

Galloper offshore wind, UK

Olivia Gagan

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German utility RWE completed the financing for its £1.54 billion (\$2.35 billion), 336MW Galloper offshore wind project in the UK around a year after officially shelving it.

RWE said in October 2014 that it had given up on developing the project off the Suffolk coast, blaming the "unacceptable risk" of the UK regulatory regime for renewables. This was just month after it had awarded an electrical systems contract to Alstom and Petrofac. The business said the decision was "despite positive investor interest, including that of the Green Investment Bank, and support from the project's supply chain."

RWE blamed "the tight time scales available to secure financing" whilst still achieving accreditation under the renewables obligation (RO) subsidy scheme, which has been succeeded by the contracts for difference (CfD) regime.

Under recent legislative changes only projects coming online by 2017 qualify for the RO, with ones completed after this date only able to access the new, as yet unproven CfD support. Galloper was projected to finish construction by 2017, but RWE was unable to guarantee this.

Original co-sponsor SSE quit the project in October 2014. The utility had said it [wanted to leave](#) the in-development project back in March, citing its faltering confidence in the viability of the wider offshore wind sector.

Dropped and then delivered

This all made the delivery of Galloper look highly unlikely, and its changing sponsor group suffered repeated crises of confidence before the project eventually reached financial close.

It was not until January 2015 that RWE decided to revive the project. Richard Sanford, RWE's head of UK offshore wind, said at the time: "We took a moment to stop the project, stand things down and really have a look at it."

"That triggered various interest from the wider supply chain so we've had a number of different parties talking to us. As a result, we are looking at the project again, it's a different technology and [with] some different ideas we hope to be able to take it forward."

Among those "different parties" is Siemens, which is not just the project's turbine supplier but also a co-sponsor, through its financial arm, alongside the UK Green Investment Bank (GIB) and Macquarie Capital. The co-sponsors are each providing 25% of the roughly £400 million equity requirement. The involvement of [GIB and Siemens Financial Services emerged in July](#), as reported by *IJGlobal* at the time, whereas Macquarie Capital entered the deal at a later stage, having started talks with the other sponsors in June.

The financing

A group of 12 commercial lenders, from Europe and Japan, and the European Investment Bank (EIB) have provided

£1.37 billion in senior debt for the project. BNP Paribas acted as financial adviser.

The sponsors approached commercial lenders around Easter 2015, having brought the European Investment Bank on board first. Export credit agencies were initially mooted for the financing, but fell back after it became clear the project was receiving "a good response in a market that was very liquid," a source said. "The critical factor in the financing was the RO cliff risk," they continued. RWE had to convince debtors it could deliver the project on time.

The EIB provided a long-term loan of £225 million, which it will fund using its new £21 billion European Fund for Strategic Investment. It is the first time it has deployed capital from the fund in the UK.

The 12 commercial bank lenders are ABN AMRO, BNP Paribas, Credit Agricole, ING Landesbank Hessen-Thüringen Girozentrale, Lloyds Bank, Natixis, Santander. SEB, Societe Generale, SMBC and MUFG.

The tenor for the senior debt is 15 years plus construction. Pricing has not been disclosed, but a source told *IJGlobal* it was below 300bps over Libor.

Implications

Galloper shows how growing regulatory uncertainty in the UK is disrupting the financing of offshore wind projects. Unlike Galloper, future projects built in UK waters will rely on contracts for difference (CfD) which pit developers against each other, bidding for a limited number of contracts in both conventional and green power.

The government spent £2.79 billion on the outgoing RO regime in 2014, and in 2015 has spent just £315 million on CfDs. In the first round of CfDs 27 projects were awarded, with Mainstream's Neart na Gaoithe and Scottishpower's East Anglia One the only offshore wind projects on the list.

The government has further confused matters by failing to set a date for a second round. With the Netherlands gearing up for a December first tender for its planned 3.5GW of offshore wind programme, the UK could start to lose investors to other markets.

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