

News & Intelligence

INTERVIEW: Commercial banks to take larger share of European offshore financing

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Developers of offshore wind projects in Europe will find it easier to attract financing for their large-scale projects as a result of the increasing appetite of commercial banks to invest in offshore wind projects in Europe, Jerome Guillet, Managing Director of French investment bank Green Giraffe, told Clean Energy Pipeline.

According to Clean Energy Pipeline's figures, more than 40 commercial banks have invested in the European offshore wind sector since 2006, a trend which Guillet envisages will increase as commercial banks become more and more comfortable lending to large-scale developments in the sector.

Green Giraffe acted as the financial adviser for Northland Power Inc. and RWE Innogy GmbH, the borrowers on the ambitious Eur1.2 billion, 332 MW Nordsee One offshore wind farm project, which hit financial close on March 19, 2015.

Guillet said: "[The Nordsee One] reached financial close within the timetable they had targeted, which was an important goal of the sponsors, and it was the first large-scale deal with full construction risk [to be completed] without any multilaterals."

The landmark deal saw approximately 70% of the project costs provided through a Eur840 million non-recourse construction and term loan from a group of 10 international commercial lenders: ABN AMRO, Bank of Montreal, Commerzbank, Export Development Canada, Helaba, KfW IPEX, National Bank of Canada, Natixis, Rabobank and The Bank of Tokyo-Mitsubishi.

The increasing involvement of commercial lenders on offshore wind deals will not be at the expense of multilateral banks, according to Guillet. In 2014, three European offshore wind projects secured \$4.1 billion (Eur3.7 billion) of debt project finance, more than double the \$1.6 billion invested in 2013, with multilateral backing making up a large proportion of the risk volume.

Guillet said: "The [multilateral] banks are able to put up large individual risk tickets, which is their main advantage, especially for big transactions, but there will be more and more deals without them."

Guillet went on to say that he expects banks will offer more favourable interest rates for offshore wind project debt finance. According to Clean Energy Pipeline's figures, debt finance for offshore wind projects is currently priced at between 250 and 350 bps above LIBOR.

Moving forward, Guillet said: "Eventually [we should reach] below 200 basis points over Euribor."

The debt-to-equity ratio has remained relatively consistent for projects across the offshore wind sector.

"It has been stable at 70:30, but it will probably at some point improve from the borrowers' perspective [to] 75:25," Guillet predicted.

Green Giraffe is currently acting as the financial adviser for the 400 MW Veja Mate project, a 67-turbine offshore project located in Germany's North Sea, which is owned by Laidlaw Capital Group.

Although no banks have yet been mandated to provide financing for the deal, "the financial close of Veja Mate is [being] targeted for June", Guillet said.

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