

Financing Renewable Energy: The Role of Ex-Im Bank



**Craig O'Connor, Director
Office of Renewable Energy &
Environmental Exports**

U.S. Ex-Im Bank

- ▶ Independent agency of the U.S. government established in 1934 to finance the export sales of U.S.-made goods and services
- ▶ Provides Loan Guarantees, Export Credit Insurance, Working Capital Guarantees, and Direct Loans.
- ▶ Ex-Im Bank's support for renewable energy and environmental exports mandated in its Congressional Charter since 1992
- ▶ FY2010 tripled its portfolio of renewable energy projects to \$330 million, will likely double this to over \$700 million in FY2011.
 - Created the Office of Renewable Energy & Environmental Exports in 2008
 - Created a *Renewable Energy Express* Program in 2010
- ▶ Environmental Exports Program offers enhancements:
 - Terms of up to 18-years for renewable energy projects
 - Up to 30% local cost support within the U.S. scope of supply.
 - Capitalization of interest during construction
- ▶ Ex-Im Bank financing is usually the most cost-effective source of financing for international customers to purchase U.S.-made technology

Direct Loan

- Direct Loans made by Ex-Im Bank to a foreign buyer
- Fixed interest rates based on a 1% spread over Treasury notes
 - Interest rate for an 18-year Direct Loan is 4.20% (as of August 14, 2011)
- The international borrower submits the Direct Loan application.
- Ex-Im Bank requires the buyer to make a cash payment to the exporter equal to at least 15% of the U.S. supply contract.
 - 15% cash payment can either be borrowed from a lender or the exporter, or be from the buyer's own funds.
- Exporter paid with disbursement L/C or buyer is reimbursed
- A negotiated credit agreement required for a Direct Loan
- Shipping must be made on U.S.-flag vessel (except air shipments)

Case Study: Gamesa – Cerro de Hula, Honduras

- ▶ Ex-Im Bank's \$159 million 18-year fixed rate Direct Loan to the project sponsor, Energía Eólica de Honduras S.A., ("EEHSA") financed its purchase of 51 Gamesa G87 2-MW wind turbines for the 102-MW Cerro de Hula project.
- ▶ EEHSA has a 50-year concession to operate the project, and 20-year PPA with the Honduran state-owned utility ENEE.
- ▶ The 18-year Direct Loan has a tailored semi-annual repayment term with a weighted average life of 10.5 years = 21-year loan term.
- ▶ The project will be the largest in Central America, and will generate 6% of Honduras power, and is the first utility-scale wind project in Honduras.
- ▶ The wind turbines will be manufactured at Gamesa's Pennsylvania manufacturing facilities.
- ▶ The project company is owned by Mesoamerica Energy is a renewable-energy company that develops, builds, owns and operates wind projects and other renewable-energy facilities in Central and Latin America.

Loan Guarantee

Guaranteed Loans made by commercial banks (U.S. or foreign) to a foreign buyer with a 100% *unconditional* repayment guarantee from Ex-Im Bank

- **Guarantee covers 85% of the U.S. content of the transaction.**
- ***Negotiated* interest rates, often floating rates based on spread over 6-month U.S. dollar LIBOR rate; banks can also arrange fixed interest rates**
- **Loan fully transferable, can be securitized**
- **Banks often finance the 15% required cash payment**
- **Guarantee available in major foreign currencies**
- **Ex-Im Bank's Local Currency Loan Guarantees can in turn support capital market issues in local currency**

Case Study: First Solar Canada Projects

- ▶ Ex-Im Bank authorized two transactions totaling \$455.7 million to support *First Solar's* exports to solar-energy projects in Ontario, Canada.
- ▶ Ex-Im Bank will guarantee an 18-year \$184.3 million loan in Canadian dollars (US\$219MM) to support *First Solar's* exports for a 40MW solar-energy project in St. Clair, Ontario.
- ▶ Ex-Im Bank will guarantee an 18-year \$226.1 million loan in Canadian dollars (US\$236.7MM) to support *First Solar's* exports for a 50MW solar-energy project in Amherstburg, Belmont, and Walpole townships in Ontario.
- ▶ Electricity produced by the projects will be sold under multiple 20-year power-purchase agreements to the Ontario Power Authority under Ontario's Renewable Energy Standard Offer Program
- ▶ In both transactions, Ex-Im Bank is guaranteeing Canadian-dollar-denominated loans made with the proceeds of two Canadian market bond issuances with repayment terms of 18 years.

Case Study: Jeoden Geothermal - Turkey

- ▶ Ex-Im Bank approved a \$1.5 million Loan Guarantee to finance the export of 3 modular Pratt & Whitney PureCycle geothermal power units.
- ▶ *Jeoden Elektrik*, the project sponsor, is an Istanbul-based company formed in 2010 to develop, construct, own, and operate renewable energy projects.
- ▶ *Jeoden* will own and operate a 750kW geothermal power plant project in Sarakoy, Denizli, Turkey.
- ▶ Electricity generated by the project will be sold under a 10-year PPA to TEDAS, the Turkish state-owned distribution company.
- ▶ The Turkish Renewable Energy Law provides a 10-year official feed-in-tariff of 10.5 U.S. cents per kW guaranteed by the Ministry of Energy.
- ▶ World Business Capital made the Loan with repayment guaranteed under Ex-Im Bank's Medium-Term Insurance program.
- ▶ The loan was made to *Jeoden* on a corporate finance basis.

Ex-Im Bank + India

- ▶ Ex-Im Bank is the first international financing institution to approve solar-power projects under India's National Solar Mission, and under the State of Gujarat's solar incentive program.
- ▶ Dalmia Solar Power, Ltd. is using a \$30 million 15-year Direct Loan from Ex-Im Bank to finance 2,918 Infinia Solar Stirling engine concentrated solar modules for a 10MW project in Rajasthan.
- ▶ Ex-Im Bank 12-year Loan Guarantee to PNC Bank for a \$19 million loan to ACME Solar to finance First Solar thin-film modules for 15MW project in Gujarat; 25-year PPA with GUVNL.
- ▶ Ex-IM Bank authorized a \$16 million 16.6-year Direct Loan in July 2011 to finance a 5MW solar thermal power project in Rajasthan for Azure Power that used First Solar thin-film modules.
- ▶ Ex-Im Bank authorized a \$9.2 million, 18-year loan for thin-film solar modules from Abound Solar, to Punj Lloyd Solar Power Ltd. for a 5MW solar power plant in Rajasthan
- ▶ Projects' strengths:
 - ☀ Long-term PPA with implicit Government backing
 - ☀ Creditworthiness of the Offtakers NVVN, GUVNL
 - ☀ Good DSCR, and sufficient equity
 - ☀ Experienced project sponsors with a good track record

Export Credit Insurance

Enables U.S. exporters to offer short- and medium-term *credit directly to their customers*, or for banks to insure credit lines and L/Cs.

Export credit is an attractive substitute to cash-in-advance, letters of credit and costly local bank financing.

Insures credit repayments up to 180 days from date of importation of the goods; capital goods terms of 360 days-7+ years.

▶ Ex-Im Bank offers both Multi-buyer and Single-Buyer Insurance

Process:

1. The U.S. supplier submits the application along with the required information to establish a credit limit for the foreign customer.

2. Information requirements for the foreign buyer credit limits:

- ▶ \$10,000 credit - a favorable trade or bank reference.
- ▶ \$10,000-\$50,000 credit - a current credit report
- ▶ \$100,000-\$300,000 credit a current credit report + favorable bank or trade reference.

3. Ex-Im Bank's Loan Officer analyzes the application and makes a decision on the amount of credit to be supported.

Case Study: *Southwest Windpower*

- ▶ *Southwest Windpower, Inc.*, exports wind turbines to distributors and customers worldwide.
- ▶ Ex-Im Bank's Short-Term Credit Insurance enables *Southwest Windpower* to offer “*open account*” credit terms to its distributors that enables them to place larger orders.
- ▶ Credit terms can range up 360-days open account; longer terms from 2-18 years also available under Ex-Im Bank's Long-term programs.
- ▶ Replaces bank financing and payment by L/Cs, enables customers to offer credit to their customers.
- ▶ Financing is often THE critical factor in financing export sales, open account credit has advantages for international buyers:
 - “Supplier credit” attractive substitute to buyer using L/Cs
 - Interest rates high in many international markets
 - Increase order quantities to existing customers/distributors

Working Capital Guarantee

Ex-Im Bank provides 90% repayment Guarantee for working capital loans, revolving or transaction based, made by commercial lenders to small businesses to finance export sales.

The Working Capital Guarantee serves as the collateral to the commercial lender by mitigating the risk inherent when the source of repayment for the loan is an overseas contract.

Enables exporters to finance materials, labor, and overhead to produce goods/services for export.

Enables exporters to cover standby letters of credit for bid and performance bonds, or payment guarantees.

Enables the exporters to finance foreign sales receivables.

Most Working Capital Guarantees provided by Delegated Authority Lenders (see www.exim.gov for a list) without prior Ex-Im Bank approval.

Case Study: United Solar Ovonic

Ex-Im Bank guaranteed a \$25 million revolving credit working capital line for United Solar Ovonic of Auburn Hills, MI.

- ▶ Guaranteed lender is JP Morgan Chase Bank in Cleveland, OH

Loan guaranteed under Ex-Im Bank's 'Fast Track' Working Capital Guarantee Program.

- ▶ helps small and medium-sized businesses obtain larger working capital loans in less time.
- ▶ experienced lenders can provide up to \$25 million per borrower in Ex-Im Bank-guaranteed financing.

United Solar Ovonic, a wholly owned sub of Energy Conversion Devices is using the credit line to finance the export of its thin-film solar laminates used in solar rooftop installations to customers in Europe and Asia.

"Our ability to access a line of credit of this size based on export-eligible receivables and inventory is tremendously helpful. The reduced amount of time involved enables us to move quickly to expand our export sales."

- Sanjeev Kumar, Vice President & CFO

Conclusion

- ▶ **Ex-Im Bank: top priority to support renewable energy & environmental exports**
- ▶ **Ex-Im Bank supports short, medium, and long-term financing to creditworthy international customers, and working capital guarantees to U.S. exporters**
- ▶ **Ex-Im Bank often plays a critical early-stage role in helping small clean tech companies finance their operations.**
- ▶ **With Ex-Im Bank's early-stage intervention these companies can grow their international business, increase profitability, and ultimately attract significant equity investment.**
- ▶ **Ex-Im Bank is interested in any size project**
- ▶ **We will work with you to create “bankable” projects**
- ▶ **We welcome your projects and your ideas!**

craig.oconnor@exim.gov

[Internet_http://www.exim.gov](http://www.exim.gov)