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MAINSTREAM COMPLETES THE RESTRUCTURING OF ITS RENEWABLE ENERGY PORTFOLIOS

Mainstream completes Chilean restructuring with US$1.6 billion deal

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Five White & Case LLP offices and Carey in Santiago have helped Irish energy company Mainstream Renewable Power complete the judicial reorganisation for two of its Chilean subsidiaries by restructuring US$1.6 billion worth of debt.

A syndicate of senior lenders turned to two Paul Hastings LLP offices, Morales & Besa in Santiago and Philippi Prietocarrizosa Ferrero DU & Uría (Chile) in the deal, while Vinson & Elkins LLP advised Ares Management in its role as mezzanine lender.

The deal closed on 14 November.

In the transaction, Mainstream renegotiated the terms of senior debt belonging to two of its subsidiaries – Cóndor Energía and Huemul Energía. The two companies form part of Mainstream's Andes Renovables platform, throuch which it manages 1.4 gigawatts worth of wind and solar projects throughout Chile. With the addition of a third subsidiary, Cohipue, the platform consists of three portfolios that oversee ten solar and wind energy projects in the country.

In the debt renegotiation, Mainstream deferred interest payments for senior loans relating to its Cóndor & Huemul subsidiaries until the third quarter of 2026. It also deferred principal payments for these companies until 2027 and 2029 respectively.

As part of the agreement, Mainstream agreed to invest a further US$145 million into the two companies by issuing Payment in Kind (PIK) bonds, which is a form of financing that allows borrowers to pay with debt rather than cash. The facility matures in 2035.

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DNB Bank, one of the senior lenders, will also inject US$150 million into the company. Mainstream will use those funds to repay debt relating to several of its projects and boost the liquidity of its subsidiaries.

Mainstream also renegotiated existing mezzanine debt belonging to Cóndor and Huemul, adding PIK interest and a new maturity date of 2035. PIK means that interest will be added to the principal balance of the debt, instead of being paid to the lender in cash. The company first secured US$280 million worth of mezzanine financing for its Cóndor subsidiary back in September 2020. This type of financing allows lenders to convert debt into equity in case the borrower defaults.

Mainstream also restructured outstanding mezzanine debt relating to the Copihue wind portfolio in the most recent deal, while lender Ares Management also acquired a minority stake in the Andes Renovables project during the renegotiation procedures. Mainstream retains the majority controlling stake.

The deal comes after Mainstream filed for bankruptcy protection for its Huemul and Cóndor subsidiaries in July. The Irish renewables group initiated restructuring proceedings in order to strengthen the financial position of its Chilean renewables assets amid flucatuations in the electricity market, with renewables companies in the Andean country facing financial losses. The filing was initiated just one month before two of the investment companies linked to Huemel and Cóndor also sought Chapter 11 protection, which led to an ownership dispute between the investment groups' administrators in US, Chile and Spain.

Irish energy production company Mainstream provides offshore and onshore wind, solar energy and green hydrogen services worldwide. Across Chile and Colombia, the company boasts some 1.4 gigawatts of wind and solar energy assets in operation and under construction, through which it has helped to reduce the region’s CO2 emissions by over 2.3 million metric tonnes. In 2022, Mainstream obtained a US$294 million loan from European banks DNB and ABM AMRO which it used to fund its Chilean operations.

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