

INTERVIEW

Project Financing for Two Offshore Wind Farm Projects in France

First Loans by JBIC for Offshore Wind Farm Projects in France

Interview with Deputy Director **TAKAMATSU Yuki** and **SASAKI Kensuke**, Division 2, New Energy and Power Finance Department I, Infrastructure and Environment Finance Group

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The Japan Bank for International Cooperation (JBIC) signed in April 2023 loan agreements in project financing with two offshore wind power producers in France, which are invested in by Sumitomo Corporation and others. The loans are co-financed with private financial institutions, BPI France and La Banque Postale. One of the agreements was signed on April 5, 2023, with Eoliennes en Mer Iles d'Yeu et de Noirmoutier S.A.S. (Noirmoutier), amounting to up to EUR1.1 billion (total co-financing amount: EUR2.2 billion), and another was signed on April 26, with Eoliennes en Mer Dieppe Le Treport S.A.S. (Le Treport), amounting to up to EUR1.1 billion (total co-financing amount: EUR2.4 billion).

Projects in line with renewable energy transition policy of France

Noirmoutier is invested in by Ocean Winds (Spain), Caisse des Dépôts et Consignations (France) and Vendée Energie (France), as well as Sumitomo Corporation. Noirmoutier will build, own, and operate an approximately 500 MW offshore wind farm located 16.5 km off the coast of Noirmoutier Island in the Bay of Biscay, western France. Upon commencement of the wind farm's commercial operation, the electricity generated by the project will be sold to French electric utility company Electricité de France for a duration of 20 years.

On the other hand, Le Treport is invested in by Sumitomo Corporation, Ocean Winds and Caisse des Dépôts et Consignations. Le Treport will build, own, and operate a similar-sized offshore wind farm located on the English Channel, 15.5 km off the coast of northern France. The electricity generated by the project will be sold to Electricité de France for 20 years.

Regarding the projects, TAKAMATSU explains: "France, the host of the 2015 Paris Agreement, adopted the Law on Energy and Climate in 2019, setting a goal to increase the proportion of renewable energy in its energy mix to at least 40% by 2030. To achieve this goal, the government aims to increase the country's offshore wind farm capacity to 2.4 GW in 2023 and 5 GW in 2028. In April 2020, the government set another goal to achieve net zero greenhouse gas emissions by 2050, proclaiming its policy to accelerate the decrease of nuclear power generation, reduction of fossil fuel consumption, and introduction of renewable energy on a large scale. The two projects are in line with this policy, and the second bidding projects for offshore wind farms in France."

Quickly finalizing JBIC's first loan agreements for offshore wind farm projects in France

Regarding the two loans, JBIC received a request for project financing from Sumitomo Corporation, which had participated in the project in 2018. SASAKI says: "Since JBIC had never been engaged in an offshore wind farm project in France, we, together with the Representative Office in Paris, refined the scheme from various angles as a case of project financing in a developed country."

Then, full-scale negotiations with the two companies started in November 2022.

As JBIC had never worked with any sponsors other than Sumitomo Corporation, they expressed concerns about us: "Can

you structure a project as quickly as we expect?" "Are there any benefits if we partner with one of Japan's policy-based financial institution with no experience in this area in our country?" Among others, they worried that we did not have a license to make a direct loan in France. So, we presented our achievements in project financing with the example of an UK offshore wind farm project in 2018. At the same time, we considered a financing scheme in accord with French financial customs. On the economic front, we managed to offer loan terms that were beneficial and satisfactory for sponsors, by scrutinizing project risks by each process, such as turbine manufacturing, groundwork, installation, and construction of transmission facilities," SASAKI recalls.

"Regarding the confirmation of environmental and social considerations by JBIC, some asked why a financial institution goes that far. We ran field studies with the Environmental Assessment Office for almost two weeks in January 2023. We checked whether appropriate actions had been taken for environmental and social consideration issues. In Paris, we interviewed the environment teams of the two companies and relevant authorities. And then, we visited both project sites to check if transmission lines would go around protected areas, if detailed explanations had been provided to local fishermen, and so on. Through such actions and dialogues with sponsors and construction workers, I felt their views on us changed and we gained more trust from them," says TAKAMATSU.

The resulting trusting relationship facilitated the negotiations, leading to the formal signing of the agreements in April 2023. At the party after the signing ceremony, the leaders of the two companies gave them a message, "We thank JBIC for not only structuring the projects as quickly as expected but also providing us with attractive terms of financing."

Using this achievement to support Japanese companies' participation in overseas projects

About the achievement from these projects, TAKAMATSU says: "We contribute toward enhancing renewable energy supplies and increasing the presence of Japanese companies in France. At the same time, it is significant for us to provide financial support for projects in which Japanese companies participated, while keeping with a goal of the Japanese government's Infrastructure System Overseas Promotion Strategy 2025, 'financial support for quality energy and power infrastructure which complies with the host country's energy policy and curbs environmental impact by using advanced technology.'"

"Based on the critical energy situation due to the Russian invasion of Ukraine, the Government of France is already preparing for bidding for the eighth offshore wind farm project to accelerate the enhancement of and transition to renewable energy. In response, it is highly anticipated that many Japanese trading companies and power companies will join the process. The projects we are engaged in are for offshore, fixed-bottom wind farms, and going forward, we hope to work on floating wind farm projects as well. As members of JBIC, Japan's policy-based financial institution, we will use this achievement to actively support Japanese companies that participate in renewable energy projects in European countries, including France, by drawing on its various financial facilities and schemes for structuring projects and by performing its risk-assuming function," said SASAKI enthusiastically.