

KfW Offshore Wind Energy Programme

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Loan

In case of discrepancies between the German and the English version of this information sheet, the German version shall prevail.

Project financing for offshore wind projects.

Aim of financing

In order to speed up the expansion of offshore wind energy in Germany, KfW supports the financing of up to ten offshore projects in Germany on behalf of the Federal Government.

Aim of financing

Benefits for applicants

Who is eligible to apply?

All project companies (irrespective of their shareholding structure) investing in the German Exclusive Economic Zone (EEZ) or in the 12 nautical mile zone of the North Sea or the Baltic Sea and which are requiring project finance.

Who is not eligible to apply?

Financing is not available for refinancing of existing projects.

What is being promoted?

Financing is available for the construction of offshore wind farms in the German EEZ or in the 12 nautical-mile zone of the North Sea and the Baltic Sea. The wind farms have to meet the requirements of the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz - EEG 2014) dated 21 July 2014 (BGBl. I p. 1066), as amended by article 1 of the law dated 22 December 2014 (BGBl. I p. 2406).

KfW provides loans at market conditions to finance the investment costs.

Promotion

content, requirements, possible combinations

Project financing is available as

- **Variant A: Direct loans as part of financing from a bank syndicate**
Provided one or more commercial banks participate in the syndicated financing on a *pari passu* basis (see also notes on page 5) and jointly to at least the same extent as KfW. Furthermore, one commercial bank needs to act as agent for the syndicate.
- **Variant B: Financing package** as a combination of an **on-lent loan (KfW funding a corresponding loan by one or more commercial banks)** and a **direct loan by KfW**. The direct loan amount may not exceed the on-lent loan amount (i. e. max. 50 % direct loan). One commercial bank files the application for KfW financing ("Applicant Bank").
- **Variant C: Direct loan as cost overrun facility** to cover unforeseen cost overruns in the construction phase.
This loan can be granted in addition to A and B, provided that one or more commercial banks participate equally on a *pari passu* basis and jointly in at least the same amount as KfW. This loan can only be utilised in case of unforeseeable cost overruns.

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Since the programme is limited, loans are granted on a first-come, first-served basis depending on the commitment date of the bank syndicate.

Is it possible to combine the programme with other promotional programmes?

- Projects financed under the KfW Offshore Wind Energy Programme cannot be co-financed from other KfW programmes or ERP programmes.
- A combination of loans granted under this programme with other promotional programmes or funds from the Federal Republic of Germany to finance/cover the investments (including securities or guarantees) is also excluded.
- However, a combination with other public promotional programmes or funds from the federal states of Germany (*Bundesländer*) to finance/cover the investments (such as state guarantees (*Landesbürgschaften*)) is possible. This is under the condition that the total risk assumed by German public entities does not exceed 50 % of total project debt. The use of such additional public promotional programmes or funds must comply with the relevant EU state aid regulations.
- A combination with funds from the European Investment Bank (EIB) and with funds from other banks covered by foreign export credit agencies is possible.

Loan amount

The maximum loan amount per project available from KfW is:

- **Variant A:** 400m Euro
- **Variant B:** 700m Euro

additionally:

- **Variant C:** 100m Euro

In general 1/3 – at least 30 % – of the project's total capital expenditure has to be funded by equity. At least 20 % points of equity have to be paid in prior to any debt drawdown (upfront equity), 10 % points need to be sponsor guaranteed (investment grade) or bank guaranteed (at least A- Rating).

KfW financing share

KfW participates proportionally in the debt financing of capital expenditure (Variant A and B) and the debt financing for unforeseen cost increases (Variant C). KfW's maximum share of the total debt financing in the respective variant is as follows:

- **Variant A:** 50 %
- **Variant B:** 70 %
- **Variant C:** 50 %

Terms and Conditions

Loan amount, financing share,
maturity, conditions,
repayment, amortization

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Maturity

The maximum term of loans under the programme is 20 years with an initial grace period of up to 3 years.

The term of the cost overrun facility (Variant C) may not exceed the term of Variant A or B.

Terms and Conditions

Variant A and C:

- KfW applies the terms and conditions agreed by the bank syndicate (among others maturity, grace years, repayment mode, margins, commitment fee, other fees, collateral structure) provided that they are in line with project finance market standard in KfW's view.

Variant B:

- In loans with a term of up to 10 years, the interest rate is fixed for the entire loan term.
- In loans with a term of more than 10 years, the interest rate is fixed for 10 years. After the end of the fixed-interest period, KfW makes a prolongation offer.
- The interest rate under the programme is based on interest rate developments in the capital markets.
- The loan is granted at an interest rate applied to the individual project on the date of commitment. The background is as follows:
 - The interest rate is fixed by the Applicant Bank based on the borrower's financial situation (credit quality) and the value of collateral provided for the loan.
 - In order to allocate the project to a particular price category, the Applicant Bank assigns the project to the respective credit worthiness and collateral category of KfW.
 - Each price category covers a range up to a fixed cap (maximum interest rate). The interest rate applied to the individual project in the on-lent loan may be fixed below the maximum interest rate for the respective price category. For the direct loan KfW verifies whether it can apply the same credit quality and risk assessment applied by the Applicant Bank. KfW generally applies the interest rate of the on-lent loan provided this interest rate is in line with standard banking practice in view of KfW and is above the respective applicable EU reference interest rate.
- The drawdown amounts to 100 % of the committed loan amount.
- The commitment fee for undrawn commitments amounts to 0.25 % p.m. The commitment fee period starts 1 month and 2 banking days after KfW's commitment.
- For the on-lending loan the banks may charge the borrower customary management and structuring fees separately. For the direct loan, KfW collects those fees accordingly.

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Disbursement

The disbursement of the loans occurs according to project progress (Variant A and B) or when unforeseeable cost overruns are incurred (Variant C). The disbursement period ends generally not later than 2.5 years after the loan commitment.

Repayment

- **Variant A and B:** During the initial grace period of up to three years there is no repayment of principal but interest payments. After that, principal has to be repaid in accordance with the repayment conditions set out in the financing agreements.
- **Variant C:** In one sum at maturity at the latest. Free cash flow is to be used for repayments during the loan term from the start of repayments on the direct loan (Variant A) or on the loans granted under the financing package (Variant B).

Application process

The application for direct loans under bank syndicates, as well as for cost overrun loans (Variant A and C), is to be filed via the Applicant Bank; no specific form is being required.

In the financing package (Variant B) the application for the on-lent loan is to be filed by the Applicant Bank as well. The respective application forms are available to the banks. The application for the direct loan component is also filed via the Applicant Bank; no specific form is being required.

Application

Collateral, documents, state aid

Collateral

Project finance market standards regarding collateral apply. The form and extent of collateral is to be agreed upon with KfW for the direct loan and in case of an on-lent loan with the Applicant Bank.

KfW reserves the right to review the form and scope of collateral and to require adjustments where necessary.

Which information and documents are to be submitted?

All necessary information has to be submitted to us, including but not limited to:

- The project description, structure and analysis, with the latter describing in particular the project strengths and project risks and risk mitigation,
- An informative organizational chart/group chart with the corresponding ownership and shareholding structure,
- A cash flow model including sensitivity calculations with an evaluation/confirmation by an auditor or a consulting firm,
- Project time schedule,

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- Information and credit quality documents (including annual financial statements/auditor's report including financial statements of the previous year) relating to the main project participants (for example project sponsor, supplier of the wind energy converters, installation contractor, supplier for foundation structures, etc.) including references,
- (Draft of an) indicative term sheet (financing structure, term, key financial figures, collateral, margins and fees),
- (Draft) due diligence reports (in particular, due diligence reports on engineering, insurance, legal, taxation),
- At least two independent wind assessment studies by reputable experts including estimates of uncertainties and reductions,
- Draft project/financing agreements,
- Risk-oriented opinion by the Applicant Bank on the applicant or the internal credit application by the Applicant Bank including its vote,
- Declaration of consent to the exchange of information within KfW Bankengruppe ("Konzernklausel" order number 600 000 2225, only available in German),
- Declaration of consent to the disclosure of information to the responsible federal ministries (*Bundesministerium*) in the context of the loan decision,
- Amendment for loan application (order number 600 000 2170; only available in German).

The final versions of the documents (signed where necessary) must be submitted to KfW before the loan commitment by KfW.

KfW may require a site visit to the project site/company in the context of its loan decision and may request additional documents.

In some cases, an external expertise may be required by KfW. The cost of this expertise to be borne by the applicant.

In **direct loans** the agent of the bank syndicate or financial advisor will submit the necessary documents to KfW.

State aid rules

- Direct loans provided by KfW within a bank syndicate are granted on a *pari passu* basis; the loan amount provided by KfW may not exceed the total loan amount granted by the commercial banks of the syndicate.
- Commercial bank loans covered by public guarantees cannot be counted towards the share of commercial bank loans. The same applies for direct loans from the European Investment Bank (EIB), if they are not guaranteed by commercial banks.