

Infra JV eyes Chinese renewables financing

Author: Rob Clow
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A joint venture between Hong Kong's JIDA Capital Partners and CGN Fund Management is in initial discussions with banks to provide limited recourse debt financings on the majority of its 800 MW portfolio of Chinese wind and solar projects, according to Elton Cheung, a partner at JIDA.

But Singapore's DBS Bank may have secured an early advantage in the first half of this year, having completed an innovative CNY740 million (\$108 million), dual-currency, three-year, limited recourse financing for company's two operating solar plants, with a combined capacity of 140 MW, in Anqiu, Shandong Province, he told *SparkSpread*.

JIDA, which is owned by its founder and New Zealand investment firm Morrison & Co., has previously relied on short-term debt funding of up to one year to part finance construction of its projects, with the debt often provided by EPC contractors.

Earlier this year, after the Anqiu solar projects had been completed, JIDA decided to adopt longer-dated funding.

It is unusual in China for a lender to drill down into a project's cash flows, Seth (Keng Hwee) Tan, managing director China and head of energy, chemical and infrastructure at DBS, told SparkSpread in a telephone interview.

"In China, the banks would require a parent guarantee," he added, noting that the limited recourse structure is also unusual.

DBS liked CGN's professional approach to the projects, but also took some comfort from the fact the local government is the 49% owner of the projects and is going to use the projects' cash flows to support under-privileged families.

The Singapore bank optimized the financing cost by borrowing part of the debt in U.S. dollars and swapping back into renminbi.

Tan and Cheung declined comment on the pricing of the loan.

The CGN portfolio is comprised of 200 MW of completed solar plants and 600 MW of wind projects, which are in an advanced stage of construction.

Lenders would not entertain the idea of refinancing project loans before plants are commissioned, Cheung explained, so discussions about refinancing the operating solar plants are most advanced with the wind projects seeking debt after they are commissioned early next year.

JIDA has also considered a portfolio financing, although Cheung noted that the cross-collateralisation issues are challenging.

JIDA and CGN have issued a request for proposals for investment banks to advise on the sale of the entire 800 MW solar and wind portfolio held by CGN Infrastructure Fund III, as first reported by SparkSpread on Aug. 14.

Investment banks will respond next month and JIDA plans to select one by the end of next month, or beginning of October.

The sale should kick off early next year.