DEAL ANALYSIS: Marena Renovables

16/04/2012

Macquarie, Mitsubishi and PGGM closed on Ps8.9 billion ($693.5 million) in senior secured debt for the 396MW Marena wind plant on 23 February. The financing includes the largest commercial tranche for a wind plant in Mexico and backs construction of the largest single-phase wind plant in Latin America.

Marena sells electricity to Fomento Economico Mexicano (Femsa) and the Heineken-owned brewery Cervecería Cuauhtémoc Moctezuma under a 20-year self-supply offtake contract. It is located on the Tehuantepec isthmus in Oaxaca state and will use 132 3MW Vestas v90 turbines. Macquarie Mexican Infrastructure Fund (MMIF, 32.5%), Mitsubishi (33.75%) and the Dutch pension fund PGGM (33.75%) own the plant.

Femsa and Macquarie Capital sold their 45% and 22.5% respective, equity stakes in the project to Mitsubishi and PGGM at close. They bought the development rights, along with MMIF for holding companies Energia Alterna Istmena and Energua Eolica Marena, which owned the 396MW wind project, from Spanish developer Preneal in March 2011. Vestas is the engineering, procurement and construction contractor and is providing a 10-year service and maintenance agreement for its turbines. Construction was scheduled to begin in March 2012 and be complete by July 2013.

The senior secured debt is split between a Ps5.7 billion unguaranteed tranche and a Ps3.2 billion guaranteed tranche. Both have a tenor of 16 years and five months, with a 17-month grace period during construction. The coverage, from Danish export credit agency EKF, only kicks in after construction is complete and lasts for 14 years. The ECA is bearing full currency risk.

BBVA Bancomer, Banorte, Banobras, HSBC and Banco Santander were mandated lead arrangers on both tranches, with Credit Agricole and the Inter-American Development Bank, the latter with a Ps848.9 million commitment, participating in the unguaranteed tranche and Nafinsa in the guaranteed tranche. EKF and the IADB joined the financing in the fourth quarter of 2011 and the commercial lenders committed in June and July.

Banorte, HSBC and Banco Santander also provided a Ps1.6 billion value added tax facility. It has a three-year tenor and will be repaid by the proceeds of a government grant at the end of construction. The sponsors contributed about Ps3.6 billion in equity to the about Ps12.5 billion project.

The unguaranteed commercial bank tranche is the largest for a wind project in Mexico. The tranche, equivalent to about $250 million, surpassed the $150 million from Bancomext, Banco Espirito Santo, La Caixa, Nafinsa and Banco Santander for Renovalia Energys 90MW Piedra Larga wind in December 2010 and the $65 million subordinated tranche from BBVA and Banco Espirito Santo for Accionas 250.2MW Eurus wind in June 2010. Eurus is widely held to have opened up the Mexican wind market for commercial bank lenders.

The credit profile of the self-supply offtake contract probably made the export credit cover very important. Commercial lenders consider self-supply agreements with private companies to have higher counterparty risk than those with the government-owned Comision Federal de Electricidad (CFE). Sponsors have to pay a small premium to finance plants with self- supply contracts due to the risk however remote of the private offtaker declaring bankruptcy, a Mexico City-based lender told Project Finance last year.

The market is unlikely to see a wind deal comparable to Marena in the near future. Acciona is reportedly in the market for a $570 million long-term refinancing of its operational 306MW Oaxaca II, III and IV plants and Iberdrola Renovables may refinance its $150 million equity investment in the 26MW Bii Nee Stipa wind plant once operations begin, but neither matches the size of Marena. Limited commercial bank lending appetite in the wake of the Eurozone crisis will dampen commercial bank demand for both projects. The lack of new offtake contracts and limited transmission capacity between Oaxaca and load centres are also limiting the number of projects that can come to market, although the wind resource in Oaxaca is very promising.

Marena Renovables Capital
STATUS: Closed 23 February 2012
SIZE: Ps12.5 billion ($975 million)
LOCATION: Oaxaca, Mexico
DESCRIPTION: 396MW wind plant that has a 20-year self-supply offtake contract with Cervecería Cuauhtémoc Moctezuma and Femsa
SPONSORS: Macquarie Mexican Infrastructure Fund (32.5%), Mitsubishi (33.75%) and PGGM (33.75%)
EQUITY: Ps3.6 billion
DEBT: Ps5.7 billion unguaranteed loan, Ps3.2 billion guaranteed loan and a Ps1.6 billion VAT facility
LENDERS: BBVA Bancomer, Banorte, Banobras, Credit Agricole, HSBC, Inter-American Development Bank, Nafinsa and Banco Santander
GUARANTOR: EKF
FINANCIAL ADVISER: Macquarie Capital
SPONSORS LEGAL: Chadbourne & Parke (US), Hunton & Williams (Mitsubishi), Mijares Angoitia Cortes y Fuentes (local)
LENDER LEGAL: Clifford Chance (US), Galicia Abrogados (local)