

Turkish - American Clean Energy Conference

January 29 - 30, 2008, Istanbul, Turkey

CLEAN COAL / HYDROELECTRIC / WIND / SOLAR / BIO-FUEL

Overview of Ex-Im Bank Medium and Long Term Finance and Clean Energy

**Presentation for
American Turkish Council
Clean Energy Technologies Conference
January 30, 2008**

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Overview of Ex-Im Bank

presented by

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Overview: Mission

- Ex-Im Bank's mission is to sustain and increase U.S. jobs:
 - By offering financial support where:
 - There is official (ECA) foreign competition or
 - Private financing is unavailable.
 - For a broad range of goods/services:
 - Including equipment for large infrastructure project (e.g., power plants incl. nuclear, railways, roads, telecom, water supply, air & seaports)
 - No transaction too big or small.

Overview: Products

- Independent U.S. government agency
 - Established in 1934 to finance export sales of U.S. goods & services
 - Since 1934 - supported over \$450 billion in exports.
- The bank uses
 - Short, medium, and long-term financing to creditworthy international customers in public & private-sectors;
 - Working capital guarantees to U.S. exporters
- Products
 - Direct Loans
 - Guarantees
 - Export Credit Insurance
 - Working Capital Guarantees

Overview, Continued

- No minimum or maximum project size.
- Special initiatives for:
 - Environmental exports and Clean/renewable Energy
 - Small business
 - Support for municipalities (sub-sovereign support)
 - Medical Equipment
 - Transportation Security Equipment

Ex-Im Products and Programs

- ***Working Capital Loan Guarantees***
 - 90-100% repayment guarantee for working capital loans to cover standby letters of credit for bid, performance bonds, payment guarantees.
- ***Short/Medium Term Credit Insurance***
 - Enables exporters to offer credit directly to customers – attractive alternative to letters of credit.
- ***Medium/Long Term Loan Guarantees***
 - Guaranteed loans to international buyer with 100% unconditional loan payment guarantee of U.S. content
- ***Project and Structured Finance***
 - Limited recourse financing for projects too large for standard “balance sheet-based” financing or structured finance for smaller projects which use a balance sheet enhanced by special features.

Medium & Long Term 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

Issues

- Eligibility
 - Competitiveness with Other ECAs
 - Documentation-invoice/proof of payment, B/L, Exp. Certificate
 - MARAD
 - Foreign Content
- Economic Impact
 - An increasingly important issue – many legislative amendments
 - Key sectors – steel, semiconductors/d-ram, ethanol

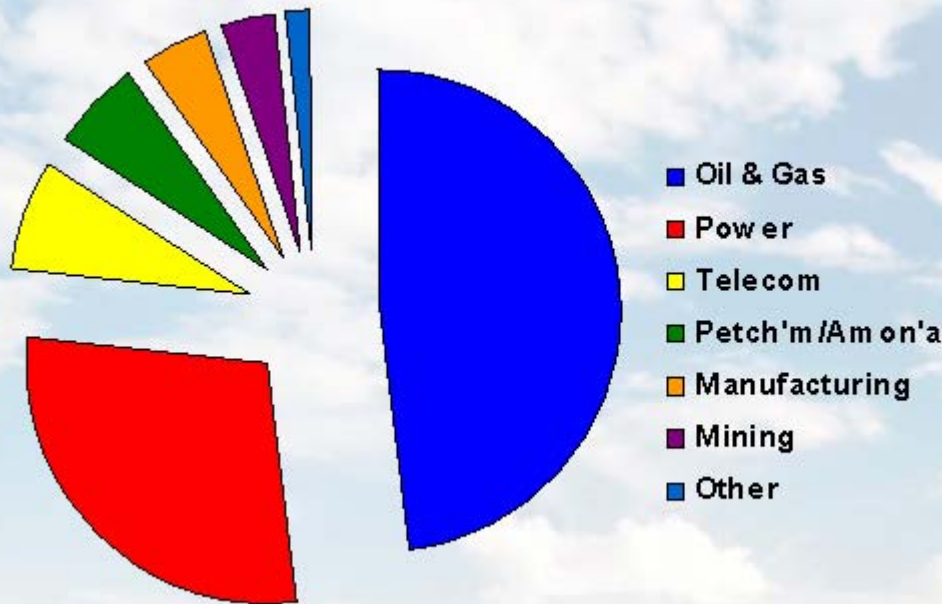
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Long Term Finance
or
Structured/Project Finance

Total Portfolio by Sector, 1993-Present



Oil/gas has been the largest sector.

Power was a significant sector in the 1990's.

Different structures for financing

Ability to Manage Complexity	Extensive	Corporate Structured		Project Finance
	None	Corporate Balance Sheet		
		Bank Guarantee		
		Sovereign		
		Small		Large
	Deal Size			

Structured & Project Finance: Distinctions

- Structured Finance
 - Full Recourse to sponsor/borrower
 - Expansion of operation in existence 3+ years
 - Analyze historic & projected cash flows
 - Limited perfection of security
- Project Finance
 - Limited Recourse
 - Greenfield or large project expansion
 - Analyze project's future cash flows
 - Complex security documentation

Use of Advisors

❖ Financial Advisors used on many cases, esp. Project Finance.

Type	Project Finance		Structured Finance
	=>\$30 MM	<\$30 MM	
Financial	●		
Market/Technical	●		◐
U.S. Legal	●	◐	◐
Local Legal	●	◐	

● Significant advisor scope ◐ Small scope +/- or only occasional use

❖ Advisors needed due to:

- Small size/limited resources of Ex-Im Bank Staff
- Assumption of documentation risk

❖ Other ECAs don't typically use financial advisors, but:

- Requests to share Ex-Im Bank advisors is becoming more common
- Legal advisors shared with other ECAs and sometimes with commercial banks.
- Incremental financial advisory cost relatively low

Terms: Long-term, Flexible Support Available

Term	Project	Structured/ Corporate	
		Renewable/ Water	Normal
IDC Capitalization	<i>Yes</i>	<i>Yes</i>	No
Term (Years)	14	<i>15</i>	10-12
Amortization/ Grace	<i>Flexible/ 2 years</i>	Equal semi-annual (ESA)/6 mos.	Generally ESA – flexibility & 1-year grace available
Local Cost Cover	<i>15% of Project</i>	15%, tied to export contract	

Gold Bold Italics denote more advantageous terms

❖ PF terms. For renewable energy & water, PF & non-PF terms are more comparable.

Fees – set according to OECD guidelines

- Structured Finance
- Commitment fees:
 - 1/8% for guarantees
 - 1/2% for direct loans
- Exposure fees from on-line calculator
- Limited Advisory Fees
- Project Finance
- Commitment fees:
 - 1/2% all options w/ pre-completion coverage
 - 1/8% w/o completion coverage & additional options
- Exposure fees more complicated to estimate
- Extensive Advisory Fees

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- Environmental Exports
- Renewable Energy

Environmental & Clean Energy

- Support for environmentally-beneficial exports and clean energy is mandated in Ex-Im Bank Charter. The Office of Renewable Energy and Environmental Exports oversees the program.
- Environmental projects are offered Special Enhancements:
 - Maximum OECD repayment term for Long-Term Loans and Guarantees of 10-15 years after project completion.
 - Repayment terms of 15-years for renewable energy (solar, wind, geothermal, hydro, nuclear) and water treatment projects.
 - Capitalization of interest during construction.
 - Up to 15% local cost support within the U.S. scope of supply.
- RESULTS: Transactions approved under the Program grew from 13 in FY 1994, to 740 thru FY 2007, totaling over \$5.6 billion.

Upcoming Events of Note

- American Turkish Council Annual Conference
April 13-16, 2008
- Export-Import Bank Annual Conference
April 17-18, 2008

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- **American Turkish Council Annual Conference
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