

Penonome wind farm, Panama

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On August 5, Goldwind USA and Spanish-owned Union Eolica Panameña announced they had closed US\$71 million in project financing for the first phase of Panama's wind energy debut, the Penonome wind farm.

Background

[As previously reported by IJ Online](#), the Penonome project involves the construction of a 55MW wind farm followed by a 165MW second phase: the second phase is currently being financed and is expected to close in the next one or two months.

Panama has experienced rapid economic growth in recent years, with the expansion of the Panama canal and the construction of a metro line in Panama City. It has the fastest growing economy in terms of GDP in LatAm (10.7 per cent in 2012). However, it is facing a potential energy deficit as the country edges closer to its power capacity.

In addition, Panama has traditionally relied heavily on expensive fossil fuel-based energy sources and hydropower (around 60 per cent), which has caused drought-sparked energy crises, as occurred in May this year when power was rationed and schools and shopping malls were closed.

As such, the Panamanian government began to diversify its energy matrix in 2011 by enacting a law which allowed for energy solely based on wind energy.

The move reflects a wider trend in the Central American region towards wind energy to solve energy shortages.

The project

Located in the Province of Coclé, the first phase of Penonome is expected to come online by the end of the year. It will be the first alternative energy facility in the country.

The first phase of Penonome will feature 22 of Goldwind's GW2.5MW Permanent Magnet Direct Drive (PMDD) wind turbines.

Once complete in 2014, the 220MW Penonome wind project will be the largest such project in Central America. The facility is expected to produce between six and seven per cent of the country's power demand and serve more than 100,000 Panamanian families.

The power generated from the facility will flow to utility Altenergy, a subsidiary of GDF Suez. 75 per cent of energy produced at the farm will be during the summer months, when there is most wind, in order to conserve water during the dry season.

The project represents the largest wind energy project utilising Goldwind wind turbines financed by western lenders.

Financing

The total project cost of the first phase of Penonome was US\$124 million.

The 10-year construction and term facility is financed through commitments from leading banks and a syndicate of six local, regional and international lenders.

Banco Internacional de Costa Rica (BICSA) and Banco Espirito Santo de Inverimento (BESI) led the financing as MLAs.

The lending banks were:

- Banco Internacional de Costa Rica (BICSA)
- Banco Espirito Santo de Inverimento (BESI)
- Caja de Ahorros
- Multibank
- Banco Continental
- Banco Nacional de Panama

Banks involved asked IJ Online not to reveal individual debt allocations. Debt was provided between US\$17 million and US\$5 million. The main lenders to the project were BICSA, Caja de Ahorros and BESI.

Goldwind International Holdings (HK) and Unión Eólica Panameña (UEP), who were represented by members of Goldwind Capital in Chicago and UEP in Panama respectively, provided US\$53 million in equity, the ratio of which was 75:25 in favour of Goldwind, bringing the debt:equity ratio to 57:43.

A banker close to the transaction told IJ Online that the financing structure reflects the strengthening of local banks in terms of financing infrastructure needs in Central America, where experienced teams have made them an attractive alternative to multiple international lenders.

“Panama is going through a growth spurt for investment” they continued, “industry participants expect a lot more activity in the market and the project is understood to have received a lot of interest from the financial market”.

“It is much easier to go down the local route instead of the international, which still has issues with tenor”; they added that in addition, “Goldwind has not yet played with international creditors and it is easier to stay local where there is a lot of liquidity”.

The transaction was considered straight-forward in terms of the structural expertise necessary. There is understood to be a lot of interest in financing projects like Penonome from the local side and financing these transactions is expected to become more and more aggressive, explained the source. There will need to be a combination of local, international and multilateral lenders to create structures which maximise the financing available.

The source highlighted that while the wind dynamics in Panama are considered a challenge to developers as they are fairly cyclical, the peak wind production period coincides with dry spells affecting hydro generation which pairs well.

Gregory Tan, a partner at Shearman and Sterling advisory who provided legal counsel to the transaction told IJ Online “We were very excited to have been a part of the very important and ground-breaking project for Panama”.

Tan also highlighted the significance in Goldwind recently meeting the final milestone of GL Garrad Hassan’s criteria for ‘Commercially Proven Status’ in North America, which will make subsequent phases of this project, and other Goldwind projects, easier to finance..

Tim Rosenzweig, chief executive officer of Goldwind USA said in a press release “This financing demonstrates the commitment by the sponsors, the bank group and the Government of Panama to the realization of wind power in Panama” he added, “Goldwind is excited to play a critical role in developing the nation’s first wind farm.”

Daniel Gonzalez, BICSA’s general manager in Panama, echoed Rosenzweig’s comments; “The strong support from the

official sector, regional and international banks underscored the essential quality of this renewable energy project and the strength of the sponsor team, and we are proud to support the development of this new alternative energy source for Panama's growing economy".

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