

Session: Economics – investments/finance/insurance (BM3.2)

Track: Project, market and industry development

**NON RECOURSE FINANCING OF OFFSHORE WIND FARMS - THE EXAMPLES OF Q7 AND C-POWER**

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Dexia and Rabobank have closed the first ever financing of an offshore windfarm last October with the Q7 project off the Dutch Coast (120 MW, 60 Vestas V-80 turbines). Dexia has more recently closed the C-Power transaction in Belgium (30MW, 6 Repower 5MW turbines). This paper describes what risks associated with offshore projects were seen as the most significant and how the banks became comfortable with taking such risks and under what terms they accepted to provide funding for these projects. Lessons for future projects are drawn.

In October 2006, Dexia and Rabobank closed the first ever non-recourse financing for an offshore wind farm. EUR 219 M of long term debt were provided for the construction (under separate contracts with Vestas and Van Oord) and long term operation (by Vestas) of the 120 MW (60 Vestas V-80 turbines) Q7 windfarm to be built off the Dutch coast. In May 2007, Dexia closed a second non-recourse financing, for the C-Power project in Belgium. EUR 107M of long term debt was provided for the construction (under separate contracts with Repower, Derging/Fabricom and ABB) and long term operation (by Repower) of the 30 MW (6 Repower 5MW turbines) wind farm off the Belgian coast.

[The presentation will further describe the projects and the main terms of the financings]

Both operations showed that it is now possible to provide bank debt finance to offshore projects without financial recourse to the sponsors, provided that a certain number of criteria are met. These are as follows:

- fully permitted projects. Banks will not take any development risk whatsoever.
- supportive regulatory framework, providing a predictable and large enough revenue stream and supporting the economics of the project
- strong design, management and engineering for the project, as validated by independent advisors
- detailed planning of the operational phase, including precise estimates of needs for spare parts, number of interventions, vessel and crane requirements, all in view of turbine design, sea conditions, and health and safety requirements
- strong commitment by all parties to the project, in the form of contractual guarantees and including financial penalties but also bonuses
- worst case scenario analysis, with backup solutions available, in the form of contingent debt and equity in pre-identified, and pre-committed amounts

[presentation to further detail these points]

There is no "one size fits all" solution. Each project will have different financing requirements, depending on the goals and the experience of the sponsors, the technical parameters of the transaction, and the contractual framework. In each case, detailed due diligence (covering legal, technical, wind, insurance and accounting aspects of the transaction) with specialized consultants will provide the banks with the necessary information to negotiate risk allocation mechanisms (for known risks, expected risks, and worst case scenarios) with the sponsors. As C-Power and Q7 demonstrate, it is now possible to find mechanisms that allow banks to fund significant fractions of total offshore project costs.

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