Financing Clean Tech Exports

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Independent agency of the U.S. government established in 1934 to finance the export sales of U.S.-made goods and services

Provides Loan Guarantees, Export Credit Insurance, Working Capital Guarantees, Direct Loans, and maintains a Tied Aid Capital Projects Fund

Ex-Im Bank’s support for renewable energy and environmental exports mandated in its Congressional Charter since 1992; EEP created in 1994

The Bank’s EEP grew 5 transactions in 1994 to 87 transactions in 2008, with a total current portfolio in excess of nearly $3 billion

FY2008, the Bank authorized $226.9 million in financing to support an export value of $434.2 million in environmentally beneficial goods and services

Created the Office of Renewable Energy & Environmental Exports in 2008

Environmental Exports Program offers enhancements:
- Terms of up to 15-years for renewable energy, and water treatment projects
- Capitalization of interest during construction
- Up to 30% local cost support within the U.S. scope of supply.
Support for Environmental Exports

- Ex-Im Bank has supported hundreds of individual renewable energy transactions and projects worth $1.3 billion+ since the EEP began in 1994

- In just the past 5 years Ex-Im Bank has provided support to Powerlight, UniSolar, Evergreen Solar, GT Solar, Southwest Windpower, SolarWorld, etc.

- Export value of nearly $400 million in renewable energy exports supported

- Large and growing pipeline of projects in renewable energy

- 5 solar projects worth $65 million approved for Gochang Solar April 2, 2009

- Over the past 4 years, Ex-Im Bank has supported the export value of $400 million in water and wastewater treatment exports.

- Ex-Im Bank often plays a critical early-stage role in helping small clean tech companies finance their operations.

- With Ex-Im Bank’s early-stage intervention these companies can grow their international business, increase profitability, and ultimately attract significant equity investment.
A Focus on Clean Tech: Renewable Energy

- New global investments in renewable energy grew from $148.4 billion in 2007 to $155.4 billion in 2008 vs. $33.2 billion in 2003 (Source: New Energy Finance)

- Global revenues for solar photovoltaics, wind power, and biofuels expanded from $75.8 billion in 2007 to $115.9 billion in 2008

  - Solar: $29.6 billion
  - Wind: $51.4 billion
  - Biofuels: $34.8 billion

- Solar Photovoltaic is the world’s fastest growing energy source: 1.3 GW in 2001, global solar PV installed capacity reached 15.2 GW in 2008

- American Recovery and Reinvestment Act of 2009, signed into law in Feb. by President Obama:
  - $70 billion+ in direct spending and tax credits for clean-energy and advanced transportation programs
  - largest federal commitment in U.S. history for renewable energy, advanced transportation, and conservation initiatives!
Export Credit Insurance

- Enables U.S. exporters to offer short- and medium-term credit directly to their customers.

- Ex-Im Bank offers both Multi-buyer and Single-Buyer Insurance

- Export credit is an attractive substitute to cash-in-advance, letters of credit and costly local bank financing.

- Using Ex-Im Bank to insure a letter of credit instead of paying bank confirmation charges usually more cost effective.

- Insures up to 180 days from date of importation of the goods; capital goods terms of 360 days-7+ years.

- Only an invoice of the sale needed for O/A short-term credit

- Insurance lowers reserve requirements for commercial banks.
Multi-buyer Insurance Policy

- Covers *short-term* sales made by a exporter during a 12-month period - policy requires ALL export credit sales to be insured

- Provides 95% commercial, 95% political coverage against buyer payment defaults, $0 loss deductible for small business

- *Special Buyer Credit Limits* provided revolving lines for foreign buyers for a 1-year period.

- Experienced exporters allowed to insure sales to foreign buyers *without* Ex-Im Bank’s approval up to certain limits.

- Exporter should have at least 1 year of successful operations; positive net worth; 1 principal engaged full time in company.

- Premium payments based on actual shipments; premiums based on exporter experience, credit terms, buyer’s country.
Short-Term Single Buyer Policy

- Covers *short-term* export credit sales made by an exporter to a *single* foreign buyer during a 12-month policy period.
  - Can support single or multiple shipments

- Provides 90% commercial, 95% for L/C transactions, 100% political coverage against buyer payment defaults, $0 loss deductible.

- A “lock-in” feature commits Ex-Im Bank coverage offer over a 90-day period – useful when sale still in negotiation stage.

- “Enhanced” assignment of exporter’s receivables to banks for immediate funding available.

- Premium rates based on a fixed fee schedule based on the term of the credit, type of buyer, and country of the buyer.
Case Study: Sunwize

- **Sunwize Technologies Inc.** is using Ex-Im Bank’s Short-Term Insurance to offer “open account” credit to customers worldwide.

- Sunwize exports both modules and turnkey solar power systems.

- Sunwize use of Ex-Im Bank Insurance is supporting their growth in exports as financing to overseas dealers enables financing to *their* customers, and projects.

- **Wireless Energy Chile** is using a $300,000 180-day credit line from Sunwize to finance their expanding operations, and to provide financing to their customers.

- Financing is often THE critical factor in financing export sales, open account credit has advantages:
  - “Supplier credit” attractive substitute to buyer using L/Cs
  - Interest rates high in many international markets
  - Increase order quantities to existing customers/distributors
Case Study: Energy Recovery, Inc.

- Energy Recovery, Inc. (ERI), San Leandro, CA has used Ex-Im Bank’s environmental insurance since 2002, and also of an Ex-Im Bank-guaranteed working capital line of credit.

- ERI’s patented PX system recovers energy from seawater desalination reverse osmosis systems at up to 97% efficiency.

- ERI’s PX® technology has emerged as the industry standard solution for seawater desalination, specified by over 80 OEMs worldwide with over 6,130 PX® devices installed saving customers an estimated 580 MW of energy or $407 million a year in operating costs.

- Ex-Im Bank’s Short-Term Insurance enables ERI to offer open account financing to international customers @ 1% cost for 120-day credit.

- Ex-Im Bank’s Working Capital Guarantee helps ERI finance the build-out for export orders.

- For ERI, exports to Australia, the Middle East, China, Europe and North Africa accounting for nearly 100% of the sales.
Direct Loan Program

- **Direct Loans** made by Ex-Im Bank to a foreign buyer

- Fixed interest rates based on a 1% spread over 3-, 5-, and 7-year U.S. Treasury notes
  - Current interest rate for 10-15 year Direct Loan is 3.30%

- If the contract has been awarded, only the international borrower may submit the final commitment (AP) application.

- Ex-Im Bank requires the buyer to make a cash payment to the exporter equal to at least 15% of the U.S. supply contract.
  - 15% cash payment can either be borrowed from a lender or the exporter, or be from the buyer’s own funds.

- Exporter paid with disbursement L/C

- A negotiated credit agreement required for a Direct Loan
Loan & Guarantee Program

- **Guaranteed Loans** made by commercial banks (U.S. or foreign) to a foreign buyer with a 100% *unconditional* repayment guarantee from Ex-Im Bank

- Guarantee covers 85% of the U.S. content of the transaction.

- *Negotiated* interest rates, usually a floating rate based on spread over 6-month U.S. dollar LIBOR rate

- Loan fully transferable, can be securitized

- Banks often finance the 15% required cash payment

- Guarantee available in major foreign currencies
Structured Financing: Korea Solar

- Loan Guarantee to City National Bank supported 15-year, $7.8MM financing for 1MW solar power project in Gwangju, Korea.
- Ex-Im Bank’s first 15-year deal under the new OECD terms.

- Powerlight, Berkely, CA, will design, develop, and deploy the solar power plant, located at the Kim Dae Jung Convention Center.

- Ex-Im Bank used the “structured finance” approach to create a reasonable assurance of repayment and support the project.
  - No outside financial advisors, limited legal fees

- Structure of the deal included:
  - 15-year guaranteed tariff rate for power sales
  - Corporate guarantees of two relatively small private-sector companies as project sponsors
  - Mortgage on the solar panels
  - Debt service reserve account
  - Financial covenants
Ex-Im Bank provides 90% repayment Guarantee for working capital loans, revolving or transaction based, made by commercial lenders to small businesses to finance export sales.

The Working Capital Guarantee serves as the collateral to the commercial lender by mitigating the risk inherent when the source of repayment for the loan is an overseas contract.

Enables exporters to finance materials, labor, and overhead to produce goods/services for export.

Enables exporters to cover standby letters of credit for bid and performance bonds, or payment guarantees.

Enables the exporters to finance foreign sales receivables.

Most Working Capital Guarantees provided by Delegated Authority Lenders (see www.exim.gov for a list) without prior Ex-Im Bank approval.
In Feb. 2008, Ex-Im Bank guaranteed a $25 million revolving credit working capital line for United Solar Ovonic of Auburn Hills, MI.

The credit was guaranteed under Ex-Im Bank’s 'Fast Track' Working Capital Guarantee Program that helps small and medium-sized businesses obtain larger working capital loans in less time.

Experienced lenders that qualify for the program can provide up to $25 million per borrower in Ex-Im Bank-guaranteed financing.

The guaranteed lender is JP Morgan Chase Bank in Cleveland, OH.

United Solar Ovonic, a wholly owned subsidiary of Energy Conversion Devices Inc., is using the credit line to finance the export of its thin-film solar laminates used in solar rooftop installations to customers in Europe and Asia.

"Our ability to access a line of credit of this size based on export-eligible receivables and inventory is tremendously helpful. The reduced amount of time involved enables us to move quickly to expand our export sales."

Sanjeev Kumar, Vice President & CFO
Aquatech International Corp. exported a waste water recycle/reuse facility to Oman valued at over $100 million with the help of a $23 million Working Capital Loan Guarantee.

- Working Capital Guarantee line renewed in January 2009

- Aquatech’s MVC evaporation technology used to desalinate and recycle waste water generated by an oil recovery facility.

- PNC Bank in Pittsburgh, Pa., provided Aquatech with working capital to fulfill its contract for its sale to Occidental Mukhaizna LLC, in Oman.

- Growth in Aquatech’s international contracts has increased the company’s need for quick access to working capital financing.

- A March 2006, Ex-Im Bank guarantee supported a $25 million working capital loan from PNC Bank under Ex-Im Bank’s Fast Track program - small and medium-sized U.S. exporters obtain larger Ex-Im Bank-guaranteed working capital loans in less time.

- Aquatech used this loan to support other export contracts, including a sale to Italy’s largest power company.
Ex-Im Bank: top priority to support renewable energy & environmental exports

Ex-Im Bank supports short, medium, and long-term financing to *creditworthy* international customers, and working capital guarantees to U.S. exporters

Ex-Im Bank is interested in any size project

We will work with you to create “bankable” projects

We welcome your projects and your ideas!

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