



# TWB II – Municipal offshore wind financing

May 2017

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2. Project overview
3. Equity story
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# 1. Green Giraffe – The renewable energy finance specialist

## We get deals done

### Deep roots in renewable energy finance

- Launched in 2010 by experienced finance specialists with a **strong and proven track record** in renewable energy
- 60+ professionals with offices in Hamburg (Germany), London (UK), Paris (France) and Utrecht (the Netherlands)
- Multi-disciplinary skill set including **project & structured finance, contract management, M&A, and legal** expertise



Close to **EUR 15 billion** funding raised for renewable energy projects in **7 years**



**60+ professionals** in **4 countries**

### High quality, specialised advisory services

- Focus on projects where we can actually add value
- We can provide a holistic approach and are able to include sector-specific tasks in addition to traditional debt or equity advisory (such as contracting, strategic advisory and development services)
- Widening geographical reach with a burgeoning presence in the Americas and Africa in addition to Europe
- Priority given to **getting the deal done!**



Involved in over **80 renewable energy projects** with a capacity of more than **18 GW**

# 1. Green Giraffe – We provide a wide set of services and skills

## Specialised financial services to renewable energy projects and investors

### Debt & equity advisory

We will help you design and execute the most appropriate financing structure for your project, or provide an independent valuation, taking into account project characteristics and market conditions. We will ensure that contracts are bankable, project economics work and the transaction is successfully brought to close. We know most lenders & investors and their preferences

### Modelling

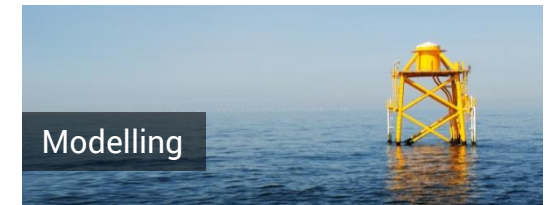
We offer a full suite of world class modelling services: review of existing models, implementation of sensitivities or design of new models from scratch

### Strategic advisory

We provide benchmarking services, reviews of regulatory frameworks and analysis of market developments. This includes terms and conditions on corporate and contractual structures, debt and equity deals, participants and commercial terms

### Development and contracting

We will help your project reach critical milestones (permit, tariff) and support you during business plan development, contract structuring and negotiation



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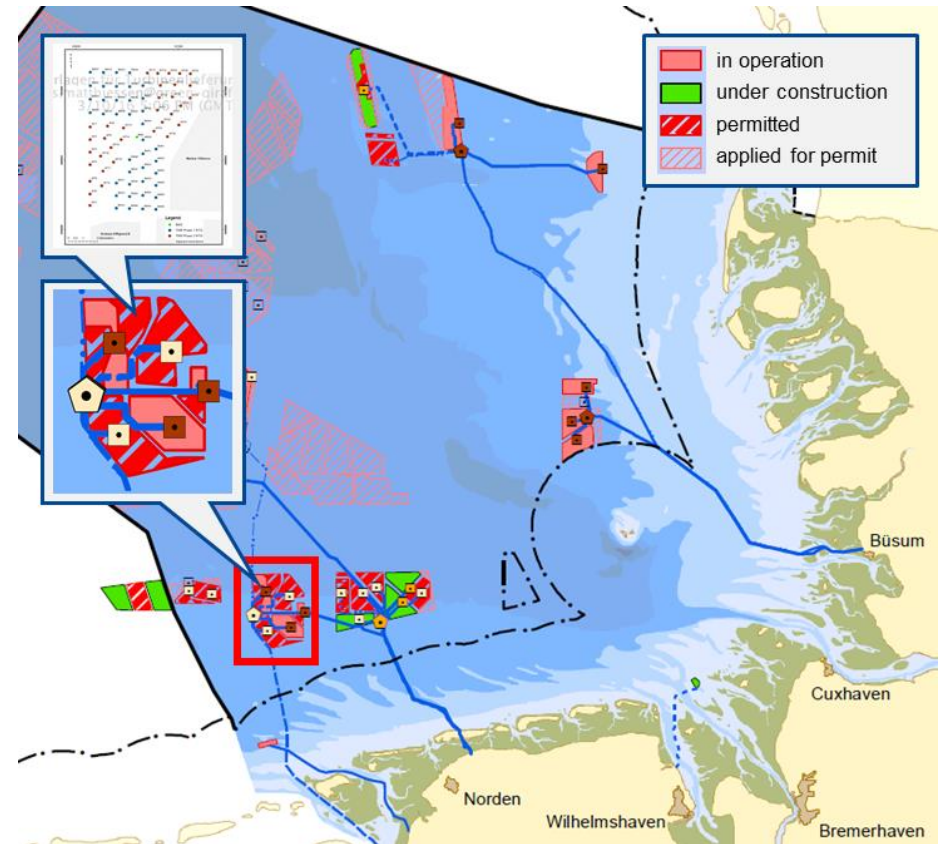
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## 2. Project overview

### Key project characteristics

Key parameters	
Rated capacity	200 MW
WTG rated capacity	6.33 MW
Wind turbine generators	32 x Senvion 6.2M152
Foundation type	Monopile
Inter-array cable type	61.2 km 33 kV AC
Water depth	25-35 m
Distance to the shore	45 km
Remuneration	FiT based on EEG 2014
Grid connection system	DolWin1
Final investment decision	7 April 2017
Financial close	09 May 2017
Start of offshore construction	Q2 2018
Start of operations	2019



## 2. Project overview

### Key project characteristics

#### The project

- TWB II is the phase II of the 400 MW Borkum West project
- The first phase, TWB I with 200 MW, has been operational since 2015
- The necessary grid connection DoWin1 is already in place

#### Key features of TWB II

- The existing OSS will be shared with TWB I and is already operational
- Three EPCI contractors
  - Senvion (supply & installation of 32 Senvion 6.2M152 turbines with power upgrade and a rated capacity of 6.33 MW)
  - Seaway Heavy Lifting (supply & installation of monopile foundations)
  - Siem Offshore (supply & installation of inter-array cabling)
- EEG 2014 remuneration: TWB II will make use of the base tariff model which will guarantee the project a remuneration of 149 EUR/MWh for 14.3 years (including extension)

#### The schedule

- Start of offshore construction is in spring 2018
- Commissioning is scheduled for summer in 2019

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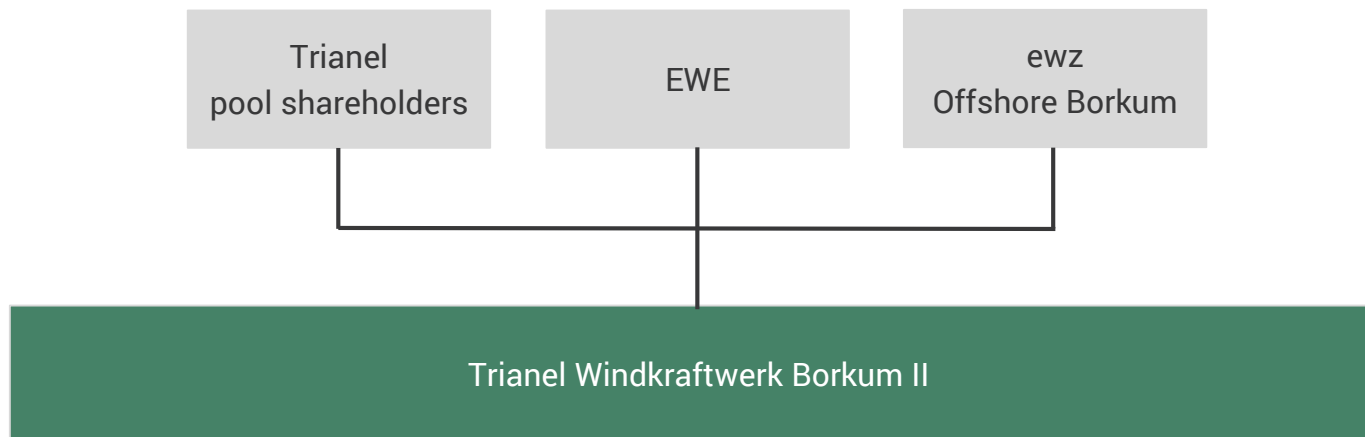


### 3. Equity story

TWB II was developed by offshore wind experienced personnel from Trianel and EWE

All in all, TWB II counts with a total number of 20 municipal shareholders which is unique for German offshore wind projects

- Each shareholder is a limited partner of TWB II and is therefore directly invested
- EWE is the single largest shareholder holding 37.50%, with ewz Offshore Borkum, jointly owned by Swiss municipality ewz and Swiss asset manager Fontavis, as second largest investor holding 24.51%
- The 18 municipal utilities – all belonging to the Trianel group – together have a stake of 37.99%. Individual stakes vary from 0.32% up to 10.00%
- The project management team functions are split between Trianel (commercial and legal) and EWE (technical)

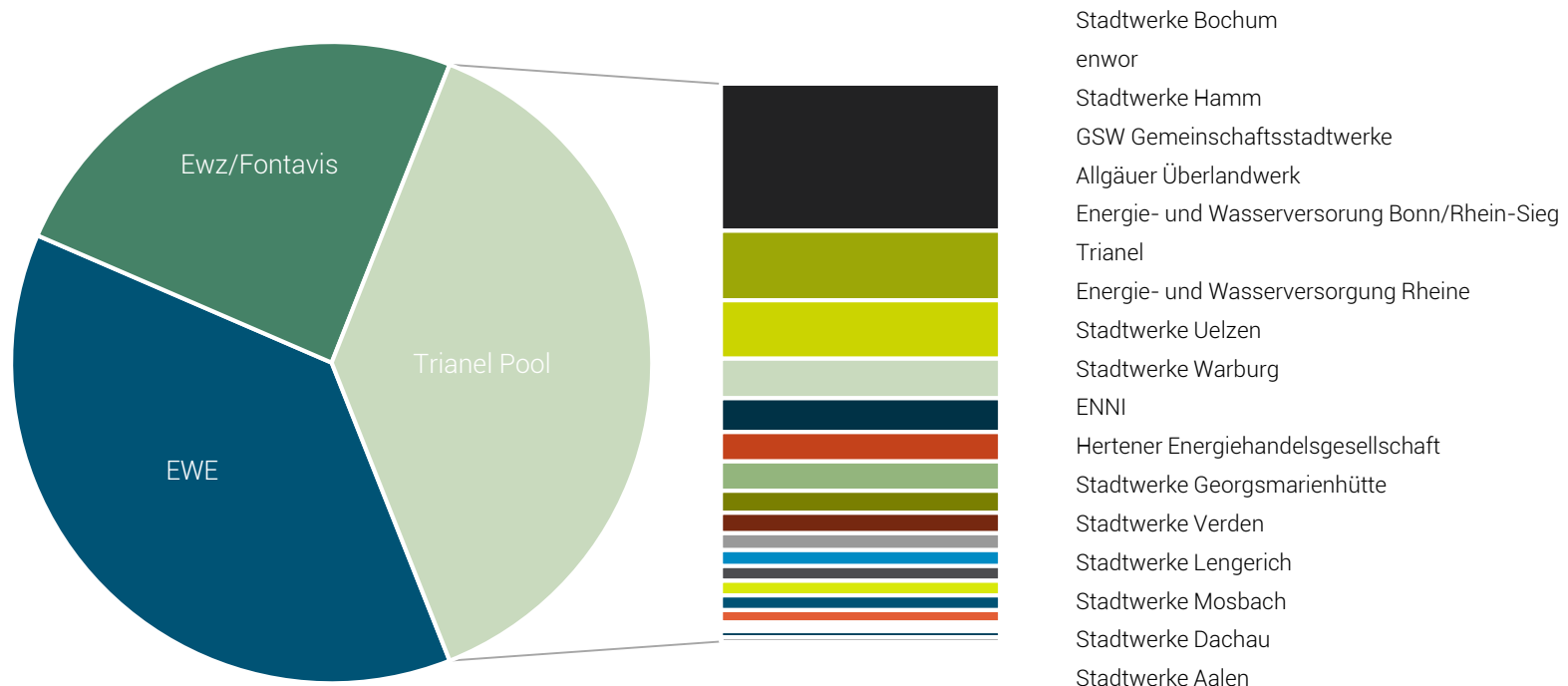


# 3. Equity story

## Large shareholder group

### The shareholders

- A large group! 18 Trianel "Stadtwerke", EWE AG, ewz and Fontavis at the table
- Trianel and EWE teams developed the project, whereby Trianel focussed on the commercial and EWE on the technical development; ewz/Fontavis joined the TWB II shareholder group when the final investment decision was taken early April
- Most parties have offshore wind experience – a huge advantage for the project



# 3. Equity story

## Equity process was launched in September 2016 to find a suitable new partner

### The objectives

- Clear objectives of the existing shareholders: the new partner should have similar objectives and mindset
- Hence, sharing the long-term strategic investment approach to the project
- Commercially attractive offer
- Compliance with tight project timeline

### The challenges

- The size of the final equity stake for sale was still open – ranging from 0% to 49%
- The project development was still fully underway, e.g. debt terms and funding structure not finalised at bid submission
- Very tight timeline requiring high dedication and commitment from interested investors

### The process

- 18 investors submitted indicative offers in October 2016
- Three bidders were selected to do a full due diligence and submit a binding offer based on a individually negotiated contracts
- ewz/Fontavis made the most attractive offer and was selected in February 2017

## ewz/Fontavis was selected to acquire a 24.5% stake in the project

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# 4. Debt raising

## Debt raising by Green Giraffe – tailor made

### Complete package brought to the market

- Comprehensive due diligence package building on the precedents in the German market with reputable lenders advisors being closely involved over 10 months even before banks were mandated
- A comprehensive debt term sheet was tendered in the international banking market

### KfW Programme for Offshore Wind and commercial banks

- Using the KfW Programme for Offshore Wind allowed to substantially reduce the number of commercial banks
- A spotless and conservative package sparked fierce competition amongst interested banks.
- Unusual in today's market: syndication is highly restricted until project completion

### Strict discipline in the bank selection

- The project received attractive offers and was considerably oversubscribed
- The banks were mandated on the basis of explicit acceptance of the term sheet and due diligence package
- Five commercial banks (and KfW) were mandated allowing for 1 "spare", thereby ensuring discipline during negotiations and final documentation phase

## 4. Debt raising

### Strong business case with a conservative structure

Overall, TWB II approached the banking market with a comparably conservative and simple setup, reflecting the shareholder's preferences

- 70/30 debt-to-equity ratio
- Equity first, further guarantees for contingencies
- Tenor of 13.5 years after completion, covering the entire EEG period without any "merchant tail"
- Reasonable contingency budget

Hence, the debt competition focussed on margins

Debt terms and conditions	
Construction margin	175 bps
Operation margin	165 bps
Commitment fees	30% of margin
Tenor from completion	13.5 years

TWB II achieved the lowest margins for offshore wind projects with construction risk to date

# 4. Debt raising

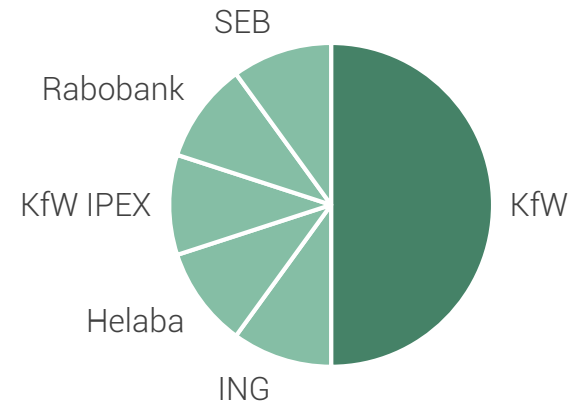
## Considerations around the bank club

TWB II approached the banking market with the following strategic goals

- Keep the number of counterparties small; syndication during construction was explicitly excluded from the term sheet
- Build the bank club around offshore experienced parties
- Banks to accept the term sheet with as little mark-ups as possible

In line with these objectives, TWB II chose the KfW Offshore Wind Programme and five commercial banks

- The KfW Offshore Wind Programme commits 50%, the commercial lenders 10% of both senior loan and the standby contingent facility



### Some additional agreed terms

#### Roles

Each commercial lender has a specific role within the club

#### Hedging

Allocation among the five commercial lenders pro-rata the complete commitment. The commercial lenders provided the hedging the KfW Offshore Wind Programme

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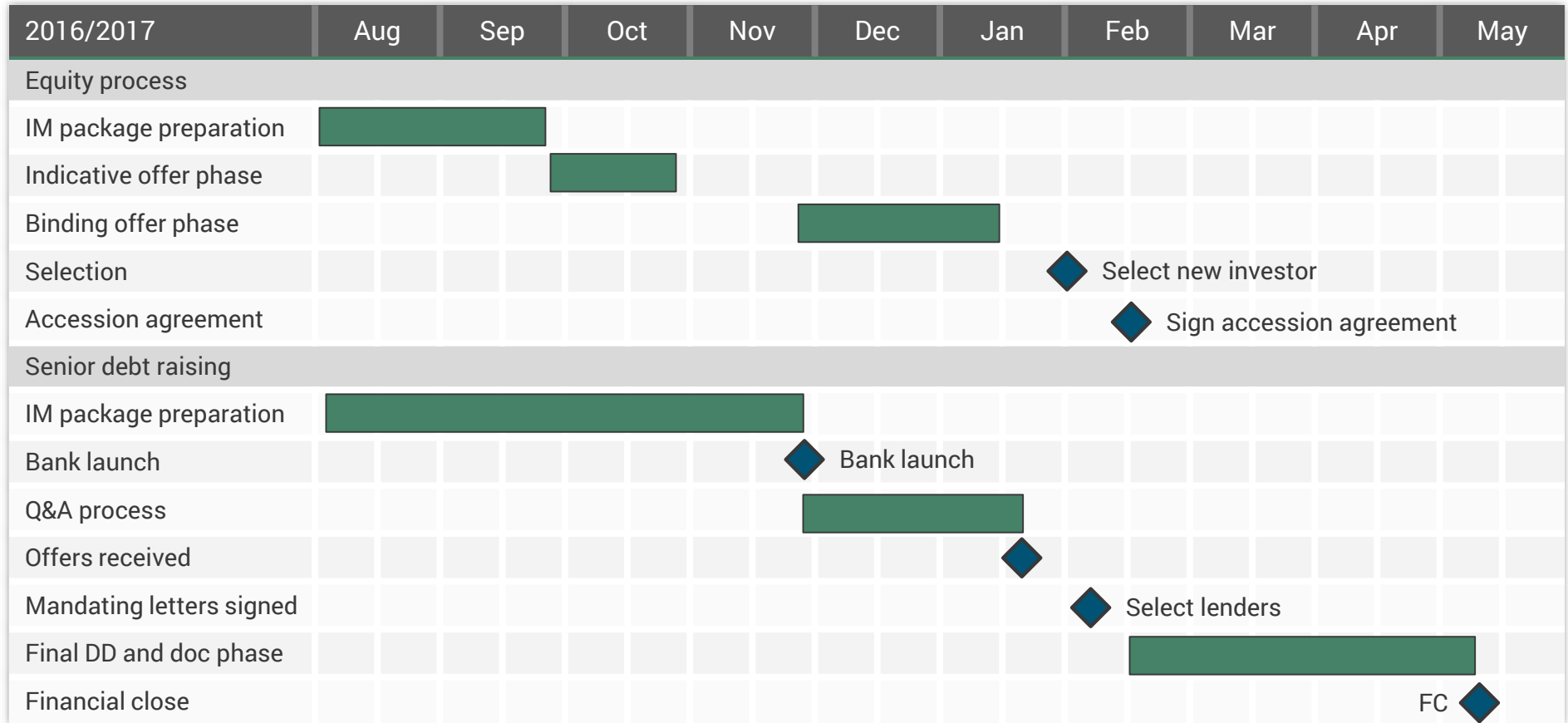
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# 5. Timeline

## Timeline to financial close



Debt process was run in parallel to equity and closed in less than six month from bank launch!

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# 6. Take-aways

## What we will remember...

### ... with regard to the shareholder group

- The risk averse and long term strategic focus of the communal shareholders was highly appreciated – by banks!
- A shareholder meeting with 40 shareholders in the room is an experience and reflects offshore conditions: reasonably unpredictable with anything from very calm seas to stormy weather possible
- A large shareholder group can be remarkably efficient

### ... with regard to the banking group

- The lenders' advisers have been involved in the full project development and contractor selection process with a full due diligence package ready even before approaching banks: >1,000 pages...
- It is more difficult to have lenders willing to lend their own money

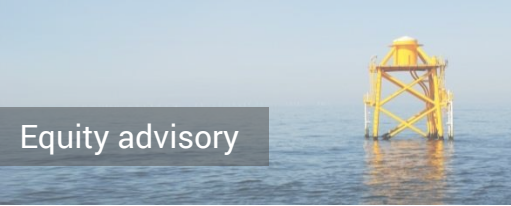
### ... with regard to the financial advisor

- We tried to postpone Christmas and Easter to next year. We failed

## TWB 2 - one of the last of its kind...



Debt advisory



Equity advisory



Modelling



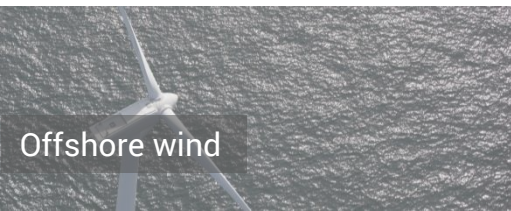
Strategic advisory



The renewable energy financial advisors

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Offshore wind



Onshore wind



Solar



Other renewables