

INTERVIEW

Project Financing for Offshore Electricity Transmission Project in UK

Third UK Offshore Electricity Transmission Project Supported by JBIC, Involving Japanese Companies

Interview with Deputy Director TAKEUCHI Kanae,
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The Japan Bank for International Cooperation (JBIC) signed in March 2025 a loan agreement in project financing (PF) amounting to up to approximately GBP283 million (JBIC portion) with Seagreen Phase 1 OFTO Project Limited (Seagreen), a British company invested in by Kyuden International Corporation and Kyushu Electric Power Transmission and Distribution Co., Inc. (collectively Kyuden Group), and Equitix Investment Management Limited (EIM) of the United Kingdom (UK), for an offshore electricity transmission project for the Seagreen offshore wind farm in the UK.

The loan is co-financed with Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd., and Aviva Life & Pensions UK Limited, bringing the total co-financing amount to approximately GBP568 million.

Supporting Overseas Business Expansion of Japanese Electricity Companies

In this project, Seagreen will own and operate offshore electricity transmission facilities for the electricity generated by the Seagreen offshore wind farm, located about 27 km off the east coast of Angus in the northeast of Great Britain, with a total generation capacity of 1,075 MW. Seagreen will transmit the electricity generated to Great Britain for a period of 24 years.

"JBIC has provided PF for two offshore wind power projects in the UK in which Japanese companies are participating. In addition, JBIC has previously financed two offshore electricity transmission projects. This latest loan marks JBIC's third support for an offshore electricity transmission project in the UK, following the Hornsea 1 offshore electricity transmission project in 2021 and the Triton Knoll offshore electricity transmission project in 2023.

The UK government amended its Climate Change Act in 2019, setting a legally binding target of reducing greenhouse gas emissions to net zero by 2050 and promoting the introduction of renewable energy sources such as offshore wind power. Offshore electricity transmission facilities play an important role in transporting electricity generated offshore to areas in demand without loss and this project aligns with the UK government's energy policy. In addition, supporting overseas power generation and transmission projects involving Japanese electricity companies is in line with the Japanese government's policy to strengthen the international competitiveness of its industry through support for the development and social implementation of decarbonization technologies by Japanese companies, and to support the overseas development of high-quality infrastructure," Deputy Director TAKEUCHI Kanae explains the significance of the offshore electricity transmission project supported by JBIC.

Finalizing Contract Negotiations Swiftly in Line with Project Plan

We received a request for PF support from Kyuden Group, one of the sponsors, in early 2022, and have been preparing for loan negotiations since the end of 2023, when Kyuden Group was selected as the preferred bidder.

"The UK has a well-established power generation, transmission and distribution system. Power generation and transmission companies are separated, with power generation companies constructing power generation facilities and transmission facilities. The company selected as the preferred bidder in the tender acquires the transmission facilities and starts operation. Intensive

negotiations began in the summer of 2024, just when I was assigned to this project. Furthermore, in order for Seagreen to have its ownership and assets transferred and commence its operations by the deadline of March 31, 2025, we had to finalize the loan agreement within a few months.

JBIC has collaborated with EIM, a British sponsor, on the Triton Knoll offshore electricity transmission project in the UK, and with Kyuden Group on a high-voltage direct current offshore electricity transmission project in Abu Dhabi, the United Arab Emirates (UAE). We worked to conclude the negotiation in a short period of time by leveraging our track record of these projects. Particular emphasis was placed on technical due diligence. We analyzed the risks together with technical advisors by assessing whether the offshore electricity transmission facilities could be maintained and operated stably over a 24-year period, taking into consideration cases from previous projects.

In addition, during the negotiation and due diligence process, in order to strengthen the resilience of its energy system and the transition to net zero emissions, the UK government decided that the system operator—a key stakeholder in this project—that had been managing the UK electricity system, and the entity responsible for the payments to Seagreen for the operation of offshore electricity transmission facilities, has expanded its functions and transitioned into a new public entity. As a result, new issues have emerged regarding the risks associated with the new organization, such as what its business activities and structure will be and whether the UK government's support mechanism will change. Fortunately, we were able to meet with UK government officials responsible for the electricity sector, and the regulatory body for the new organization. We were able to confirm the details of the new organization and the details of the support mechanism by the government. This enabled us to proceed smoothly with our due diligence on the project. We were also fortunate to receive high remarks from the government officials for our support towards the UK offshore electricity transmission projects," TAKEUCHI says.

Thus, loan negotiations with the sponsors progressed steadily. We have concluded the negotiation at the end of 2024 and signed the loan agreement in March 2025. The ownership of the transmission facilities was transferred to Seagreen within the same month, and then Seagreen began operating the offshore electricity transmission line.

Extending the Achievement in UK to Enhance Power Grid

TAKEUCHI talks about the achievements of this project and future efforts: "In Kyuden Group Management Vision 2030, the group aims to increase the overseas power output based on equity ownership from 2,000 MW in 2018 to 5,000 MW. The group has also set forth specific action plans in its Carbon Neutral Vision 2050 to actively expand overseas transmission and distribution businesses that support renewable energy and decarbonization. This project will contribute to those aims.

I have experience in providing a PF loan for waste to energy project in Dubai, UAE. However, considering finance for an offshore electricity transmission project was my first experience in this field. As offshore wind power generation is actively being pursued in Europe, including in the UK, JBIC aims to leverage this experience to provide wide support for projects involving Japanese companies, including Kyuden Group."

TAKEUCHI Kanae