



**SUPPORT FOR 'RENEWABLES' EXPORTS
(INCLUDING HYDRO)**

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INFRASTRUCTURE PROJECTS

AGENDA

- ECGD.
- What is the role of an ECA?
- Current Products.
- ECA supported Finance and Insurance.
- £50m Renewables Initiative.
- ECGD normal Terms/Conditions.



ECGD

- ECGD (Export Credits Guarantee Department).
 - the UK's official ECA.
 - the oldest ECA (1919).
 - a separate UK Government Department.
 - Required to operate at no net cost to taxpayer.
 - Hence, cover not always available.
 - Supports £2bn-£3bn of new business per annum.
 - Complements the private sector.



What is the role of the ECA?

- ECA – Export Credit Agency.
- Publicly funded bodies which help national exporters win business by:
 - Providing insurance cover against risks of non-payment (commercial and political).
 - Supporting long term finance packages (fixed or floating rates of interest) for capital goods exports.
 - Providing political risk insurance for companies investing overseas.

Note: Short-term credit insurance cover is now provided by the private sector.



Current Products

- Financial guarantees – banks.
- Insurance to exporters.
- Bond insurance (unfair calls) – but not support!
- Political insurance to investors.

Products kept under review!



ECA Supported Finance and Insurance for Exports

- Overseas buyers usually require medium/long term finance to pay for projects.
- Overseas main contractors bidding for projects may require their sub-contractors to provide finance and bonds for their shares.
- Although the export may be payable on cash terms, the exporter may be exposed to commercial and political risks and/or a long manufacturing period. May also be required to provide bonding.



An ECA supported Finance Package Can Benefit All Parties

- Exporter requires payment on 'Cash Terms'.
- Overseas buyer requires time to pay and can borrow from a secure source of external finance in a range of currencies at either a fixed or floating interest rate.
- Finance for up to 85% of contract value.
- Credit of 2 years to 10 years (or exceptionally 15 years given to buyer (from agreed starting point of repayment).
- Lending bank has ECA guarantee of repayment (UK banks treat loans as HMG (ie zero) risk).
- ECA Guarantee leverages commercial funding.



ECA Insurance Cover is Available Against Risks of:

- Not being paid under an export contract (commercial and political risks).
- Unfair calling of bonds and related counter guarantees.
- Contract frustration. (Amounts owing and costs incurred).
- Those not covered under an ECA supported finance facility eg contract frustration during the manufacturing period/amounts ineligible for ECA financing.



£50m Renewables Initiative

COMMITMENT

- ECGD will make at least £50M of cover available each year to support renewable energy exports and investments (including Hydro).
- Business must meet our normal terms and conditions for cover
 - project impacts
 - governance issues
 - risk standards
- £50M is not a finite amount – more is available if required.



Renewables – Export Credit Terms

- OECD rules on Export Credits now permit repayment periods of up to 15 years for Renewables (including small/large hydro projects).
- ECGD played a leading role in OECD negotiations for this.



Take Up of ECGD Cover

- No expectation that Renewables cover initiative would produce 'Quick Wins'.
- It is also designed to raise general awareness.
- Majority of Renewables exports are to OECD countries which do not usually require ECGD support.
- Renewables exports to emerging markets will take time to develop. (Often reform, restructuring of institutions, sectors required first).
- ECGD has received applications – but projects slow to develop.



ECGD's Normal "Terms and Conditions"

- What does that mean?
 - Normal ECGD risk standards.
 - Exporter Declarations (governance of the contract).
 - Acceptable project impacts.
 - Focus on emerging markets, but
 - Can consider developed markets also
 - Normal ECGD risk pricing



Normal ECGD Risk Standards

- BB- (or equivalent), Standard & Poors
- Normally, 3 years borrower accounts
- Security package (case-by-case)
- 'Due diligence' review of Buyer
- May need parent/bank guarantee
- Each case on its (risk) merits.



Acceptable Project Impacts

- World Bank (or equivalent) standards.
- Consider site and social impacts (of project/contract).
- Streamlined procedure for most applications.
- Case-by-case consideration.
- Pragmatic ECGD approach.



Request

- Please discuss your 'Hydro' Export/Overseas Investment opportunities with us.

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