

IJGlobal ESG Award – Finance Innovation, N America – Project Galaxy

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Project Galaxy – the Hecate Energy pre-NTP loan – wins the IJGlobal ESG Award 2023 financial innovation trophy for North America with a particularly interesting deal led by PEI Global Partners.

One of IJ’s independent panel of judges said: “This transaction demonstrates innovation by financing pre-NTP development projects in the renewable energy sector, has a significant positive impact on greenhouse gas emissions reduction and local communities, and promotes the growth and sustainability of renewable energy.”

[Project Galaxy](#) stands out as a pioneering transaction in support of Hecate Energy’s US ambition to provide access to diverse and cheaper funding sources, accelerating the transition to renewable energy, reducing greenhouse gas emissions, and contributing to the creation of a carbon-free power grid.

As the third largest renewables developer in North America with more than 120 solar, wind and battery energy storage systems amounting to more than 35GW of capacity, Hecate brought on PEI Global to arrange an innovative financing package to drive its continued growth.

PEI Global Partners was awarded the mandate as exclusive financial adviser and delivered a highly-flexible, corporate-style \$550 million loan – a 5-year \$250 million term loan and a \$300 million letter of credit facility – a deal that closed late last year (December 2022).

The loans were underwritten by 4 initial coordinating lead arrangers (ICLAs) – Investec Bank, Nomura Securities International, National Bank of Canada and Deutsche Bank – allowing Hecate to refinance higher-cost debt that had burdensome borrowing base restrictions.

The \$300 million LC facility meets Hecate’s needs to post enough interconnection (IX) and power purchase agreement (PPA) collateral to sell 4GW to 5GW per annum while also allowing for 100% advance rates and full discretionary LC issuance with no borrowing base burden.

This financing has been lauded for its success in supporting Hecate's 35GW renewables pipeline, directly contributing to the expansion of alternative energy capacity, displacing fossil fuel-based electricity generation.

This provides critical LCs for early-stage projects that have larger needs due to IX costs and queue requirement increases, power price and PPA LC increases and longer development times with queue issues.

The 5-year facility, meanwhile, provides critical support for the largest pure-play renewables developer on the planet. Its (up to) 5GW of projects sold each year will displace more than 7 million tons of CO2 per annum for several decades,



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allowing it to increase its total pipeline to well over 35GW.

Given that renewable energy projects often face complex financial challenges, including high security needs and requirements for IX and PPAs, the financing structure addresses these challenges, making it easier for projects to secure the necessary funding and progress to completion.

Adil Sener, partner at PEI Global, said: "Hecate Energy stands out as a forward-thinking pioneer in the renewable energy industry. Since its establishment in 2012, Hecate has successfully completed more than 36 transactions, totaling over 6,500MW of renewable capacity. Leveraging our longstanding partnership and our deep industry knowledge, the PEI team remains dedicated to advancing Hecate's mission of expediting investments in clean energy solutions."

Pioneer finance at work

The Galaxy financing by Hecate Energy showcases innovation within the renewable energy sector by securing first-of-a-kind financing for pre-notice to proceed (NTP) development projects.

This innovative approach expands finance options, unlocking potential for new entrants, while also catalysing the development of renewable energy projects, contributing to the sector's growth and sustainability.

This transaction was a first-of-its-kind in the commercial bank market, replacing traditional financing for energy projects that often rely on renewable energy assets that are already at the NTP stage or have already started operations.

In contrast, the Galaxy financing relies solely on pre-NTP development projects with no operating capacity – an innovative approach that expands financing opportunities for renewable energy developers at an earlier stage of project development.

The facilities expand the range of finance options available to renewable energy developers by providing the option to finance pre-NTP projects, diversifying sources of capital.

By securing financing for greenfield developments – early-stage projects with no operating history – Hecate Energy is empowered to invest in projects from their very inception, navigating risks associated with early-stage developments.

John Bills, partner at PEI Global, said: "Hecate's financing transaction represents a groundbreaking milestone within the commercial bank market. This transaction, conducted at the corporate level, granted discretion in issuing letters of credit and exclusively relied on the cash flows generated from the sales of pre-NTP development projects as the foundation of the business's value.

"This streamlined approach marked a substantial improvement over the more complex borrowing base facilities, catering to the requirements of a rapidly expanding and agile renewable energy developer with substantial and adaptable LC capacity needs for its numerous gigawatts of solar and battery projects."

Project Galaxy – ESG credentials

When it comes to ESG, simply delivering renewable energy assets is not sufficient to gain plaudits in this highly-scrutinised sector, and Hecate Energy has an established reputation for making an impact where it operates.

The Project Galaxy financing enhances Hecate's commitment to local communities where it demonstrates broader social impact through community engagement, job creation, education, economic benefits, environmental improvements, and achieving long-term sustainability.

These efforts support the transition to clean energy solutions and positively impact the well-being and development of the communities in which the renewable energy projects are developed around the US.

PEI Global partner Adil Sener added: "Hecate Energy's extensive renewable project portfolio covers a vast geographic footprint, spanning multiple states. This showcases a firm dedication to reshaping the energy landscape in diverse regions on an unprecedented scale, offering solar gigawatts for purchase. These combined initiatives make a significant

contribution to nationwide decarbonization endeavours.

“With the introduction of this facility, Hecate Energy will further streamline and enhance its pivotal role in reducing dependence on fossil fuels and promoting the development of a more sustainable energy ecosystem.”

Hecate’s mission to develop relationships with local communities demonstrates its commitment to engage with – and support – the people living in the areas where it develops renewable energy projects. This engagement in turn fosters a positive relationship between the company and the communities.

On the education and awareness front, Hecate expends substantial resource on educating communities as to the benefits of renewable energy, raising awareness and promoting understanding of clean energy solutions.

By providing information on the environmental benefits and economic opportunities associated with renewable projects, the company helps empower local communities to make informed decisions about their energy future.

And much of that impact comes down to fundamental job creation. As Hecate develops these projects, it creates employment opportunities for local residents – from construction through to engineering, operations and maintenance – stimulating economic development in the area.

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