

Deutsche Bucht offshore wind farm, Germany

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The financing of the €1.3 billion (\$1.48 billion), 252MW Deutsche Bucht offshore wind farm in German waters may be nearing close, but its pricing and terms are unlikely to be seen again in Western Europe.

The state subsidy support that underpins the financing – a generous, fixed-term feed-in tariff – is increasingly rare in European renewables. The UK, Germany and the Netherlands have all now moved on to ultra-competitive auction systems, and bidders are increasingly comfortable with developing offshore wind without any subsidy support.

History

Ownership of Deutsche Bucht, or DeBu, has changed numerous times since the project was announced. Five years ago it looked likely to be a casualty of the insolvency in 2012 of its original developer, German wind business WindReich. However, it was bought, along with other projects such as the recently constructed [Veja Mate](#), by Highland Group in the same year.

German offshore wind projects must wait their turn for a grid connection, which delayed the financing for DeBu. Highland Group opted to develop the larger, 400MW Veja Mate first, while it waited to agree a cable deal with the German grid operator for DeBu. Veja Mate [reached financial close](#) in July 2015.

Activity on Deutsche Bucht ramped up in 2016, when Highland Group started adding contractors to its team, hiring Van Oord in June 2016 to build the plant and working with financial adviser Green Giraffe on an equity sale. By March 2017, a buyer was found: Northland Power said it would [buy the project at financial close](#) from Highland Group. The Canadian energy business was looking for additional German projects after closing the €1.2 billion [Nordsee One financing](#) in 2015.

The financing

Northland Power will invest approximately \$400 million of corporate funds as equity, and plans to fund this investment with cash on hand, corporate liquidity, and preferred shares. [Banks were approached](#) for the debt element in January 2017.

Up to €900 million of commercial debt is to be raised and the bank club is understood to include:

- ABN AMRO
- CIBC
- Commerzbank
- Helaba
- KFW-IPEX

- Natixis - documentation bank
- National Bank of Canada
- Rabobank
- Santander
- Societe Generale - lead bank
- SMBC

Pricing is expected to be between 165-175bp above Libor, while the tenor will be around 15 years plus construction.

The project is set to earn a 13-year feed-in tariff subsidy from the German government. It will receive approximately €184 per MWh for eight years and €149 per MWh for the remainder of the contract. The majority of the project returns are expected to be earned during the 13-year feed-in tariff period, with the remainder of the expected returns earned in the later years from the German wholesale electricity market.

The German government's support system has changed since Deutsche Bucht entered development. From January 2017, all future projects have to compete for subsidies in which the lowest bid tariff wins. [Zero-tariff projects](#) are now in development as a result of the first auction in April, heralding the end of subsidised projects in the country.

What's next

The project is slated to reach financial close in the summer of 2017. A syndication of the primary debt is rumoured to launch soon afterwards. If the sponsors reach financial close as scheduled, offshore construction is expected to start in the second half of 2018 and the wind farm will be commissioned in 2019.

Van Oord will carry out the balance of plant for the project, which consists of the engineering, procurement and construction of the foundations, inter array cables and the offshore substation.

Lenders will have to look to countries still using the feed-in tariff system for similar offshore wind deals in the future: France and Belgium are still using the structure.

Advisers

Contractors and advisers include:

- MHI Vestas: supply, installation and O&M of turbines
- Van Oord: will provide the turbine installation vessel and supply and install the wind turbine foundations and the offshore electrical infrastructure
- Green Giraffe: financial adviser
- K2 Management: technical adviser
- CMS: legal adviser for Highland Group
- Hogan Lovells: legal adviser for Northland Power

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