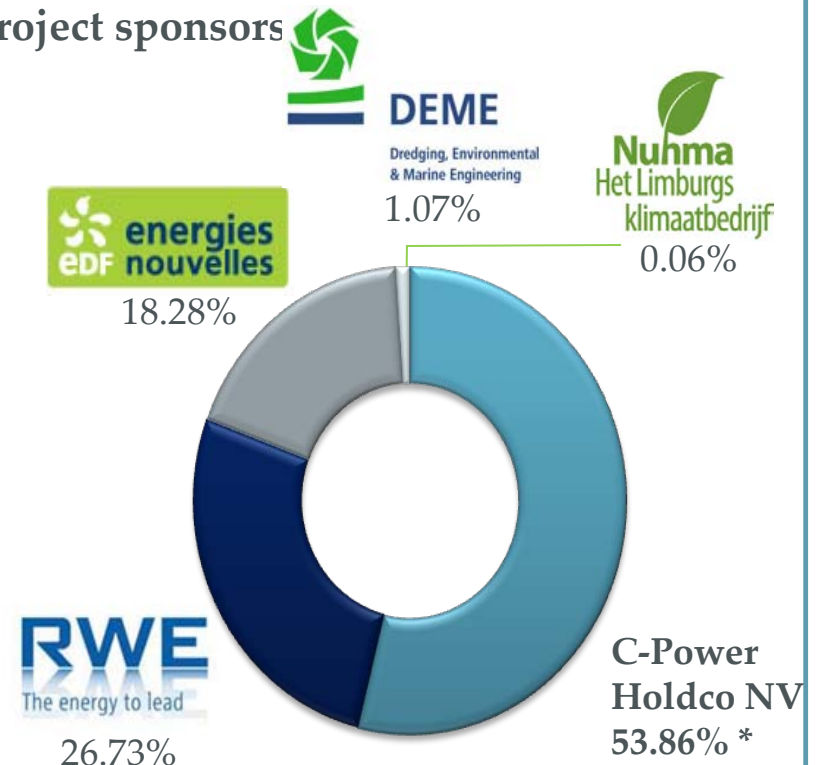
## Project sponsors:



# C-Power / Thornton Bank phase II and III

- **Date of closing:** 25 November 2010
- **Country:** Belgium
- **Size of debt (total package):** US\$1.2bn approx
- **Lenders – Commercial:**  
KBC Bank NV, Societe Generale, Rabobank, Commerzbank Aktiengesellschaft, Dexia Bank Belgium, ASN Bank NV
- **Lenders - ECA/Gov't:** Euler Hermes, EIB, EKF
- **Contract packages:** 3
- **Technology:** 48 Repower 6.15 MW
- **Subsidy:** Combination of PPA with Government floor for benefits

## Project sponsors

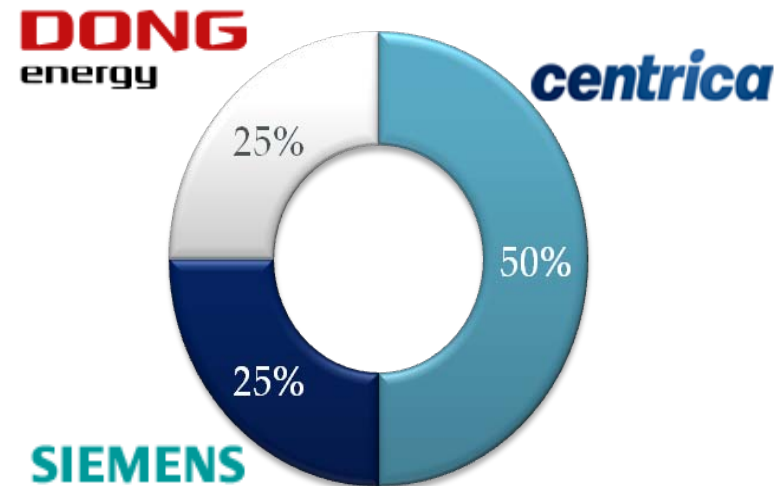


\* C-Power Holdco NV (NUHMA 38.5%, SWIR Environment SA/Socofe 23%, Power@Sea NV 38.5%)

# Lincs Offshore Wind Farm

- **Date of closing:** 22 February 2012
- **Country:** UK
- **Size of debt (total package):** US\$1.5bn approx
- **Lenders – Commercial:** BNPP, BTMU, DnB NOR, HSBC, KfW-Ipex, Lloyds Banking Group, Nordea, Santander, SEB, UniCredit
- **Lenders - Equity:** Centrica plc, DONG Energy, Siemens Financial Services
- **Contract packages:** not disclosed
- **Technology:** SWT-3.6-120 (Siemens)
- **Subsidy:** PPA

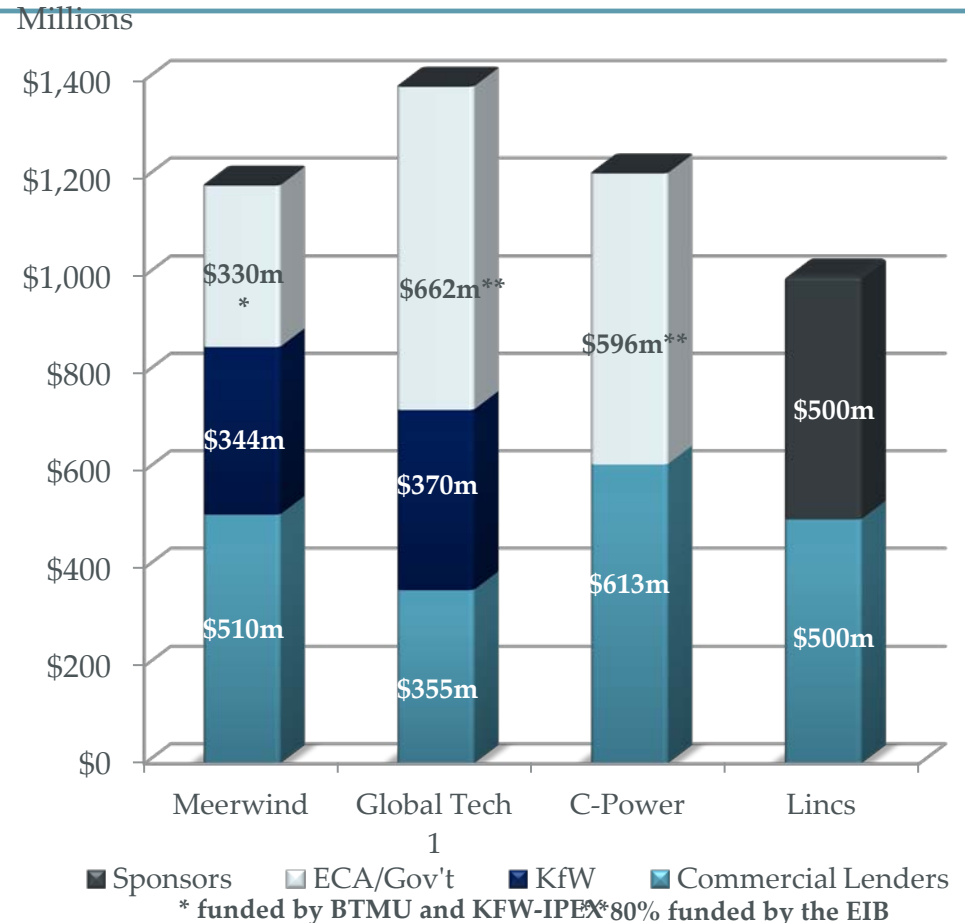
## Project sponsors:





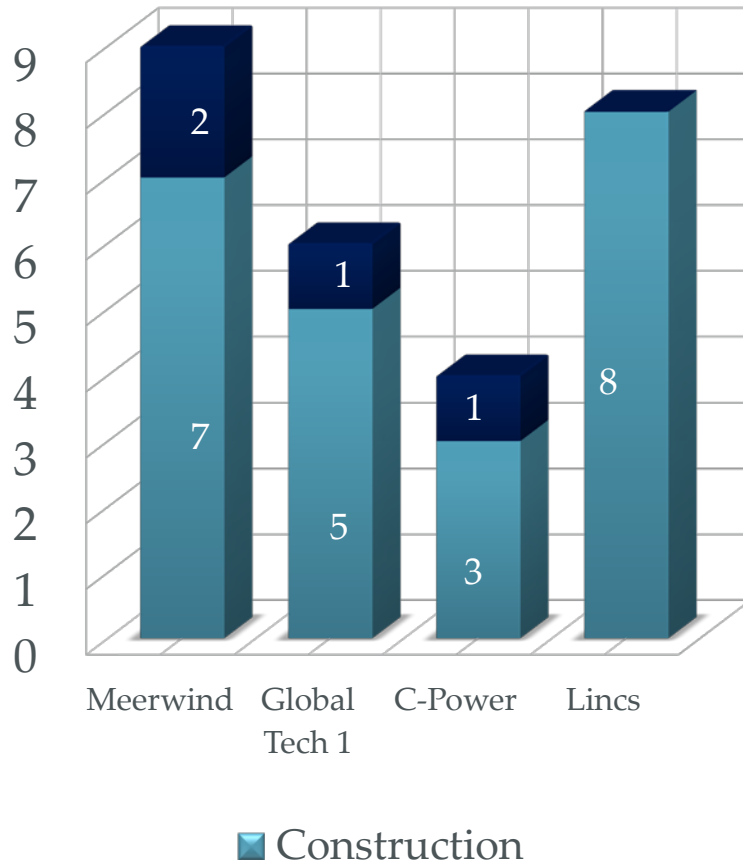
# Liquidity

- All sample financings involve the Lenders taking construction risk.
- To date there has not been a single project of scale which has been funded only by commercial banks.
- Deals to date have been club deals. Risk - lowest common denominator. Risk is balanced by using financial advisors and exploiting the current growing demand.
- Even with experienced offshore wind lenders they have a preference for local banks being included in the club, partly for political risk.
- US projects will be able to access Export Credit agencies such as EKF (Denmark) and Hermes (Germany) but not funders such as KfW and EIB. Fill gap through DOE and USD institutional funders.



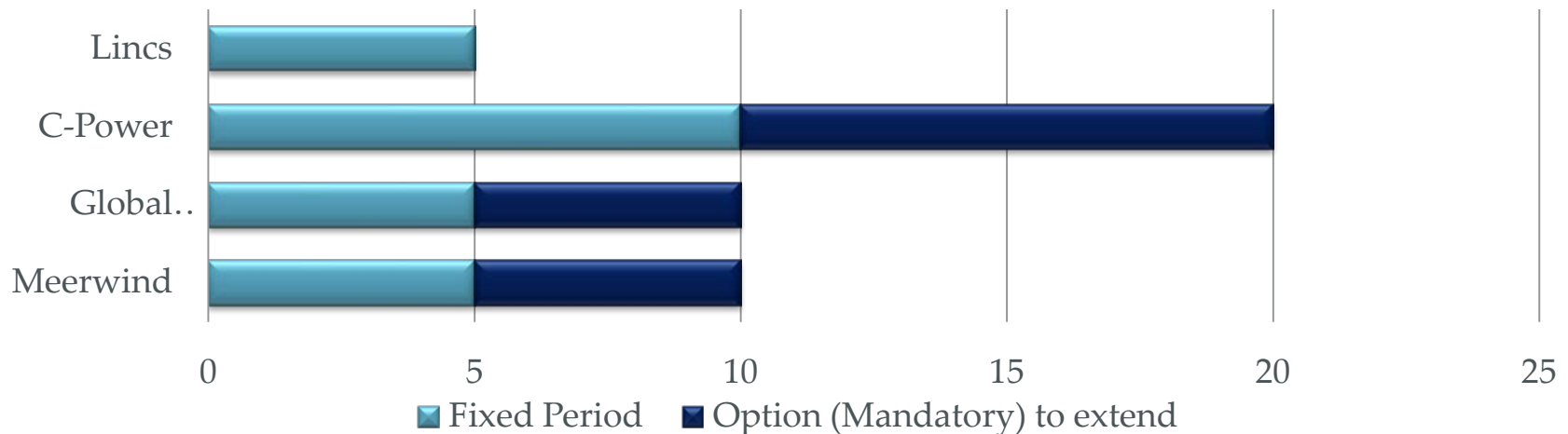
# Contracting structures

## EPC v multiple contracts



- No single correct answer for debt or equity.
- More contracts more perceived interface risks.
- Lenders will focus on ability to manage contracts even if only one EPC.
- Some utility sponsored projects have routinely more than 10 major construction contracts.
- It is not the number of contracts that is a concern for debt or equity if one of the sponsors has the internal or external capacity to manage those risks. It is the approach to “resultant” risk within those contracts that is the concern.
- Using insurance to mitigate risk.

# O&M arrangements



- Lenders are more concerned about post year 5 than has previously been the case due to onshore wind experience. Unlikely to accept no post 5 year cover unless utility sponsors and subject to lock in.
- Turbine supply gets most focus and early US projects likely to attract more scrutiny on O&M arrangements due to distance from traditional service skill pools. This is an opportunity for US.
- OEMs responding to non –Utility demand by offering longer terms – up to 15 years and creative solutions. They can see money in it and can provide real protection, at a cost, post year 5.

# Tax Equity After Loss of § 1603 Cash Grant Program...

## Challenges:

- > Need US tax appetite for ITC
- > Returned reliance on limited tax equity market (@15 entities in 2011)
- > May need multiple investors/partners or new financing structures (neither tax equity nor banks alone suffice)

## Opportunities:

- > Others may enter tax equity market (*i.e.* Google, PG&E, other large utilities, insurance companies)
- > Potential for changes in law to accommodate different financing structures or expansion of eligible tax equity players?? (*i.e.* REITs or MLPs)

# What Else Matters in an ITC Environment?

## Focus on State/Local Incentives and Programs...

- > Price of electricity plus availability of other incentives, regulatory certainty...
- > Renewable Portfolio Standards
- > Offshore Renewable Energy Certificates (ORECs), REC multipliers, Alternative Compliance Payments or other state programs
- > Utility programs (long-term procurements)
- > Access, offshore leases, and permitting
- > Will there be increased attention to FITs in the US? (CA, FL as examples...)

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