Aela Wind Portfolio, Chile

Chase Collum

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To bring the Aela Energia wind portfolio to financial close, sponsors, bankers and advisers negotiated for nearly one year through more than 400 contract iterations.

The $434.5 million debt package is said to be complemented by around $159 million in equity and a roughly $25 million VAT facility, all of which enables construction of two greenfield wind farms with a combined capacity of 299MW and the refinancing of the existing 33MW Cuel wind farm.

Bankers involved in the transaction have told *IJGlobal* that the structure of the financing is anything but plain vanilla.

Long tenor and long negotiations

While it may have been difficult to bring the financing to the finish line, sponsors Actis (60%) and Mainstream Renewable (40%) have reasons to be happy with the end result.

SMBC, Mizuho, MUFG and KDB were originally expected to provide between $490 million and $520 million of debt in a roughly 85:15 or 90:10 debt-to-equity structure, scheduled to close in June 2016. As negotiations wore on, however, it became clear that a long tenor was more in line with the desires of the sponsor and negotiations lengthened alongside aspirations.

By November, Mizuho stepped away from the transaction and a new set of European banks came to call, including CaixaBank, KfW and VAT lender Santander. While the departure of the Japanese bank wasn’t reported to be directly related to the 18-year tenor of the term loan, it did drive away a few other potential suitors who would’ve been more interested in participating should the transaction have gone mini-perm.

Late in the game, sponsors seeking banks that had the capacity and interest in a long-dated loan began reaching out to multilaterals and through that process brought in the Inter-American Development Bank (IDB) to round out the debt with a large commitment of $135 million through the Inter-American Investment Corporation (IIC).

The IIC completed its due diligence and received clearance from the IDB board of directors in less than 10 weeks, a pace akin to that of traditional commercial lenders, one banker said. In that time, the bank was able to negotiate certain structural changes that made the transaction acceptable to its credit committee.

While it was no easy task to put together a bank financing with an 18-year tenor, the presence of six MLAs at the finish line shows that there is still some capacity for long-dated loans in Chile’s renewable energy market.

Creative structure

One dealmaker involved in the transaction told *IJGlobal* that this was one of the more creative bank deals in his career.

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The contract was built with a structure to deal with years of low performance, providing a lot of cushion assuming it performs as expected through most of the post-construction years. Specifically, the reserve is sized to cover, under a P99 generation scenario (which is the lowest generation projection assumption in the lenders' base case), up to three years of bad wind performance under "very conservative assumptions regarding the spot price."

The fully buttoned-up financing and risk will likely make for an attractive potential investment for anyone interested in taking post-construction equity stakes in the Chilean renewables space, it was suggested.

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