



Project and International Finance Update

23 May 2012

See note below about Hogan Lovells

Favorable Export-Import Bank of the United States (Ex-Im Bank) and Overseas Private Investment Corporation (OPIC) financing for renewable energy creates opportunities for U.S. exporters and foreign companies

Ex-Im Bank offers favorable financing options to facilitate the export of U.S.-produced renewable energy goods and services. These financing options, and Ex-Im Bank's commitment to expanding its portfolio of renewable energy financing, make Ex-Im Bank an attractive source of financing for international companies seeking to purchase U.S.-made renewable energy products and services.

OPIC provides medium- and long-term financing to renewable energy projects in developing countries and emerging markets, with a particular focus on high-impact projects. OPIC is able to provide direct loans and loan guarantees on favorable terms in circumstances where securing long-term financing on the private market is difficult or non-existent.

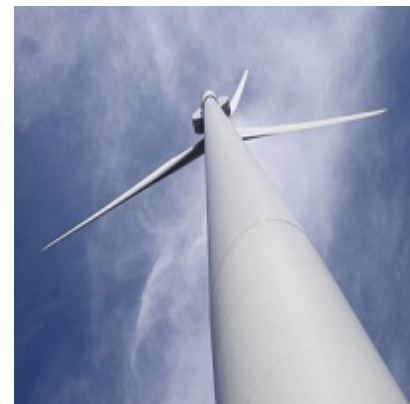
Ex-Im Bank renewable energy program

Through its Environmental Exports Program (EEP), Ex-Im Bank offers pre-export working capital guarantees, export credit insurance, repayment guarantees for loans up to 18 years, low interest rate direct loans, and capitalization of interest during construction.¹

Pre-export working capital guarantees reduce the risk for lenders to U.S. companies, allowing those companies to invest in export-related activities. Ex-Im Bank loan guarantees to international lenders also provide unconditional U.S. government repayment guarantees for loans up to 18 years for the purchase of U.S.-made renewable energy goods and services.² Guarantees can be made for loans to a foreign buyer of up to 85% of the U.S. export content, with either floating or fixed interest rates, and in major foreign currencies.³



Forward



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Ex-Im Bank direct loans to foreign buyers are an efficient source of financing for international buyers of U.S. renewable energy goods and services. Loans made on a limited recourse project finance basis are typically to a special purpose vehicle borrower, and repayment is made from the project's cash flows. Financing is available for up to 85% of U.S. content and up to 30% of local costs of the export contract value. The buyer must provide at least 15% of the cost of the contract, but this may be borrowed from another lender or the exporter.⁴ Ex-Im Bank offers favorable minimum fixed interest rates based on a 1% spread over U.S. Treasury notes that currently range between 1.51-3.37%, depending on the repayment term.⁵

Loan guarantees and direct loans for renewable energy exporters and buyers seeking loans of \$3 million to \$10 million are eligible for the Renewable Express program. This program offers a streamlined evaluation process that reduces the costs associated with project financing and can be completed in as little as 60 days, thereby making Ex-Im Bank financing readily available for smaller transactions.⁶

It is a priority of Ex-Im Bank to support renewable energy exports. Ex-Im Bank's financing of renewable energy has grown substantially in recent years and Ex-Im Bank appears to be committed to continuing to grow its renewable energy portfolio. In 2011, Ex-Im Bank authorized \$721 million for renewable energy exports, more than double the \$332 million authorized in 2010 and more than seven times the \$101 million authorized in 2009.⁷

Examples of Ex-Im Bank financing for renewable energy

In 2011, Ex-Im Bank authorized seven solar projects in India for a total of nearly \$180 million.⁸ Despite the increased demand for solar energy created by India's National Solar Initiative, the unavailability of commercially feasible long-term financing made Ex-Im Bank support essential to get these projects off the ground. Among the projects financed by Ex-Im Bank was a direct loan of \$84.3 million to Dahanu Solar Power Pvt. Ltd. for the purchase of advanced thin-film solar panels from First Solar Inc. of Perrysburg, Ohio and other U.S. exporters. These modules will be used in the construction of a 40 MW photovoltaic power plant in Rajasthan, India.⁹

In addition to its support for First Solar's exports to India, Ex-Im Bank provided \$455.7 million in loan guarantees to First Solar to support Canadian dollar denominated commercial loans for the export of two solar photovoltaic projects — one for 50 MW and the other for 40 MW — to Ontario, Canada. The power produced by the projects will be sold under 20-year Power Purchase Agreements to the Ontario Power Authority. The underlying loans have 18-year repayment terms.¹⁰

Under Ex-Im Bank's Medium Term Insurance program, Jeoden Elektrik, based in Istanbul, Turkey, secured a \$1.5

million loan guarantee from Ex-Im Bank, allowing it to obtain a loan from World Business Capital for the purchase of 3 modular Pratt & Whitney PureCycle geothermal power units. These units will be installed in a 750 kW geothermal power plant in Denizli, Turkey, that will be owned and operated by Jeoden. The energy generated by the plant will be sold to TEDAS, the Turkish state-owned distribution company, and will benefit from a feed-in tariff guaranteed by the Turkish Ministry of Energy.¹¹

OPIC renewable energy financing

OPIC's Renewable Energy Program offers direct loans and loan guarantees to medium- and long-term projects in developing countries and emerging markets, with a priority interest in the Middle East and sub-Saharan Africa, particularly in markets where regulatory conditions are favorable to investment in renewable energy.¹²

To be eligible for OPIC financing, the project must have a meaningful connection to the U.S. private sector, ordinarily interpreted to require U.S. involvement in an amount equivalent to 25% of the project's equity.¹³ To qualify as the U.S. private sector participant in a project, U.S. entities must be at least 25% U.S. owned, while foreign entities must be majority U.S. owned.¹⁴ Additionally, the project must meet OPIC's investment policy criteria, which focus on the project's positive environmental, social, and economic impact.

OPIC is able to make direct loans to small and medium-sized businesses with annual revenues of less than \$400 million, and provide loan guarantees to larger businesses. Direct loans and loan guarantees are available for amounts ranging from \$100,000 to \$250 million, though larger amounts may be authorized in some cases,¹⁵ and for tenors of up to 20 years depending upon the project economics.¹⁶ For renewable energy generation projects with an acceptable offtaker, financing is available for up to 75% of the total project costs, including all hard costs and soft costs necessary to achieve successful operation.¹⁷

In 2011, OPIC committed \$1.1 billion in financing for renewable resources.¹⁸ OPIC's renewable energy financing is focused on sectors that have not been considered attractive by private market investors. OPIC is currently seeking opportunities to finance high-impact projects, such as projects aimed at improving energy efficiency, electric or hybrid public transit vehicles, and off-the-grid renewable energy production for rural areas.¹⁹

Examples of OPIC financing for renewable energy

In 2011, OPIC approved \$310 million in financing for the expansion of a geothermal power plant in Kenya's Rift Valley. The loans will enable the project company to more than double the capacity of the existing plant to over 100 MW, will enable the procurement of \$82 million worth of technology manufactured in the U.S., and will create 55 new jobs in Kenya and 107 new jobs in the U.S.²⁰ In a much smaller project, OPIC provided a \$16 million loan for

the construction of a 5.4 MW wind power plant in St. Kitts, providing up to 30% of the country's energy demand.²¹

OPIC political risk insurance for expropriation

In addition to direct loans and loan guarantees, OPIC provides feed-in tariff expropriation insurance to project developers and lenders. Coverage is for business income loss, abrogation of contract, disputed arbitral awards, and loan default caused by reduction of feed-in-tariffs by the host government. If OPIC is also providing financing for the project, the application and clearance process for expropriation insurance is streamlined.²²

¹ *Environmental Exports Program: Financing Renewable Energy*, EXPORT-IMPORT

BANK OF THE UNITED STATES (Mar. 25, 2010), http://www.exim.gov/pubs_center/flyers/fly-env-02.pdf.

² *Id.*

³ *Financing Renewable Energy: The Role of Ex-Im Bank*, EXPORT-IMPORT BANK OF THE UNITED STATES, http://export.gov/turkey/build/groups/public/@eg_tr/documents/webcontent/eg_tr_042774.pdf.

⁴ *Id.*

⁵ *Ex-Im Bank Lending Rates (CIRR Rates) and New Minimum Interest Rates for Nuclear Power and Renewables Energies and Water*, EXPORT-IMPORT BANK OF THE UNITED STATES (last viewed May 14, 2012), http://www.exim.gov/tools/cirr_rates.cfm.

⁶ *Renewable Express: Provide Loans for Your Renewable Projects*, EXPORT-IMPORT

BANK OF THE UNITED STATES (April 4, 2011), www.exim.gov/pubs_center/flyers/fly-env-05-renewable_express.pdf.

⁷ *2011 Annual Report*, EXPORT-IMPORT BANK OF THE UNITED STATES, <http://www.exim.gov/about/reports/ar/2011/renewable.html>.

⁸ *Id.*

⁹ *Ex-Im Bank Announces \$103.2 Million in Export Financing for Solar Deals to India*, EXPORT-IMPORT BANK OF THE UNITED STATES (Nov. 4, 2011), <http://www.exim.gov/pressrelease.cfm/5DB67206-9624-6DB5-2902FFC96ADB4CC2/>.

¹⁰ *Ex-Im Bank Announces Over \$455 Million in Project Financing for First Solar's Exports to Canada*, EXPORT-IMPORT BANK OF THE UNITED STATES (Sept. 2, 2011), <http://www.exim.gov/pressrelease.cfm/830B629B-023E-5C34-5863BEEA2A634632/>.

¹¹ EXPORT-IMPORT BANK OF THE UNITED STATES, *Supra* note 3.

¹² Communication with OPIC staff. For a list of countries for which OPIC financing is available, see <http://www.opic.gov/doing-business/where-we-work>.

¹³ *Finance Eligibility Checklist*, OVERSEAS PRIVATE INVESTMENT CORPORATION, <http://www.opic.gov/financing/eligibility-checklist>.

¹⁴ *Project Ownership*, OVERSEAS PRIVATE INVESTMENT CORPORATION, <http://www.opic.gov/financing/details/project-ownership>.

¹⁵ *Financing Techniques*, OVERSEAS PRIVATE INVESTMENT CORPORATION, <http://www.opic.gov/financing/details/techniques>.

¹⁶ *Terms*, OVERSEAS PRIVATE INVESTMENT CORPORATION, <http://www.opic.gov/financing/financing-details/terms>.

¹⁷ Communication with OPIC staff.

¹⁸ *\$1.1 Billion in OPIC Commitments Caps Historic Year for Renewable Resources*, OVERSEAS PRIVATE INVESTMENT CORPORATION, <http://www.opic.gov/news/press-releases/2009/pr120211>.

¹⁹ Communication with OPIC staff.

²⁰ *OPIC Board Approves \$310 Million for Geothermal Project in Kenya,*

OVERSEAS PRIVATE INVESTMENT CORPORATION,

<http://www.opic.gov/news/press-releases/2009/pr092211b>.

²¹ *OPIC to Provide \$16 Million Loan for Wind Power Plant in the*

Caribbean, OVERSEAS PRIVATE INVESTMENT CORPORATION,

<http://www.opic.gov/news/press-releases/2009/pr101311>.

²² Communication with OPIC staff.

About Hogan Lovells

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