



New investments in (green) shipping and offshore (wind)

Green Shipping: Competitive Today – Ready for the Future

Bård B. Bjerken

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Wikborg Rein is...

A top tier law firm

based on
acknowledged
legal rankings

Norway's most international law firm

with offices in 4 different
countries

A full service law firm

with industry
leading clients

Ranked as the most popular law firm

among Norwegian
law students

352

Employees

242

Lawyers

24

Nationalities

1.394

MNOK
Revenue 2022

50%

Female ratio





Agenda

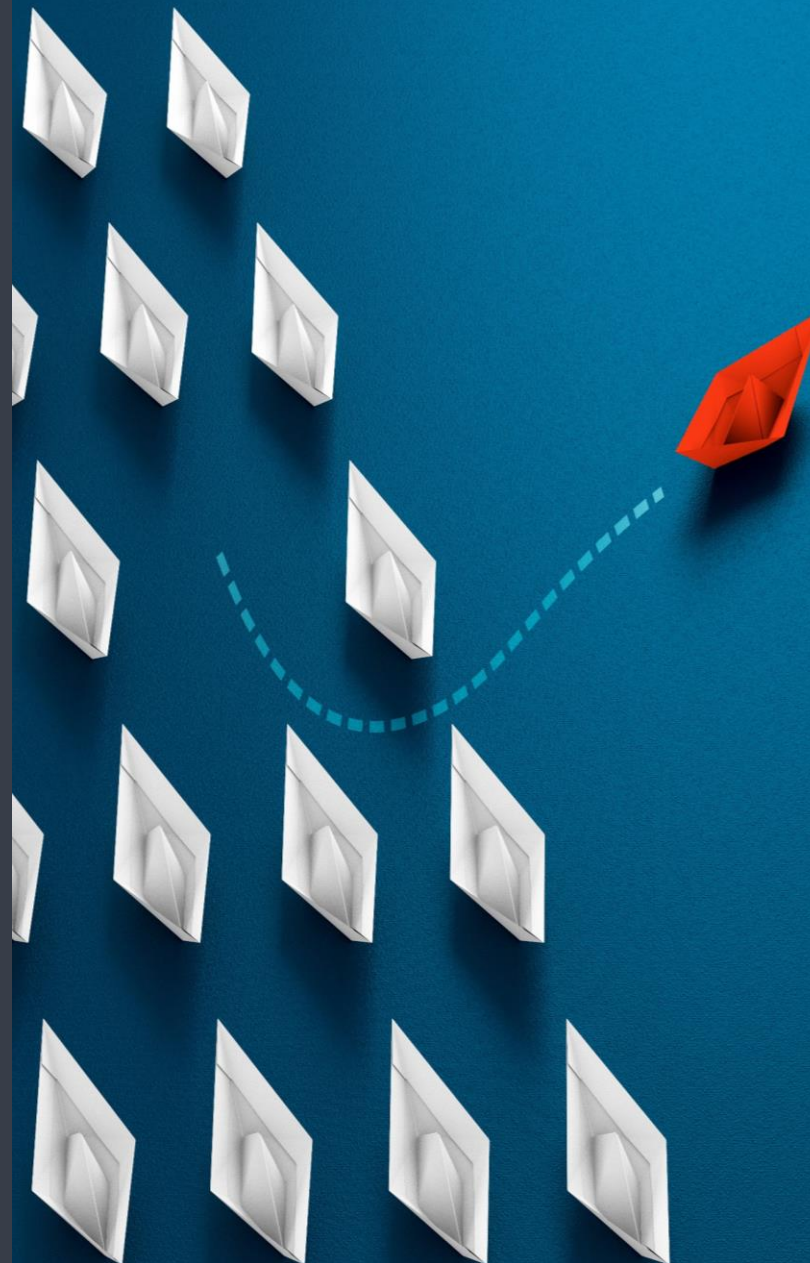
- Risk picture – investor perspectives
- Equity investments – risk sharing between new friends
- Debt investments – finance's green push



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Risk picture

investor perspectives



Risk and opportunities

External factors

- Green shift and focus on the need to decarbonise shipping
- Exploration of ocean spaces and new maritime industries (offshore wind, offshore fish farming, seabed mining)
- Capital markets (ECM/DCM) and banks focusing towards green investments



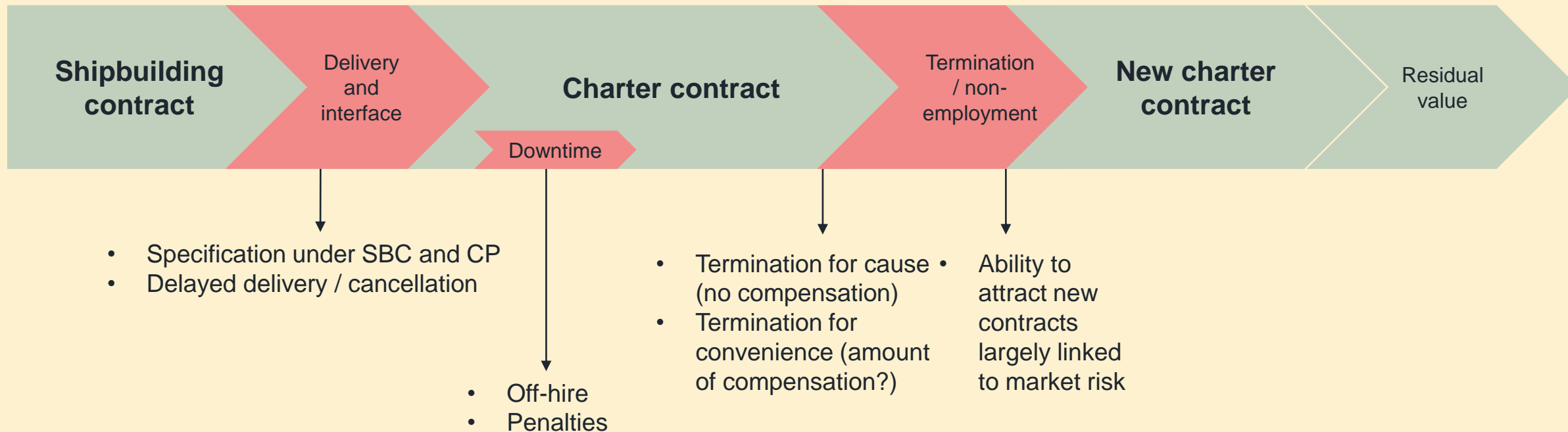
Interesting environment for new investments and investors

Internal factors

- Shipowners within traditional shipping and offshore in need of capital
- Emission reducing actions required to get contracts, stay relevant and attract financing
- Uncertainties:
 - New technology
 - New regulations

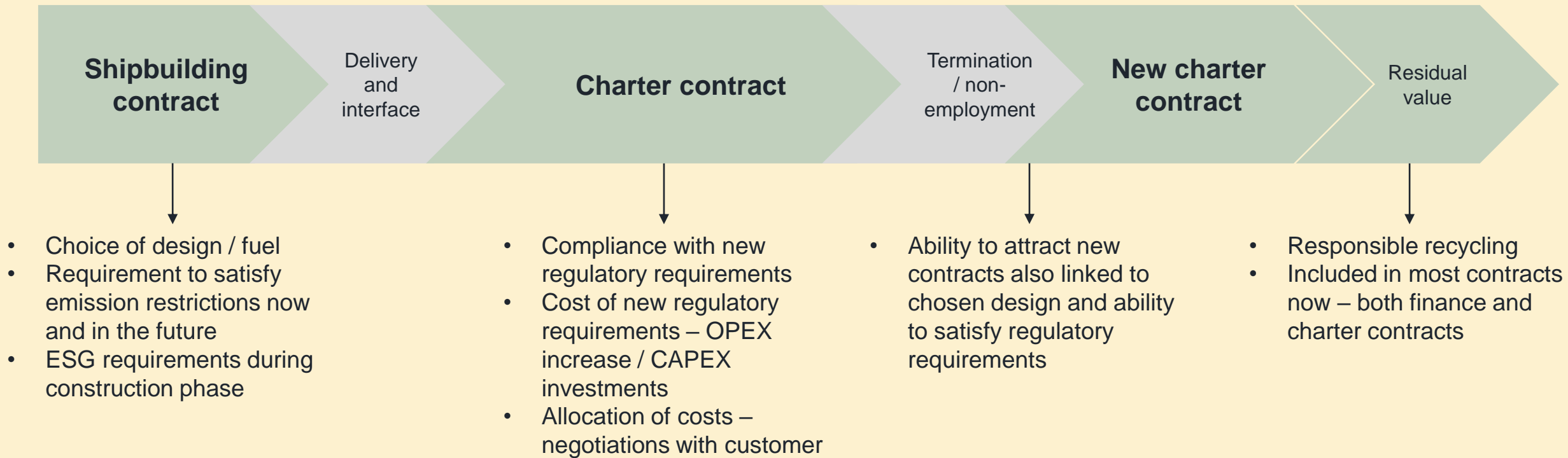


Risk picture – traditional perspective



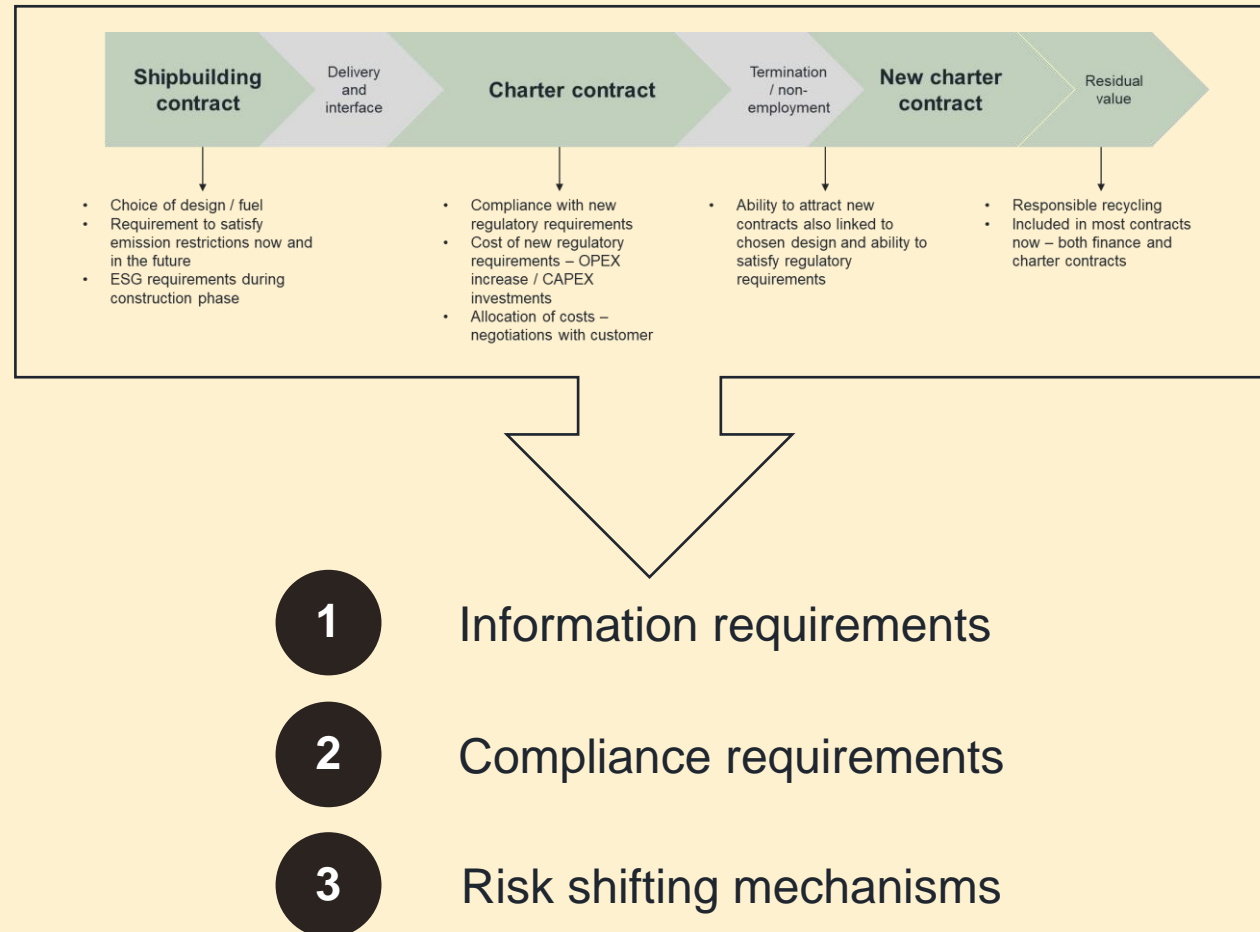


Risk picture – current dynamics





Risk picture – current dynamics





Risk picture – investor approach



Traditional shipping investors

- Shipping industry focus
- Comfortable with traditional risk picture
- Ability to make speculative investments
- Expectation of high returns



PE investors

- Broad industry approach
- Accept traditional risk picture
- Ability to make speculative investments and strategic investments
- Expectation of high returns



Infrastructure investors

- Broad industry approach
- Application of general risk model – "unfamiliar" with traditional risk picture
- Need long term charter contracts
- Lower return requirements



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Equity investments

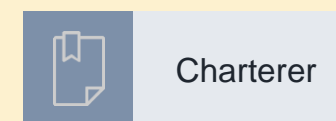
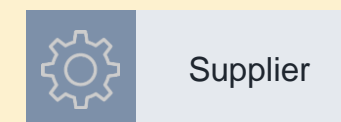
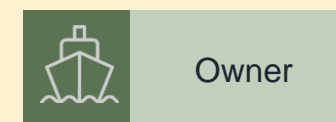
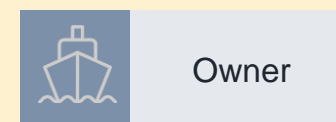
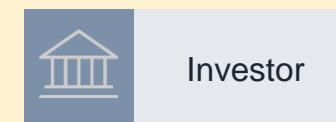
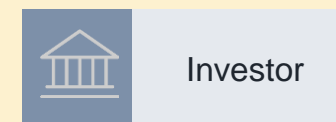
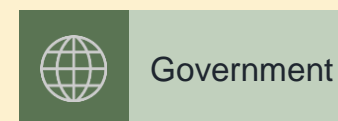
risk sharing between new friends





Governmental support

- Need for R&D for decarbonisation of shipping fleet and developments in offshore energy combined with uncertainty in implementation calls for governmental support.
 - Direct support, e.g. for electrification or use of hydrogen in shipping
 - Indirect support through public procurement etc.
- How to tie up support with other investments:
 - Criteria for support
 - Avoiding disqualifying elements
 - Timing of support

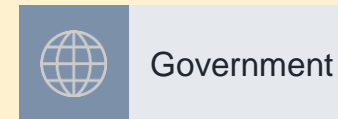




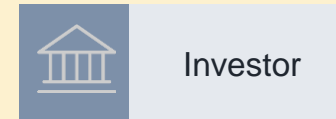
Risk sharing

– Joint industrial development

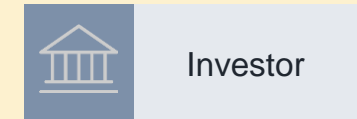
- Different forms of joint industrial developments:
 - New commercial solutions for offshore wind industry
 - New commercial fuel for shipping industry – batteries, hydrogen and ammonia
 - Cost sharing for costs of R&D for testing of new technology and pursuing new technical solutions for decarbonisation
- How to establish a balanced framework for investments and collaboration:
 - Structure of collaboration – unincorporated JV or company
 - Contributions to development / scope of work
 - Sharing of financial rewards
 - IP rights to solutions
 - Liability allocation – towards customer and between partners
 - Competition and anti-trust issues



Government



Investor



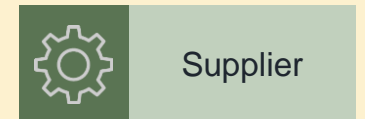
Investor



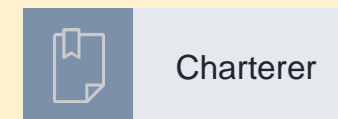
Owner



Owner



Supplier

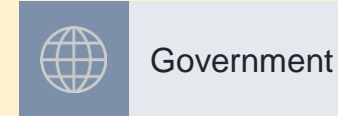


Charterer



Risk sharing – Financial joint ventures / investments as a tool

- Classical investment structure with contribution from existing and new investors to take the benefit of market opportunities.
- How to make the most of, and protect, the investment – the usual aspects:
 - Scope of cooperation – general investment or venture into specific industry – Non-compete clause
 - Governance and board representation
 - Decisions – veto rights and reserved matters
 - Management agreements – fees to shipowner
 - Pre-emptive rights, transfer restrictions
 - Put/call options on shares, drag-along and tag-along
 - Trigger rights for ship sale
 - Exit-plan



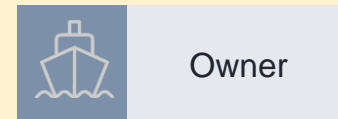
Government



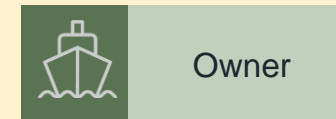
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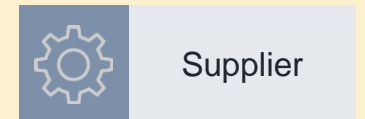
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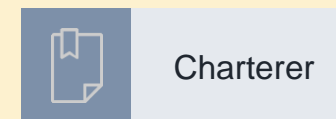
Owner



Owner



Supplier

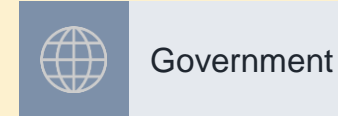


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Risk sharing – Upstream risk/reward

- Traditional service contract, but with alternative remuneration structure for risk/reward sharing – shipowner taking market risk on underlying commodity / end service.
- Direct investment in project through acquisition of shares or issuance of shares to suppliers as part of remuneration structure.
- How to structure the investment and return:
 - Interface between traditional service and risk/reward sharing
 - Coverage of baseline OPEX and profit element
 - Principles for calculation and distribution of upside/downside



Government



Investor



Investor



Owner



Owner



Supplier



Charterer



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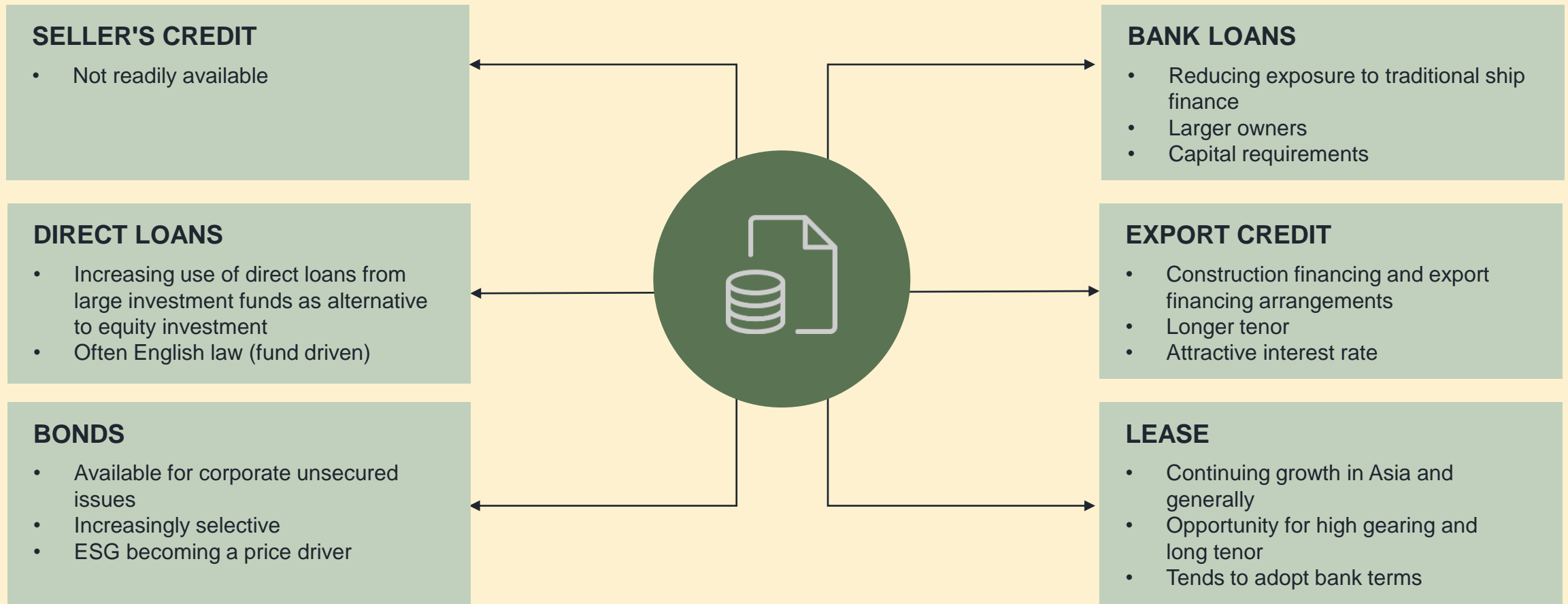
Debt investments

finance's green push





Debt financing – traditional perspective





Debt financing – current dynamics

Green bonds / loans:

- Use of proceeds for green projects
- Process for project evaluation and selection
 - Clear communication of environmental sustainability objectives, process determination and eligibility criteria.
 - External review recommended (e.g. classification society) – Could be by way of (a) consultancy/second opinion, (b) verification, (c) certification or (d) rating.
- Management of Proceeds
- Reporting

Sustainability linked bonds / loans:

- Selection of Key Performance Indicators (KPIs)
- Calibration of Sustainability Performance Targets (SPTs)
 - Reference to borrower's own performance, peers performance and science or to official country/regional/international targets
- Timeline, baseline / reference point and adjustments
- Credit characteristic (e.g. interest rate)
- Reporting
- External Verification



Thank you!



Bård B. Bjerken
Senior Lawyer