

# **Financing Renewable Energy: The Role of Ex-Im Bank**



**Craig O'Connor, Director  
Office of Renewable Energy &  
Environmental Exports**

# U.S. Ex-Im Bank

- ▶ Independent agency of the U.S. government established in 1934 to finance the export sales of U.S.-made goods and services
- ▶ Provides Loan Guarantees, Export Credit Insurance, Working Capital Guarantees, and Direct Loans.
- ▶ Ex-Im Bank's support for renewable energy and environmental exports mandated in its Congressional Charter since 1992
- ▶ FY2010 tripled its portfolio of renewable energy projects to \$330 million, and doubled this to \$721 million in FY2011.
  - Created the Office of Renewable Energy & Environmental Exports in 2008
  - Created a *Renewable Energy Express* Program in 2010
- ▶ Environmental Exports Program offers enhancements:
  - Terms of up to 18-years for renewable energy projects
  - Up to 30% local cost support within the U.S. scope of supply.
  - Capitalization of interest during construction
- ▶ Ex-Im Bank financing is usually the most cost-effective source of financing for international customers to purchase U.S.-made technology

# Direct Loan

- Direct Loans made by Ex-Im Bank to a foreign buyer
- Fixed interest rates based on a 1% spread over Treasury notes
  - Interest rate for an 18-year Direct Loan is 3.35% (as of November 14, 2011)
- The international borrower submits the Direct Loan application.
- Ex-Im Bank requires the buyer to make a cash payment to the exporter equal to at least 15% of the U.S. supply contract.
  - 15% cash payment can either be borrowed from a lender or the exporter, or be from the buyer's own funds.
- Exporter paid with disbursement L/C or buyer is reimbursed
- A negotiated credit agreement required for a Direct Loan
- Shipping must be made on U.S.-flag vessel (except air shipments)

# Loan Guarantee

**Guaranteed Loans made by commercial banks (U.S. or foreign) to a foreign buyer with a 100% *unconditional* repayment guarantee from Ex-Im Bank**

- **Guarantee covers 85% of the U.S. content of the transaction.**
- ***Negotiated* interest rates, often floating rates based on spread over 6-month U.S. dollar LIBOR rate; banks can also arrange fixed interest rates**
- **Loan fully transferable, can be securitized**
- **Banks often finance the 15% required cash payment**
- **Guarantee available in major foreign currencies**
- **Ex-Im Bank's Local Currency Loan Guarantees can in turn support capital market issues in local currency**

# Case Study: Jeoden Geothermal - Turkey

- ▶ Ex-Im Bank approved a \$1.5 million Loan Guarantee to finance the export of 3 modular Pratt & Whitney PureCycle geothermal power units.
- ▶ *Jeoden Elektrik*, the project sponsor, is an Istanbul-based company formed in 2010 to develop, construct, own, and operate renewable energy projects.
- ▶ *Jeoden* will own and operate a 750kW geothermal power plant project in Sarakoy, Denizli, Turkey.
- ▶ Electricity generated by the project will be sold under a 10-year PPA to TEDAS, the Turkish state-owned distribution company.
- ▶ The Turkish Renewable Energy Law provides a 10-year official feed-in-tariff of 10.5 U.S. cents per kW guaranteed by the Ministry of Energy.
- ▶ World Business Capital made the Loan with repayment guaranteed under Ex-Im Bank's Medium-Term Insurance program.
- ▶ The loan was made to *Jeoden* on a corporate finance basis.

# Conclusion

- ▶ **Ex-Im Bank: top priority to support renewable energy & environmental exports**
- ▶ **Ex-Im Bank supports short, medium, and long-term financing to creditworthy international customers, and working capital guarantees to U.S. exporters**
- ▶ **Ex-Im Bank often plays a critical early-stage role in helping small clean tech companies finance their operations.**
- ▶ **With Ex-Im Bank's early-stage intervention these companies can grow their international business, increase profitability, and ultimately attract significant equity investment.**
- ▶ **Ex-Im Bank is interested in any size project**
- ▶ **We will work with you to create “bankable” projects**
- ▶ **We welcome your projects and your ideas!**

**[craig.oconnor@exim.gov](mailto:craig.oconnor@exim.gov)**

***[Internet\\_http://www.exim.gov](http://www.exim.gov)***