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**TRADE AND AGRICULTURE DIRECTORATE
PARTICIPANTS TO THE ARRANGEMENT ON OFFICIALLY SUPPORTED EXPORT CREDITS**

**2009 SECTOR UNDERSTANDING ON EXPORT CREDITS FOR RENEWABLE ENERGIES AND
WATER PROJECTS**

This document contains the 2009 Sector Understanding on Export Credits for Renewable Energies and Water Projects, which is Annex IV to the Arrangement on Officially Supported Export Credits and which is effective from 1 July 2009.

Contact: Janet WEST, Head, Export Credits Division, Trade and Agriculture Directorate, OECD.
Tel: +33 (0)1 45 24 89 10; Fax: +33 (0)1 44 30 61 58;
E-mail: janet.west@oecd.org; cc: xcred.secretariat@oecd.org

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ANNEX IV: SECTOR UNDERSTANDING ON EXPORT CREDITS FOR RENEWABLE ENERGIES AND WATER PROJECTS

CHAPTER I: SCOPE OF THE SECTOR UNDERSTANDING

1. SCOPE OF APPLICATION

- a) This Sector Understanding, which complements the Arrangement, sets out the financial terms and conditions which may apply to officially supported export credits relating to contracts for:
 - 1) The export of complete renewable energies and water projects plants or parts thereof, comprising all components, equipment, materials and services (including the training of personnel) directly required for the construction and commissioning of such plants. The scope of eligible sectors is set out in Appendix 1.
 - 2) The modernisation of existing renewable energies and water plants in cases where the economic life of the plant is likely to be extended by at least the repayment period to be awarded. If this criterion is not met, the terms of the Arrangement apply.
- b) This Sector Understanding does not apply to items located outside the power plant site boundary for which the buyer is usually responsible, in particular, water supply not directly linked to the power production plant, costs associated with land development, roads, construction villages, power lines and switchyard, as well as costs arising in the buyer's country from official approval procedures (*e.g.* site permits, construction permit), except:
 - 1) In cases where the buyer of the switchyard is the same as the buyer of the power plant and the contract is concluded in relation to the original switchyard for that power plant, the terms and conditions for the original switchyard shall not exceed those for the renewable energies power plant; and
 - 2) The terms and conditions for sub-stations, transformers and transmission lines with a minimum voltage threshold of 60kV located outside the renewable energies power plant site boundary shall not be more generous than those for the renewable energies power plant.

CHAPTER II: PROVISIONS FOR EXPORT CREDITS

2. MAXIMUM REPAYMENT TERMS

The maximum repayment term is 18 years.

3. REPAYMENT OF PRINCIPAL AND PAYMENT OF INTEREST

- a) The Participants shall apply a profile of repayment of principal and payment of interest as specified in sub-paragraphs 1) or 2) below:
 - 1) Repayment of principal shall be made in equal instalments.
 - 2) Repayment of principal and payment of interest combined shall be made in equal instalments.
- b) Principal shall be repaid and interest shall be paid no less frequently than every six months and the first instalment of principal and interest shall be made no later than six months after the starting point of credit.
- c) On an exceptional and duly justified basis, official support may be provided on terms other than those set out in a) and b) above. The provision of such support shall be explained by an imbalance in the timing of the funds available to the obligor and the debt service profile available under an equal, semi-annual repayment schedule, and shall comply with the following criteria:
 - 1) No single repayment of principal or series of principal payments within a six-month period shall exceed 25% of the principal sum of the credit.
 - 2) Principal shall be repaid no less frequently than every 12 months. The first repayment of principal shall be made no later than 18 months after the starting point of credit and no less than 2% of the principal sum of the credit shall have been repaid 18 months after the starting point of credit.
 - 3) Interest shall be paid no less frequently than every 12 months and the first interest payment shall be made no later than six months after the starting point of credit.
 - 4) The maximum weighted average life of the repayment period shall not exceed:
 - Nine years, for repayment terms up to and including 15 years.
 - Eleven years, for repayment terms greater than 15 years and up to and including 18 years.
- d) Interest due after the starting point of credit shall not be capitalised.

4. MINIMUM INTEREST RATES

A Participant providing official financing support for fixed rates loans shall apply the following minimum interest rates:

Repayment Term (years)	Standard Minimum Interest Rates		Minimum Interest Rates for New Large Hydro-power Projects ¹	
	Government bonds (years)	Margin (bps)	Government bonds (years)	Margin (bps)
< 11	Relevant CIRR in accordance with Article 20 of the Arrangement			
11 to 12	7	100	7	100
13	7	120	8	120
14	8	120	9	120
15	8	120	9	120
16	9	120	10	125
17	9	120	10	130
18	10	120	10	130

5. ELIGIBLE CURRENCIES

The currencies that are eligible for official financing support are those which are fully convertible and for which data are available to construct the minimum interest rates mentioned in Article 4 above, and Article 20 of the Arrangement for repayment terms less than 11 years.

6. LOCAL COSTS

The provisions of Article 10 of the Arrangement apply, except that the official support provided for local costs shall not exceed 30% of the export contract value.

¹. As per the definition of the International Commission on Large Dams (ICOLD). ICOLD defines a large dam as a dam with a height of 15m or more from the foundation. Dams that are between 5 and 15m high and have a reservoir volume of more than 3 million m³ are also classified as large dams.

CHAPTER III: PROCEDURES

7. PRIOR NOTIFICATION

- a) A Participant shall give prior notification in accordance with Article 45 of the Arrangement at least ten calendar days before issuing any commitment if it intends to provide support in accordance with the provisions of this Annex.
- b) If the notifying Participant intends to provide support with a repayment term in excess of 15 years and/or in accordance with Article 3. c) above, it shall wait an additional ten calendar days if any other Participant requests a discussion during the initial ten calendar days.
- c) A Participant shall inform all other Participants of its final decision following a discussion, to facilitate the review of the body of experience.

CHAPTER IV: REVIEW

8. FUTURE WORK

The Participants agree to examine the following issues before the end of 2009:

- a) A minimum floating interest rate regime.
- b) The maximum amount of official support for local costs.
- c) The scope of the Sector Understanding.

9. MONITORING AND REVIEW

- a) The Secretariat shall report annually on the implementation of these financial terms and conditions.
- b) The Participants shall review regularly the provisions of the Sector Understanding and at the latest by the end of 2013, *i.e.* the fourth calendar year following the effective date of this Sector Understanding.

APPENDIX 1: ELIGIBLE SECTORS

The following renewable energies and water sectors shall be eligible for the financial terms and conditions set out in this Sector Understanding provided that their impacts are addressed in accordance with the 2007 Revised Council Recommendation on Common Approaches to the Environment and Officially Supported Export Credits¹ (as subsequently amended by Members of the OECD Working Group on Export Credits and Credit Guarantee (ECG) and agreed by the OECD Council):

- a) Wind energy.
- b) Geothermal energy.
- c) Tidal and tidal stream power.
- d) Wave power.
- e) Solar photovoltaic power.
- f) Solar thermal energy.
- g) Ocean thermal energy.
- h) Bio-energy: all sustainable biomass, landfill gas, sewage treatment plant gas and biogas energy installations. 'Biomass' shall mean the biodegradable fraction of products, waste and residues from agriculture (including vegetal and animal substances), forestry and related industries, as well as the biodegradable fraction of industrial and municipal waste.
- i) Projects related to the supply of water for human use and wastewater treatment facilities:
 - Infrastructure for the supply of drinking water to households, *i.e.* water purification for the purpose of obtaining drinking water and distribution network (including leakage control);
 - Wastewater collection and treatment facilities, *i.e.* collection and treatment of household and industrial wastewater and sewage, including processes for the re-use or recycling of water and the treatment of sludge directly associated with these activities.
- j) Hydro power.
- k) Energy efficiency in Renewable Energies projects.

¹ It is understood that the 2007 Recommendation applies equally to projects that are not eligible for these financial terms and conditions.