



IN PARTNERSHIP WITH
A&O SHEARMAN



SEMI-FINAL & FINAL ROUND PROPOSITION

BANKING ON THE NORTH WIND

THE NATIONAL LAW UNIVERSITY JODHPUR

INTERNATIONAL DEAL

NEGOTIATION COMPETITION

IN PARTNERSHIP WITH A&O SHEARMAN

28TH FEBRUARY - 2ND MARCH, 2025

BACKGROUND INFORMATION

GreenPower Consortium

Lars Andersen and his associate Michael Schwartz co-founded a renewable energy firm, GreenPower Consortium, in 2005. Both were young professionals at the time and brought complementary skills to GPC - Lars had technical expertise in wind energy engineering, while Michael had a strong background in financial structuring and international project management.

As the business grew, they incorporated their business into GreenPower Consortium Ltd. (“GPC”). GPC has operated successfully for over a decade, expanding its projects to 11 countries in Europe. Today, GPC is valued at £8.4 billion and operates through a complex corporate structure - GPC at the top, with several key group subsidiaries sitting below.

While GPC has experienced steady revenue growth, the company has also taken on substantial debt to finance its projects. Its debt-to-equity ratio has been increasing and has previously been a concern for lenders. GPC recognises that high levels of debt can strain its cash flow, especially if there are delays or cost overruns in ongoing projects.

The renewable energy sector is heavily regulated and the process of securing the necessary approvals can be time-consuming and complex. For instance, GPC's onshore

wind farm project in Portugal, valued at £75 million, experienced significant delays due to prolonged review periods by environmental agencies, before completing in 2022. GPC has also faced challenges related to stakeholder opposition. In the recent past, legal challenges and appeals have further delayed the permitting process. GPC's solar energy project in Albania faced strong opposition from local residents who were concerned about the project's impact on their prized landscape and loss of nearby agricultural land.

GPC has recently announced its most ambitious project to date - an offshore wind project in the North Sea, off the coast of Scotland. The North Sea Wind Farm (“NSWF”) is expected to take 10 years to build and require an initial investment of £1.4 billion. With the capacity to generate clean electricity for over 5 million households, NSWF will significantly reduce the region's carbon footprint, potentially decreasing carbon emissions by an estimated 1.3 million metric tons annually. Its innovative turbine technology leverages cutting-edge engineering developed through GPC's decade-long research and development efforts and promises 25% higher energy efficiency compared to existing offshore wind installations.

To effectively manage the financial and

operational complexities of NSWf, GPC has decided to establish a special purpose vehicle, GreenPower Consortium Holdco Ltd. (“**GPC Holdco**”). GPC Holdco will be a wholly-owned subsidiary of GPC and allow GPC to isolate the project's risks and financials from the parent company, thereby providing a clear, contained and focused structure to manage the project. It will have its own board of directors and management team, specifically appointed to oversee the NSWf project.

GPC Holdco will take on debt to fund the project, with GPC acting as the guarantor. This debt will be structured as project finance, meaning that the lenders will have recourse only to the assets and cash flows of the special purpose vehicle, not to GPC's broader balance sheet.

International Finance Group

International Finance Group (“IFG”) is a multinational investment bank headquartered in Frankfurt, Germany with investments in over 32 countries. Led by CEO Sarah Thompson, a former APMorgan & Co. executive with a PhD in Sustainable Economics, the bank has positioned itself as a pioneering force in financing environmentally sustainable investments. Under Thompson, IFG has committed to facilitating £18 billion in sustainable financing by 2030.

With several European deals already closed and ambitious projects in the pipeline, IFG hopes to expand its presence in the European renewable energy market. The bank maintains strong relationships with a diverse group of regional lenders across Europe, Asia and North America.

Recent market analysis has revealed significant potential in the offshore wind energy sector in Europe, which presents an attractive investment landscape for IFG. The bank’s market scouting team has identified offshore wind projects as offering a compelling combination of high returns potential and long-term stability. This strategic insight aligns perfectly with IFG’s commitment to sustainable investment opportunities.

While IFG boasts of a diverse and experienced leadership team, it has encountered some internal complexities of late. Its digital transformation has been slower compared to more agile competitors, and the sustainable finance division has experienced some mid-level executive turnover. These challenges are counterbalanced to some extent by the bank’s extensive international network and strategic positioning at the intersection of traditional finance and sustainable investment.

Thompson’s leadership has been characterized by the ideal balance between aggressive growth and ethical investment principles. This approach has attracted both admiration and scepticism from industry observers, who closely watch the bank’s ability to meet its ambitious sustainable financing targets while maintaining financial robustness in an increasingly complex global economic landscape.

GENERAL INFORMATION

In November 2024, news broke that GPC was in the market to finance its £1.4 billion loan facility to fund the NSWF project. Recognising the potential of the project, IFG approached GPC to discuss the prospect of funding the whole or part of the project. In December 2024, GPC and IFG began discussions on the terms of the proposed syndicated loan facility (“**the Facility**”).

The initial discussions have been promising, with IFG seeing an opportunity to strengthen its position in sustainable finance and meet its 2030 environmental commitments. The parties are now set to meet for an in-person negotiation to discuss some key items that have come up during their discussions.

Syndication

Market speculation has begun to circulate about potential challenges in syndicating the loan for the NSWF project. Industry insiders have raised concerns about GPC’s existing leverage profile, with financial analysts questioning the company’s capacity to take on additional debt. Rumours are rife that GPC’s aggressive expansion strategy over the years has stretched its financials to the limit.

During preliminary discussions, the parties discussed allocation of risk. IFG wanted to distribute the risk among multiple lenders to minimize its own exposure, while GPC was concerned about the complexity and potential delays associated with involving multiple

parties. GPC has strongly advocated, therefore, for a ‘firm underwriting commitment’ from IFG, seeking guaranteed financing in the amount of £1.4 billion irrespective of IFG’s success in syndicating the Facility. IFG has resisted this request citing GPC’s highly leveraged balance sheet. IFG has instead indicated a preference for a ‘best endeavours’ financing approach.

Another point of discussion has been the interest rates and fees associated with the syndicated loan. IFG proposed higher interest rates and fees to compensate for the increased risk and administrative costs of syndication, while GPC has tried to seek the most favourable terms to minimize its financing costs.

Security Package

The security package has emerged as another critical area of negotiation. GPC and IFG are yet to align on the value of the collateral. GPC initially values the wind farm assets at £600 million, but IFG’s internal assessment values them at only £450 million. GPC’s valuation includes optimistic projections of future energy prices and capacity factors.

The parties have also discussed control over the collateral. IFG wishes to have the right to take control of the collateral in the event of default, while GPC would seek to retain as much control as possible to continue operations and rectify any issues. To address

this, IFG have proposed a step-in rights framework, which would allow IFG to step in and take control of the collateral only under specific conditions.

The process for enforcing security interests in the event of default has also been discussed. IFG has proposed a streamlined and expedited process to recover its investment, while GPC seeks protections to ensure fair treatment and opportunities to rectify defaults. The parties have circulated a rider containing the events of default provisions (attached at Annexure 1) and plan to discuss any concerns at their next meeting.

Maintenance and Operations

GPC is concerned that the wind farm may face higher-than-expected maintenance and operational costs, affecting its profitability and ability to service the debt. GPC's latest internal estimates suggest that actual maintenance costs could be as high as £15 million per year, significantly higher than the initial estimate of £10 million.

GPC Holdco must comply with stringent environmental regulations, and any breaches could result in fines, legal action and reputational damage. An environmental audit reveals that GPC has not always fully implemented environmental measures on its projects. Local environmental groups are closely monitoring the NSWf project and have threatened legal action if compliance requirements are not met.

New Debt

As part of its strategic vision, GPC has emphasised its plans for expansion through new projects in the renewable energy sector. While IFG acknowledges the strategic rationale for growth, its primary apprehension centres on potential future financing scenarios where new lenders might obtain more favourable security or debt ranking, potentially compromising IFG's creditor rights.

Additional Funding

IFG has informed GPC of its intention to include conditions for any additional funding on the NSWf project (including but not limited to):

- Right of First Refusal for existing lenders to have the opportunity to participate in any additional funding rounds where GPC or its subsidiaries are taking on more debt.
- The proceeds from any additional debt must be used for specific, pre-approved purposes related to the NSWf project, such as covering unexpected costs, refinancing existing debt or funding operational expenses. This ensures that the new debt is used prudently and for value-adding activities.
- GPC must provide additional collateral to secure the new debt, ensuring that the existing collateral securing IFG's loan is not diluted. This could include assets

related to the same project or other unencumbered assets.

- Tie the disbursement of additional debt proceeds to the achievement of specific performance milestones. This ensures that funds are released only when GPC demonstrates measurable progress and meets predefined criteria.

The parties have agreed to deliberate upon these issues in the next round of negotiations between Lars Andersen and Sarah Thompson, scheduled for March 2025.

ANNEXURE 1: EVENT OF DEFAULT AND STEP-IN RIGHTS RIDER

Event of Default and Step-In Rights Clause

1. Event of Default

1.1 **Event of Default:** An "Event of Default" shall occur if any of the following conditions or events shall occur and be continuing:

- (a) **Payment Default:** GPC fails to make any payment of principal, interest or any other amount payable under this Agreement when due, and such failure continues for a period of [thirty (30)] days after the due date.
- (b) **Failure to Meet Critical Milestones:** GPC fails to achieve any of the critical project milestones specified in Schedule 1 of this Agreement, and such failure continues for a period of [sixty (60)] days after the milestone date.
- (c) **Significant Operational Issues:** GPC experiences significant operational issues, including but not limited to major technical failures, safety violations or environmental compliance breaches, and fails to remedy such issues within [ninety (90)] days of notice from IFG.
- (d) **Insolvency or Bankruptcy:** GPC becomes insolvent, makes an assignment for the benefit of creditors or files for or is subject to any bankruptcy or insolvency proceedings.
- (e) **Breach of Covenants:** GPC breaches any financial or operational covenants outlined in this Agreement, including but not limited to maintaining required financial ratios, and fails to remedy such breach within [sixty (60)] days of notice from IFG.
- (f) **Unresolved Disputes:** Any dispute between GPC and the syndicate members remains unresolved through mediation for a period of [ninety (90)] days.

2. Step-In Rights

2.1 **Notification and Cure Period:** Upon the occurrence of an Event of Default, IFG shall provide written notice to GPC specifying the nature of the default and granting GPC a cure period of thirty (30) to ninety (90) days, depending on the nature of the default, to remedy the default.

2.2 **Mediation:** If GPC fails to remedy the default within the specified cure period, both parties shall engage in mandatory mediation to resolve the issue. The mediator shall be a neutral third party agreed upon by both IFG and GPC.

2.3 Exercise of Step-In Rights: If the default remains unresolved after the mediation process, IFG shall have the right to exercise its step-in rights. IFG may take any or all of the following actions:

2.3.1 Control of Collateral: IFG may take control of the collateral specified in Schedule 2 of this Agreement, including but not limited to wind turbines, electrical infrastructure, project site leases and revenue from power purchase agreements (PPAs).

2.3.2 Project Management: IFG may appoint an independent project manager to oversee the completion and operation of the project. GPC shall cooperate fully with the appointed project manager and provide all necessary access and information.

2.3.3 Financial Penalties: IFG may impose financial penalties, including increased interest rates, additional fees or reduced access to contingency funds, as specified in Schedule 3 of this Agreement.

2.4 Restoration of Control: Once the default is remedied to the satisfaction of IFG, control of the project and collateral shall be restored to GPC. IFG shall provide written notice to GPC confirming the resolution of the default and the restoration of control

2.5 Temporary Measure: The exercise of step-in rights by IFG shall be a temporary measure intended to protect the interests of the syndicate members and ensure the successful completion and operation of the project. IFG shall act in good faith and in the best interests of the project while exercising its step-in rights.

By including this Event of Default and Step-In Rights Clause in the loan agreement, IFG and GPC can ensure a clear and structured process for addressing defaults and protecting the interests of all parties involved.

ANNEXURE 2: EXTRACT OF THE LOAN AGREEMENT

2. Definitions

For the purposes of this clause:

“**Borrower**” means GreenPower Consortium Holdco;

“**Lender**” means International Finance Group, and [●];

“**Parent**” means GreenPower Consortium Ltd.;

“**NSWF**” means the North Sea Wind Farm project;

“**Senior Debt**” means any indebtedness for borrowed money that ranks senior in priority of payment to any other indebtedness of the Parent or the Borrower.

21. Security

21.1 Security Over Project Assets

The Borrower shall grant a first-ranking security interest over all its assets related to the Project, including but not limited to:

- (a) All tangible and intangible assets.
- (b) All contracts, licenses, and permits.
- (c) All accounts receivable and cash flows generated by the Project.
- (d) All insurance policies and proceeds.

21.2 Perfection of Security Interests:

The Borrower shall take all necessary actions to perfect the security interests granted to the Lender, including the execution and filing of any required documents, registrations, or notices.

21.3 Maintenance of Collateral:

The Borrower shall maintain the collateral in good condition and shall not sell, transfer or otherwise dispose of any collateral without the prior written consent of the Lender.

21.4 Valuation of Collateral:

The initial valuation of the collateral shall be set at £[●]million, with provisions for adjustment based on the achievement of specific project milestones or performance metrics as outlined in Schedule [●].

21.5 Restrictions on Parent's Ability to Take on Senior Debt

21.5.1 Negative Covenant:

The Parent shall not, without the prior written consent of the Lender, incur, assume, or permit to exist any Senior Debt that would rank pari passu or senior to the obligations under this Loan Agreement.

21.5.2 Permitted Debt:

The Parent may incur the following types of debt without violating the negative covenant:

- (a) Debt that is subordinated to the obligations under this Loan Agreement.
- (b) Trade credit incurred in the ordinary course of business.
- (c) Existing debt as disclosed in Schedule [6], provided that such debt is not increased or modified in a manner that would adversely affect the Lender's security interests.

21.5.3 Debt Service Coverage Ratio (DSCR):

The Parent shall maintain a minimum Debt Service Coverage Ratio (DSCR) of [1.25:1] at all times. The DSCR shall be calculated as the ratio of Net Operating Income to Total Debt Service, as defined in Schedule [3].