

Financing Energy Projects using Export Credit Agencies

3rd International Forum for Energy Efficiency

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Introduction: A bit of theory



The Export Credit Guarantee Scheme in Germany is handled by



in an **unincorporated consortium** with



run on behalf and for the account of the Federal
Republic of Germany

Statutory max. exposure limit: EUR 120.0 bn

Objectives of an export credit agency

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- Promotion of German export as key objective of the Federal Government's economic policy
- Insurance against the risk of non-payment for commercial and political reasons
- Opening of new markets especially in emerging countries
- Support of foreign countries, in particular in difficult phases of development and restructuring
- Key to financing facilities

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Decision Criteria for Cover

1. Eligibility for promotion:

- Job promotion/safeguarding
- Supplies from the New Federal States
- Promotion of German SMEs
- Environmental aspects
- Export permit requirement, sensitivity (Dual Use)
- Competitive situation / Market entry
- Technology and know-how transfer
- Social and development aid criteria
- Combating corruption
- FX generation / Export driven business

3. Terms of contract according to international arrangements (OECD, Berne Union, European Union)

2. Justifiability of the risk:

- Reasonable forecast with regard to the damage-free export transaction's development
- Creditworthiness of the debtor
- Legal/Commercial relationship to the foreign buyer
- Experience and competence of the German applicant
- Tried and tested technology
- Quality of the securities
- Country risk, payment experience, cover policy
- No checking of documentary risks

4. Compliance with budgetary regulations



Political Risks:

- ▶ *General Political Risks*
(war or other armed conflicts, revolution or civil commotion, nationalization, expropriation or other sovereign acts that are equivalent to an expropriation in their effects)
- ▶ *Convertibility and Transfer Risk*
(impossibility of converting or transferring amounts deposited in foreign currency)
- ▶ *Loss of the right to receive payment* due to frustration of contract for political reasons
- ▶ *The loss of goods* before the risk has passed to the foreign buyer due to political circumstances

Commercial Risks:

- ▶ *Irrecoverability of Claims*
(insolvency, settlements, compulsory execution, etc.)
- ▶ *Protracted Default*

Types of cover

Whole-turnover and revolving cover

- ▶ Whole-turnover Policy
- ▶ Whole-turnover Policy light
- ▶ Revolving supplier credit cover
- ▶ Revolving buyer credit cover

Single transaction cover

- ▶ Supplier credit cover
- ▶ Buyer credit cover
- ▶ Framework credit cover
- ▶ Manufacturing risk cover
- ▶ Constructional works cover
- ▶ Airbus Guarantee
- ▶ Project financing
- ▶ Ship financing

Supplementary forms of cover

- ▶ L/C confirmation risk cover
- ▶ Counter-guarantee
- ▶ Confiscation risk cover
- ▶ Leasing cover
- ▶ Securitisation Guarantee
- ▶ Securitisation Guarantee for the KfW Refinancing Programme
- ▶ Contract bond cover



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Cover Policy for Russia

Our experience



Cover policy for Russia

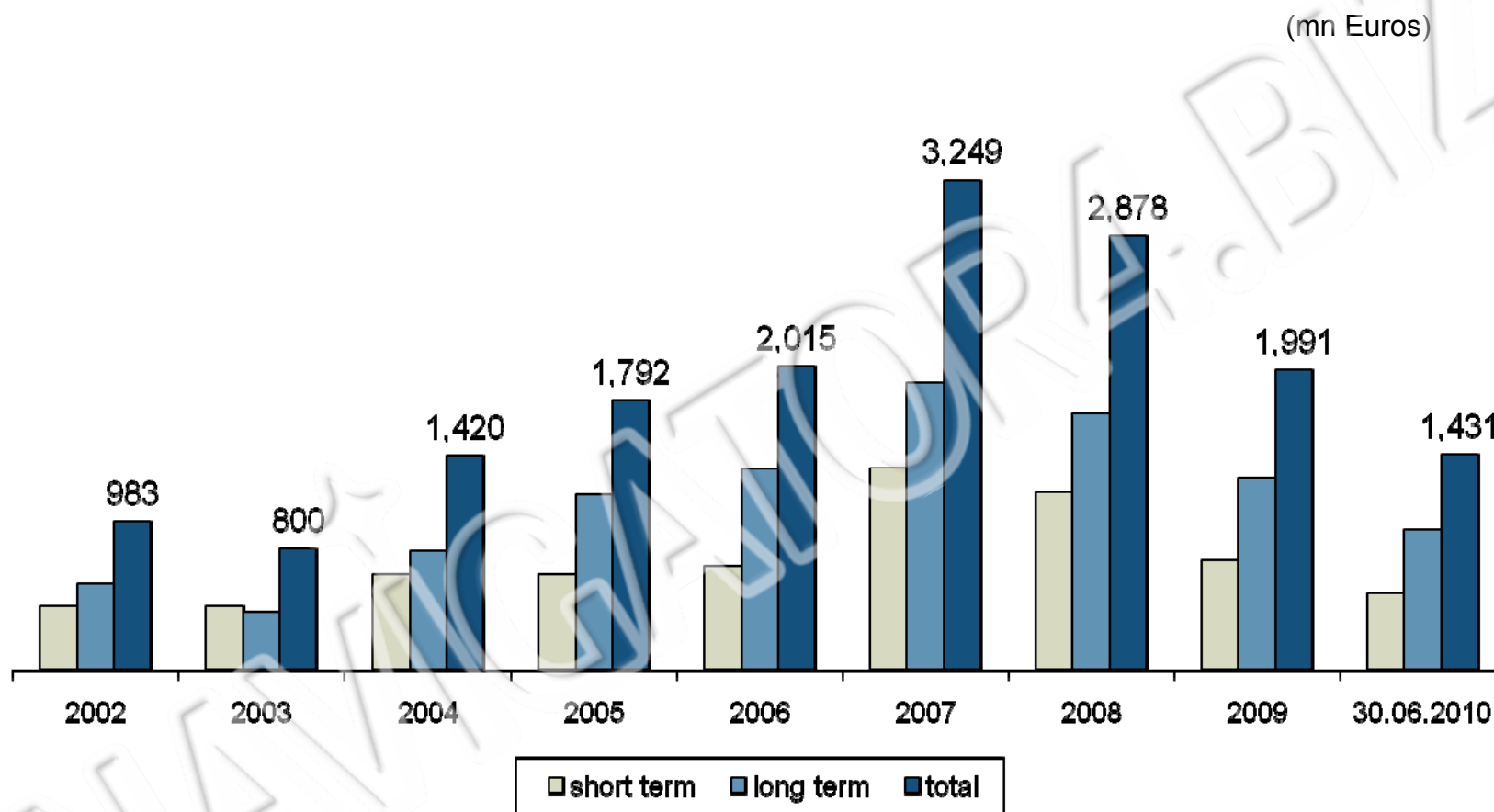
- ▶ Generally open for short-term transactions (examination of creditworthiness)
- ▶ Criteria / securities for credit business transactions:
 - State guarantee
 - Corporate risk
 - Additional securities not required in cases of excellent standing of the buyer
 - Bank guarantee
 - Generally accepted banks: 15 banks so far
 - Other banks on a case-by-case basis (> 60 banks so far)
 - In general involvement of the Russian buyer in the payment obligations
- ▶ **Premium category: 4**



Cover volume for recent years

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The ECA product for Energy Projects

Basic and Advanced Applications

Classic product portfolio

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Export financing & tied loans



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Advanced application of the ECA product: Regional Energy Project – The Rationale

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- Challenge: Upgrade a municipal district heating system
 - Old boiler houses with risks of breakdowns
 - Undercapacity in growth scenarios
- Answer: Combined Cycle Power Plants (CPPs)
 - Modern, efficient equipment from Germany (high German content)
 - Short construction period, small scale, close to customer (heat)
 - Electricity sales improve economics for essential heat generation
 - Environmentally friendly (gas fired)
- Key to bankability
 - Stable offtake – long-term predictable revenue stream
 - Strong regional government support
 - Senior debt covered by German Government resulting in ‘AAA’ rating for the financing bank

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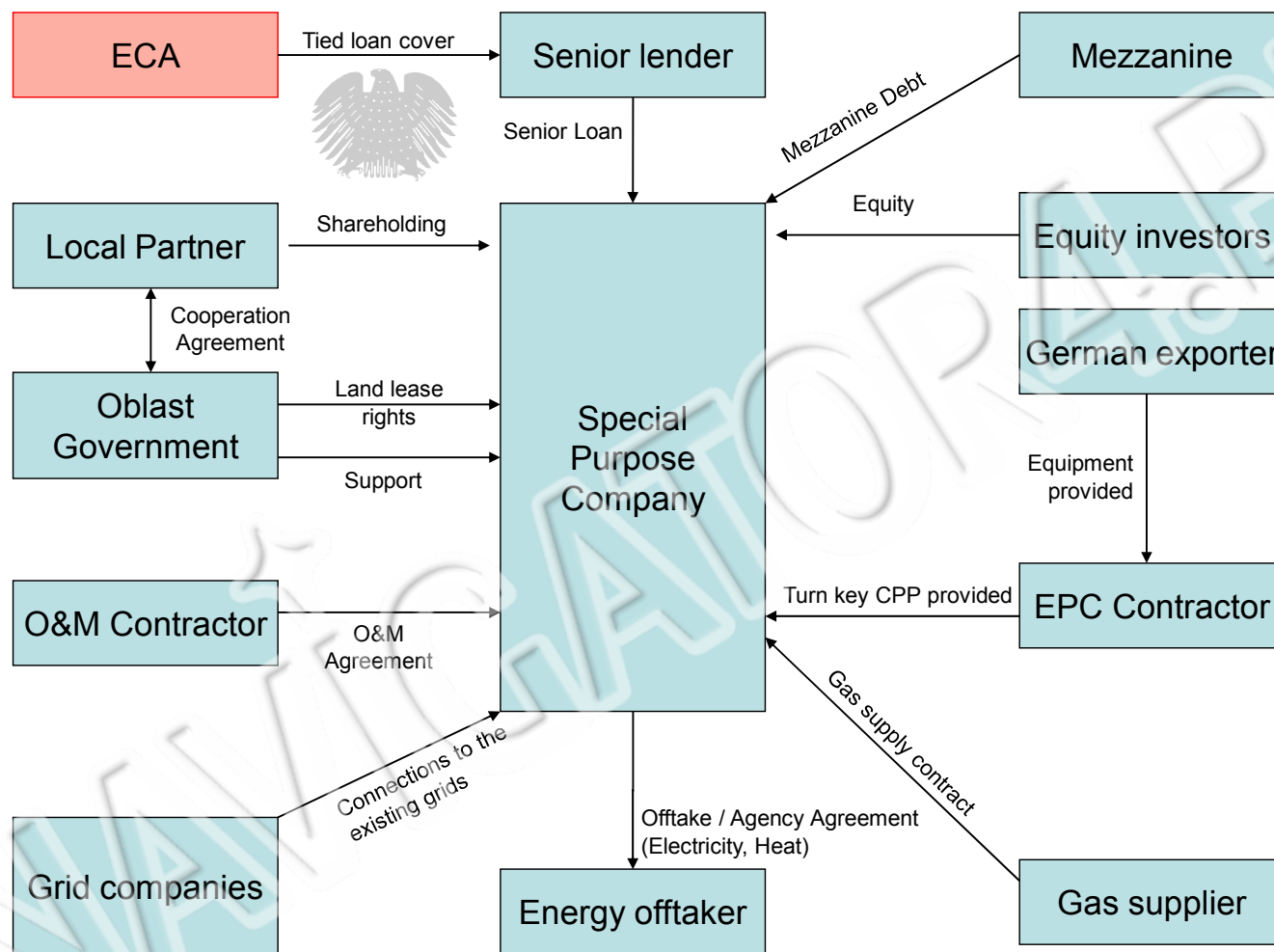
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Advanced application of the ECA product: Regional Energy Project – The Scheme

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Perspectives and Conclusions

- Dynamic development of trade flows.
Despite a double-digit decrease in German exports in 2009 as well as cancellations and postponement of many projects cover volume is **expected to rise**
- German Federal Government is willing to **continue support**
- Both standard and **new products** are developed

Thank you for your attention!

Cover from the Federal Republic of Germany for business transactions abroad

The German Government supports German business ventures abroad with its Export Credit and Investment Guarantee Schemes as well as the Untied Loan Guarantee Scheme, thus securing economic growth and safeguarding jobs. To this end, the Federal Republic of Germany provides guarantees against commercial and political risks in connection with export transactions and against the political risks of foreign direct investments as well as political risk cover for projects which secure the supply of raw materials to Germany.

The German Government has mandated a consortium formed by Euler Hermes Kreditversicherungs-AG (Euler Hermes) and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC AG) to manage these promotion schemes.



Federal Ministry
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BEST EXPORT CREDIT AGENCY
Winner: Euler Hermes

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