

# Borkum West Phase 2 offshore wind, Germany

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**Olivia Gagan**

17/05/2017

The 203MW Borkum West Phase 2 offshore wind project off the coast of Germany is one of the last renewables projects to enjoy fixed feed-in tariff subsidy support from the German government.

The roughly €800 million (\$870.4 million) project forms part of a set of wind farms which have been in development for well over a decade. Borkum bookended the era of feed-in tariffs in German renewables: the original Borkum West Phase I [2011 financing was Germany's first offshore wind farm project financing](#). Trianel signed €550.5 million in debt commitments for that project, and it took nearly three years to close, with banks first mandated in 2008.

Much has changed in offshore wind since 2011, not least the comfort levels and appetite banks have for the sector. Despite seeking a similar amount of debt (€591 million) in 2016-2017, the Phase 2 project took just seven months to complete.

## The financing

The owners of Borkum West Phase 2 are EWE (37.5%), a Fontavis/EWZ club (24.51%) and a consortium of Trianel and 17 local municipal utilities (37.99%).

French advisory boutique Green Giraffe launched the debt raise in November 2016, and it reached financial close on 5 May 2017. Banks made commitments in late January, and were mandated in early February. A final investment decision for the project was made in early April.

Ownership of the project changed hands during the financing, after original sponsor Trianel started tendering for additional equity partners at the start of 2017. EWE had already agreed to join and Zurich-based utility EWZ and Swiss asset manager Fontavis bought a 25% stake from Trianel in February. They financed the purchase using a Swfr200 million (\$197.6 million) framework credit approved by the Zurich municipal council.

The lenders for the €591 million debt were KfW-IPEX, SEB, Rabobank, Commerzbank and ING. The project also received support from the KfW offshore wind energy programme.

Each lender took roughly equal debt tranches. The debt tenor is 13.5 years, to match the 12-year tariff period plus construction. Pricing is 175bp over Libor during construction and 165bp over Libor once the wind farm is operational.

## Tougher rules ahead

Future sponsors of German offshore wind projects will not take home such attractive tariffs. Projects which have been awarded tenders since 1 January 2017 must compete for support from Germany's energy regulator, the Bundesnetzagentur, rather than being assigned subsidies. Tariffs are financed through network charges to electricity

consumers.

In the first tender under the new rules in 2017, up to 1.55GW of capacity was on offer for existing in-development projects waiting to be awarded a grid connection and government funding,

Germany utility EnBW took the lion's share of the available capacity by winning state backing for its 900MW He Dreiht project. It bid without asking for subsidy support.

Denmark's DONG Energy was the other winner. The utility will be now able to build its 258MW Borkum Riffgrund West 2, 112MW Gode Wind 3, and 328MW OWP West wind farms.

The average award price was €44 per MWh. The lowest price bid was €0 per MWh, and the highest price accepted was €60 per MWh.

An adviser on the Borkum West Phase 2 project said future German offshore wind financings might look different as a result of Germany's lower (or zero) subsidy support, but did not anticipate lender appetite to diminish. "It's all part of the game now – how much merchant risk can you get banks to take?", they said. The low level of other greenfield, ready-to-finance large renewables projects will also help drive demand, they suggested.

### **Next steps**

The wind farm extension project is located 45km north of the island of Borkum in the German North Sea. Construction is set to begin in spring 2018 and be completed by the end of 2019. Senvion are supplying 32, 6.3MW turbines.

Separately, sponsor Trianel is to refinance its [€900 million \(\\$959.1 million\) 200MW Borkum West II Phase 1](#) offshore wind farm this year, it told *IJGlobal*.

The European municipal utility has hired MUFG to advise on the deal and wants to reach financial close by the end of 2017, it said.

### **Advisers**

Watson, Farley & Williams was lenders' legal adviser. EY was model auditor. Marsh provided insurance advice. Sgurr was technical adviser. Green Giraffe was financial adviser.

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