



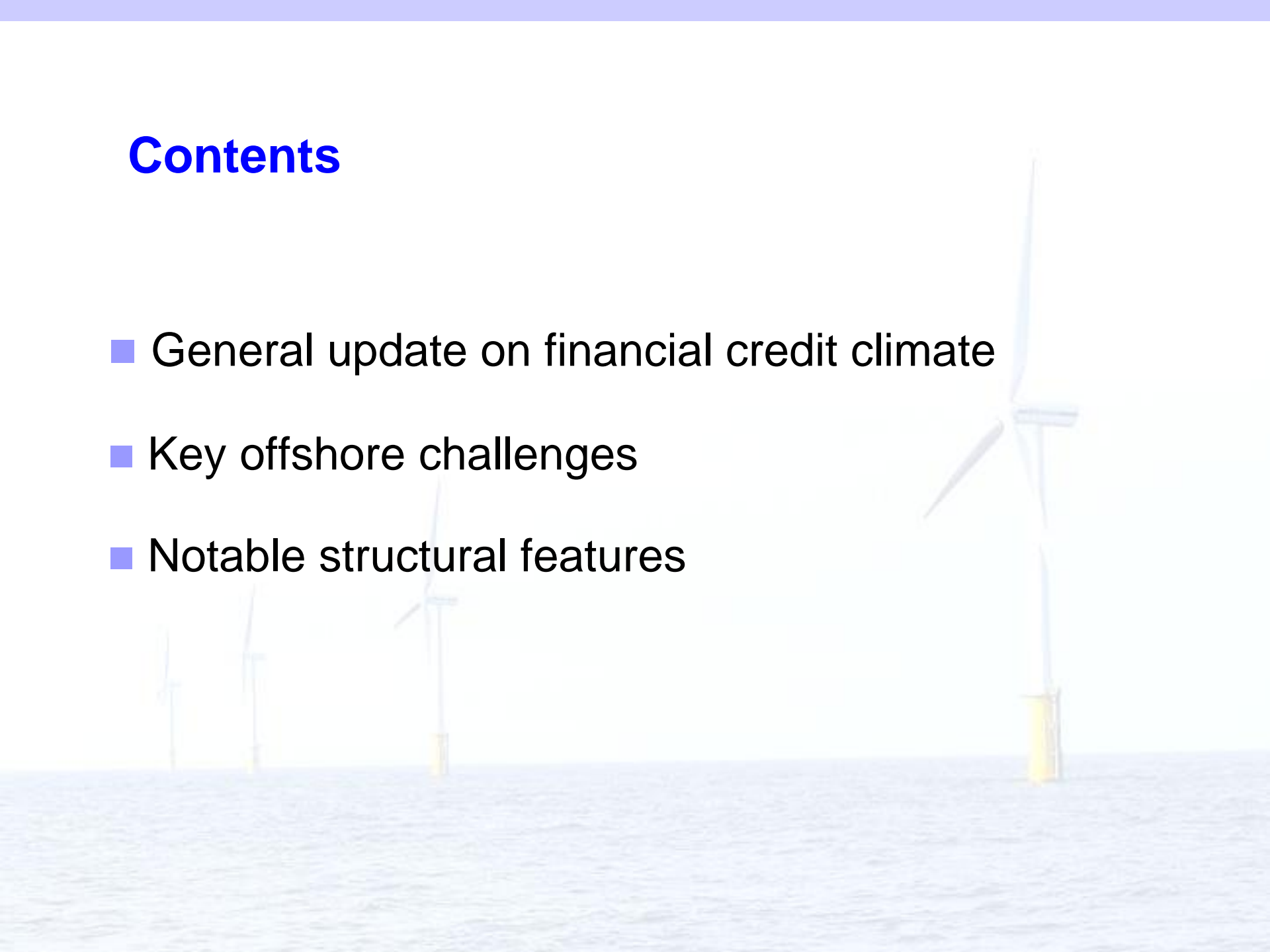
# Financial Instruments Available to the Offshore Renewables Sector

Presentation to the Open Days Workshop on Offshore  
Renewable Energies: Exploring the Synergies

Brussels

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- General update on financial credit climate
- Key offshore challenges
- Notable structural features



# Financial credit climate

## Small improvements

- Project finance markets unfreezing
  - More transactions
  - Margins trending down
- Offshore wind still very difficult
  - Too few banks with arranging experience
  - Even less construction risk capacity
  - Everybody counting on EIB & ECAs



# Offshore vs. Onshore wind

## Key offshore challenges

### Regulatory



### Construction



### Long term O&M

- Offshore wind is more expensive and the regulatory framework that supports onshore wind is usually not sufficient to support that additional cost
- In particular, the cost of the long distance connection to the grid, and how it was borne, is a major obstacle.
- Offshore projects are more complex and require more coordination and project management than onshore players usually had.
- The very different risks and parties involved (in particular turbine manufacturers and offshore contractors) has meant an unwillingness to provide wrapped EPC contracts
- The harsher environment and the requirement for special vessels for both minor and major maintenance creates uncertainty as to the overall long term operating costs

# Notable Structural Features (1)

## Structure

- Project Finance - repayment of the loan based on project cash flow
- Revenues from sale of electricity (PPA) benefits from an incentive scheme (green certificates, fixed tariff, ROC) for 20 years by law

## Financing

- Total project cost of EUR 650M (capacity of 170 MW)
- 70% senior debt, 10% mezzanine and 20% equity
- EIB loan – EUR 300M-EUR 150M at project risk (SFF), EUR 150M guaranteed by Export Credit Agency
- SFF loan secured pari passu with other senior lenders

# Notable structural features (2)

## Contingent facility

### Contingency analysis

- Technical advisor to evaluate potential downside scenarios and assess delays and additional cost to solve
- 'Worst case' scenario and corresponding funding (extra cost + delayed income) requirement has been determined by independent engineer

### Contingent Facility

- *In most cases commercial lenders have agreed to provide contingent facilities which, together with contingent equity, cover the required contingency*
- EUR 70M contingency, split 70/ 30 D/E

# Notable structural features (3)

## Cash Sweep

- Excess cash
- Shorten tenor
- Prepayment
- Trigger level