As the name suggests, Export Credit Agencies were created to facilitate the sale of exports by providing the necessary financing to conclude the sale. They help eliminate the almost always present condition to a sales contract of “subject financing”. Ships are expensive and trade in volatile markets. Neither of which is conducive to financing, given their substantial consumption of capital and inherent repayment risk. Nevertheless, the ECAs were the lubricant that enabled the delivery of vast numbers of newbuilding orders, while operating mainly in their own self-interest as they should. They cannot be held responsible for the foibles of shipowners who placed these excessive orders effectively making them weapons of mass destruction as evidenced by the collapse of the bulk market due to oversupply. Yet one might wonder that if the contracts were priced to include a reasonable profit, rather than motivated by employment goals, the higher cost may have dissuaded owners from over-ordering.

The ECAs do not simply provide capital, they provide it in a formalized highly competitive product, adding to the attraction. Financing terms are standardized and quite favorable offering a maximum tenor of 12 years, 80% financing and interest based upon the relevant commercial interest reference rates, which correspond to commercial rates charged to first class borrowers in the domestic market of the local currency. ECAs share the risk with the banks by not only providing direct funding but also insurance/guarantees.

The importance of the ECAs can be seen in both the quantity and quality of this year’s nominations, a number of which are worth highlighting. Beginning with the largest Korean shipping ECA transaction of 2015, which was led by Citi and Nordea, GasLog Ltd. raised $1.311 billion to support the post-delivery financing of eight LNG carriers through a K-sure and KEXIM facility. Accomplished in a challenging LNG space, the facility assisted in de-risking the borrower’s core future capital expenditure requirement by providing competitive and compelling terms for the financing, including an 80% LTV, no charter requirements, an extended profile and the flexibility to drop the financed vessels into GasLog’s MLP. The well-structured financing was well-received (2.4x oversubscription) by a syndicate of 14 banks from Europe, North America, Asia and Oceania, which widened GasLog’s banking group.

Star Bulk Carriers required financing for eight eco-friendly Ultramax bulk carriers under construction in two Chinese shipyards, Jiangsu Yangzijiang and Nantong COSCO, and approached Deutsche Bank, an active player in Sinosure covered financings, for assistance. Deutsche Bank together with HSBC arranged an ECA covered facility of $156.45 to single purpose SPVs guaranteed
by Star Bulk in an extremely short time span of three months. Proceeds of the loan were used for the payment of the final installments and reimbursement of earlier payments made to the shipyard. Despite operating in the continuing oversupplied dry bulk market facing historically low rates, the company achieved a 65% LTV and a 12-year loan tenor. It pays to have friends in high places as Sinosure extended 95% comprehensive insurance cover to the lenders for both political and commercial risks.

What was new last year became more prevalent this year. The provision to swap from a loan to a covered bond appeared in two nominations. The first, nominated by BNP Paribas, is a $76.5 million export financing for three newbuilding 2,100 TEU containerships for CMA CGM, which would contribute $25.5 million in equity or 25% of the project cost. With 95% cover, the K-sure covered loan, with standard shipping securities, can be refinanced by a K-sure covered bond within a maximum of three years after signing the insurance policy. The structure provides a number of benefits which avoid the problems associated with first time issuance. But more importantly, it ensures, due to its flexibility, the optimal placement of the bond at an attractive price to a wide array of investors, while simultaneously providing the comfort of a long-term K-sure covered loan in the unlikely event the loan has not been flipped into the bond. The genesis of this transaction was CMA CGM’s desire to utilize the bond market to diversify their funding sources. This innovative transaction, K-sure’s first ship bond issuance, met that criteria.

Credit Agricole CIB led a similar transaction for MSC Cruises. In this instance, the €1.15 billion facility financed two cruise vessels being constructed at Fincantieri for delivery in 2017 and 2018. The facility is guaranteed by SACE, the Italian ECA, and also provides for refinancing through an ECA guaranteed bond upon delivery of the vessels, if the debt capital markets are open and competitive.

By nearly universal acclaim, the winner of the ECA Deal of the Year is a series of ECA financings totaling $1.223 billion for Gener8 Maritime Inc., a newly formed entity resulting from the transformative merger of General Maritime and Navig8 Crude Tankers last year. The new company owns a fleet of 46 tankers, including 25 on the water and 21 newbuilding “eco” VLCCs under construction at reputable shipyards in Korea and China, necessitating the involvement of both the Korean and Chinese ECAs.

The larger transaction was a $963.7 million Korean ECA backed facility to cover a portion of the financing of 15 newbuilding VLCCs being constructed in Korean shipyard

By combining the $581 million refinancing of the existing fleet with the two ECA facilities, including fundings scheduled in 2016 under the CEXIM facility, the total debt of $1.93 billion represents the world’s largest financing of a tanker company in history.

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