

# CASE STUDY WIGTON WINDFARM LIMITED EXPERIENCE

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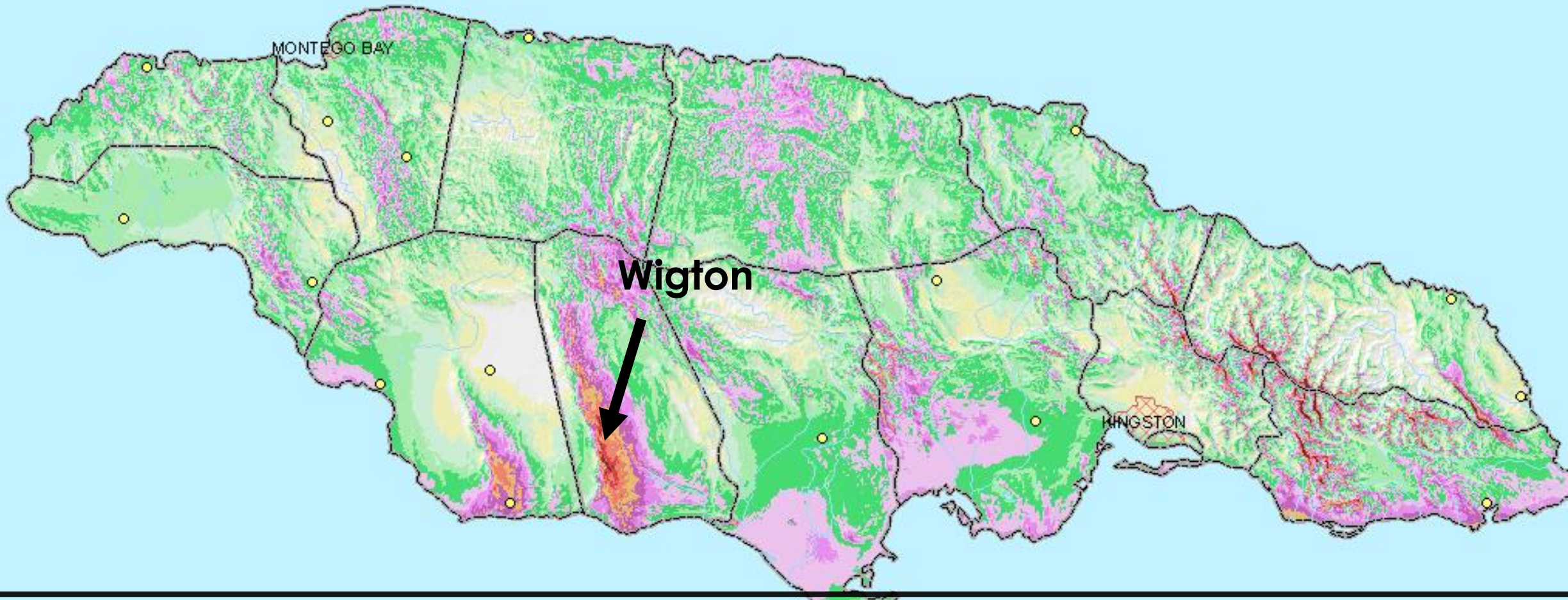
CRAF/CCREEE Financial Institutions Training

October 29, 2020



# Overview

Wind speed map at 70 m elevation



HIGH POTENTIAL WIND SITES

# Wigton Windfarm Overview

**Incorporated 2000**

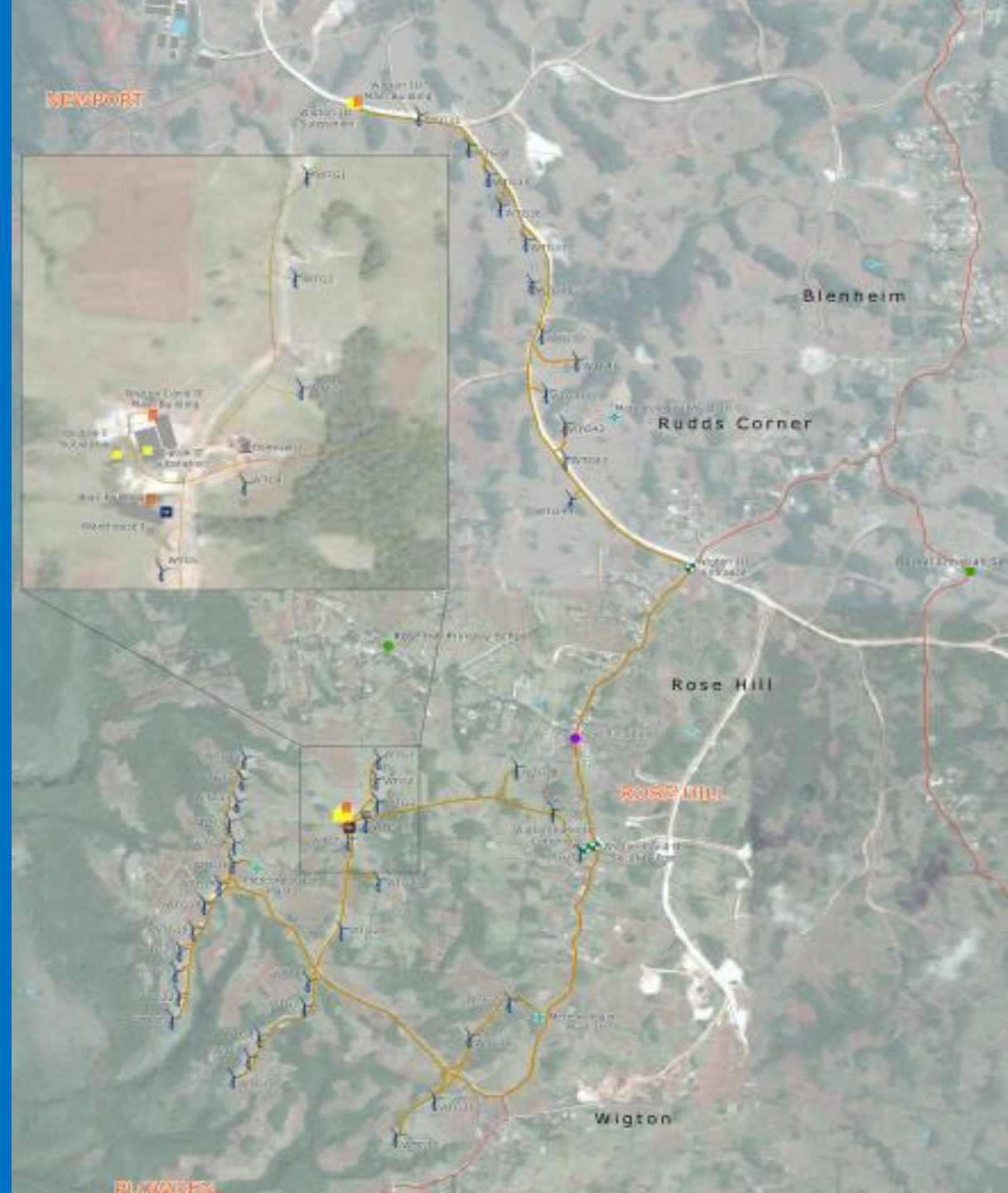
**Operating since 2003**

**Government of Jamaica owned from 2000-2019**

**Privatized 100% on Jamaica Stock Exchange**

**3 Phases of Wind Turbines**

**44 Wind Turbines**





## Projects

PHASE	Wigton I	Wigton II	Wigton III
Capacity	20.7 MW	18 MW	24 MW
Year Installed	2004	2010	2016
Wind Turbine Qty	23	9	12
Wind Turbine Type	NEG Micon NM 52 (Dutch)	Vestas V80 (Danish)	Gamesa G80 (Spanish)
Wind Turbine Rating	900 kW	2000 kW	2000 kW
Project Cost	US\$ 26 Million	US\$ 47.5 Million	US\$ 45 Million

# Final Structuring

Phase I 20.7 MW 2004	PCJ Equity \$3.2M	Dutch Grant \$6.6 Million	62% Debt \$16 Million*	Total \$25.8 Million
Phase II 18 MW 2010	100% Debt \$47.5 Million			Total \$47.5 Million
Phase III 24 MW 2016	Wigton Equity \$9 Million	80% Debt \$36 Million**		Total \$45 Million
Overall Totals	Grants \$6.6 M	Equity \$12.2 M	83% Debt \$99.5 Million	\$118.3 Million

Wigton I debt (2004) was originally with NCB but refinanced with Wigton II debt from PetroCaribe Development Fund (2010)

**BEST PRACTICES  
AND LESSONS  
LEARNT  
FOR FINANCIAL  
STRUCTURING**

# EXPENSIVE RENEWABLE ENERGY FINANCING FOR CARIBBEAN COUNTRIES

Expensive renewable energy financing for Caribbean countries in comparison to the foreign investors against whom we have to compete for projects. Hence the benefit from the development of any such projects, would be disproportionately skewed towards foreign investors resulting in further economic degradation of poor developing countries



# EXPENSIVE RENEWABLE ENERGY FINANCING FOR CARIBBEAN COUNTRIES



We as people of the Caribbean should be asking for levelling of the playing field for all investors and laws to require foreign investors to partner with local entities to ensure that profit are equitably distributed in these countries

For Example In Jamaica, Wigton Windfarm is the only 100% Jamaican owned Independent Power Producer for 100% profits to be retained in Jamaica

# CHALLENGES EXPERIENCED WHEN WIGTON SOUGHT PROJECT FUNDING

Wigton I  
(2002-2003)

**Greenfield RE Project in Jamaica categorized as high risk**

**Parent Company, PCJ, negotiated with a Commercial Bank NCB for 62% project debt**

**Floating Rate was as high as 11.75%**

- Therefore this had to be refinanced in 2010 to lower cost PetroCaribe Development Fund financing

# CHALLENGES EXPERIENCED WHEN WIGTON SOUGHT PROJECT FUNDING

Wigton II  
(2008-2009)

**Wigton's local bankers were surveyed and rates were:**

- Commercial Bank A: 7.25% fixed, 15 years, 2 years moratorium
- Commercial Bank B: 6.27% fixed first 9 years then 4.96% fixed for remaining 6 years, 1 year moratorium

**However, cabinet instead recommended PetroCaribe Development Fund at 4%**

- Therefore even the Government receives concessionary rates but still marks up rates

# CHALLENGES EXPERIENCED WHEN WIGTON SOUGHT PROJECT FUNDING

Wigton III  
(2013-2014)

**Discussion with many local and financial entities**

**No Rates as low as EXIM Bank to foreign investors from their home countries**

# CHALLENGES EXPERIENCED WHEN WIGTON SOUGHT PROJECT FUNDING

Type of Institution	Indicative Interest Rate	Fees	Loan (US\$)	Tenure (years)	Grace (years)
Commercial Bank A in Jamaica	Tranche A: US LIBOR+6% =6.436 % Tranche B: US LIBOR+9.5 % =9.936	Commitment fee A: 0.5% Commitment fee B: 0.25%	Up to 38.4 Million	A: 1.5 B: 8	0
Commercial Bank B in Jamaica	8% (variable)	Commitment fee: 0.5%	8 Million	10	Expansion period
International Investment Bank A	2%-3% (fixed)	75-100 bp of loan (including appraisal fee of 40,000 Euro)	24 Million	12	3
Regional Development Bank A	3.83% (govt. guarantee required) • current public bodies rate			Max. 22 years	
PetroCaribe Development Fund (now defunct)	4 - 6%		Up to 48 Million	15 years	

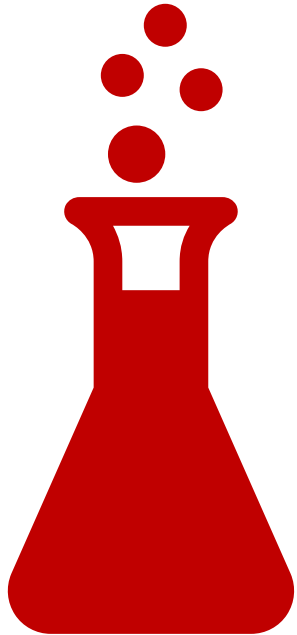
# FINANCIAL INSTITUTION POOL OF FUNDS AND LOCAL CONTENT



## Pool Funds

- It is time financial institutions in the region commence setting aside a pool of funds to allow businesses in RE and even other capital infrastructure type project to get implemented with significant local inputs

# FINANCIAL INSTITUTION POOL OF FUNDS AND LOCAL CONTENT



## Develop Capital Base

- Developing a capital base in Jamaica if local investment versus profits all repatriated
- For development of the local economies must insist on local content and partners

**LATIN AMERICA  
AND THE  
CARIBBEAN (LAC)**



# LATIN AMERICA AND THE CARIBBEAN (LAC)

UNCTAD World Investment  
Report 2020 Regional FDI

- UNCTAD: United Nations Conference on Trade and Development
- FDI: Foreign Direct Investment

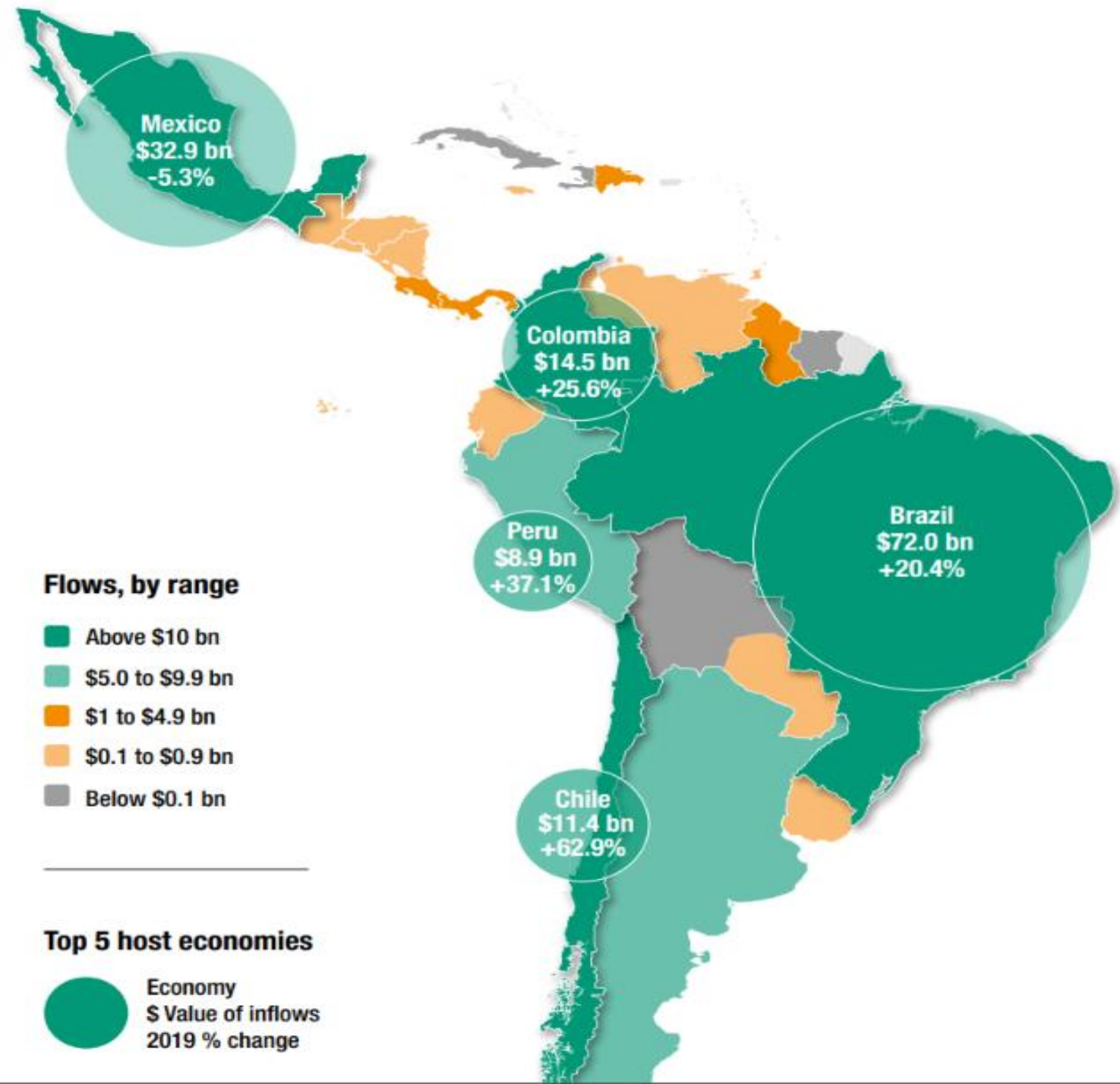
Table C.

## Announced greenfield FDI projects by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	LAC as destination		LAC as investor	
	2018	2019	2018	2019
<b>Total</b>	<b>78 520</b>	<b>112 315</b>	<b>18 874</b>	<b>18 453</b>
<b>Primary</b>	<b>13 445</b>	<b>8 026</b>	<b>5 667</b>	<b>4 140</b>
<b>Manufacturing</b>	<b>26 320</b>	<b>41 204</b>	<b>5 282</b>	<b>5 087</b>
Food, beverages and tobacco	4 250	3 147	675	832
Paper, printing and packaging	1 598	5 526	193	85
Basic metal and metal products	2 348	4 405	1 317	1 550
Motor vehicles and other transport equipment	6 676	10 087	1 123	48
<b>Services</b>	<b>38 755</b>	<b>63 084</b>	<b>7 925</b>	<b>9 226</b>
Electricity, gas, steam and air conditioning supply	8 008	25 701	-	1 697
Transportation and storage	5 579	8 270	1 462	432
Accommodation and food service activities	7 506	6 691	2 539	2 647
Information and communication	8 264	9 272	1 942	2 431
Financial and insurance activities	3 169	3 626	299	903

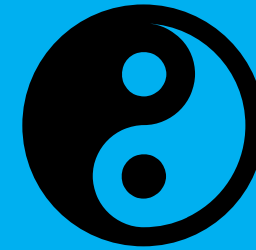
# LATIN AMERICA AND THE CARIBBEAN (LAC)

- FDIs increased over 10% in LAC between 2018-2019
- But the pandemic is expected the half the LAC \$164 Billion FDI in 2019 to 2020
- FDI in the Caribbean was <US\$0.1 Billion except Jamaica and Dominican Republic



# IMPACT OF FOREIGN DIRECT INVESTMENTS

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In Principal JAMPRO (Jamaica Promotions and Investment as a part of Caribbean Association of Investment Promotion Agencies – CAIPA) indicates No Difference for Incentives for Local versus Foreign Direct Investment

# IMPACT OF FOREIGN DIRECT INVESTMENTS



However in Practicality we have experienced differences e.g.

- PPA Rates in US\$ versus J\$
- New entities can get Special Economic Zone benefits versus an existing business
- Nonstandard times for manufacturing status tax benefits



# Win With Wigton

A World Class Company