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Latin American Wind Deal of the Year 2013: Orosi

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Globeleq Mesoamerica Energy (GME), a Central American developer controlled by Globeleq, bid into a 2010 procurement for a 50MW build-operate-transfer wind project in Costa Rica. But a competitor proposed a tariff just 0.3% lower than Globeleq, and won.

At that time, state-owned utility Instituto Costarricense de Electricidad (ICE) had only awarded a contract that fell outside public bidding rules in the telecommunications sector. Globeleq remained keen to build a wind project. But Globeleq approached ICE with a proposed a price of $0.09 per kWh for its Orosi project. That tariff compared favourably with the $0.35 per kWh that ICE has paid for fossil-fueled power.

ICE accepted the proposal and awarded the Globeleq venture a concession for the $140 million Orosi, located in Guanacaste province. Negotiations with a contractor that oversaw state-entity contracting postponed the signing of Orosis power purchase agreement (PPA) until late 2013. Globeleqs efforts to obtain environmental permits also delayed the project by about a year. Environmental agency Secretaría Técnica Nacional Ambiental (SETENA) granted a license after about 15 months of study.

The project would use 25 US-built Gamesa G8 2MW turbines. The participation of Gamesa, in turn, allowed Globeleq to approach US Ex-Im. The export credit agency (ECA) had yet to finance a project in Costa Rica, and had helped finance just three prior utility-scale wind projects globally.

But lending in Costa Rica involved complications. Globeleq tried to persuade ICE, as Orosis offtaker, to sign a direct agreement with Ex-Im. The bank has required such undertakings on previous non-recourse financings, but ICE had never signed such an agreement.

Trying to strike a compromise between the two entities with opposing policies proved difficult, but at the very end a solution was found that satisfied all parties, says Rodolfo Echeverría, Globeleqs chief financial officer.

Globeleq would have had to abandon its initial financing plan in favour of a new template if Ex-Im had not ultimately yielded. In place of a direct agreement, ICE provided a letter to Citigroup, Ex-Ims facility agent, which resembled a bilateral agreement.

Costa Ricas wariness of independent producers created one final kink. ICE regulations stipulate that independent power production, split equally between build-operate-transfer and build-operate-own projects can account for no more than 30% of the countrys power production. When Globeleq finally signed the Orosi PPA, Costa Rica had room for only an additional 44MW under this cap, less than Orosis 50MW of capacity.

Inversiones Eolicas de Orosi Dos

STATUS
Closed 11 December 2013
SIZE
$130 million
DESCRIPTION
50MW wind farm located in the province of Guanacaste, Costa Rica, and 20km transmission line
SPONSOR
Globeleq Mesoamerica Energy (GME)
GRANTOR
Instituto Costarricense de Electricidad (ICE)
DEBT
$104.7 million
LENDERS
US Ex-Im, FMO, BICSA
EX-IMs FINANCIAL ADVISER
P50 Capital
INTERCREDITOR, COLLATERAL, EX-IM FACILITY AGENT
Citigroup
SECURITEE TRUSTEE
Banco BCT
HEDGE PROVIDER
JP Morgan
SPONSOR LEGAL ADVISERS
Baker Botts; Consortium Centro América Abogados
LENDERS LEGAL ADVISERS
Mayer Brown; BLP Abogados
INDEPENDENT ENGINEER AND ENVIRONMENTAL CONSULTANT
Mott McDonald

Globeleq is confident that Orosi will be able to operate at 50MW by January 2015, when the project is scheduled to be operational. If not, Orosi may have to consist of two phases, of 44MW and 6MW. The sponsor persuaded the lenders, which also include FMO and local bank Banco Internacional de Costa Rica (BICSA), to provide enough debt to build out the full 50MW project.

Globeleq closed the $105 million Orosi debt financing in December 2013. Ex-Im provided a $61.1 million tranche priced at the minimum CIRR rate for direct loans (3.82%) plus an annual exposure premium of 99bp, which accounts for Costa Ricas country risk profile. That tranche has a tenor of nearly 18 years.

FMO committed $24 million, but its loan will reach $28 million if Globeleq is ultimately unable to fully draw on the Ex-Im facility. That would happen if Orosi does not meet its full US-built content requirements, though Gamesa is contractually obligated to meet those requirements. BICSA took a $20 million ticket.

The FMO and BICSA pieces have a tenor of 15 years, and are priced at a rate of 400-450bp over Libor. Globeleq also obtained two performance bonds from BICSA: one for more than $6 million to meet the projects obligations to ICE, and the other for $1 million in favour of SETENA.