



## Financing Wind Power

Indian experience and innovation possibilities

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### **Contents**



1. Rabobank's exposure and experience in wind energy
2. Why pure non-recourse financing does not exist in India
3. Steps that can be taken to encourage limited recourse and non recourse financing in the wind sector in India
4. Some financing innovations that are possible immediately
5. International debt market – recent developments for wind financing

***Rabobank worldwide has been a big player in Wind Energy financing...***



- Rabobank's wind energy lending in the Netherlands home market at present is approx. Euro 300 mln (approx. Rs. 1700 crores) at present.
- Rabobank has more than 60% market share of renewable energy financing in the Netherlands.
- Worldwide, wind financing by Rabobank is about twice as much (approx. Rs. 3400 crores)
- Rabobank in India has been doing financing of wind projects for over 5 years

***Rabobank worldwide has been a big player in Wind Energy financing...***



- In the Netherlands, wind energy financing is almost entirely on project finance basis.
- Loan tenors in the Netherlands have been usually in the region of 10 years. Tenors of 13-15 years have also been seen, and once in a while, a 7-8 year tenor is seen as in a recent deal concluded by Rabobank.
- Rabobank is quite familiar with all the major players and has financed projects with turbines from GE, Enercon, Vestas, Suzlon, and others. Rabobank itself is a user of wind energy for its Dutch offices.

***Pure non recourse financing does not exist in India for wind energy...***



- Lenders perceive a variety of risks that are not adequately addressed in a non-recourse structure
- India has a reputation of being a legal nightmare should contract enforcements through a legal route become necessary
- Lenders take precautions like disbursal post-commissioning, corporate balance sheet exposure, higher equity contributions, personal guarantees of promoters, corporate guarantees of parent companies, etc.

***Pure non recourse financing does not exist in India for wind energy...***



- Limited recourse structures should be introduced before non recourse
- The market for wind energy is still not mature, and greater experience in the sector will convince more banks to move more toward limited recourse
- Several steps can be undertaken to speed up this process, with the eventual aim of achieving a non recourse financing



***Many steps can be taken to encourage limited recourse and non recourse financing in the wind sector...***

- Renewable portfolio standards can be made mandatory and enforceable
- States can adopt legislation which commits them to enable state-owned transmission and distribution companies to meet their financial obligations to renewable energy producers in case the latter's own resources are inadequate at any point of time
- Weather insurance can be taken from organizations like Rabobank and others, for wind profile risks
- Third party sale should be permitted by all states
- In case of default by state-owned offtakers, wheeling to third party buyers tied up by the renewable power producer should be allowed without charge



***Many steps can be taken to encourage limited recourse and non recourse financing in the wind sector...***

- For SPV financings, the depreciation can be made trade-able to make the project more viable
- If operating lease rules are clarified and confirmed by the Income Tax Deptt., more financing and investment will become available as some lenders will adopt that route, which enables them to retain ownership and depreciation benefits, and also to transfer the asset to someone else if required (e.g. in an event of default because of problems on borrower or offtaker side)
- Single window clearance from all Govt. entities (state and central) which is standardized across the country – so that developers do not have to run to each authority for approval, and lenders do not have to verify the adequacy and appropriateness of each approval from each authority in each state



***Some Financing Innovations are possible immediately...***

- Securitizing carbon credit receivables (at the right stage of approval / registration)
- Green Bonds
- Co-operation of foreign lenders with domestic lenders, where latter can bear the SEB risk and get compensated for it separately, while other risks are borne by all lenders in proportion to their lending
- Move some existing wind farms to partial or non recourse basis after some years of smooth operation, especially operation above initial projected business plan. Re-pricing may be necessary



***Meanwhile, international debt markets for wind energy financing have been developing well...***

- Since 2000, approx. USD 35 bln has been raised for Wind, Waste to Energy, Biofuels, Solar
- This has mainly been from banks, but now bond markets are coming into play
- A recent securitisation deal involved a \$350 mln bond issue backed by cash flows from 39 wind farms (aggregating 330 MW) in Germany and France. The 20 year senior debt tranche was rated BBB and 10 year subordinated debt was rated BB+. Issue was underwritten by the German bank HVB



***Banks and Wind Energy Developers / Customers need to come together to ensure progress...***

- All players in wind energy should come together to place requests to central and state governments on a single platform, to avoid a multiplicity of requests in different directions
- The governments can measure the success of steps they take based on growth in wind energy and financing innovations enabled
- The same experience can be used to introduce policy and financing structures in other renewable energy areas



Thank You



**Contact**

Jotdeep Singh  
Head of Renewable Energy & Carbon Credits  
Rabo India Finance  
100% subsidiary of Rabobank International

+ 91 11 2379 2588  
jotdeep.singh@rabobank.com