

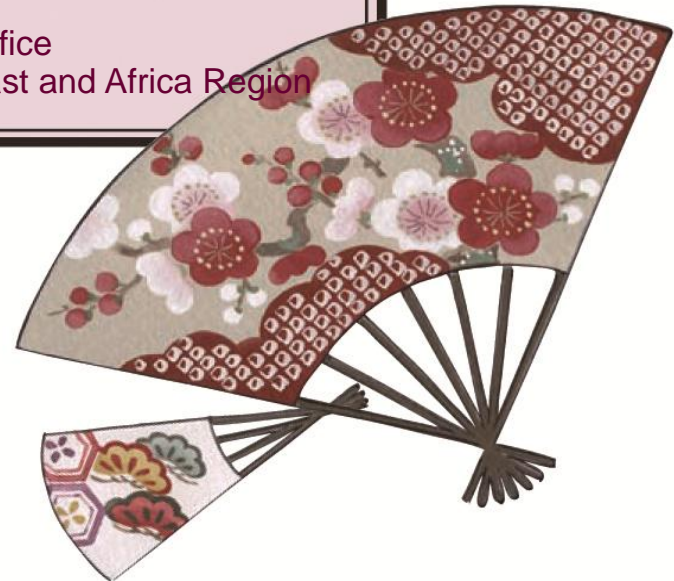
# The Role of Export Credits in NPP Financing

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NEXI: Nippon Export and Investment Insurance



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# I . What is Trade and Investment Insurance?



## 1. Trade and Investment Insurance

- Trade and investment insurance covers risks involved in overseas transactions such as export, import, investment and financing, for which private insurance is not able to provide cover.
- Most countries have state-owned institutions that provide trade and investment insurance to support the international business activities of domestic companies.
- Approximately 10% of world trade and investment are covered by this insurance.

# I . What is Trade and Investment Insurance ?(cont.)



## 2. Risks covered – Political risks and commercial risks

- Risks covered by trade and investment insurance are divided into two categories

### Political Risks

- Exchange restriction/prohibition, import restriction/prohibition
- War, civil war, revolution
- Discriminatory high customs duties, dock strikes, terrorism
- Natural disasters, SARS, etc.

### Commercial Risks

- Unilateral cancellation of export contract with a foreign government
- Bankruptcy of the other party
- Incidents similar to bankruptcy of the other party
- Default on the obligations for three months or longer by the other party

## II . Profile of NEXI

### 1. Organizational Overview

- Name: Nippon Export and Investment Insurance("NEXI")
- Competent Minister: The Minister of Economy, Trade and Industry (“METI”)
- Date of Establishment: April 1<sup>st</sup>, 2001
- Capital: JPY 104.4billion  
(fully contributed by the Japanese Government)
- Number of Employees: 143(as of April 2013)
- Overseas Offices: Paris, New York, and Singapore
- URL: <http://www.nexi.go.jp/en/>

## II . Profile of NEXI (cont.)

### 2. Strategic Area

As Japan's national ECA, NEXI is enhancing risk taking in the areas of the Government's policy priority. Our priority includes:

#### **(1) Promoting Japan's export of infrastructure/ system**

- Supporting export of infrastructure such as power plant, railroad system and water supply system is our top priorities.

#### **(2) Securing stable supply of natural resources and energy**

- With specially developed facility (Loan/Investment Insurance for Natural Resources and Energy), NEXI is vigorously undertaking the development/ off-take projects of energy and natural resources such as metals, minerals, oil and gas.

#### **(3) Supporting establishing environmentally sustainable society**

- NEXI is supportively underwriting projects related to renewable energy, energy conservation and reducing green house gas emission.



## II . Profile of NEXI (cont.)

### 2. Strategic Area (Nuclear Power Export)

Exporting Japanese advanced/leading-edge technology of nuclear power is a centerpiece of “Japan’s New Growth Strategy”

“The government actively supports exports of our advanced low carbon technology, such as high-efficiency power generation, **nuclear power**, next generation car and smart community, so that we can contribute to reduction of GHG emission”

*(Ref. “Infrastructure Export Strategy”, May 17<sup>th</sup> 2013)*

“The government will achieve the order target of infrastructure systems, approx. 30 trillion yen by 2020 proclaimed in “**Infrastructure Export Strategy**” by beefing up safety measures for Japanese expatriates and Japanese companies, etc. and making the most of Japan’s “advantageous technologies and know-how” in order to actively take into world's huge demand of infrastructure.

*(Ref. “Japan Revitalization Strategy”, June 14<sup>th</sup> 2013)*

## II . Profile of NEXI (cont.)

### 3. Main insurance products and performance

#### (1) Main insurance products

(i) Insurance for Export: Export Credit Insurance

(ii) Insurance for Loans:

- Buyer's Credit Insurance (Loans tied to export contracts)
- Overseas Untied Loan Insurance (Loans to support JPN companies overseas biz)

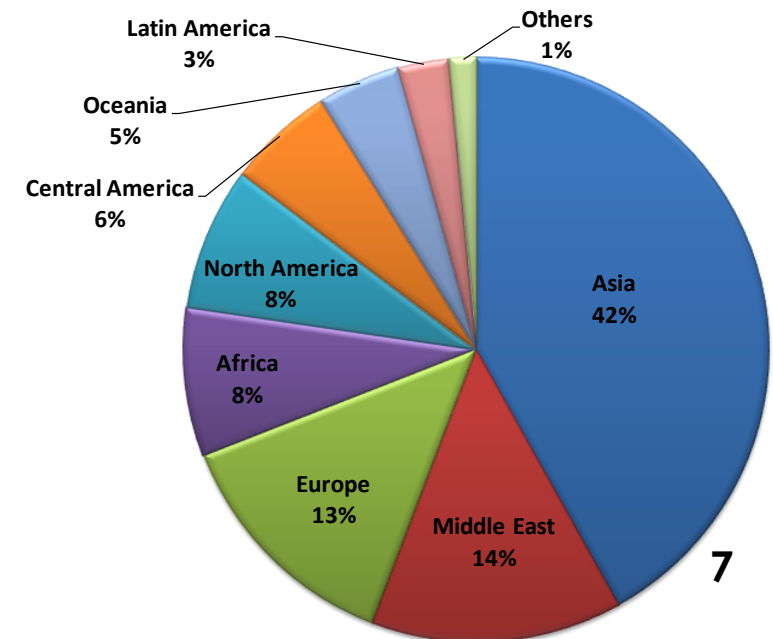
(iii) Insurance for Investment: Overseas Investment Insurance

#### (2) Performance (as of the end of FY 2012)

(i) Outstanding Commitment by type of transaction

Type of transaction	Outstanding	Share(%)
	(bil of JPY)	
Insurance for export	8,194	63.5%
Insurance for loans	3,273	25.3%
Insurance for investment	1,117	8.6%
Others(Reinsurance)	330	2.6%
<b>Total</b>	<b>12,914</b>	<b>100%</b>

(ii) Outstanding Commitment by region





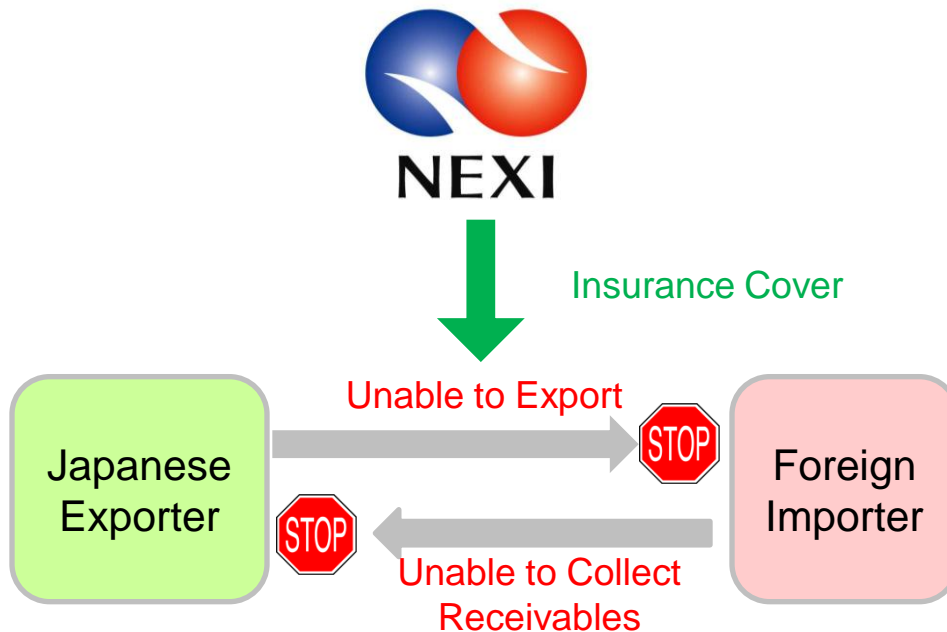
## II . Profile of NEXI (cont.)

### 3. Main insurance products and performance

#### 1) Export Credit Insurance 2) Buyer's Credit Insurance

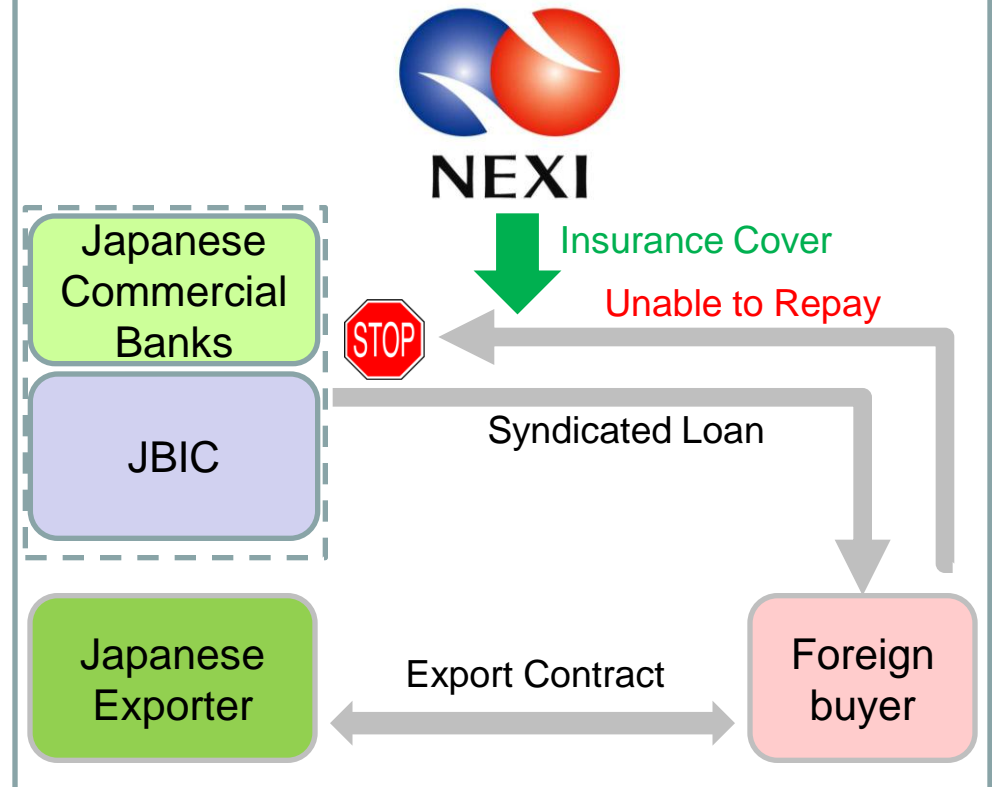
##### 1) Export Credit Insurance

- Insurance for export and construction, etc



##### 2) Buyer's Credit Insurance

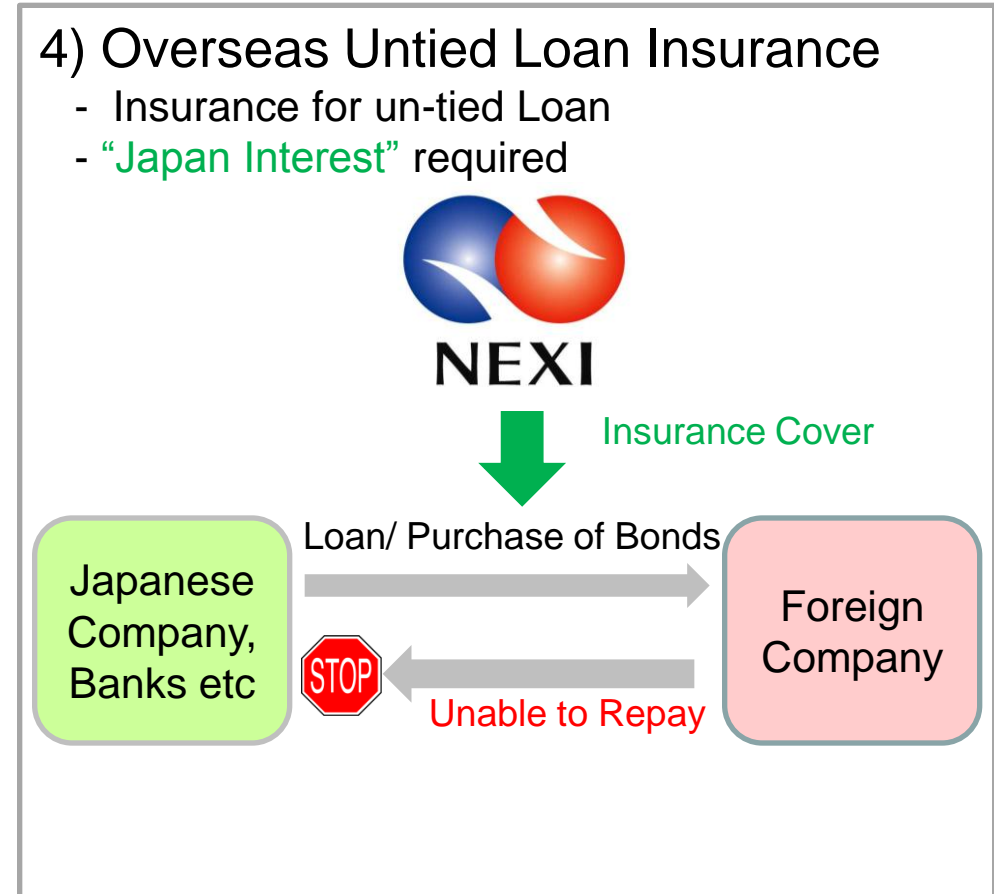
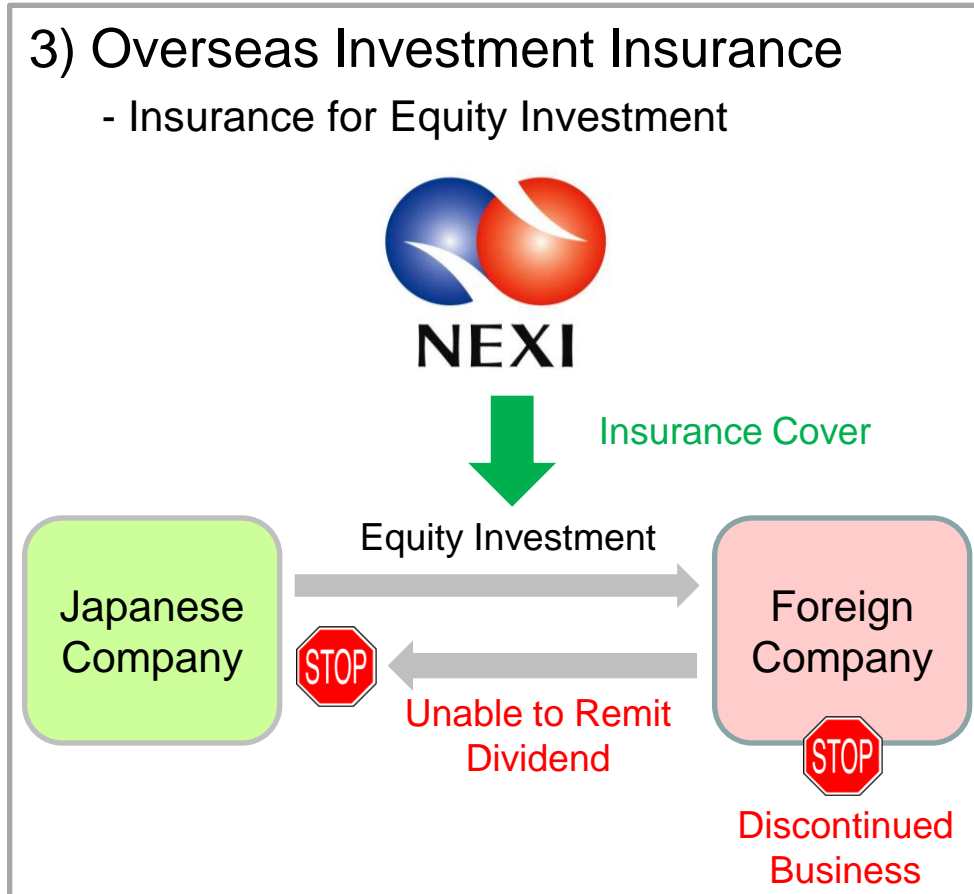
- Insurance for export-tied loan



## II . Profile of NEXI (cont.)

### 3. Main insurance products and performance

#### 3) Overseas Investment Insurance , 4) Overseas Untied Loan Insurance



# III. Basic concept of OECD Export Credit Arrangement

## 1. General Rule in the OECD Export Credit Arrangement

### (1) Purpose

- To provide a framework for the orderly use of officially supported export credits
- To foster a level playing field for official support in order to encourage competition among exporters based on quality and price of goods and services

### (2) Scope of Application

- Apply to all official support for export of goods and/or services which have a repayment term of two years or more

### (3) Status

- A “Gentlemen’s Agreement” among the Participants

### (4) Participants

- OECD members



# III. Basic concept of OECD Export Credit Arrangement (cont.)

## 2. Financial Terms and Conditions

### (1) Main Body and Sector Understanding on Export Credits for Nuclear Power Plant (NSU)

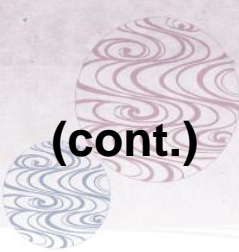
- Down payment: more than 15%
- Local cost: supported by ECAs up to 30%
- Minimum premium rate: formula of calculation prescribed.
- Maximum repayment terms
  - 10 yrs( for OECD countries, 8.5yrs)
  - power plant : 12yrs      **—————→ NSU: 18years**
- Minimum Interest rate
  - 1%(=100bsp) on the funding cost (government bond)
  - NSU: 100 to 130 bp**

# III. Basic concept of OECD Export Credit Arrangement (cont.)

## 2. Financial Terms and Conditions

### (2) Premium

- According to the model, the following parameters determine premium applied.
  - ✓ Country risk category (Low risk countries("0") – High risk countries("7") : see the next page)
  - ✓ Buyer's risk category  
(CC0 to CC5 depending on risk mitigation measures, such as host government guarantee)
  - ✓ Horizon of cover ( 6-7 yrs for construction and 18 yrs for repayment for NPP)
  - ✓ Percentage of cover (95-100%)
  - ✓ Repayment profile  
( "Tail-heavy" type of repayment be charged higher premium.)



# III. Basic concept of OECD Export Credit Arrangement (cont.)

## 2. Financial Terms and Condition

### (3) Country Category

- Category 0: Canada, Estonia, Finland, France, Japan, UK, USA etc.
- Category 1: Czech, Korea, Slovakia etc
- Category 2: China, Poland, Saudi-Arabia, UAE etc
- Category 3: India, Russia, Lithuania etc.
- Category 4: Bulgaria, Hungary, Latvia, Romania, Turkey etc.
- Category 5: Jordan, Kazakhstan, Vietnam etc.
- Category 6: Albania, Serbia, Montenegro etc.
- Category 7: Belarus, Iran, Pakistan etc

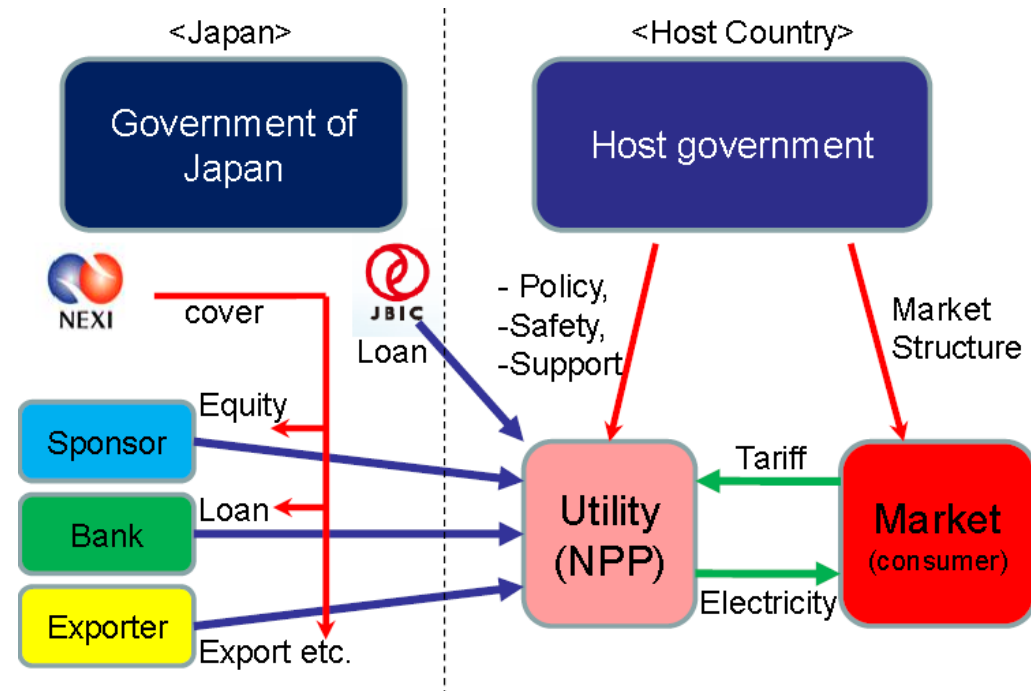


# IV. Major considerations on NPP : ECA perspective



- Nuclear Policy of Host Gov.  
To avoid delay & cancellation
  - Stable nuclear policy
  - Stable social acceptance
- Well designed financial structure  
To reduce financial risk & cost
  - Host Gov. support  
(e.g. guarantee to sponsors, lenders)
  - Credible sponsor and exporter
  - Sound electricity market  
(price, demand)
- Funding
  - Capital market access of lenders
- Environment and safety standard
  - Reasonable regulation
  - Sound nuclear damage control regime

## Structure of NPP (Illustrated example)





# Thank you

Nippon Export and Investment Insurance

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