

Financing Export Sales: The Role of the U.S. Export-Import Bank & COVID-19

AWEA Webinar
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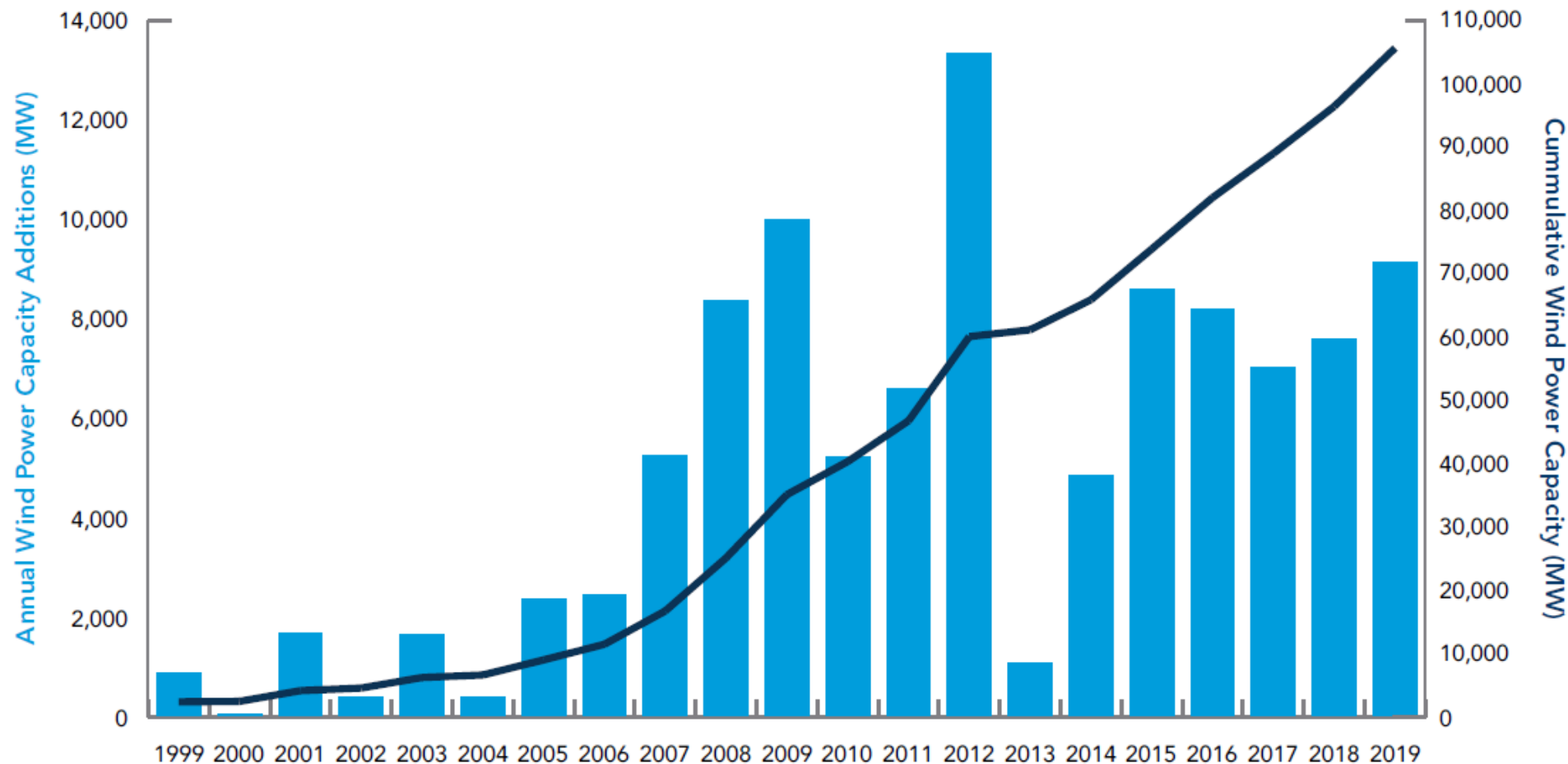
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WIND TOPS 100 GW

Wind power capacity grew 9.6% as industry installed 9,137 MW

Annual and Cumulative Wind Power Capacity



Key Highlights

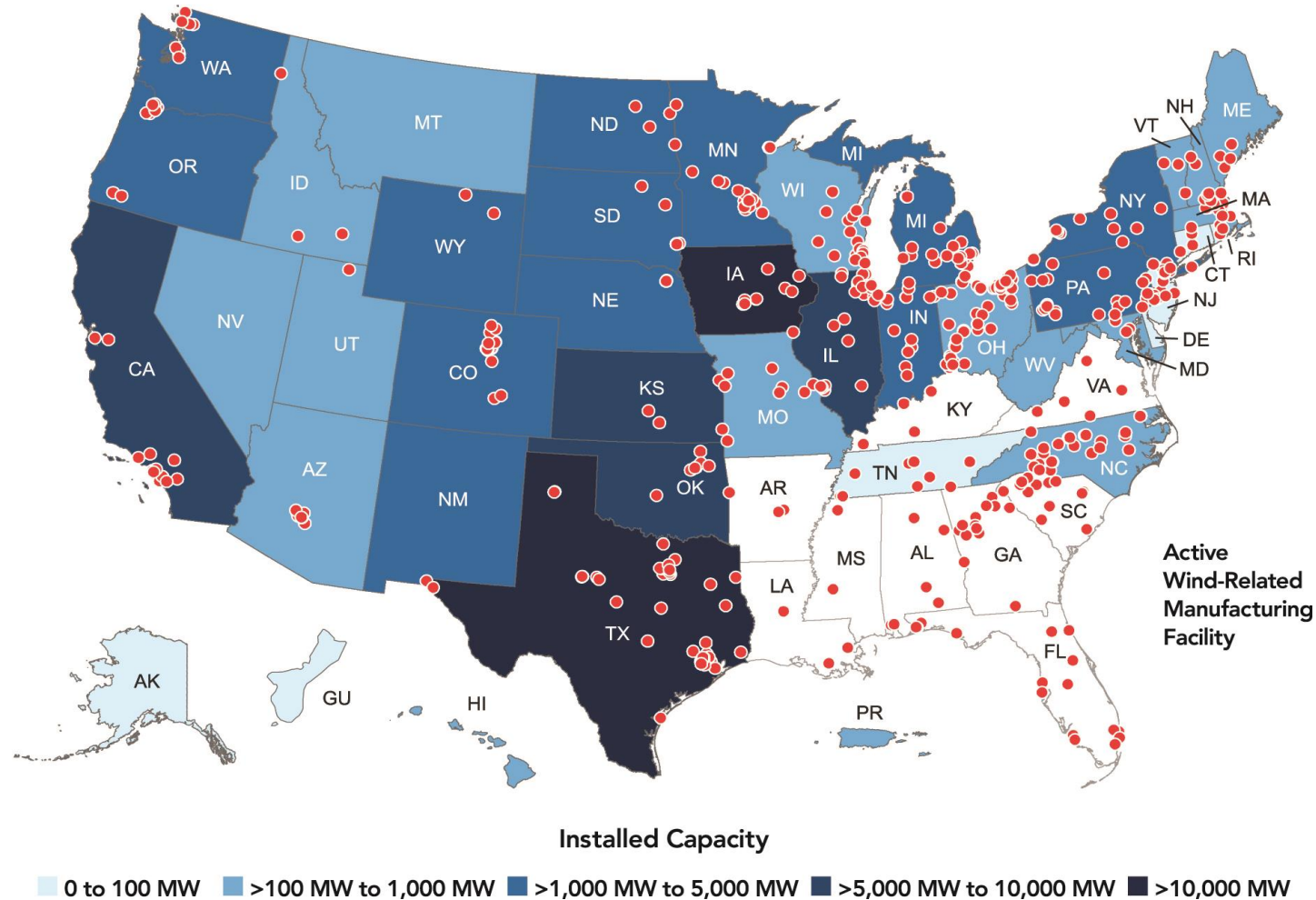
- Third strongest year for wind power capacity additions
- Year-over-Year capacity installations up 20%
- 10% CAGR—operational wind power capacity growth over past decade
- Total operational wind power capacity now stands at 105,591 MW
- Installed wind power capacity has tripled in 10 years



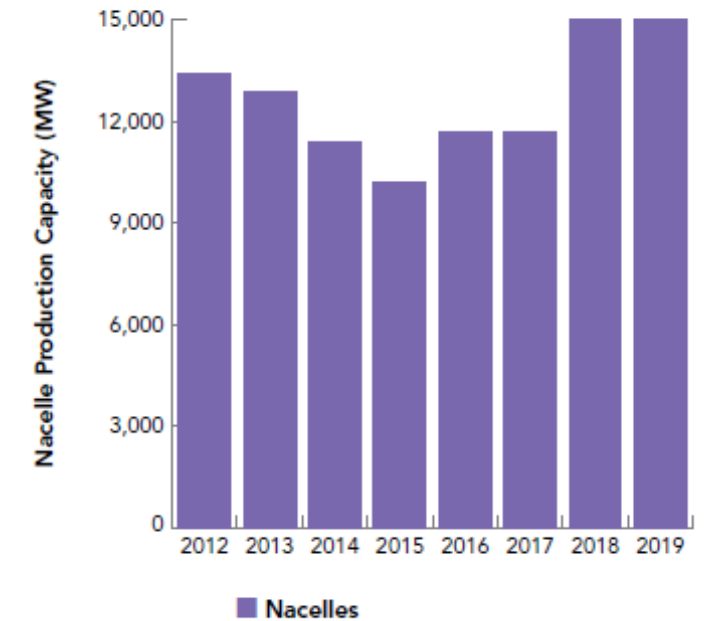
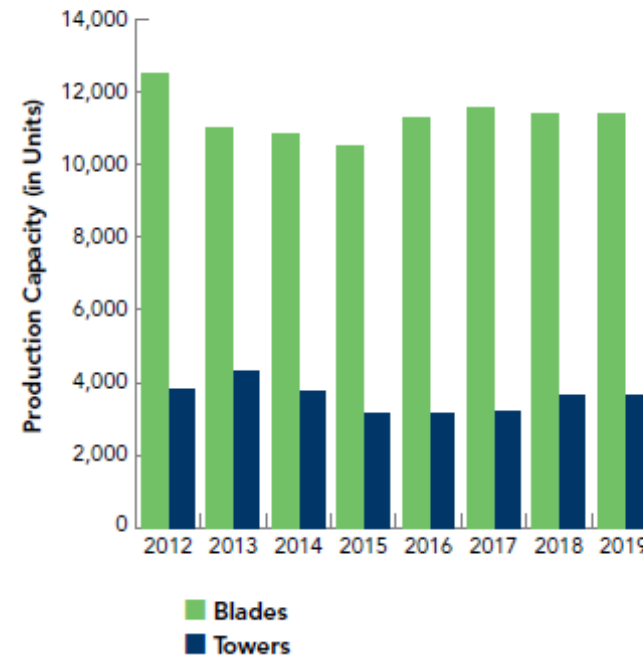
DOMESTIC MANUFACTURING

Over 530 factories produce components for the industry

Domestic Manufacturing Footprint



Manufacturing Production Capacity



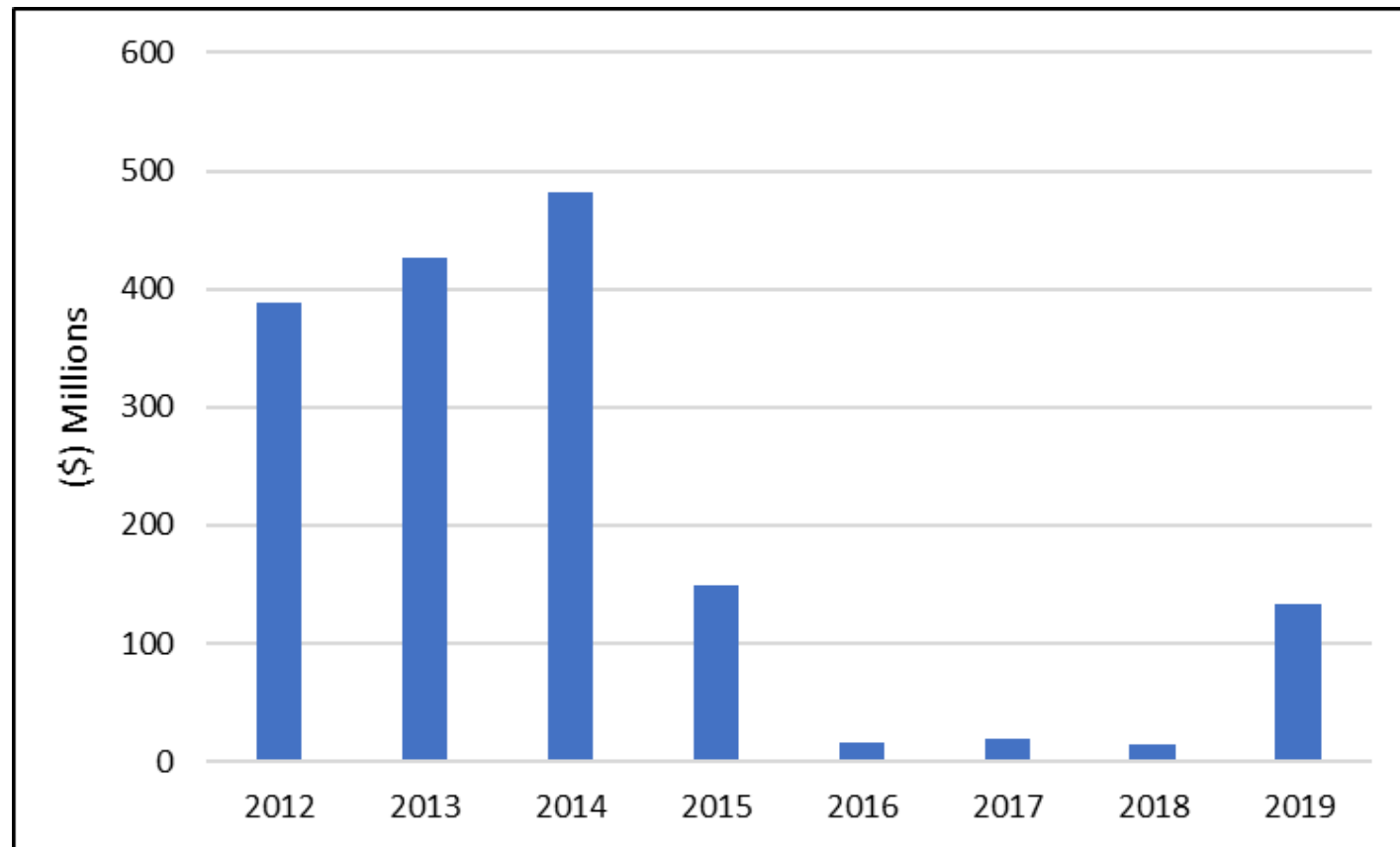
Source: AWEA



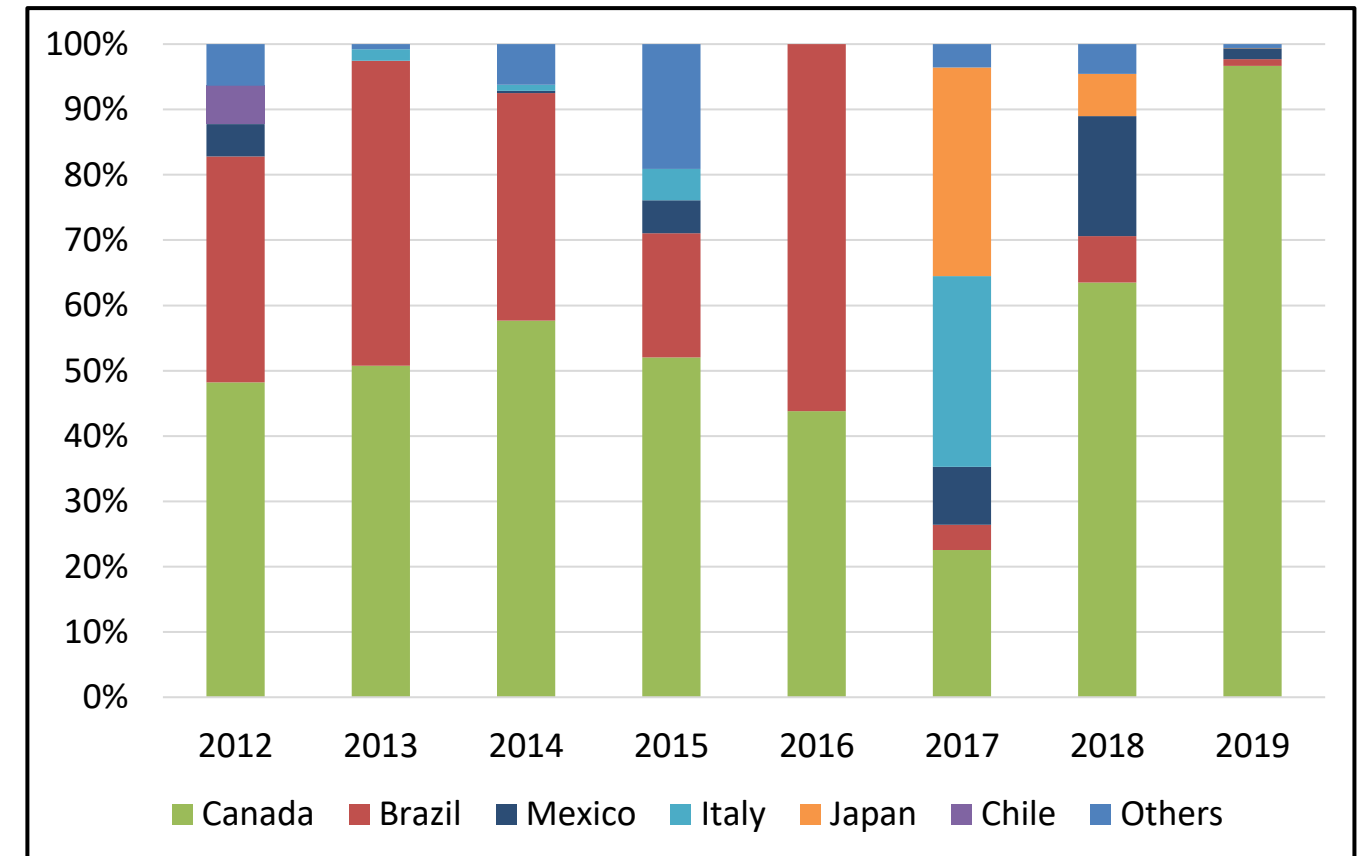
U.S. WIND EXPORTS

U.S. exports of wind generating sets grew 825% in 2019

Export Value of U.S. Wind Generating Sets



Percent Share of Exports by Country



Source: USITC DataWeb



Reducing Risk. Unleashing Opportunity.

Financing Wind Energy Exports: *The Roles of EXIM*

**Craig O'Connor, *Renewable Energy &
Environmental Exports Officer***

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Ex-Im Bank: Overview

- Independent agency of the U.S. government established in 1934 to finance the export sales of U.S.-made goods and services
- Direct Loans, Loan Guarantees – both in U.S. \$ and in foreign currencies, Export Credit Insurance, and Working Capital Guarantees
- Ex-Im Bank has a long history of being in the forefront of financing projects important to both U.S. exporters, and international customers, in times when access to long-term financing on commercially-viable terms is constrained.
- Ex-Im Bank financing usually the most cost-effective source of financing for international customers to purchase U.S.-made technology
 - ✓ Current 18-year fixed interest Direct Loan rate = 2.07% (as of April 15, 2020)
 - ✓ Current 12-year fixed interest Direct Loan rate = 1.78% (as of April 15, 2020)
- Ex-Im Bank Program Enhancements for Renewables , Water Supply & Treatment Projects.
- Since 2010, Ex-Im Bank has authorized \$2 billion+ in renewable energy exports including a number of wind energy projects

Ex-Im Bank: Approach to Lending



Ex-Im Bank must have a reasonable assurance of repayment, and can make a credit decision based on:

- 1) Corporate borrowing approach based on the financial condition and existing business of the borrower/guarantor :
 - ▶ A current credit report
 - ▶ A current commercial bank reference
 - ▶ Latest 3 years financial statements
 - ▶ Application of Ex-Im Bank's Medium-Term Credit Standards
- 2) Limited recourse project finance with a special purpose company borrower and project cash flows as source of repayment
 - *The loan size should be ideally above \$20 million given the associated legal and financial due diligence costs the borrowers pays for project finance*
- 3) Or, as a structured finance transaction with the borrower's balance sheet enhanced by special features.
 - *Can be a useful approach for loans up to \$20 million*

Ex-Im Bank: Direct Loan



- Direct Loans made by Ex-Im Bank to a foreign buyer
- Fixed interest rates based on a 1% spread over Treasury notes
- 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: Orosi Wind Power – Costa Rica



- ▶ Ex-Im Bank in Nov. 2013, approved a 17-year \$61.1 million Direct Loan to Inversiones Eolicas de Orosi Dos S.A. (Orosi) a 50MW wind-farm project located in the Province of Guanacaste.
- ▶ Orosi will use 25 Gamesa G87-2.0MW turbines manufactured by Gamesa in Fairless Hills, PA.
- ▶ Orosi will sell power under a 20-year PPA to Instituto Costarricense de Electricidad (“ICE”) - national grid authority in Costa Rica
 - > Orosi - subsidiary of leading Central American wind-generation company Globeleq Mesoamerica Energy
- ▶ Ex-Im Bank's first wind transaction in Costa Rica
- ▶ *Latin American Wind Deal of the Year 2013* from Project Finance Magazine

Case Study: Peru Wind Power Projects



- ▶ Ex-Im Bank in August 2014, approved a Direct Loans totaling \$65 million for the 32.1MW Marcona project, and the 97.15MW Tres Hermanas project
 - > projects located on adjacent sites in the Ica region of southern Peru
 - > repayment terms are 17.3 years for the Marcona project, and 16.6 years for the Tres Hermanas project
- ▶ The U.S.-made wind turbines manufactured in Hutchinson, Kan., and Fort Madison, Iowa, by Siemens Energy Inc.
 - > projects use both Siemens SWT-2.3-108, and SWT-3.0-108 turbines
- ▶ Project sponsor is Cobra Instaciones y Servicios, S.A.
 - > Cobra will sell power to the grid based on concessions for renewable energy projects awarded by the Government of Peru, acting through the Ministry of Energy and Mines
- ▶ The projects are Ex-Im Bank's first wind transactions in Peru

Ex-Im Bank: 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**
- ▶ **Application to Ex-Im Bank submitted by the mandated Guarantee Lender**
- ▶ **Guarantee covers 85% of the U.S. content of the transaction**
- ▶ **Negotiated interest rates, often floating rates based on spread over U.S.\$ LIBOR rate; banks also offer 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**

Northern Power – Italy Community Wind

- ▶ Ex-Im Bank provided a 15-year Loan Guarantee in Euros worth U.S. \$6.4 million to Raiffeisen Bank (RBI International Finance) to finance the export of 15 Northern Power™ 100 kilowatt permanent magnet direct drive wind turbines to community wind projects in Italy.
- ▶ ARG Energie S.R.L. of Avelino, Italy is the borrower on the transaction with PurEnergy, a leading wind energy developer based in Bisaccia, Italy, providing the installation, operation, and maintenance of the turbines.
- ▶ This transaction represents the largest-ever U.S. export of small wind turbines!
- ▶ This transaction, processed under the Bank's Renewable Energy Express Program, marks the first time Ex-Im Bank has financed a community wind power project supported on a project finance basis.
- ▶ The Italian Government created an incentive program to promote the expansion of grid-connected small wind power projects under 200 kilowatts.
- ▶ Energy produced by the small wind projects is eligible for an attractive feed-in-tariff price that is fixed for 15 years.

Financing for Services, Software, Licenses, and IP



- ▶ Ex-Im Bank can finance services in conjunction with sales of U.S.-made products as well as free-standing services such as architectural and engineering services, software, and licenses.
 - ✓ EXIM Bank provided a \$42 million Loan Guarantee with a 10-year repayment term to finance two separate technology transfer and licensing agreements to Chemopetrol A.S., Czech Republic.
 - ✓ EXIM Bank provided a \$697,800 5-year Loan Guarantee for the export sale of software licenses to the Mexican IT consulting company Qualita de Mexico, SA
 - ✓ EXIM Bank provided a 5-year Loan Guarantee to finance the export sale of \$2.1 million of on-line procurement software technology to Eonour Technologies Limited, Chennai, India. Eonour used the technology to create specialized procurement software for its Southeast Asian clients to enable them to use the internet to upgrade their corporate purchasing systems.
- ▶ U.S. companies working with EXIM Bank to offer financing for licenses and other intellectual property (“IP”) to their international buyers can enjoy a number of key benefits:
 - ✓ Companies can further “monetize” IP by growing the international customer base, and expand into new emerging markets
 - ✓ Companies can provide financing for customers as part of the sale of IP and related services in markets where medium- and long-term financing is costly or not readily available

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.



Conclusion



- ▶ 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 financing is usually the most cost-effective source of financing for international customers to purchase U.S.-made technology & services.
- ▶ Ex-Im Bank: top priority to support renewable energy, water treatment & water supply as part of its priority to increase its support for environmental exports.
- ▶ Ex-Im Bank can finance services, including software and licenses, as well as products.
- ▶ Ex-Im Bank is interested in any size project.
- ▶ We welcome your projects and your ideas!

Thank You

Reducing Risk. Unleashing Opportunity.

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EXIM
EXPORT-IMPORT BANK
OF THE UNITED STATES





Upcoming Webinars

AWEA Offshore Wind Power Economic Impact Assessment & Support Offshore Wind Campaign Launch

- Free to members; Non-Member Pricing: \$49
- Monday, April 20, 3:00 PM - 4:00 PM ET

Leading Through Adversity

- Free to members; Non-Member Pricing: \$99
- Thursday, April 23, 3:00 PM - 4:30 PM ET

AWEA Quarterly Member Briefing April 2020

- Free to members
- Wednesday, April 29, 2:00 PM - 3:00 PM ET

Grand Challenges in the Science of Wind Energy Webinar

- \$49 members; \$99 non-members
- May 13, 1:00 PM - 2:30 PM ET

Stay tuned for more webinars coming in May!