

# Borssele III/IV offshore wind, Netherlands

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Blauwwind II reached financial close on Dutch offshore wind farms Borssele III/IV at the end of June (2018), concluding the two-year procurement on the €1.439 billion (\$1.7 billion) greenfield deal that stands out for achievements on many levels.

Borssele III/IV is – for now – the largest project financing of a greenfield offshore wind farm to have made it to [financial close](#), successfully arranging €1.034 billion of PF debt with 12 lenders, achieving impressively-low pricing.

Beyond that, the speed of procurement – from bid to financial close, including equity sell-down – was “intense” according to one source close to the deal, having progressed from launch in 2016 to close just before the midpoint of 2018.

From a project perspective, one of the most interesting elements has to be the adoption of cutting-edge turbine technology, powering the wind farms with 9.5MW MHI Vestas model – the first project to do so, though not likely to be the first deployed as it is slated for operations in late 2019.



The 9.5MW turbine (left) received its Rotor-Nacelle-Assembly Component Certificate towards the end of June, clearing the way for the deal to close.

As Vestas head of product management Henrik Baek Jorgensen says: “Announcing the world’s most powerful turbine and then receiving final certification one year later is no small achievement. This is a very important chapter in the growing legacy of the V164.”

Vestas says that scaling up the V164 involved minimal design modifications and it is a significant step towards double-digit units, a key development as the largest turbines currently being deployed weigh in at 8MW.

The turbine race will continue as larger offshore units are developed and brought to market, with the most successful manufacturers cornering the market as the punt that developers have taken on technology advancements prove to be justified.

Clearly Vestas feels it has stolen a march on its competitors with the 9.5MW unit, and it will doubtless capitalise on this advantage while it lasts... which will not be long as GE and Senvion are each working on 12MW turbines, and Siemens plans a larger unit yet.

## The project

MHI Vestas and Van Oord led the consortium to win Borssele III/IV from inception, joined later by Royal Dutch Shell and Diamond Generating Europe (DGE), and then Eneco, to close the 731.5MW offshore wind farm that will be powered by 77 of Vestas’ 9.5MW V164 turbines.

The project was brought to market in 2016 and the Dutch Government awarded it to the Blauwwind Consortium on 12 December the same year. The initial consortium – Vestas and Van Oord – won the right to develop, construct and operate Borssele III/IV under a 30-year lease, and assumed 25-year operational life after construction.

The main construction work is due to start in Q4 2019, with commercial production expected in early 2021. Total output will amount to 3,000GWh per year, powering more than 515,000 homes. The rotor diameter is 164 metres and the shaft is monopole. The water depth range (according to the developer) is 15-37 metres.

Shell and Eneco Group signed a 15-year PPA to offtake energy generated, under which they each buy 50%. Van Oord will execute the “balance of plant” for the project: EPC of the foundations and inter array cables.

The grid connections and offshore substation – Borssele Beta – are being designed and constructed by TSO TenneT.

During the first 15 years of operation, Blauwwind will receive a guaranteed price of €54.49 per MWh under the Dutch SDE+ scheme, after which the power will be sold at prevailing rates in the wholesale power market.

The Borssele Wind Farm Zone (BWFZ) is located 22km off the coast of Zeeland at the southern border of the Netherlands’ Exclusive Economic Zone.

The zone is divided into five sites and was awarded by the Netherlands Enterprise Agency (NVO):

- sites I & II – awarded in 2015 to [Orsted](#)
- sites III & IV – awarded in 2016 to Blauwwind II
- site V – awarded in January 2018 to [Van Oord](#)

All five sites are scheduled to be operational by 2023.

## The consortium / equity

The project was won and taken to preferred bidder by the original SPV team members – Vestas and Van Oord – beating off competition from 26 applications submitted to NVO. They were joined later by Shell and DGE (a Mitsubishi subsidiary), and then Eneco Group.

Five months before financial close (January 2018) Partners Group bought in to the deal, acquiring [45% of the equity](#) from across the original team for around €300 million (\$375 million).

At financial close – achieved on 28 June (2018) – the equity split on Blauwwind II was:

- Partners Group – 45%
- Shell – 20%
- DGE – 15%
- Eneco – 10%
- Van Oord – 10%

Prior to the equity sell-down, the split had been:

- Shell – 40%
- DGE – 30%
- Eneco – 20%
- Van Oord – 10%

## Project finance debt

The lending team [initially included 13](#) banks, but this was reduced to 12 when one – Mitsubishi UFJ Trust and Banking Corporation – was earlier this year merged into the parent: MUFG Bank.

Sources close to the deal say that the debt was divided “fairly evenly” among the 12 MLAs that made it through to financial close:

- ABN Amro
- Bank of China
- BNG
- BNP Paribas
- ICBC
- ING
- Mizuho
- MUFG Bank
- Rabobank
- SMBC
- Sumitomo Mitsui Trust Bank
- Société Générale

The debt was arranged over three packages with the long-tenor senior debt amounting to €1.07 billion with a tenor that runs out to 2035, but a legal maturity on to 2038.

It is understood that two letter of credit facilities – total value €180 million – were arranged and went to the Dutch lenders.

Green Giraffe and SocGen – in their dual role as financial advisers to the consortium – maintained competitive tension among the lenders, building from a core group of banks in the early stages of the deal to a round-dozen at financial close.

Shell leveraged strong relationships and brought to table an interesting spread of banks from China, the Netherlands, Japan and France.

It was particularly impressive to see two Chinese banks – Bank of China and ICBC – appear for the first time on the primary financing of a greenfield offshore wind farm in Europe. Meanwhile, it came as no surprise to see Dutch banks – ABN Amro, BNG, ING and Rabobank – fielded for a home transaction, supporting a headline national deal.

Japanese banks – Mizuho, MUFG, SMBC and SMTB – have long been comfortable with offshore wind though, arguably (like all other lenders), they have been driven up the risk curve by lack of opportunity and were happy for an opportunity to lend.

The two French banks – BNP Paribas and Société Générale – are comfortable with lending to offshore wind, while SocGen may have felt pressure to be involved thanks to its financial advisory role on the deal. With the [French offshore wind](#) programme gathering pace, it will stand them in good stead to have notched up this experience on such a landmark deal.

The debt package amounts to €1.35 billion and priced over Euribor at:

- 155bp – up to construction completion (early 2021)
- 135bp – operation years 1-5
- 145bp – years 6-10
- 155bp – years 11-15
- 175bp – for the remaining years, with a target maturity date of 2035

The European Investment Bank (EIB) had long been associate with this deal, but it is understood that the multilateral was edged out by relationship banks and lively competition.

Advisers on the deal are:

- Allen & Overy – lender legal
- Clifford Chance – SPV legal

- Société Générale – SPV financial
- Green Giraffe – SPV financial
- Mott McDonald – technical
- JCRA Group – sole hedging adviser
- Marsh – insurance adviser to Partners Group

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