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Offshore wind finance has been hit particularly hard by the financial crisis, for two separate reasons:

- the closure of debt syndication markets has hit all large projects. Traditionally, large transactions would be negotiated with a small number of banks, which would commit to providing all the debt (what's called *underwriting* the financing) and then would *syndicate* the risk, ie share it with a wider group of banks in a second step. This allowed clients to negotiate with a only a few parties, and to have certainty, once the underwriters committed, to have the funds. Now, with little or no syndication capacity, banks will only commit to the amounts that they are willing to keep, as they won't be able to sell down their share afterwards. For large transactions (and offshore wind farms are typically going to cost the better part of a billions euros or more, and debt finance would be expected to cover two thirds or three quarters of that), that means you need to bring together a much larger group of banks before signing the deal. That makes negotiations a lot more complicated, as a lot of parties need to approve any changes, and subject to potential blackmail from banks that know they are indispensable and can dictate their terms;
- the second problem for offshore wind finance is that it is a new sector of activity. While wind project finance is now a mature, well-understood, competitive sector to which many banks participate, it is not the case for offshore: only two transactions had been done so far, and thus the universe of banks with understanding of, let alone familiarity with, the associated risks, is still very small. Now, one of the consequences of the financial crisis is that banks have narrowed their activities - to preferred clients, core countries and strategic sectors, and more generally to well-accepted risks. Offshore wind is not a strategic sector, and it is largely unknown. So few banks are able to deliver commitments, even if key clients are now pushing them in that direction.

So an offshore wind farm financing is basically a big pile of unfamiliar risk that needs to be swallowed in many simultaneous small bites by reluctant banks.

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So how did it happen this time, especially given the unauspicious context and the dire situation of some of the key parties?

Quite honestly, I'm still stunned that it actually happened. I took up a big role, by default, in keeping it alive throughout: the client has excellent engineers, had done all the early work and had the permits to a great project, but with no money and management in chaos, it was not really in a position to keep the project alive on its own. I never gave up, but at times the odds seemed overwhelming and it took its toll on my morale and energy.

It's going to take more than a bit of time to stop obsessing about clauses of the financial documentation, or the conflicting conditions imposed by the various parties, and it's going to be hard to forget the past several months, toiling away day and night in desperate efforts, but at least now I can think it was worth it.

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A project financing, as I [explained](#) in [earlier diaries](#) is a stand alone operation that must live without the financial support of its owners once they have put in all the agreed equity. Which means that all the tasks (building it, then operating and maintaining it, and selling the power) must be allocated to the party best able to do them under binding contracts, and the various risks and potential downsides must be similarly allocated clearly to the various parties. Offshore wind

farms 'enjoy' particular challenges as they must be built in difficult environment (where do you find a crane able to hoist a 100 ton nacelle 100 meters in the air, and where do you put it when the "ground" you need it to stand on is, well, waves? How do you bring people to make even basic repairs when it's a 4-hour boat trip to get there, and it can only be done when the weather's not too rough? Who carries the burden of lost production in the meantime? etc...). So the job is first, naturally, to understand the risks and find who can best solve them, then agree on a tentative allocation between the parties, as well as a remuneration for each, and then draft detailed contracts to formalise each party's role. The difficult part is that all parties must agree on the same thing at the same time, and to negotiate extraordinarily detailed contracts that must meet the approval of each party's decision bodies, legal departments and various specialised advisors (for technical issues, tax, insurance matters, etc...).

In this case, it took coordinating 6 banks (including a multilateral institutions and two quasi-public bodies), 6 equity investors, 2 large contractors and the bankruptcy administrator of the original developer. At my count, at last 10 different law firms were involved, and last week's final negotiations probably had 50 people present non stop almost day and night. Given the difficult circumstances, each participant was basically indispensable to the deal, they all knew it and all too often were tempted into brinkmanship to get a better seat at the table (always in the name of fitting with internal approvals or following procedures that could not be deviated from).

But it happened. And I like to think that I played a large role in making it happen. I bullied and pushed and pissed off everybody involved, imposed unpleasant compromises on all, while trying to protect the red lines of each party. When there's only a narrow path to survival of the deal, each party needs to focus on its key requirements and move on the rest, and the only way I could see to have a chance to find such key requirements was to be bluntly honest all along - including about one's own must-haves. It worked in the end, somehow.

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And so I helped save a windfarm (a collapse of the financing this month would have delayed the project by at least another 2 years, could have caused other bankruptcies amongst the participants and would have led in any case to messy recriminations). I helped give a significant, and much needed, boost to the nascent offshore wind project finance market by bringing about a highly visible precedent (as the article from a specialised project publication quoted above confirms). It brings my bank (much needed) good publicity. It helps, in a small way, to save the planet. I hope it can give "investment banking" its real meaning back.

I'm quite proud. Downright giddy, in fact.

And I very much intend to use that experience to participate to the financing of offshore projects in the US in the very near future.

*Extended from [the original story on European Tribune](#) and part of my [windpower series](#)*



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