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DEAL: Europe's first certified green loan

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Strasser Capital has become the first in Europe to place a senior secured Climate Bond-certified green loan, opening a new market for financing sustainable projects.

The €30 million deal (\$31.9 million) is secured by a high-quality granular portfolio of consumer leases held by its subsidiary MEP Werke, Germany's biggest solar leasing company.

A 20-year maturity, a global first, is in place to match the length of the leases securing the transaction, which MEP Werke holds with homeowners as per the German renewable energy act. It's also the first long-term financing for a European solar leasing company.

Clifford Chance partner Arne Klüwer, who advised the issuer, said the structure was designed to fit criteria for mobile leasing securitisations in a whole business securitisation context at the request of investors.

It's not a securitisation, but the legal structure underpinning the Irish special purpose vehicle (SPV) is bankruptcy-remote to ensure that if the servicer becomes unavailable for any reason, there's a backup. According to Hexagon Finance's managing director Rick Gambetta, who provided financial advice, the fully amortising fixed rate loan also has characteristics of a project financing.

The deal also took significant preparation. Ulrich Bogner, director of corporate finance and investment at Strasser Capital, explained that the maturity couldn't be matched without initial ramp-up and warehouse financing to build the portfolio.



MEP Werke will use the proceeds to buy more solar panels

KEY TAKEAWAYS

- Strasser Capital has completed the first senior secured Climate Bond-certified green loan in Europe, potentially opening a new market for solar providers;
- The 20-year maturity is also a global first, to match the 20-year contracts the deal is secured by;
- Those close to the deal say it's somewhere between a loan, a green bond, a whole-business securitisation and a project financing;
- This is the first stage of a wider green finance programme MEP Werke has in the pipeline, with three further tranches planned.

"There was a huge amount of due diligence and risk analysis for a 20-year portfolio, especially with nothing to compare it to," he said.

"Because solar panel installations in this instance qualify as technically movable objects, we could apply a similar securitisation structure as for other movables," explained Klüwer.

"But they would typically have a term of three to five years as opposed to a much longer term here, so there are many more things to consider: what if the home is sold, if the owner dies, if the servicer has to be replaced, for example. A lot can happen in 20 years."

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While a green loan is a first, the structure is similar to the now fairly commonplace green bond. Bogner said a bond was also offered to investors, but they opted for the loan for its regulatory and tax optimisation. "But as it's based on a fixed repayment schedule with fixed interest, it's really just a contractual difference," he said.

The framework used by US company SolarCity, the first company to carry out a solar portfolio securitisation in 2013, provided some guidance – but Strasser Capital's deal is ultimately a different product.

It's unclear if other solar companies will follow suit, but MEP Werke's deal is the **first of four tranches** making up a wider green finance programme for the company that will reach €100 million.

TAX

- MEP Werke pays corporate tax in Germany but all post-tax cash flow is transferred to the Irish special purpose vehicle, a tax-friendly jurisdiction for such structures.

SECURITY

- The deal is secured by a high quality granular portfolio of 20-year leases MEP Werke has with homeowners in Germany to finance photovoltaic roof panels;
- The energy company worked with Germany's top credit rating agency to select only the most creditworthy applicants.

FRAMEWORK/PRINCIPLES

- The loan is certified by the non-profit Climate Bonds Initiative, an authority on climate finance.

USE OF PROCEEDS

- The proceeds will be used to finance MEP Werke's acquisition of solar panels.

Tear sheet

Strasser Capital's €30 million 20-year senior secured fixed rate Climate Bond-certified green loan was placed with Delta Lloyd Asset Management on January 10. Clifford Chance advised the issuer.

IFLR1000's weekly deal roundup can be found [here](#).

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