Asia-Pacific Wind Deal of the Year 2013: Boco Rock

14/03/2014

Australias incoming federal coalition government has been, as promised, unsupportive of new renewable development. In 2013, it started the process of shutting down the Clean Energy Finance Corporation and reviewing the countrys renewables targets.

But foreign interest in existing assets was still strong, as demonstrated by the A$361.2 million ($324 million) financing to support EGCOs acquisition and the development of the Boco Rock wind farm. Boco Rock was a complex undertaking and included greenfield construction risk. Banks also had to get comfortable with lending to Boco Rock before they knew the identity of its purchaser.

Developer Continental Wind Partners wanted to have in place commitments from banks to finance the project to make sure interested bidders would not be deterred from bidding by the transaction costs. The seller also offered robust operations and maintenance warranties that helped mitigate lender concern. But a developers decision to raise the debt for a project before raising its equity is a tweak to the standard project finance checklist.

The deals construction risk added a layer of complexity, since any delay in closing on the debt or the equity would have had a knock-on effect on the developers ability to complete the project on schedule. Continental Wind wanted to move into construction as quickly as possible, in part because its engineering, procurement and construction contract with General Electric was denominated in euros

The run-up to the elections that returned the coalition led to volatility in the value of the Australian dollar. Lenders, as a result, did not run the final financial models until the day of signing on 25 June. The sponsor made a first draw the following day on the debt, which comprised a single A$251.4 million 5-year term loan from five banks ANZ, BTMU, ICBC, SMBC and Westpac. The financing also included A$109.8 million in equity.

The fact that EGCO, a Thai generator, won the bidding to buy the asset would have been an unexpected comfort to lenders. Like several South-East Asian sponsors, EGCO has been looking to expand its total installed renewable capacity, and Australia has the most plentiful opportunities and reliable regulatory regime for wind of any regional jurisdiction.

EGCO is understood to have bid for previous Australian assets that came up for sale, including the Hallet 5 wind farm, which was Eurus Energy eventually acquired, as welkl as Hydro Tasmania, on which Guohua Energy, a unit of Shenhua Group, was lender. Boco Rock deal marks the companys first foray into the Australian renewable market and its first investment outside of South-East Asia.

Boco Rock Wind Farm Pty Ltd

STATUS

Signed 25 June 2013, financial close 26 June 2013

SIZE

A$361.2 million

DESCRIPTION

Financing for the acquisition and construction of the 113.2MW wind around 35km south of Cooma in New South Wales, Australia

SPONSOR

EGCO

VENDOR

Asia Pacific Renewables Limited

(mostly owned by Continental Wind Partners)

MLAS

ANZ (facility agent, security trustee), BTMU, ICBC, SMBC and Westpac

SPONSORS FINANCIAL ADVISER

HSBC

SPONSORS LEGAL ADVISER

Baker & McKenzie

VENDORS FINANCIAL ADVISER

ANZ

VENDORS LEGAL ADVISER

Herbert Smith Freehills

LENDERS LEGAL ADVISER

King & Wood Mallesons

ENVIRONMENTAL CONSULTANT

Environ

ENERGY CONSULTANT

Garrad Hassan

TECHNICAL CONSULTANTS

EGCOs success will have been particularly welcome to the Japanese banks, since the buyers second largest shareholder, after Thai state-owned utility EGAT, is TEPDIA Generating, a joint venture between TEPCO and Mitsubishi Corporation. TEPDIA owns 23.94% of EGCO, and each of its shareholders are important clients of the Japanese lenders.

Australian power is no less immune to political interference, however. The success of the coalition in the 2013 election has effectively led to a moratorium on new offtake agreements. The countrys main utilities, AGL, EnergyAustralia and Origin Energy, are said to be unwilling to sign any new agreements except at tariffs that are not acceptable to sponsors. It may be a while before the Boco Rock deal sparks any imitators.

ROAM, GL Hassan, Parsons Brinckerhoff

INSURANCE ADVISER

AON

MODEL AUDITOR

Corality

MARKET CONSULTANT

ACIL Tasman, SKM

ACCOUNTING & TAX ADVISER

PwC

O+M MANAGER

Continental Wind Partners

EPC CONTRACTORS

GE Wind Energy and Downer EDI Engineering Power

OFFTAKER

EnergyAustralia