

# Taiwan's Yunlin offshore faces headwinds

**Civi Yap**

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Taiwan's NT\$94 billion (\$3bn) Yunlin Offshore Wind Farm – in which French giant TotalEnergies has a stake – is facing severe headwinds which are pushing the marquee project towards a potential restructuring.

Uncertainty caused due to cost overruns on the back of delays has led existing lenders into hectic discussions to seek financing solutions to salvage the project, *IJGlobal* has learned.

Skyborn Renewables Taiwan, previously known as WPD, is leading the consortium to develop the 640MW Yunlin wind project, which is located 8km off the Yunlin County coast, dividing into 2 phases:

- 350MW
- 290MW

"We are working at full speed on various solutions, which include discussions on financing the remainder of the installation as part of forward planning. Given the scale and complexity of the Yunlin project, we are working towards confirming the installation schedule to complete the project in the most time-efficient manner," a Skyborn spokesperson told *IJGlobal*.

One of the largest offshore wind farms in Taiwan, the project was originally scheduled for a commercial start in 2021. Construction began in May 2020 and until November 2021, first feed-in of the first batch of turbines was achieved, according to the project's website.

According to Offshore Wind Turbine Foundation and Marine Engineering Association, 11 out of 58 turbines were completed for phase 1 as of February 2022.

"EPC contracts with a fixed price can absorb construction risks and provide liquidated damages if delays occur," a project insider told *IJGlobal*. "Offshore wind power projects, however, are structured in multi-contracting with different subcontracts."

"As soon as delay happens, there will be extra costs. Borrowers are coming up for a new plan to rebase the construction plans," added the project insider.

Another project insider said that cost overruns were expected due to Covid-19, but the situation was exacerbated due to the unique location. "The main issue with Taiwan is it has very limited campaign period because of the typhoon season. Once you miss the tide, the delays get amplified".

Usually, during October to March typhoons are rampant around Taiwan which adversely impact any construction activities in deep sea, leaving only a few months in a year to complete the work.

In addition to handling the financing solutions, including equity injection by the sponsors, the project needs to overcome supply chain issues being faced worldwide and ensure vessel availability is there (at any cost) to complete the base work

in time, the second project insider added.

“Its not going to be easy but with strong sponsors there is always the hope that the project will be salvaged,” the same insider said.

Shareholders of the project company Yunneng Wind Power comprised:

- [Starwind Offshore](#) (Japan) – 27%
  - Sojitz
  - Chugoku Electric Power
  - Chudenko
  - Eneos
  - Shikoku Electric Power
- Skyborn Renewables Taiwan – 25%
- [Electricity Generating](#) (EGCO) (Thailand) – 25%
- [TotalEnergies](#) (France) – 23%

TotalEnergies referred *IJGlobal* to Skyborn when asked for comment, while the other shareholders did not respond.

The project in May 2019 achieved [financial close](#) with more than 19 banks participating in the NT\$70.5 billion debt package.

The loan syndication comprised 9 tranches, an 18-year tenor, and a pricing rate of 240bp above 3-month Taibor, stepping down to 200bp at COD.

Lenders were:

- Local
  - Cathay United Bank
  - CTBC
  - ESun Bank
  - Fubon Bank
- International
  - BNP Paribas
  - Commerzbank
  - Crédit Agricole
  - DBS
  - Deutsche Bank
  - ING
  - KfW IPEX Bank
  - Mizuho
  - MUFG
  - Natixis
  - OCBC
  - Société Générale
  - Standard Chartered
  - Siemens Bank – €100 million direct loan
  - SMBC

ECAs were:

- EKF
- Euler Hermes
- Atradius

Cathay United Bank, BNP Paribas, Crédit Agricole, Natixis, Société Générale, Standard Chartered and SMBC were approached for comment.

Advisers on the deal included:

- sponsors:
  - SMBC – international financial
  - ESun – local financial
  - Blanke Meier Evers – legal on supply agreements, financing, equity
  - Linklaters – international legal
  - Lee & Li – local legal
  - Nordwest Assekuranzmakler (NWA) – insurance
- Lenders:
  - Benatar & Co – insurance
  - White & Case – international legal
  - Tsar & Tsai – local legal
  - Wood Group – environmental, technical

## Construction setbacks

In April 2018, the Ministry of Economy awarded 1GW of grid connection capacity to Yunlin and [Guanyin](#) and then WPD. State-owned Taipower is the offtaker under a 20-year PPA, signed in December 2018.

Other involved companies include:

- [Siemens Gamesa](#) – wind turbine supplier
- Olsen Windcarrier – subcontractor to Siemens Gamesa for transport and installation of turbines
- [LS Cable & System](#) – submarine cables contractor
- Seaway Offshore Cables, part of Subsea 7 – installation of export and inner array grid cable system
- [Van Oord](#) – €500 million (\$539.6m) contract for design, manufacture, and installation of 8 monopile foundations
- Deutsche Windtechnik – wind turbine maintenance

Construction for Yunlin commenced after achieving financial close in May 2019 but within months challenges emerged.

In 2020, conflicts arose between fishermen and Skyborn due to the proximity of the project location to the coastal fishing areas.

UAE-based National Petroleum Construction in April 2022 took over the Dh363 million (\$98m) contract to [install the wind turbines](#) after Malaysia-based Sapura Energy's exit, which in February 2022 issued a termination notice due to unresolved technical and operational issues.

"The project was initially expected to be completed in September 2020, but completion was delayed to September 2023...These changes significantly altered the basis of the contract," Sapura said in a statement.

Another setback occurred in July 2022, when Skyborn confirmed that "an incident occurred during the (monopile) installation. The investigation into this is currently underway," reported by *Upstream*. Local media *WindTaiwan* reported that a monopile had allegedly fallen into the sea during installation.

## Cautionary tale

Any setback to a big project like Yunlin is likely to have a cascading impact given Taiwan's dominant position in the Asian wind farm market. "Any negative fallout will spook the lenders and it will definitely slowdown other projects," said the second project insider. Some domino effect is already beginning to show.

In September 2022, a [Japan-based project insider](#) told *IJGlobal* that "foreign lenders participated in the Taiwan offshore

wind sector saw Taiwanese borrowers seeking waivers from the lenders because of unprecedented changes and challenges.”

The next offshore wind project close to financial close is Northland’s [Hai Long offshore wind power project](#), located 50km off the coast of Changhua County. Malaysia-based Gentari, a subsidiary of Petronas, in December 2022 [acquired a 29.4% stake](#) in Hai Long for NT\$18 billion.

Hai Long’s process has been dragging for a while because there is a bit of a headwind with existing projects that have construction delays, a market observer told *IJGlobal*.

“The market outlook depends on how Hai Long can get the bank group together and provide a resolution to situations like this (construction delay),” said the source.

Yunlin marks a cautionary tale to Taiwan's offshore wind market, where the government recently (30 December 2022) announced the [allocated capacity](#) for shortlisted bidders under the latest round of offshore wind auction. Skyborn’s 165MW Datian and 300MW Haixia, which it is developing with Taiwan Green Power, were among the awarded projects.

*Manju Dalal contributed to the story.*

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