

WFW ADVISES ON £1.3BN INVESTMENT-GRADE BOND ACQUISITION OF 50% STAKE IN 659 MW WALNEY EXTENSION OFFSHORE WIND FARM

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International law firm Watson Farley & Williams (“WFW”) has advised institutional investors on the long-term financing for the acquisition of a 50% stake in the 659 MW Walney Extension offshore wind farm. Leading Danish pension funds PKA and PFA have each acquired a 25% ownership interest from Ørsted (formerly known as DONG Energy) in the deal which is valued at £2bn, of which £1.3bn is being funded through the issuance of an investment-grade bond. The deal has received regulatory approval from relevant competition authorities and completed on 10 November 2017.

WFW advised in relation to financing, construction, operations and maintenance and power purchase arrangements, and also acted:

- for RBS and MUFG among others as lenders in relation to OFTO facilities and as interest rate hedge providers;
- for EKF as credit support provider in respect of a tranche of the senior facilities; and
- for Goldman Sachs international and Citibank as CPI revenue hedge providers.

The anchor institutional investors subscribing to the financing, advised by WFW, included Aviva Investors, Legal & General Investment Management Real Assets and Macquarie Infrastructure Debt Investment Solutions (MIDIS). The project benefits from two £150 per MWh contracts for difference (CfDs) awarded in 2014 and the bond is the first non-recourse, investment-grade bond to be used on a construction-stage offshore wind farm in the UK. The senior secured project debt consists of a combination of 16-year amortising CPI linked and fixed rate bonds.

Walney Extension is located approximately 19km from the Walney Island coast in Cumbria and covers an area of 145km². With a total capacity of 659 MW it will be the world’s largest offshore wind farm once online (expected in Q2 2018). It will comprise a total of 87 wind turbines: 40 MHI Vestas V164-8.0MW turbines and 47 Siemens Gamesa SWT-7.0 MW-154 turbines. Ørsted is constructing the wind farm under a full-scope EPC contract as well as providing long-term operations and maintenance services from its O&M base in Barrow-in-Furness and a route to market for the power generated by the project.

This represents PKA’s sixth acquisition in the offshore wind sector since 2011, three of which were disposals by Ørsted, including the disposal of a 50% stake in Burbo Bank Extension on which WFW advised Ørsted. WFW also advised PKA on its first ever biomass plant investment, in the Teesside Renewable Energy Plant in 2016.

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The WFW London team was led by Partner and Global Energy & Infrastructure Group Head Evan Stergoulis, working closely with Energy & Infrastructure Partners Daisy East, Simon Alsey and Henry Stewart and Debt Securities and Structured Finance Partner Rob McBride. They were assisted by Energy & Infrastructure Senior Associates Jon Thursby and Helen Forsey (construction, operations and maintenance), Marianne Khoo, Jennifer Etherington (OFTO tranche), Joe Hesketh (PPAs), Michael Folsom and Natalie Georgiou (financing), Katherine Best (hedging) and Jessica Greenwood (EKF covered tranche) and also by Senior Associate Danny Heathwood and Associates Adam Blythe, Catherine Killeen, Suki Rees, Deepti Sharma, Mark Masson and Natasha Seel. Partner Tom Jarvis and Senior Associate Charlotte Williams advised on tax and real estate matters respectively.

Evan commented; “I’m delighted to have advised the bond investors on this ground-breaking and complex transaction. This was the first non-recourse, investment-grade bond to be used on a construction-stage offshore wind farm in the UK. That WFW was chosen to advise on this UK industry first is further testament that we are the ‘go-to’ law firm for innovative financing solutions for energy and infrastructure projects”.

RELATED CONTACTS



DAISY EAST
PARTNER • LONDON

T: +44 20 7863 8990

deast@wfw.com



HENRY STEWART
PARTNER • LONDON

T: +44 20 7814 8404
M: +44 7525 891 394

hstewart@wfw.com



ROB MCBRIDE
PARTNER • LONDON

T: +44 20 7814 8233

rmcbride@wfw.com



SUKI REES
SENIOR ASSOCIATE • LONDON

T: +44 20 7814 8021

srees@wfw.com



NATASHA COLLINS
SENIOR ASSOCIATE • LONDON

T: +44 20 3314 6956

NCollins@wfw.com

MEDIA ENQUIRIES



WILL SALOMONE

T: +44 20 3036 9847

media@wfw.com

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