

European Offshore Wind Deal of the Year 2011: WindMW

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WindMW closed the Eu1.172 billion (\$1.5 billion) financing for the 288MW Meerwind offshore wind farm on 5 August 2011. It is the first fully privately- sponsored offshore wind facility in the German North Sea exclusive economic zone and the first to use a loan from KfWs offshore wind energy programme.

Financing is split between Eu821 million of debt and Eu351 million of equity from sponsors Blackstone Capital Partners (80%) and Windland Energieerzeugungs (20%). Bank of Tokyo Mitsubishi UFJ, Commerzbank, Dexia, KfW IPEX, Lloyds, Banco Santander and Siemens Bank were lead arrangers of the Eu331 million commercial tranche. KfW provided a Eu245 million loan under the offshore wind programme and the Danish export credit agency EKF is guaranteeing an additional Eu245 million loan from the commercial lenders. The tenor is construction plus 15 years on the pari passu debt. The commercial and KfW offshore wind tranches priced at about 300bp over Euribor during construction before dropping to 280bp over Euribor when operations start then stepping up to 320bp over Euribor by maturity.

Meerwind is the first entirely privately sponsored offshore wind plant in Germany. The 60MW Alpha Ventus, also known as Borkum West, which closed in 2009, and the 200MW Borkum West II phase one, which closed in 2010, were both partially owned by state or municipal power companies. Vattenfall, which owns 26.25% of Alpha, is Swedens state-owned utility, while Trianel, which is a consortium of 34 municipal utilities from Austria, Germany, the Netherlands and Switzerland, owns Borkum.

KfWs offshore wind programme was crucial to the financing. The Eu5 billion fund provides direct loans of up to 50% of total capital requirements to projects that have committed commercial bank debt tranches. Meerwind was the first to take advantage of the programme, which was created in 2011, and which offers the same terms as commercial tranches. Many market participants expected the European Investment Bank to participate in the financing but, while the sponsors held discussions with that lender, the project decided to pursue a KfW and EKF-led financing, says Sean Klimczak, managing director and head of global power investments at Blackstone.

Kilmczak says that Germanys 12- to 15-year fixed-price feed-in- tariff, Tennets funding of the transmission interconnection and the availability of the KfW and EKF offshore wind debt were all necessary to close the project financing. These three things provide a system that works and gives project finance providers the structure they need to finance a project, he adds.

The presence of an entirely private sponsor group, and a large financial investor, added emphasis to speed of delivery. Meerwinds information memorandum went out to banks in April 2011, the KfW programme was officially launched in June, and the deal closed in August. In offshore wind, as exasperated UK offshore lenders will attest, this can be considered light speed. The financings closest competitor, 400MW Global Tech One, signed a little earlier in June but closed in November. Global Tech has slightly lower gearing, at 60% to Meerwinds 70%, and slightly lower pricing.

The Meerwind plant is split into two equal size facilities Meerwind Sud and Meerwind Ost located 50km off the European coast in Germanys exclusive economic zone in the North Sea. It will use 80 x 3.6MW Siemens turbines, which

have a 10-year operations and maintenance warranty from the manufacturer. Studies for the project began in 2001 with regulatory approvals granted in May 2007. Blackstone joined Windland as a project sponsor in 2008. A challenge to the project license from Sandbank Power Extension, a neighbouring proposed wind plant in the North Sea, on the grounds that it interfered with bird life, delayed the project in 2009 but was dropped in the second quarter of 2010.

The project company is overseeing construction which began in September 2012 and is scheduled to be complete by the end of 2013. In addition to the turbines, suppliers include foundations from Ambau, transformer station from an Alstom Grid and WeserWind consortium and internal plant cabling from NSW. Construction contractors are Seajacks UK for the foundations and turbines and Seaway Heavy Lifting for the jacket and transformer station. WindMW is operations and maintenance provider.

Offshore wind financings, even where they have incorporated some transfer of risk to banks, are still the preserve of utilities. Utilities can and do push for lenders to assume greater risk and offer more aggressive structures, but even cheap pricing on project debt can look more expensive than corporate borrowing. Financial investors do not have that option, and are likely to be a major factor in lenders offering cost-effective project financings to offshore projects on a regular basis.

WindMW

STATUS: Close 5 August 2011

TOTAL PROJECT COST: Eu1.172 billion

DEBT: Eu821 million

DESCRIPTION: Development of 288MW Meerwind Sud and Ost offshore wind plant 50km off the German coast

SPONSORS: Blackstone Capital Partners (80%) and Windland Energieerzeugungs (20%)

EQUITY: Eu351 million

LEAD ARRANGERS: Bank of Tokyo Mitsubishi UFJ, Commerzbank, Dexia, KfW IPEX, Lloyds, Banco Santander and Siemens Bank

FINANCIAL ADVISERS: KfW IPEX, Dexia and Green Giraffe

TECHNICAL ADVISER: Sgurr Energy

MARKET CONSULTANT: IPA

SPONSOR LEGAL COUNSEL: Gleiss Lutz

LENDER LEGAL COUNSEL: Watson, Farley & Williams

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