

# Asset financiers: Interest rising in funding US RAS projects

By Jason Smith

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BOSTON, Massachusetts, US: A partnership between a Wall Street firm and a Norwegian lender that seeks to connect investors to the emerging aquaculture sector is seeing increased interest in recirculating aquaculture system (RAS) projects.

Roy Hoias, the CEO of Norway's Lighthouse Finance, and Howard Tang, who heads New York City-based Simpler Funding, told *Undercurrent News* at the recent [Boston seafood show](#) that their partnership, Lighthouse Finance NY, is seeing greater interest from investors in aquaculture generally and RAS specifically.

“Over the course of the last year I think we started with a lot of skepticism: What is aquaculture? What are these assets used for?” Tang said, describing the conversations he and Roy have had with investors outside the sector.

But in recent months, he said things have changed, in part because of aquaculture's promise, Tang said, and in part because of the wider economy

"I think a lot of that is the rate environment that you're seeing. Low interest rates, they are yield hungry looking for projects where you're going to get a bit more than 2% or 3% as your trend rate," Tang said. "I think the market is beginning to open up very significantly in terms of looking at aquaculture transactions in North America."

## **Asset finance**

The partnership focuses on providing asset finance, an alternative to conventional methods such as bank loans. For an experienced aquaculture operator that wants to operate a RAS facility, for example, a corporation known as a special purpose vehicle (SPV) is formed to finance up to 100% of the cost of the asset's construction. Outside investors fund the SPV, an independent entity that remains the owner of the RAS facility, which is then leased to the operator. The Lighthouse partnership acts as an advisor to projects seeking funding but doesn't provide the capital itself.

In its first year of operation the partnership has had success using this model to recently close a deal to provide \$20m in funding to buy assets such as feed barges and well boats used by a "North American vertically integrated salmon farmer", Tang said, declining to name the firm due to client confidentiality.

"We're looking to extend that particular financing structure to \$90m over the course of the year," he said.

The nature of asset finance -- coupled with Hoias' years of experience in the aquaculture sector giving him perspective on how to value the assets: RAS systems, well boats sea cages used -- makes the method a good option for financing new technology, Tang said.

"Technology-wise, innovation-wise, we're definitely seeing more interest on the land-based stuff," he said.

Salmon RAS is attractive to investors because in North America the cost of net-pen aquaculture and RAS is approaching parity, Tang said, citing an investment bank's research for new-build projects.

"I think the implications are that these project sponsors have an interest in putting up these facilities because the cost is relatively comparable if you're opening up a sea farm from scratch right now," he said.

## **RAS development**

Hoias added that RAS is certainly not a new technology -- it's been used for smolt for 10 to 15 years -- but using it for full grow-out is relatively new.

"That's a combination of first knowledge and development of technology, but mostly it's been held back due to the price of salmon," he said.

For example, in 2010 Norwegian salmon fetched a price per kilo of around NOK 22/kg but net-pen production costs were NOK 18/kg

Hoiyas said RAS production costs are around NOK 30/kg to NOK 40/kg (\$3.83 to \$5.11) but after Chile's 2016 algal bloom, salmon prices have spiked. Prices this week were NOK 74-75/kg, [according to Reuters](#).

"That attracts capital and capital that is not necessarily from the fishing and aquaculture industry," he said.

One example of the interest in salmon RAS, he said, is Atlantic Sapphire, which is building the first large-scale commercial land-based salmon farm in Florida. However, there's a lot more than that in the sector's pipeline.

"We know of four to five similar projects in the US/Canada market on land-based farming that will come up and start up during the next two years," he said, adding that the projects all aim to produce at least 10,000 metric tons annually in RAS facilities.

In the coming year, the partnership is eying fundraising for clients in North America, Europe and Asia, Hoiyas said.

"We're looking at six to seven cases in aquaculture that are looking to raise \$100m or more each," Hoiyas said.

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