

Asia-Pacific Solar Deal of the Year 2013: Eurus Rokkasho Solar Park

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The Japanese government has aggressively encouraged the development of renewable energy capacity following 2011's Fukushima nuclear disaster, using a generous feed-in-tariff (FIT) scheme. The largest deal to come to market to date is Eurus Energys 115MW Eurus Rokkasho solar photovoltaic project, located in Aomori prefecture. The deal attracted a large club of domestic banks and demonstrated the increasing bankability of solar deals in the Japanese market.

Eurus Energy is a joint venture between Toyota Tsusho Corporation (60%) and Tokyo Electric Power (40%). The developer has 567MW of wind and solar projects in operation in Japan and a further 263MW under construction. It also owns capacity in Asia, Europe, the US and Uruguay, but it is in its domestic market where it is investing the most in new plants.

Of Eurus new Japanese developments, only three deals, with a combined 41MW of capacity, are in the wind sector, while it is building around 223MW of new solar. This represents a decisive shift away from existing practice. Eurus only has one solar plant operating in Japan, compared to 23 wind farms.

Eurus, like other Japanese developers, has made this shift towards solar because of the highly attractive tariffs that government is offering. Tariffs in Japan are around double those on offer in most of Europe, a region that has seen renewables investment boom and then decline in recent years. Overseas investors have shown interest in Japan, but most deals are still the preserve of local lenders and developers.

After Fukushima, the Japanese government scrapped its target of nuclear generation accounting for 50% of electricity consumption by 2030. It has promoted renewables to help fill the gap, though renewables accounted for just 1% of energy production in 2009. In July 2012 the government introduced the FIT scheme, under which all new solar developments would benefit from a flat rate tariff of ¥42 (\$0.41) per kWh.

Tariffs are understood to have dropped since then, but Eurus solar project in Rokkasho, for which the developer signed the construction financing in September 2013, is understood to have agreed a 20-year tariff of ¥40 per kWh.

The Rokkasho project entails the construction of a 115MW photovoltaic solar plant located at the northern tip of the largest Japanese island of Honshu. The plant will be situated on two plots of land on a 253-hectare site, in the Mutsu-Ogawara Industrial Park.

Mitsubishi UFJ Trust and Banking was mandated lead arranger and facility agent for the ¥39 billion term loan financing. It syndicated the debt down to a club of Japanese lenders, including regional banks Aomori Bank (which lent ¥4 billion) and Michinoku Bank (which provided ¥2 billion).

Eurus Rokkasho Solar Park

STATUS

Signed September 2013

SIZE

¥49 billion

DESCRIPTION

Construction financing for a 115MW solar photovoltaic plant located at Rokkasho-Mura, in the Aomori prefecture, Japan.

SPONSORS

Toyota Tsusho Corp, Tokyo Electric Power

DEBT

¥39 billion

LENDERS

BTMU, Aomori Bank, Toho Bank, Akita Bank, Yamagata Bank, Hokuto Bank, North Pacific Bank, Nomura Trust & Banking, 77 Bank, Michinoku Bank, Bank of Iwate, Dai-ichi Life Insurance, Nippon Life Insurance, Mitsubishi UFJ Trust and Banking

LENDERS LEGAL ADVISER

Nishimura & Asahi

EPC CONTRACTOR

Shimizu Corporation

TECHNOLOGY PROVIDERS

Mitsubishi Electric, SunPower

Toho Bank, Akita Bank, Yamagata Bank, Hokuto Bank, North Pacific Bank, Nomura Trust & Banking, 77 Bank, Bank of Iwate, Dai-ichi Life Insurance, Nippon Life Insurance and BTMU also participated in the deal. The financing is split between a ¥374.31 billion loan and a ¥2.06 billion loan, with the same lending group appearing on both.

Tohoku Electric Power, Japan's fourth-largest utility, will be the sole offtake of power from the plant under its 20-year power purchase agreement.

The facility will use 510,000 single-crystal silicon photovoltaic panels, for which Mitsubishi Electric and SunPower are manufacturers. SunPower, controlled by French oil major Total, will be contributing 69MW worth of its high efficiency E20/327 solar panels, with Mitsubishi supplying the rest of the required solar panels. The SunPower panels have a claimed efficiency of 20.1% and come with a 25-year combined product and power warranty from the manufacturer.

Shimizu Corporation is the engineering, construction and procurement contractor for the plant. Construction began in August 2013 and is expected to take 29 months, with full operations at the plant starting in November 2015.

The closing of the Eurus Rokkasho financing shows that large-scale solar developments can be successfully financed in Japan with just local lender support. Japanese banks have spent long enough financing PV outside Japan that financing the technology in their home market has proved to be comparatively easy. Observers expect a fall in the FiT later this year, however, to around ¥30 per kWh, and offered tariffs are already dipping to around ¥36 per kWh.

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