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Abstract

As published by the Global Wind Energy Council (GWEC) in April 2016, Uruguay has experienced rapid development in the wind energy sector since 2010. At end-2015, the country's total wind power capacity amounted to 845 megawatts (MW), supplying 19.5% of the country's electricity demand. More wind energy is also set to be commissioned, with 950 MW tendered in the past to private companies and the state-owned electricity company, UTE, aiming to operate 632 MW in addition.

Pastorale, a near-shore wind farm with a capacity factor of 46.5% and a size of 52.8 MW, won the tender on 23 August 2012 and was granted a 20-year power purchase agreement (PPA) at a price of USD 63.5/MWp. On 23 February 2016 financial close was successfully reached on the debt and equity components for what will be the first large scale implementation of the new Vestas wind turbine type V126.

The close is the first in the country to be carried out with commercial lenders and on a non-recourse basis.

Objectives

At the time the commercial bank was mandated (June 2014), no commercial farm was operating with the wind turbine type selected by the sponsors. Industry experts qualified this wind machine as a prototype instead of considering it to be a further development of previous types of wind turbine. Originally, the supplier was also seen as the operational and maintenance (O&M) company. As such, several recommendations (e.g. concerning wind sector management) were provided regarding the use of this low-wind-speed class turbine at the Flores site and the lifetime of the turbine.

The commitment of a lender with its own engineering department, a long track record on operational wind farms and experience in entering new markets, was crucial to obtain credit approval. Moreover, the selection of a co-investor willing to provide the O&M services, and with a utility-like profile and several gigawatts already in their care, was decisional in finding a bankable solution that met the preferences of the sponsors.

Uruguay was the first Latin American country after Brazil to launch wind energy tenders. As a consequence, tender documents did not originally fulfill the international standard requirements for non-recourse financing. The PPA alone took three years to be reformulated. International financial institutions (like the IADB and the FMO) played a crucial role in the first PPA improvements. The willingness of the local government and its state-owned utility to increase the share of renewables in the country was also key to reaching the flexible solutions that were finally implemented.

Commercial lending appetite needed to be created, especially as Uruguay had no long term operational track record in wind energy, which is already deemed to be an embryonic industry sector. To add to that, despite being an OECD member, Uruguay is still considered an emerging economy from a banking perspective. The specific commitment of a rating agency was particularly helpful in making the lender and banking participants feel more comfortable about lending in a new country.

Pastorale construction per June 2016 and neighbouring windfarm



Conclusions

It takes time to reach technical, commercial and financial standards in a new wind energy market. It is easier to succeed when the local government is willing to introduce a significant portion of wind power to the national power fleet. From a banking point of view, the active role of experienced international partners was a must-have. Local and foreign stakeholders have properly contributed to the successful implementation of the first commercial wind financing project in Uruguay.

