

Banks face LC exposure in Pine Gate Renewables collapse

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Pine Gate Renewables' bankruptcy filing shows global banks and insurers are exposed to more than \$237 million in letters of credit and surety-backed facilities as interconnection and PPA delays mount, IJGlobal can reveal.

Documents filed with the US Bankruptcy Court for the Southern District of Texas show that a handful of relationship lenders, BBVA, Santander, MUFG, SMBC and ANZ, provided the overwhelming majority of credit support underpinning Pine Gate's PPAs, interconnection agreements and construction obligations.

Delays across multiple projects have left LC beneficiaries – among them Georgia Power, Meta Platforms, Amazon Energy, AEP Texas, and PJM Interconnection – as the most immediate draw risk in the Chapter 11 process.

Project finance professionals involved in or pitching around the proceedings explained to IJGlobal, on condition of anonymity, the risk the banks and insurers face.

BBVA carries the largest risk exposure

BBVA emerges as the single largest LC provider, with roughly \$30.4 million in combined exposure across a mix of interconnection, PPA, and parent-level support instruments.

A significant portion of that risk is tied to surety-layered standby letters of credit backed by Swiss Re, meaning BBVA must fund LC draws upfront, while recoveries depend on a surety stepping in.

Project finance professionals said that the Spanish lender has faced three strokes of bad luck:

- Concentrated exposure across multiple Pine Gate entities
- LC expirations occurring during the DIP financing window
- Beneficiaries with a high likelihood of drawing, including Amazon Energy and co-ops in Texas

"BBVA could have placed itself in the red zone here," one legal advisor said. "They're fronting the cash and standing behind the surety – it's the worst position to be in."

Santander exposed to Georgia Power PPA failures

Banco Santander (NY Branch) follows closely with \$30.25 million in exposure, most of it tied to Georgia Power Company, under the GA Solar 5 PPA, which has stringent utility-offtake structures in the Southeast, multiple developers told IJGlobal.

Southern Company affiliates are well known for calling LCs in distressed situations. Several developers in the region note

that Georgia Power “never waives construction deadlines,” raising the likelihood that Santander will see full or partial draws on its instruments.

“Santander could be in the crosshairs of a PPA compliance issue,” said a senior project finance partner. “Utilities do not hesitate to pull LCs when a sponsor collapses.”

SMBC and ANZ hold large hyperscaler-backed LCs

Beyond the utility sector, the filings show big-ticket exposure to hyperscalers, particularly Meta Platforms.

SMBC holds a \$20.4 million LC backing a Meta-related renewable project, while ANZ carries \$21 million on Magnolia Solar, also tied to Meta via Sidecat LLC.

While Meta is viewed as a rock-solid counterparty, the industry sources note that hyperscalers routinely draw LCs when developers fail to meet COD schedules.

“These are binary outcomes,” one banker said. “If the project slips, the LC gets pulled.”

MUFG and CoBank face PJM and interconnection-driven risk

Interconnection exposures are concentrated at MUFG and CoBank. Both banks provided LCs to PJM Settlement and PJM Interconnection, which developers had told IJGlobal can draw first and negotiate later when a project sponsor enters insolvency.

MUFG holds \$18.6 million in exposure across PJM-related obligations and collateral agent requirements. CoBank has roughly \$8.8 million in similar risk.

Lower-tier exposures: Lloyds, Société Générale, BofA, National Bank of Canada

The remainder of the LC book is distributed among:

- Lloyds – close to \$10.7m (AEP Texas, Dominion Energy)
- Société Générale – around \$5.2m (Apple Energy)
- Bank of America – near \$3.75m (Meta Platforms)
- National Bank of Canada – circa \$3.33m (Oncor Electric Delivery)

These exposures are smaller and linked to strong beneficiaries with predictable draw behavior. Market participants say these banks are “exposed but not sweating.”

Meanwhile, the surety-backed side of the portfolio reveals exposure for:

- Swiss Re Corporate Solutions
- Atlantic Specialty Insurance Company
- AXIS Insurance Company
- XL Specialty Insurance

Sureties are expected to face reimbursement pressure as banks meet immediate LC draw obligations in the DIP period.

One surety underwriter put it this way: “Sureties hate dealing with renewable developers in Chapter 11 – everything gets drawn, and we chase pennies after.”

What happens next

The structure of the DIP facility is likely to dictate the order of priority among LC rollovers, cash collateral requirements, and surety repayment obligations.

Advisors expect a wave of LC draws to be “inevitable” over the next 60–120 days as PPAs lapse, interconnection queues

are re-evaluated, and surety carriers reassess their exposure.

The next key milestone is whether the unsecured creditors committee (UCC) pushes for priming of surety-backed LC facilities, which would materially affect BBVA, Santander, ANZ and SMBC.

For now, Pine Gate's creditors – banks, sureties and utilities – are preparing for a messy, milestone-driven unwind of credit support across a patchwork of projects that never reached commercial operation.

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