PROXIMO

INFRASTRUCTURE | ENERGY | PROJECTS

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

Remember the old normal?

The deals that shook and shaped 2019

Around here,

EXPERIENCE

guides everything we do.

DOUG LAVELLE
dlavelle@wilmingtontrust.com
+1 212.941.4426

WILL MARDER
wmarder@wilmingtontrust.com
+1 212.941.4418

A leading provider of project finance agency services.

No matter the type of project, you need an experienced team that can provide holistic corporate trust and agency services support for all aspects of the transaction. At Wilmington Trust, our keen understanding of transaction structures is supported by specific experience in executing every aspect of a deal with expertise and efficiency. Our full-service, relationship-driven approach is why we've been at the table on some of the largest transactions in recent history, and our team stands ready to craft a customized approach and solution for you.

For more insight on how we've successfully supported clients on project finance transactions, contact one of our experienced professionals.

WILMINGTON TRUST
MEMBER OF THE M&T FAMILY

ADMINISTRATIVE AGENT | COLLATERAL AGENT | DEPOSITARY | ACCOUNT BANK | TRUSTEE | INTERCREDITOR AGENT

Services provided by Wilmington Trust, N.A.

Wilmington Trust is a registered service mark. M&T Bank Corporation's European subsidiaries (Wilmington Trust (UK) Limited, Wilmington Trust (London) Limited, Wilmington Trust SP Services (London) Limited, Wilmington Trust SP Services (Dublin) Limited, Wilmington Trust SP Services (Frankfurt) GmbH and Wilmington Trust SAS) provide international corporate and institutional services. M&T Bank Corporation's US subsidiaries [Wilmington Trust Company (operating in Delaware only) Wilmington Trust, N.A., M&T Bank and certain other US affiliates] provide various fiduciary and non-fiduciary services, including trustee, custodial, agency, investment management, and other services. Loans, credit cards, retail and business deposits, and other business and personal banking services and products are offered by M&T Bank, member FDIC. Not all services are available in all jurisdictions.

PROXIMO

INFRASTRUCTURE | ENERGY | PROJECTS

Contents

PROXIMO

Editor
Sean Keating
sean.keating@proximoinfra.com

Contributing editor
Tom Nelthorpe
tom.nelthorpe@proximoinfra.com

Reporter
Thomas Hopkins
thomas.hopkins@proximoinfra.com

Commercial director and co-founder
David Samuel
david.samuel@proximoinfra.com

Commercial manager EMEA
Nick Davies
nick.davies@proximoinfra.com

Commercial manager Americas
Nicolas Cano
nicolas.cano@proximoinfra.com

Senior content manager
George Kachadourian
george.kachadourian@proximoinfra.com

Senior content manager
Maura Murphy
maura.murphy@proximoinfra.com

Proximo is a TXF Media Group publication.

Project finance: What to expect in a post-pandemic world

Of the few positives that might be spawned by the tragedy that is COVID-19, even more public demand for renewables and telecoms expansion are high up the list. But how will the financing market respond and adapt to such a radically changed world in such a short space of time?

By Will Marder, Managing Director, Project Finance at Wilmington Trust

Change is constant, they say. That is true in the project finance sector, even if the pace of that change may be slower than in others. Our corner of the financial system has seen a fair amount of change since the global economic crisis. Banks and other financial institutions have exited the space, while others have entered. A number of the traditionally active commercial banks left and never came back, with the void being filled by large global financial institutions, especially the Japanese banks.

Coming into 2020, we noted the large supply of capital looking for transactions – specifically in the form of debt from infrastructure funds and institutional investors. These lenders were especially active in 2019, as they looked for ways to deploy capital somewhere north of where commercial banks were in the capital stack. Indeed, the infrastructure debt funds have cemented themselves as disrupters in our market. Today, it is difficult to address our sector without touching upon the real and anticipated effects of the COVID-19 pandemic. So the question is, what is the outlook for the remainder of 2020?

Will Marder, Managing Director, Project Finance at Wilmington Trust

Tax equity providers may be in short supply, as those entities need to have considerable tax appetite to monetize tax credits. And that tax appetite comes from only one thing – income. As banks and corporates look forward in the short-term and the mid-term, do they foresee income being impacted by the pandemic, and if the answer is yes, how long will that last? Shrinking taxable income impacts not just decisions about committing to new transactions, but also the ability to monetize credits from deals entered into years ago. With regards to the tax incentives themselves, it remains to be seen if the current administration supports further extensions or amendments of the PTC and ITC. For the time being, they appear more focused on supporting the oil & gas industry.

Debt capital remains plentiful, but with some question marks emerging over the heads of certain providers, like cartoon bubbles. Foreign banks lending in U.S. dollars may find that cost of capital is rising, as COVID-19 has created a flight to quality, driving up the relative value of a dollar. Other types of lenders, such as institutional investors and infrastructure funds, have long-term committed capital that needs to be deployed, which is good news for borrowers. Deals continue to close, especially those that had firm commitments from before the pandemic.

It remains to be seen if new debt commitments take a pause while we wait to see if the economy begins to open back up.

One interesting outcome of the COVID-19 pandemic is that the world has gotten a feel for what greenhouse gas emissions could look like in a world where the public at large is not commuting to work or traveling for work or for pleasure. As we emerge from under the veil of this pandemic, will we (as a global society) change our daily habits? Will more corporations move to smaller workspaces, and take advantage of concepts like "hot desking" to simultaneously reduce their carbon footprint and their expenses, while improving work/life balance by giving staff the flexibility to work from home? Whatever the answer, it appears that two sectors are poised to move even further front and center in the project finance spotlight: renewable energy and telecommunications.

First, with regard to renewable energy, there is a unique opportunity to address climate change now; to make sure that when the economy ramps back up, it does so in a less carbon-intensive manner. Many countries and cities have gotten a taste of what things would be like in a world where people are not driving as much for business or personal travel. Work-from-home scenarios have taken many people and their cars off the road. According to Thunder Said Energy, passenger vehicles contribute to more than 14% of total global greenhouse gas emissions, by far the largest single contributor.

Despite the current administration's focus on the oil & gas sector, it seems certain that renewable energy technologies will seem all the more attractive as the economy emerges from the pandemic. Sustainability and ESG principals will drive investing decisions, in the hopes that we don't back-pedal post-crisis and ramp GHG emission back to pre-virus levels overnight. This coincides perfectly with the ramp-down of U.S. government tax credit programs, and provides some additional motivation behind the sector, moving it further into the mainstream and ensuring it long-term financial health.

Second, with reference to telecommunications, technologies have been tested like never before by so many people working from home, engaged in distance learning and generally being quarantined inside. We are all reliant upon high quality cell phone connections and high-speed Internet to keep our businesses running and our favorite entertainment channels streaming into our homes. Certain communications technologies have proven successful in terms of keeping people in touch with their clients – such as video chats and webinars. In this "new normal" scenario, there will likely be an increased focus on data infrastructure – 5G telecom service, data centers, and fiber optic build-out – to feed our increasing need for connectivity. This will likely drive project finance activity in these sectors, as companies look to expand 5G networks and build new state-of-the-art data centers.

Despite the current administration's focus on the oil & gas sector, it seems certain that renewable energy technologies will seem all the more attractive as the economy emerges from the pandemic.

These two factors are well connected – as people leverage digital communications technologies, and favor telecommuting over taking the train, car, or bus, greenhouse gas emissions will go down. Coupled with a ramp-up in renewables development, we may see a meaningful further shift away from fossil fuel-fired generation.

For Wilmington Trust, the COVID-19 pandemic has demonstrated our ability to work seamlessly while remote, to maintain connectivity with critical banking technology, while at the same time maintaining connectivity with our clients. As a third-party provider of trust and agency services, our ability to keep funds and information flowing is paramount. We have also worked hard to promote employee engagement, hosting team video chats that allow colleagues to keep in touch with each other.

While change may be constant, questions swirl around how we, as a global financial community, will respond to and adapt to that change. COVID-19 has been incredibly challenging on many levels, we hope to find new developments and opportunities in the project finance sector as we return to normalcy. ■

This presentation is intended to provide general information only and is not intended to provide specific investment, legal, tax, or accounting advice for any individual. Before acting on any information included in this article you should consult with your professional adviser or attorney. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, or the opinions of professionals in other business areas of Wilmington Trust or M&T Bank. M&T Bank and Wilmington Trust have established information barriers between their various business groups.

North America Renewables Acquisition Deal of the Year

Nitrogen: Taking it to the next level

The bankruptcy of California utility PG&E has created several wrinkles for heavily exposed renewables generators. California had set aggressive targets for reductions in fossil fuel use, and the state has long been a pioneer in wind and solar. So when PG&E filed for bankruptcy in 2019, buried under claims for fire damage, many renewables portfolios were heavily exposed.

For yieldcos, which have to maintain high levels of cash distribution to make themselves attractive to investors, the situation was even more troubling. With a major offtaker bankrupt, project-level lenders were trapping cash that might otherwise have been sent up to the parent.

The NextEra Energy-sponsored yieldco, NextEra Energy Partners (NEP), has come up with a low-cost means of bridging this cashflow interruption. With the $757 million back-levered financing for the Nitrogen portfolio that it closed with KKR it has improved upon the structure it developed in 2018 with Blackrock.

The Nitrogen structure produced higher proceeds of $900 million and a higher internal rate of return, but at a lower cost and with greater flexibility in buying out its investor. The back-levered debt facilities share this flexibility, combining a $600 million term loan that is interest only for six years, and $157 million delayed draw term loan that can be drawn in the event of cashflow shortfalls.

The convertible equity agreement gives Nitrogen a disproportionately low share of cashflows from the portfolio for six years. If NEP's cash position recovers, whether through renegotiations with project-level lenders or by buying them out, it can buy back the interests at pre-agreed milestones.

The lead arrangers on the debt financing were MUFG, Citi, and Mizuho, while the lenders were Credit Agricole CIB, Korea Development Bank, BayernLB, Commerzbank, DNB Bank, Santander, Wells Fargo, SMBC, Sumitomo Mitsui Trust Bank. This strong support for a leveraged financing with minimal cashflows was in large part a factor of the relationship pull of NextEra and KKR.

Well known offtakers Southern California Edison, the Tennessee Valley Authority and Google between them account for 50% of the portfolio's contracted cashflows. The portfolio comprises 99MW Perrin Ranch Wind, 120MW Tuscola Bay Wind, 120MW Ashtabula Wind II, 62MW Ashtabula Wind III, 300MW Stateline Wind, 100MW Garden Wind, 150MW White Oak Wind, 132MW Marshall and Roswell Solar and half of 250MW State South Solar.

The keen terms that KKR could offer – an effective coupon of 1% on the sale and internal rate of return of 8.3% – point to the continued competition for good quality assets from financial sponsors, and the ability of large and sophisticated private equity firms to offer non-traditional financings that help generators deal with unusual business challenges.

The agreement gives NextEra Energy Partners the breathing room to deal with the fall-out from PG&E's bankruptcy. While the universe of yieldcos is continually shrinking (two of the remaining ones – Terraform and Brookfield Renewable – are merging), the Nitrogen structure may help other deal with interruptions in cashflow now and in the future.

Nitrogen TL Borrower LLC

Close date: 4 March 2019

Location: 10 states across the US

Description: 1,192MW portfolio of 10 operating wind and solar assets

Size: $900 million (acquisition price)

Sponsors: KKR Global Infrastructure Investors III and NextEra Energy Partners

Debt: $757 million, split between a $600 million term loan and a $157 million delayed draw term loan

Lead arrangers: MUFG, Citi, and Mizuho

Lenders: Credit Agricole CIB, Korea Development Bank, BayernLB, Commerzbank, DNB Bank, Santander, Wells Fargo, SMBC, Sumitomo Mitsui Trust Bank

Sponsors' legal advisers: Kirkland & Ellis

Lenders' legal advisers: Latham & Watkins

Technical adviser: DNV GL

Providing strength and stability to our clients, one deal at a time

Mitsubishi UFJ Financial Group is pleased to have been included in Americas Deals of the Year for 2019 by Proximo. Contributing to our success are our strong financial resources and extensive global reach. We offer the continuity of a 30-year track record putting our clients' interests first. In collaboration with our clients, we create innovative and customized financing solutions. Our sincere gratitude to each and every one of you.

Condor Energia SpA

USD 552 million Term Loan
USD 26 million DSR LC Facility

Financing of three wind assets and one solar asset in Chile

Mandated Lead Arranger, Swap Provider, Issuing Bank, and Collateral Agent

November 2019, Chile

LBCT LLC

USD 200 million Term Loan
USD 200 million LC Facility
USD 50 million RCF
USD 175 million Capex Loan

Financing to support the acquisition of Long Beach Container Terminal, Inc.

Joint Lead Arranger, Swap Provider, Account Bank

October 2019, USA

BCP PHP, LLC

USD 513 million Term Loan
USD 33 million L/C Facility

Financing to support the development of the ~430-mile Permian Highway Pipeline

Coordinating Lead Arranger, Administrative Agent, Collateral Agent and Depositary Bank

September 2019, USA

Aliança Transportadora De Gás Participações S.A.

USD 2,450,000,000
BRL 14,000,000,000

Financing to support the acquisition of Transportadora Associada de Gás S.A.

Mandated Lead Arranger and Offshore Collateral Agent

June 2019, Brazil

EWR CONRAC, LLC

USD 344 Million

Financing to support the development of a Consolidated Rent-A-Car Facility at Newark Liberty International Airport

Joint Lead Arranger, Sole Bookrunner, and Administrative Agent

May 2019, USA

Compania Minera Teck Quebrada Blanca S.A.

USD 2,500 Million

Financing to support the expansion of an existing copper mine in Chile

Mandated Lead Arranger and Insurance Agent

May 2019, Chile

Nitrogen TL Borrower, LLC

USD 600 Million TL
USD157 Million Delayed Draw TL
USD 335 Million Margin Loan (separate obligor)

Financing to support the acquisition of a portfolio of 10 operating wind and solar projects

Coordinating Lead Arranger, Bookrunner

March 2019, USA

mufgamericas.com

Americas: +1-212-782-5975 | EMEA: +44 (0) 20-7577-5385 | Asia: +81-3-6259-1127

MUFG

North America Oil and Gas Deal of the Year

BCP Permian Pipeline: A useful holdco template

Competition between equity providers in global infrastructure is fierce. Financial sponsors not only have to accept rich valuations for both greenfield and brownfield assets, but they increasingly have to accommodate sellers' financing preferences.

As a result, holdco financing – debt secured at one remove from assets' operating companies – is becoming increasingly common. Previously a cash-rich oil major might grudgingly agree to lend alongside banks to a joint venture with more thinly-resourced partners. Now financial sponsors are looking to banks to support their investments without direct access to assets.

The BCP Permian financing supports the proportional share that Blackstone and I Squared will contribute towards the construction of the Permian Highway Pipeline in Texas. The two financial sponsors, through their Eagle Claw Midstream venture, already operate gas gathering and processing facilities in the Permian Basin's Delaware Basin.

The Permian Highway project will allow more gas from this basin to reach the Texas coast, giving producers greater access to the Mexican energy market, as well as Gulf Coast LNG liquefaction facilities. It has a length of 692km and a capacity of 2.1 billion cubic feet per day.

Blackstone and I Squared together own 26.7% of the project, with Kinder Morgan and Apache each owning another 26.7% and ExxonMobil owning 20%. The governance structures support a holdco financing, since major decisions require sponsor unanimity and important decisions 75% support. The non-financial sponsors between them account for 62% of Permian Highway's capacity, under contracts with an initial term of ten years, plus two five-year options.

These fundamentals supported a seven-year $513 million term loan and $33 million debt service reserve facility, geared at about 80%. MUFG supported the transaction with a 100% underwriting commitment, but was joined by 11 other banks – CoBank, CBA, Credit Agricole CIB, Intesa Sanpaolo, Korea Development Bank, Mizuho, Societe Generale, SMBC, Kookmin Bank, Siemens Financial Services.

The holdco financing is not unique to US midstream. It has, for instance, become increasingly common in European offshore and in rolling up renewables portfolios in the US. But the product works well in accommodating both financial and strategic sponsor objectives in oil and gas – provided the underlying assets have a sensible contractual structure.

BCP PHP, LLC

Close date: 18 September 2019

Location: Texas, US

Description: Holdco financing for financial sponsors' share of costs of 692km, 2.1 billion cubic feet per day intrastate natural gas pipeline

Size: $635 million

Sponsors: Blackstone and I Squared

Debt: $546 million, split between a seven-year $513 million term loan and $33 million debt service reserve facility

Equity: $90 million

Lead arrangers: MUFG, CoBank, CBA, Credit Agricole CIB, Intesa Sanpaolo, Korea Development Bank, Mizuho, Societe Generale, SMBC, Kookmin Bank, Siemens Financial Services

Sponsors' legal advisers: Kirkland & Ellis

Lenders' legal advisers: Latham & Watkins

Technical advisers: Lummus (independent engineer), Moore-McNeil (insurance)

The Permian Highway project is well-suited to the holdco and should serve as a useful example for other JVs with similar partners.

building success together

APRIL 2019

INDECK ENERGY SERVICES, INC.

INDECK NILES
USA

USD 587,200,000

Project Financing

Coordinating Lead Arranger
Joint Bookrunner
Syndication Agent
Co-Documentation Agent

JUNE 2019

J-POWER

J-POWER JACKSON
USA

USD 785,895,000

Project Financing

Initial Coordinating Lead Arranger
Joint Bookrunner
Co-Syndication Agent

MAY 2019

ENGIE
TOKYO GAS

GOLDEN EAGLE
MEXICO

USD 444,000,000

Project Financing
Green Loan

Global Coordinator,
Mandated Lead Arranger,
Hedge Coordinator,
Green Loan Coordinator

MAY 2019

ENGIE CDPQ

ACQUISITION OF 90% OF TAG
BRAZIL

USD 2,450,000,000
&
BRL 14,000,000,000

Project Financing

Initial Mandated Lead Arranger
Hedge Provider

Winner of Six *Proximo* Americas Deals of the Year Awards for 2019

www.ca-cib.com

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

North America Petrochemicals Deal of the Year

Gulf Coast Ammonia: All in the offtake

Volatile commodity prices have been one of the biggest obstacles to the development of new downstream facilities that could take advantage of cheap US shale gas. Where financings have closed, they have relied on sponsor support for both completion and commodity price risk.

The Gulf Coast Ammonia transaction stands out for using a supportive set of offtake contracts and access to low-cost hydrogen to facilitate the construction of the largest single-train ammonia plant in the world. The facility had such reliable fundamentals that it persuaded eight banks to extend a $547 million non-recourse loan to the plant and attracted an equity commitment from a financial sponsor much more at home with contracted power assets.

The developers of Gulf Coast Ammonia were Agrifos, a specialist fertilizer plant developer, Mabanaft, a German energy trading and logistics firm, and Macquarie. But the plant's equity investors were Mabanaft and Starwood Energy Group Global, in only its second investment outside power and first in the downstream sector.

The plant will process nitrogen and hydrogen to produce 1.3 million tons of ammonia per year. Both output and feedstock is subject to long-term contracts, giving the plant unprecedented control over prices – about 95% of capacity is covered – and supporting a large project debt package. Air Products is responsible for feedstock, while Mabanaft is taking 500,000 tons of the plant's capacity, and a Mabanaft affiliate, Oiltanking, will operate the plant's maritime facilities. Construction of the facility began in early 2020, with commissioning expected in the first half of 2023.

The deal's arrangers were ING, Intesa, Nomura, Natixis, Societe Generale, CoBank, Bank of China, Rabobank, mixing lenders with midstream and agriculture experience. Their $574 million in debt complemented $284 million in equity.

The financing for Gulf Coast Ammonia benefited from a confluence of factors, including location, timing, and the willingness of industry players to encourage the entrance of a new player in the market. But with US gas prices bumping along at close to 20-year lows, the plant should be well-placed to demonstrate its competitive advantages when it comes online in 2023.

Gulf Coast Ammonia LLC

Close date: 30 December 2019

Location: Texas City, Texas

Description: Construction of a 1.3 million tons per year anhydrous ammonia plant

Size: $858 million

Sponsors: Mabanaft, Starwood Energy Group Global

Developers: Agrifos, Macquarie

Debt: $574 million

Lead arrangers: ING, Intesa, Nomura, Natixis, Societe Generale, CoBank, Bank of China, Rabobank

Financial adviser: Macquarie

Sponsors' legal advisers: Vinson & Elkins (project); King & Spalding (Starwood); Hogan Lovells (Mabanaft); Seward & Kissel (Agrifos)

Lenders' legal advisers: White & Case

Collateral, depositary and intercreditor agent: Wilmington Trust

Technical advisers: Leidos (independent engineer); Lockton Companies (Lenders' insurance); Willis Tower Watson (project company insurance)

The facility had such reliable fundamentals that it persuaded eight banks to extend a $547 million non-recourse loan to the plant and attracted an equity commitment from a financial sponsor much more at home with contracted power assets.


MACQUARIE
Agriculture
Fertilizer
Capital
Partnerships
Possibilities
At Macquarie Capital innovative ideas and creative solutions help us see opportunities others don't so we can create what others can't. By joining forces with Agrifos and Mabanaft, our leading energy infrastructure team successfully developed Gulf Coast Ammonia. The asset is expected to be the world's largest single train ammonia plant, and will help sustain global food supplies.
2019 North American
Petrochemical Deal of the Year
PROXIMO
LOOK
BEYOND
CONVENTION
Scan the QR code via camera view on iPhone or Android QR reader to learn more.
macquarie.com/lookbeyond

North America LNG Deal of the Year

Calcasieu Pass LNG: A modular solution

The North American LNG liquefaction market has enjoyed huge growth in the past five years, but this growth has in general been dependent on the efforts of incumbent players. In some respects this is unsurprising. Existing infrastructure – even if designed for non-existent imports – offers huge advantages when building export capacity.

The bank market has now absorbed financings for six trains at Cheniere Energy's Sabine Pass facility, three trains at Cheniere's Corpus Christi, and four trains at Freeport LNG. Then, in August 2019, 13 banks closed a $5.77 billion debt financing for the Calcasieu Pass plant. The deal was the first major project financing for modular LNG construction in the US, the first to have project financing at the asset level, and one of the largest project financings of 2019.

Calcasieu Pass is Venture Global's first project, and the successful financing capped a nine-year development effort. The two founders of Venture Global are Robert Pender, previously chair of Hogan Lovells' project finance group, and Michael Sabel, a former investment banker.

Two factors contributed to the ability of this privately-held start-up to bring a $7.3 billion project to financial close. The first was the modular construction process, which convinced lenders that dispensing with sponsor completion guarantees would not be too expensive. The second was a suite of top-notch offtakers that include Shell, Edison, Galp, BP, Repsol and PGNiG.

This story allowed Venture Global to raise $885 million in corporate equity, followed by a $1.3 billion project-level equity commitment from Stonepeak Infrastructure Partners. In fact, even before the debt financing for Calcasieu Pass closed, Venture Global had raised $675 million in equity for a follow-up project – Plaquemines LNG.

The $5.77 billion debt package, which broke down into a $5.47 billion term loan and $300 million revolving credit facility, was comfortably the largest project financing to close in 2019 in North America. The lead arrangers – Bank of America, Goldman Sachs, ICBC, ING, JP Morgan, Morgan Stanley, Mizuho, Natixis, Nomura, RBC, Santander, Scotiabank, SMBC – wrote tickets of over $420 million each. The deal generated more than $10 billion in binding commitments from the initial coordinating lead arrangers prior to syndication – in effect a 2x oversubscription.

The outlook for global LNG is extremely cloudy. With Covid-19 depressing industrial demand for gas and electricity, oil majors are reconsidering their commitment to large liquefaction projects. For start-up developers who can identify reliable sources of demand – and with US shale gas still plentiful – Calcasieu Pass serves as a powerful template.

Venture Global Calcasieu Pass, LLC

Close date: 19 August 2019

Location: Cameron Parish, Louisiana

Description: 10 million tons per year natural gas liquefaction facility

Size: $7.296 billion

Sponsors: Venture Global LNG, Stonepeak Infrastructure Partners

EPC contractor: Baker Hughes GE

Debt: $5.77 billion, split between a $5.47 billion term loan and $300 million revolving credit facility

Lead arrangers: Bank of America, Goldman Sachs, ICBC, ING, JP Morgan, Morgan Stanley, Mizuho, Natixis, Nomura, RBC, Santander, Scotiabank, SMBC

Financial adviser: Morgan Stanley

Sponsors' legal advisers: Latham & Watkins

Lenders' legal advisers: Skadden; Stone Pigman Walther Wittman

The deal was the first major project financing for modular LNG construction in the US.

North America Renewables DG Deal of the Year

Project Arcadia: Bridging with speed

When Terraform Power (an affiliate of Brookfield Asset Management and expected to be 100% owned by Brookfield by the end of 2020) acquired the Arcadia portfolio – a high-quality, unlevered distributed solar generation (DG) platform with 322MW capacity – from WGL Energy Systems and WGSW Inc (subsidiaries of AltaGas) for a total purchase price of $720 million, the buyer required a bespoke financing because of the relative novelty of the assets and the opportunistic nature of the buy. What emerged is a first-of-its-kind project finance bank market two-year bridge loan for a US portfolio that includes sizeable fuel cell and residential solar pieces.

The acquired portfolio – with assets spread across 20 US states totalling 291MW of DG solar; 10MW of fuel cell assets and 21MW of residential solar – is one of the largest DG portfolios in the US. The portfolio has strong credit metrics with DG offtakers averaging A2/A+ and 680 minimum FICO scores for the residential portfolio. Furthermore, under the terms of the acquisition, delayed projects, representing less than 50MW of the portfolio, will only be transferred to TerraForm once construction has been completed or once required third-party consents have been received.

Structured via Terraform Arcadia Holdings, the financing consisted of a two-year $475 million non-recourse holdco bridge loan, secured by all of the assets and capital stock held by the borrower, and a $10.7 million L/C facility. Natixis was sole L/C issuer and joint lead arranger along with SMBC, RBC and HSBC.

The transaction doubled the size of Terraform Power Operating's (TPO) portfolio of DG solar assets to around 700MW (since Arcadia, Terraform's DG portfolio has now jumped to 750MW and is comprised of assets with an average age of five years that have power purchase agreements with an average remaining term of approximately 15 years). Despite the strong credit metrics of the Arcadia offtakers, Moody's noted that the "assets' smaller size, lower transparency given the multi-party agreements and higher overhead meant that the risk of these operations is slightly higher compared to larger scale renewable projects. That said, TPO's credit quality also considers that these operations represent less than 20% of TPO's total installed capacity of around 4.1GW."

The acquisition is typical of Terraform Power's growth strategy which is largely focused on opportunistic acquisitions like that of Arcadia and the Saeta Yield deal of 2018. No surprise then that the bridge loan was largely predicated on providing certainty of funds in a highly constrained time frame to take advantage of the Arcadia opportunity. That presented a considerable workload for the lead arrangers given the complex asset base, range of tax equity structures, and technological and contractual profile.

Further similar deals from Terraform are very likely – the company's stated continued focus for 2020 is to acquire operating solar and wind assets in North America and Western Europe.

Project Arcadia

Borrower: Terraform Arcadia Holdings

Financial close: 26 September 2019

Location: United States

Description: Bridging loan to fund TerraForm Power's acquisition of the Arcadia portfolio, a 322MW unlevered distributed generation (DG) platform, from subsidiaries of AltaGas for a total purchase price of $720 million.

Sponsor: TerraForm Power

Debt: $475 million

Tenor: 2 years

Equity: $247 million

Lenders: SMBC, Natixis, RBC, HSBC

Lender counsel: Milbank

Sponsor counsel: Skadden Arps

A first-of-its-kind project finance bank market two-year bridge loan for a US portfolio that includes sizeable fuel cell and residential solar pieces.

North America Port Deal of the Year

LBCT: A diplomatic solution

The best opportunities for financial sponsors to buy US port assets tend to come from the operation of US national security policy. Highstar (now part of Oaktree Capital) created its Ports America portfolio in 2006 after Congress balked at DP World's acquisition of P&O Ports, and forced the US assets' divestment.

More recently, US infrastructure lenders had a chance to support a financial sponsor's acquisition of the Long Beach Container Terminal in California. In 2019, Macquarie seized the opportunity to take control of one of the busiest and most modern container terminals in the US after its owner was told to sell it by the US Committee on Foreign Investment in the United States.

In 2017 COSCO and Shanghai International Port Group offered to buy Hong Kong-based container shipper Orient Overseas International Limited (OOIL) for $6.3 billion. The acquisition of a critical piece of economic infrastructure by Chinese interests, against a background of heightened trade and economic tensions, had the potential to inflame sentiment against China.

Instead, OOIL agreed in July 2018 with the US Department of Homeland Security and Department of Justice to sell 80% of the terminal. Macquarie Infrastructure & Real Assets (MIRA) won the bidding with an offer of $1.78 billion, or about 12x Ebitda. As a sign of how attached OOIL was to the port, and unusually for the ports sector, the seller agreed a 20-year minimum volume contract for the port via its wholly-owned subsidiary Overseas Orient Container Lines (OOCL).

The attachment is easy to understand. The terminal is the second largest at Long Beach, benefits from a concession that runs to 2051, and is currently being expanded from 2 million TEU per year to 3.3 million, with the addition of a third berth. The plant is fully automated and can handle two 20,000 TEU vessels per week.

The $625 million financing backing the acquisition has relatively conservative gearing, and supports both the acquisition and required capex for the third berth. With the OOCL minimum volume contract accounting for 89% of volumes over the first four years and 72% over the whole 20 years, the pressure will be on Macquarie to exploit the remaining free capacity as creatively as possible.

The seven-year debt package breaks down into a $200 million acquisition loan, $200 million in letters of credit, $175 million capex loan and $50 million revolving credit. The lead arrangers, Credit Agricole, ICBC, ING, Intesa, MUFG, Natixis, NAB and SG, split the debt comfortably between them.

Long Beach Container Terminal, LLC

Close date: 24 October 2019

Location: Long Beach, California, United States

Description: Acquisition of 80% of a 2 million TEU container port from Orient Overseas

Size: $1.78 billion

Sponsor: Macquarie Infrastructure & Real Assets

Debt: $625 million

Lead arrangers: Natixis, NAB, Intesa, MUFG, Credit Agricole, ING, ICBC, SG

Sponsor's legal adviser: Shearman & Sterling

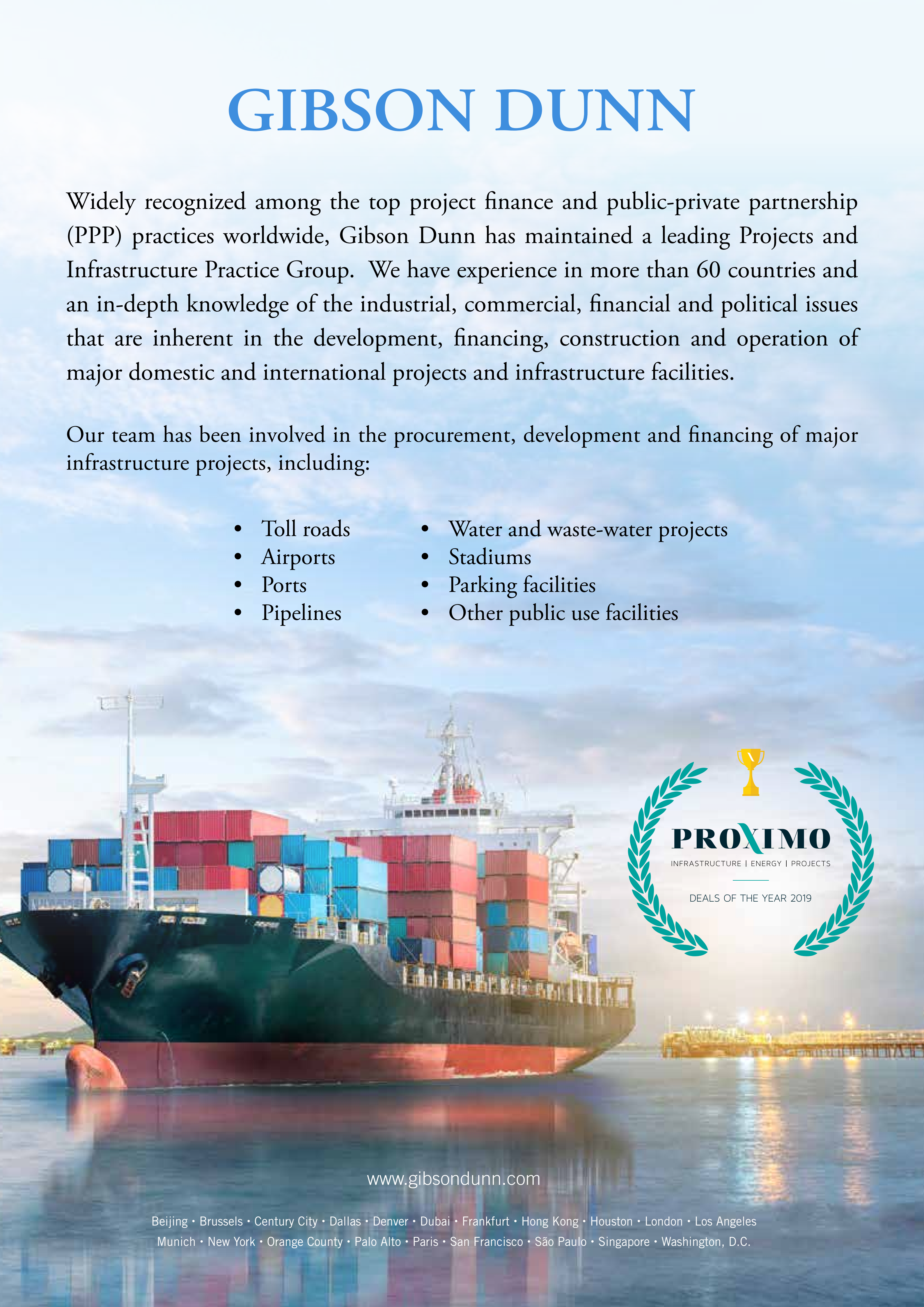
Lenders' legal adviser: Gibson Dunn

Seller's financial adviser: JP Morgan

Seller's legal adviser: Slaughter & May

Technical advisers: Mercator (market), Golder (environmental), Marsh (insurance)

Macquarie seized the opportunity to take control of one of the busiest and most modern container terminals in the US.


GIBSON DUNN
Widely recognized among the top project finance and public-private partnership (PPP) practices worldwide, Gibson Dunn has maintained a leading Projects and Infrastructure Practice Group. We have experience in more than 60 countries and an in-depth knowledge of the industrial, commercial, financial and political issues that are inherent in the development, financing, construction and operation of major domestic and international projects and infrastructure facilities.
Our team has been involved in the procurement, development and financing of major infrastructure projects, including:
• Toll roads
• Airports
• Ports
• Pipelines
• Water and waste-water projects
• Stadiums
• Parking facilities
• Other public use facilities
PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019
www.gibsondunn.com
Beijing • Brussels • Century City • Dallas • Denver • Dubai • Frankfurt • Hong Kong • Houston • London • Los Angeles
Munich • New York • Orange County • Palo Alto • Paris • San Francisco • São Paulo • Singapore • Washington, D.C.

North America Rail Deal of the Year

Mobilinx Hurontario: Bank, bond and tightly priced

The combined bank and bond financing for the C$2.6 billion ($1.91 billion) Hurontatio light rail transit PPP was reassuringly familiar – and reassuringly keenly priced. But it backs a concession structure that indicates that Canadian governments are starting to address some of the issues that have plagued the sector.

Light rail projects have been a consistent source of overruns and interface issues, in part because both procuring vehicles separately to track, stations and signals and bundling them together have created risk allocation issues. For Hurontario the grantors, Ontario Infrastructure and Metrolinx, negotiated directly with the vehicle supplier and then assigned that contract to the project, while retaining schedule risk.

That allocation required additional layers of negotiation and due diligence with the consortium – comprising John Laing (35%), Salini-Impregilo (21%), Hitachi Rail (20%), Astaldi (14%), Transdev (5%) and Amico (5%). But the eventual concession structure and payment profile was consistent with a BBB+ rating, slightly higher than comparable transit projects elsewhere in North America. The financing even closed while one sponsor, Salini Impregilo, was buying another, Astaldi, out of bankruptcy protection.

About C$2 billion in milestone and completion payments meet the bulk of the project's cost, with long-term capital comprising C$141 million in 34.5-year bonds, C$122 million in 19.5-year bonds and C$57 million in equity. HSBC and National Bank Financial were financial advisers and bookrunners on the bonds, while HSBC, National Bank, SMBC and Mizuho provided a shorter-term 6.5-year C$487.8 million term loan to be repaid with milestone and completion payments.

The financing is geared at 93% and has a 1.63x average debt service coverage ratio. The bonds priced for coupons of 3.276% (shorter bonds) and 3.642% (longer bonds). It also allows the grantors and sponsors to agree an extension to the project without bondholder approvals while maintaining the project's risk profile.

Hurontario is an integral part of the 'The Big Move', a 25-year regional transportation plan to improve public transit in Greater Toronto and Hamilton Area (GTHA). Hurontario itself involves building an 18km light rail line between Mississauga and Brampton, Ontario, including 19 stops and 28 vehicles. Once completed, the project company will be responsible for operating and maintaining the LRT system for 30 years.

The financing even closed while one sponsor, Salini Impregilo, was buying another, Astaldi, out of bankruptcy protection.

Mobilinx Hurontario General Partnership

Close date: 21 October 2019

Location: Mississauga and Brampton, Ontario, Canada

Description: 18km double track light rail transit line, featuring 19 stops and 28 vehicles

Size: C$2.6 billion

Grantors: Ontario Infrastructure and Metrolinx

Sponsors: John Laing (35%), Salini-Impregilo (21%), Hitachi Rail (20%), Astaldi (14%), Transdev (5%) and Amico (5%)

EPC contractor: JV of Salini-Impregilo (30%), Hitachi Rail (30%), Astaldi (20%), Amico (15%), and BOT Infrastructure (5%)

Debt: C$487.8 million 6.5-year term loan, C$141 million in 34.5-year bonds, C$122 million in 19.5-year bonds

Lead arrangers: HSBC, NBC, SMBC, Mizuho

Financial advisers and bookrunners: HSBC and National Bank Financial

Sponsors' legal advisers: Osler, Hoskin & Harcourt

Lenders' legal advisers: Torys

Government legal adviser: McCarthy Tetrault

Trustee: AST Trust Company

Technical adviser: Leigh Fisher (independent engineer)

North America PPP Deal of the Year

Conrac: Dealing with demand risk

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

Given the well-publicised issues that have affected aviation – and travel in general – in the last four months, a consolidated rental car facility at an airport might be a surprising award winner in PPP. But the $443 million bank financing for the 35-year EWR Conrac concession shows that the bank market is able to competitively finance aviation market-related demand risk.

Publicly-owned airports have been increasingly willing to procure assets using availability payment-based PPP concessions. But those concessions – for assets like terminals and transit facilities – have typically not exposed sponsors and lenders to demand risk. If the private sector can demonstrate that it can finance demand risk effectively, it may persuade authorities to increase the risks they are willing to assign to private capital.

The project involves the construction of a 3,380-space consolidated car rental facility and 2,925-space car park at Newark, one of three major airports serving the Greater New York Area. The grantor is the Port Authority of New York and New Jersey, which runs all three. The total floor space of the facility, which covers a 16.65-acre site, stands at 2.7 million square feet.

The sole source of repayment for the project are the customer facility charges (CFCs) that are applied to rental car customers' bills. The operator thus in theory has an incentive, which US airports frequently lack, to make the customer experience as pleasant as possible.

The project is being built by a joint venture of Austin Commercial and VRH Construction under a bonded, fixed price and date certain contract, and is scheduled for completion in 2022. The project also makes a solid push for sustainability by featuring a solar roof, electric vehicle charging, LED lighting, water reclamation and air quality systems.

The project sponsors, Conrac Solutions, Related Fund Management, Fengate Asset Management, initially looked at a financing for the concession in the private placement market. But banks were willing to push out substantially from their seven-year comfort zone, persuading the sponsors to pivot to a bank deal.

The eventual ten-year debt package, which signed in May 2019, comprised a $310 million term loan and four letters of credit facilities, of $9.8 million, $20 million, $2.4 million and $1.7 million. It complemented $100 million in sponsor equity. The lead arrangers were CIBC, MUFG and National Bank of Canada.

The sponsors have a solid buffer during construction to wait for air travel to recover following the Covid-19 crisis, though what the future holds for both recreational and business travel is very hard to predict. What is clear, though, is that in a more competitive environment for air travel, airports that find creative ways to upgrade their facilities will be at a huge advantage.

EWR Conrac LLC

Close date: 30 May 2019

Location: Newark, New Jersey

Description: 35-year concession for a 3,380-space consolidated car rental facility and 2,925-space car park

Size: $443 million

Grantor: Port Authority of New York and New Jersey

Sponsors: Conrac Solutions, Related Fund Management, Fengate Asset Management

EPC contractor: Austin-VRH JV

Debt: $310 million 10-year term loan and $33 million in letters of credit

Lead arrangers: CIBC, MUFG, National Bank of Canada

Financial adviser: Goldman Sachs

Sponsors' legal advisers: Allen & Overy, Torys (Fengate)

Lenders' legal advisers: White & Case

Government legal adviser: Ashurst

The 35-year EWR Conrac concession shows that the bank market is able to competitively finance aviation market-related demand risk.

Latin America Oil and Gas Acquisition Deal of the Year

TAG: A dual currency solution

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

Engie's largest acquisition in Latin America and a landmark privatisation in Brazil, the Transportadora Asociada de Gas (TAG) gas pipeline acquisition financing received strong lender interest, with commitments from seven US dollar lenders and three BRL lenders. The dual currency deal diversified the lender base and is likely to be the template for future privatisations in Brazil in a post-Covid-19 economy.

Petrobras sold 90% of its stake in TAG to Alianca Transportadora de Gas Participacoes – a joint venture between Engie Brasil Energia, Engie, and Caisse de Depot et Placement du Quebec (CDPQ) – for $8.6 billion (the combined Engie shareholding is 58.5%, while CDPQ holds 31.5%).

The deal is the biggest sale in Petrobras' divestment programme and marks Engie's strategic entry into the Brazilian natural gas sector and CDPQ's debut in Brazilian infrastructure assets. Santander advised Petrobras on the sale, while Citi advised Engie and CDPQ.

TAG is the largest natural gas transportation network owner in Brazil – equivalent to around 47% of the country's entire gas infrastructure – with approximately 4,500 km of gas pipeline located along the coast of the north-east and south-east regions in addition to a stretch linking Urucu to the city of Manaus. The network has 12 gas compression stations (six proprietary/six subcontracted) and 91 delivery points. Engie will be responsible for operation and maintenance after the third year. TAG assets are fully contracted with Petrobras through five existing long-term ship-or-pay gas transportation agreements.

The $6.090 billion (at 3.88 BRL/$) equivalent dual currency debt backing the deal comprises two tranches: a seven-year fully amortizing facility of BRL13 billion ($3.35 billion); and an eight-year $2.4 billion mini-perm based on a 12-year underlying amortisation. Lead arrangers of the US dollar tranche were Societe Generale, Credit Agricole, BNP Paribas, Mizuho, MUFG, SMBC and ING. They were later joined in syndication by Intesa Sanpaolo, Banco Santander, ABN Amro, Allianz and CM-CIC Investissement. Lead arrangers for the locally denominated mini-perm were Itau, Bradesco and Banco do Brasil. MUFG acted as offshore collateral agent and TFM acted as onshore collateral agent, with Holland & Knight acting for both as legal counsel.

For Engie the deal is of major strategic importance. At the time of the acquisition Engie announced TAG was expected to make an "additional contribution at current operating income level of around €130 million in 2021, with significant medium-term growth expectations increasing this contribution by more than 10% CAGR2 between 2021 and 2024." Those expectations may have since contracted given the current economic climate spawned by pandemic, but in the long run TAG's acquisition is likely to prove a solid buy for Engie.

TAG Pipeline Acquisition

Borrower: Alianca Transportadora de Gas Participacoes

Acquisition: Transportadora Asociada de Gas (TAG)

Financial close: 13 June 2019

Location: Brazil

Description: Gas pipeline acquisition financing; Engie's largest acquisition in Latin America and CDPQ's debut in the Brazilian infrastructure market

Sponsors: Engie, CDPQ

Total cost: $8.6 billion

Debt: $6.09 billion-equivalent across two currencies

Tenor: 7-8 years

Equity: $2.51 billion

Initial MLAs and bookrunners: Mizuho, MUFG, BNP Paribas, Societe Generale, ING, Credit Agricole, SMBC

BRL initial lenders: Banco do Brasil, Bradesco, Itau

MLAs: Intesa Sanpaolo, Banco Santander

Arranger: ABN Amro

Lenders: Allianz, CM-CIC Investissement

Lender counsel: White & Case, Lobo de Rizzo

Borrower counsel: Jones Day, Stocche Forbes Advogados

The dual currency deal diversified the lender base and is likely to be the template for future privatisations

Latin America Renewables Portfolio Deal of the Year

Project Condor: Long on tenor and low on pricing

A combined solar and wind project, the Project Condor financing, sponsored by Mainstream Renewable Power, also made innovative use of a separate trade finance facility to enable the sponsor to shore up its equity. The project facility attracted impressive terms, with a lengthy tenor and low pricing. The financing was also one of the largest renewable energy debt deals in Latin America in 2019.

Project Condor comprises the 230MW Escondido solar complex, the 150MW Tchamma wind farm, the 147MW Cerro Tigre wind farm and the 84MW Alena wind farm. This forms the first stage of Mainstream's 1.3GW $1.65 billion Andes Renovables platform. The projects will deliver power under 20-year index-linked US dollar denominated power purchase agreements with 25 local distribution companies, which were awarded to Mainstream in 2016 in Chile's largest ever technology neutral capacity auction. In addition to PPA revenues, the schemes benefit from capacity payments and ancillary revenues.

The deal had a few hurdles to jump before closing. The initial turbine provider Senvion was replaced because of its financial troubles. The wind farms will now be built by Sacyr Industrial and Elecnor, with Vestas, Nordex Acciona and Siemens Gamesa supplying the wind turbines. Sterling & Wilson is building the Escondido solar farm, with grid connection works from Transelec, CGE, HMV and Siemens. All power transformers for the projects will be supplied by ABB.

The $580 million 19-year term loan was provided by six banks: Caixabank, DNB, KfW IPEX-Bank (with a $106 million ticket), Natixis, SMBC, Societe Generale. In addition, Banco Santander provided a VAT facility. Separately, the borrower also used a trade finance facility from ABN Amro, DNB and HSBC to shore up its $200 million equity position.

Natixis was administrative bank for the financing and has the ability to convert its portion of the loan into a fixed-rate instrument for placement with institutional investor clients. The option is nothing new for the French bank, having included this feature on previous deals – for example, the financing of EIG Global Energy Partners' 210MW Cerro Dominador CSP project, also in Chile.

The Condor financing structure is expected to serve as template for the rest of the Andes Renovables deals. Mainstream started sounding out bank appetite for Huemul, the next phase of the scheme, at the start of this year. The $500-600 million portfolio financing was expected to mirror Condor, but given global credit fallout from Covid-19 the deal is also likely to involve DFIs like the IADB this time around, and pricing may be higher than the initial 230bp on Condor.

The project facility attracted impressive terms, with a lengthy tenor and low pricing. The financing was also one of the largest renewable energy debt deals in Latin America in 2019.

Project Condor

Borrower: Condor Energia (comprising AR Tchamma SpA, AR Cerro Tigre SpA, AR Alena SpA and AR Escondido SpA, which are liable on a joint and several basis)

Financial close: 5 November 2019

Location: Chile

Description: Mixed renewables portfolio financing

Project cost: $1.7 billion over 3 stages of the project; $780 million for this first stage

Debt: $580 million

Tenor: 19 years

Equity: $200 million

Lenders: Natixis, DNB, KfW IPEX, SMBC, Societe Generale, Caixabank, MUFG

VAT lender: Santander

Lender counsel: Shearman & Sterling, Morales y Besa, Philippi Prietocarrizosa Ferrero Du & Uria Bogota

Borrower counsel: Milbank, Carey

EPC contractors: Sacyr Industrial, Elecnor, Sterling & Wilson

Wind turbine suppliers: Vestas, Nordex Acciona and Siemens Gamesa

Grid connection works: Transelec, CGE, HMV, Siemens.

Transformer supplier: ABB

Model auditor and tax advisor: PricewaterhouseCoopers

Market consultant: Systep Ingenieria y Disenos

Independent engineer: DNV GL

Insurance advisor: Marsh

Latin America PPP Deal of the Year

Rutas del Este: Paraguay debuts

Paraguay made its PPP debut with Rutas del Este, a road concession that used an offshore bond issue to securitize receivables from the government. The structure has been used elsewhere in Latin America, notably in Peru and Colombia. That the structure can now be used in Paraguay, whose economy is one fifth the size of Peru's, shows how reliable the financing method has become.

Like its predecessors, Rutas del Este is essentially a derivative of the Paraguayan sovereign credit. The government issues the right to 15 years of semi-annual payments upon completion of specified tranches of work on the concession. These are US dollar-denominated (in contrast to the local currency instruments now used in Colombia and Peru), irrevocable and transferable.

Sacyr (60%) and Ocho A (40%) are the sponsors of project company Rutas del Este. They never touch the original payment obligations, known as Pagos Diferidos por Inversion (PDIs), which are issued to a project trust, which makes distributions to a collateral trust, which issues new PDI securities to the project company, which in turn distributes them to a purchase trust, which makes distributions to Rutas 2 and 7 Finance Limited, the bonds' issuer.

The global coordinator for the $458 million in zero coupon bonds, which were issued at a discount, was Goldman Sachs, while Itau was joint lead manager. The IDB has two roles on the transaction: as liquidity provider, by providing letters of credit for advances to the issuer, and as bank lender against some of the tranches of work, which have been carved out from the bond financing.

This $200 million package from the IDB reduces the negative carry in the transaction, by reducing the need for bond proceeds to finance working capital. It is the first time that the IDB has used a financial product of this type on a project financing.

The project involves the upgrading and maintenance of 149.5km of road that runs between the Paraguayan cities of Asuncion and Caaguazu, via the city of Coronel Oviedo. However, as is typical with the structure, bondholders are not exposed to construction or operational risk. Like its forebears, Paraguay will ultimately hope to transfer a greater number of project risks to the private sector. But for now, given the lack of familiarity that sponsors and lenders have with PPP in the country, the clean structure represents an impressive debut.

Rutas del Este SA and Rutas 2 and 7 Finance Limited

Close date: 16 October 2019

Location: Paraguay

Description: 30-year concession to upgrade and maintain 149.5 km of motorway between Asuncion and Caaguazu, via Coronel Oviedo

Size: $738 million

Grantor: Ministry of Public Works and Communications

Sponsors: Sacyr (60%) and Ocho A (40%)

Debt: $200 million in working capital and long-term debt, $458 million bond securitisation of government receivables

Lead arrangers: IDB invest (bank facilities), Goldman Sachs (global coordinator), Itau BBA (joint bookrunner)

Sponsors' legal advisers: White & Case (US), Berkemeyer (Paraguay), Vouga Abogados (collateral agent)

Lenders' legal advisers: Clifford Chance (US), Gross Brown (Paraguay)

Trustee: Citibank

Collateral agent: TMF

That the structure can now be used in Paraguay, whose economy is one fifth the size of Peru's, shows how reliable the financing method has become.

Latin America Roads Deal of the Year

Autopista al Mar 1: New liquidity

Peso liquidity has long been the main constraint on Colombia's 4G toll road PPP programme. With Colombia's Agencia Nacional de Infraestructura naturally unwilling to offer US dollar indexation on concessions, the most obvious sources of Colombian Pesos – domestic banks – have been the lynchpins of the programme.

The most obvious route around the local banks has been to issue Peso debt to local and international bond investors, though global Peso bond demand can be highly fickle, and local investors are highly conservative. The Autopista al Mar 1 financing mixes some dollar debt from international banks with an institutional Peso debt tranche from a group of development and export lenders and the Colombian government-run infrastructure fund FDN.

The sponsors of project company Desarrollo Vial al Mar, or Devimar, are Sacyr (37.5%), Strabag (37.5%), Concay (25%). They picked up the concession for the 176km road in 2015 as part of Colombia's 4G road concession programme. It involves the upgrade of just under 60km of road between Medellín and Santa Fe de Antioquia, including a new 4.6km tunnel outside Medellin.

The concession has both national and regional importance, by improving Medellin's connections both to the Caribbean and the Pacific. It is designed to reduce travel times and improve security.

The $713 million equivalent financing breaks down into a $220 million dollar term loan from Societe Generale, SMBC and KfW and Ps1.55 trillion in Colombian Peso facilities from FDN, ICO, IDB Invest, CAF and BlackRock. The dollar lenders benefited from nondeliverable forward US dollar/ Colombian peso hedges. The Peso lenders were motivated by a mixture of developmental (FDN, IDB, CAF), foreign investment support (ICO) and fund mandate (Blackrock) objectives.

Still, the large number of new names was a huge boost for the government after the four years that the road had spent at the financing stage, and the ripples of the Brazilian Lava Jato scandal spreading to Colombia. The country's banks might overcome their nervousness in due course, but with oil prices remaining depressed, and bond investor appetite uncertain, staking out a new source of liquidity is a real achievement for Colombia's roads programme.

The large number of new names was a huge boost for the government after the four years that the road had spent at the financing stage.

Desarrollo Vial al Mar SAS

Close date: 21 March 2019

Location: Antioquia department, Colombia

Description: 176-km toll road to be built and operated under a 25-year concession

located in the Antioquia Department.

Size: $1.06 billion

Grantor: Agencia Nacional de Infraestructura

Sponsors: Sacyr (37.5%), Strabag (37.5%), Concay (25%)

Debt: $713 million equivalent, split between $220 million dollar term loan and Ps1.55 trillion in Colombian Peso facilities

Lead arrangers: Societe Generale, SMBC and KfW (Dollar tranche); FDN, ICO, IDB Invest, CAF and BlackRock (Peso tranche)

Financial adviser: SMBC

Sponsors' legal advisers: Paul Hastings (NY); Godoy & Hoyos (Colombia), Katten Muchin Rosenman (hedging)

Lenders' legal advisers: Clifford Chance (NY); Brigard & Urrutia (Colombia); Binder Grösswang Rechtsanwälte (Austria); Philippi Prietocarrizosa Ferrero DU & Uría (BlackRock local)

Government legal adviser: Cuatrecasas

Trustee: Bancolombia

Technical adviser: Mott McDonald

Latin America Communications Deal of the Year

Ascenty Data Centres: Going large

The execution of the acquisition of Brazilian data centre operator Ascenty sprawled over the end of 2018 and into 2019. Digital Realty, a US-listed data-focused real estate investment trust, agreed to pay $1.8 billion to buy Ascenty in September 2018, and closed on the acquisition in the final days of December that year. But the culmination of the transaction was Digital Realty's sale of a 49.9% stake in Ascenty to Brookfield.

The deal is a perfect example of how data and real estate specialists can combine with more traditional infrastructure investors, though Brookfield is at least as well known in real estate as it is in infrastructure. Perhaps more relevantly, Brookfield, previously known as Brascan, was founded to develop Brazilian infrastructure exactly 120 years before the Ascenty deal closed.

Ascenty was founded in 2010, and operates 14 data centres Sao Paulo, Rio De Janeiro and Fortaleza, with a 4,500km fibre-optic cable network connecting them. The seller, Great Hill Ventures, is a Boston-based mid-market private equity firm, and the sale multiple was about 15x underwritten forward stabilised Ebitda, a metric preferred by the buyer.

The acquisition was supported by a non-recourse five-year term loan of up to $775 million but initially of $600 million. While pricing was not disclosed, Digital Realty said that the debt's all-in effective interest rate was 7.042%.

The loan, thought to be the largest ever for a Latin American data centre operator, and certainly the first above $500 million, was lead arranged by Natixis, Citi, ING (each of them also a bookrunner), Scotia Bank, CDPQ, Deutsche, Banco do Brasil, Itau Unibanco, SMBC, BNP Paribas, Credit Agricole. Two of those banks – ING Bank and Itau – had led a $155 million corporate refinancing for Ascenty in 2016.

The debt is denominated in US dollars, reflecting the fact that over 75% of Ascenty's revenues are also dollar-denominated. The acquisition is expected to benefit from strong predicted growth in data traffic, off the back of better 4G penetration in the region and the anticipated take-off of 5G in more densely populated areas. The buyers needed to spend $425 million completing construction on the network of data centres.

At the time the Ascenty acquisition was agreed, Brookfield made a commitment to buy 49.9% of the equity in Ascenty for $613 million, allowing it to be deconsolidated from Digital Realty's balance sheet, once the transaction closed on 3 April 2019.

Several of 2019's winners, particularly those in the transport and oil and gas sectors, have been facing immediate economic headwinds from the COVID-19 crisis. Ascenty is not one of them. With data demand continuing to grow strongly, even with the Latin American outlook sluggish, Ascenty's acquisition financing looks both well-timed and influential.

Stellar Participacoes Ltda

Close date: 20 December 2018 (debt and acquisition); 3 April 2019 (Brookfield JV)

Location: Sao Paulo, Rio de Janiero and Fortaleza, Brazil

Description: Acquisition of 16 data centers from Great Hill Partners

Size: $1.8 billion

Sponsors: Digital Realty (51%); Brookfield Infrastructure (49%)

Debt: $775 million

Lead arrangers: Natixis, Citi, ING (all bookrunners), Scotia Bank, CDPQ, Deutsche, Banco do Brasil, Itau Unibanco, SMBC, BNP Paribas, Credit Agricole

Sponsor financial adviser: BofA Merrill Lynch (Digital Realty)

Borrower financial adviser: DH Capital

Sponsor legal adviser: Latham & Watkins (Digital Realty); Demarest Advogados

Borrower legal counsel: Choate, Hall & Stewart; Schivartche Advogados; Pinheiro Neto

Lenders' legal advisers: Shearman & Sterling; Pinheiro Guimaraes

The deal is a perfect example of how data and real estate specialists can combine with more traditional infrastructure investors.

Latin America Power Deal of the Year

GNA 1: Easier to replicate

The debt financing for the $1.19 billion 1298MW GNA-1 liquefied natural gas-to-power project adds to the tools available to sponsors in Brazil's thermal power sector. While the first financing for an LNG-to-power plant – Sergipe – involved a complex export credit agency-enhanced bond issue, GNA-1 is a little more conventional, and as a result is likely to be easier to replicate.

The project is located at the port of Açu, in the northeast of Rio de Janeiro state, and is being built as part of a larger port and energy complex being developed by Prumo, of which EIG Global Energy Partners owns 76% and Mubadala another 24%. The complex will eventually feature oil storage, processing and blending facilities.

Joining Prumo (49.9% stake) as sponsors are Siemens (33%) and BP (20.1%). Siemens is the plant's turnkey engineering, procurement and construction contractor, supplying its H class turbines, in its first order for an integrated LNG-to-power facility. BP is the plant's LNG supplier. This top-notch group of sponsors is a far cry from Açu's original developer, stricken Eike Batista portfolio company LLX.

The plant benefits from regulated power purchase agreements with 36 local distribution companies, and is part of Brazil's continued efforts to make its hydro-dominated power sector less exposed to the vagaries of rainfall. The PPAs were awarded in 2014 and brought with them a generous financing package from Brazil's national development bank BNDES.

BNDES has emerged from a quiet spell in the wake of the Lava Jato scandal, and is now preparing to play a constructive role in Brazil's ever-ambitious infrastructure programme. But GNA-1 was the bank's first LNG-to-power deal.

The R2.86 billion ($763 million) local currency debt package comprised a R1.1 billion 15-year loan from the International Finance Corporation and R1.76 billion loan from BNDES. But the BNDES loan was guaranteed by KfW, which in turn was 95% guaranteed by Euler Hermes. The structure was designed to allow BNDES to book the deal as a corporate loan, and for KfW to stay within EU rules.

The financing was initially presented as a stepping-stone on the way to a fully commercial bank-supported market. Initial rumours suggested that a second 1,700MW phase at Açu would be a test of that theory. With markets now looking much more unsettled, development banks and ECAs are likely to continue to be important sources of liquidity in the sector.

UTE GNA I Geracao de Energia

Close date: 15 March 2019

Location: Rio de Janeiro State, Brazil

Description: 1,298MW LNG-to-gas-fired combined-cycle power plant

Size: $1.19 billion

Sponsors: Prumo (46.9%, itself owned 76% by EIG and 24% by Mubadala); Siemens (33%) and BP (20.1%)

Offtakers: 36 local distribution companies under regulated power purchase agreements

EPC contractor: Siemens

Debt: $763 million equivalent, split between a R1.1 billion 15-year loan from the International Finance Corporation and R1.76 billion loan from BNDES

Lenders: International Finance Corporation, BNDES

ECA: Euler Hermes

Lead arranger: KfW IPEX-Bank

Sponsors' legal advisers: Milbank (international); Mattos Filho (Rio de Janeiro); Souza, Mello e Torres (Sao Paulo)

Lenders' legal advisers: Shearman & Sterling (international); Pinheiro Neto (Brazil)

Unlike Sergipe, GNA-1 is a little more conventional, and as a result is likely to be easier to replicate.

Latin America Power Refinancing Deal of the Year

Techgen: One more step removed

A hybrid corporate/project refinancing for a 900MW gas-fired plant in Nuevo Leon, Mexico, that has been operational since 2016, Techgen's deal is designed around a unique PPA structure.

The project was originally financed in 2014 via a $800 million five-year corporate construction loan from Citigroup, Credit Agricole, Natixis, BBVA, HSBC, Bank of Tokyo Mitsubishi, BNP Paribas, EDC, Intesa, Sumitomo, Bank of Nova Scotia, UniCredit and JP Morgan.

In early 2019 the five-year corporate facility was due for refinancing and Techgen wanted to improve on the original. The new $640 million seven-year term loan – this time provided by Citigroup, Credit Agricole, HSBC and Natixis as lead arrangers, and BNP Paribas, Intesa Sanpaolo, Norinchukin and Santander as participants – is non-recourse to Techgen's sponsors and priced at around 170bp over Libor: that's a 20bp increase on the original loan but with the addition of two more years of tenor, non-recourse status and against the backdrop of regime change in Mexico, a regime that has become increasingly anti-private power operators.

The essence of the deal is Techgen's PPA structure which is linked back to its sponsors. Techgen is ultimately sponsored by Ternium (48%), Tenaris (22%) and Tecpetrol (30%), three subsidiaries of the Techint Group. Ternium is one of the leading steel companies in the Americas and also manufactures and processes a broad range of value-added steel products. Tenaris is a leading supplier of tubes and related services for the world's energy industry. Tenaris' shares are listed in Milan, Buenos Aires and Mexico with its American Depositary Securities listed on the NYSE.

Techgen supplies 100% of its capacity to three subsidiaries of its sponsors under take-or-pay contracts. The PPAs provide not only for the full pass-through of all the fixed and variable operational costs and financing costs (fees and senior interest) but also for a capacity payment to cover taxes and senior debt repayment. Given the in-house structure of the project, the PPAs do not include any termination payment.

Techgen's obligations under the new facility are guaranteed by a Mexican security trust covering Techgen' shares, assets and accounts as well as Techgen's affiliates rights under certain contracts.

Techgen

Financial close: 27 February 2019

Location: Mexico

Description: A hybrid corporate/project refinancing for a 900MW gas-fired plant.

Sponsors: Ternium, Tenaris, Tecpetrol

Debt: $680 million

Tenor: 7 years

Lenders: Natixis, Banamex/Citigroup, Credit Agricole, HSBC Mexico, Intesa Sanpaolo, Norinchukin Bank, BNP Paribas, Santander Mexico

Lender counsel: White & Case

The deal generated a 20bp increase on the original loan but with the addition of two more years of tenor, non-recourse status and against the backdrop of regime change in Mexico, a regime that has become increasingly anti-private power operators.

Latin America Mining Deal of the Year

Quebrada Blanca 2: Pulling ECA support

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

Export credit agency facilities have long been important to big-ticket mining financings in Latin America. Even in mature markets like Chile, they can still add immense value on complex financings, and ensure best practice in managing environmental and social risk.

They can also help bring transformative projects to fruition, making even the largest potential debt raisings look easy to manage. For the $5.8 billion expansion of the open-pit Quebrada Blanca mine in the very north of Chile, four ECAs helped prop up the $2.5 billion debt financing.

The sponsors of Quebrada Blanca are Teck Resources (60%), Sumitomo Metals and Mining (25%), Sumitomo Corporation (5%), and Empresa Nacional de Mineria (10%). The project involves developing the ability to process 1.26 billion tons of copper sulphide ore, byt building a 140,000 tonnes per day concentrator, and associated crusher, conveyor, grinding mills, loading facilities, pipeline and a desalination plant.

The debt comprises a $900 million 12-year JBIC direct loan, $660 million 12-year EDC direct loan, $300 million 12.5-year Euler Hermes-covered UFK loan, which supports German imports of raw materials, $240 million 12-year Kexim direct loan, $160 million 12.5-year Kexim-covered loan, and a $240 million 8.5-year uncovered loan. The commercial bank lead arrangers were BMO, BNP Paribas, ING, Mizuho, MUFG and SMBC.

The debt is structured so that the facilities are used to fund project costs until a specified debt/equity ratio is reached, and then debt and equity contributions are made pro rata to maintain that debt equity ratio. The financing benefits from sponsor completion guarantees.

According to Teck, the debt was competitively priced, and the project could produce an internal rate of return of 19%, assuming $3 per pound copper prices. The project is slightly vulnerable to exchange rates, given its high proportion of Chilean peso costs, with the US Dollar strengthening against the Peso up to the middle of March, before falling back to now.

In March this year, Teck suspended work on the expansion in response to the Covid-19 crisis, a move affecting 15,000 workers at the expansion. Until then Teck said both that the capital cost for the project, at $5.2 billion, and its likely remaining cash contribution, were unchanged. The 30% complete project is scheduled for completion in the second quarter of 2022, though the impact of Covid-19 is still to be estimated.

But a well-supported ECA package like Quebrada Blanca's is likely to be resilient to current conditions. It's a deal that could have been closed at any point in Chile in the last 20 years, but this proven structure should allow Teck and its fellow sponsors to handle the worst that Covid-19, currency and commodity volatility can throw at them.

The debt was competitively priced, and the project could produce an internal rate of return of 19%.

Compania Minera Teck Quebrada Blanca

Close date: 30 May 2019

Location: Tarapaca, Chile

Description: Financing for phase 2 expansion of copper mine

Size: $5.8 billion

Sponsors: Teck Resources (60%), Sumitomo Metals and Mining (25%), Sumitomo Corporation (5%), and Empresa Nacional de Mineria (10%)

EPC contractor: Bechtel

Debt: $2.5 billion

Lead arrangers: BMO, BNP Paribas, ING, Mizuho, MUFG, SMBC

ECAs: JBIC, EDC, Kexim, UFK

Financial adviser: NM Rothschild

Trustee: Banco de Credito e Inversiones

Sponsor legal counsel: Sullivan & Cromwell

Lender legal counsel: Milbank, Tweed, Hadley & McCloy

Technical advisers: Roscoe Postle Associates (Independent engineer); Wood Mackenzie (Market consultant); Moore-McNeil (Insurance consultant)

Latin America Newcomer

China Harbour Engineering Company: An impressive debut

It's become tempting in 2020 to write off Chinese corporates' chances of making further in-roads in global infrastructure. Their success, goes the argument, was down to sovereign-guaranteed loans to unsophisticated borrowers that required neither financing acumen nor cost discipline. With increased wariness of China's Belt & Road Initiative, and host countries chafing at debt service burdens, opportunities for new business will be much more challenging.

But Proximo's Latin America Newcomer, is a Chinese contractor that has been at the forefront of Belt & Road, and an aggressive bidder for large conventionally procured projects. CHEC was founded in the 1980s, is a subsidiary of China Communications Construction Company, and describes itself as guided by Belt & Road.

However, in July 2019 it closed the first ever project financing by a Chinese corporate in Latin America, the Ps3.3 trillion ($1 billion) Autopista al Mar 2 4G road concession in Colombia. The concession is a companion project to the Autopista al Mar 1, concession, another award winner, and is designed to increase economic growth in Colombia's Antioquia department.

The bulk of the debt financing for AAM2 comes from state-controlled lenders. The financing features a Ps500 billion local currency facility from the Financiera de Desarrollo Nacional (FDN), a Colombian state-controlled infrastructure lender, and $417.7 billion in dollar facilities from the China Development Bank. But rounding out the package is an $84 million loan from SMBC (which is also a shareholder in FDN).

The financing had a protracted gestation period, with CHEC (65%), Unica (15%), SP Ingenieros (15%) and Termotecnica Coindustrial (5%) picking up the concession in 2015. Still, the length that concession took to close says more about Colombian political and market conditions than the sponsors' lack of commitment.

CHEC's approach reflected a combination of conservatism and flexibility. It spent a lot of time putting in place foreign exchange hedges on The SMBC tranche and about $150 million of the CDB debt. While some sponsors have turned to DFIs or the offshore Peso bond market, for CHEC the two successful banks, even with FX risk, and some perceptions of deteriorating Colombian risk, looked like the surest route close.

Its flexible approach became clear in the months leading up to close. With trade tensions between the US and China escalating, CHEC took the decision to switch the documentation for the deal from New York law to English law. The switch meant taking on new sets of lawyers and making sure the contract documentation aligned with English law, and was achieved at breakneck speed.

In October 2019, a consortium that it leads won the bidding for the Bogota Metro project. The metro, because of its complexity, is likely to be conventionally procured. And outside Latin America, CHEC has been busy in its core business, winning port projects both private and public.

CHEC has shown it can close a major financing in Colombia, despite significant economic and political headwinds, and in the face of wariness on the part of local lenders. With other sponsors exhibiting wariness about Colombia and its neighbours, there may be a huge opportunity for CHEC to win business both there and elsewhere in the region.

CHEC closed the first ever project financing by a Chinese corporate in Latin America, the Ps3.3 trillion ($1 billion) Autopista al Mar 2 4G road concession in Colombia. The concession is a companion project to the Autopista al Mar 1, concession, another award winner.

Latin America Developer of Year

Sacyr: Pushing project finance boundaries in Latam

Sacyr had a phenomenal 2019 in Latin America. It closed financing on two projects awarded a deal of the year by Proximo – the Autopista Al Mar 1 4G road financing (see page 21), which featured the largest mobilisation of Colombian Pesos from non-Colombian financial institutions to date; and the 30-year Rutas del Este road concession, the first PPP project in Paraguay (see page 20) to close on financing and the largest private investment in the country to date.

But Sacyr closed a number of other cutting-edge deals in the region in 2019, some of which also broke records – most notably financings for the Americo Vespucio Oriente (AVO) toll road project in Chile, the Rumichaca-Pasto 4G 25-year road concession in Colombia and the Ferrocarril Central rail PPP in Uruguay.

The AVO financing – a UF22.6 million ($910 million) package provided by Banco de Chile, Banco del Estado de Chile, Banco de Credito e Inversiones (BCI), Compania de Seguros de Vida Consorcio Nacional de Seguros, Principal Compania de Seguros de Vida Chile, Bice Vida Compania de Seguros, and Metlife Chile Seguros de Vida, and Banco Consorcio – was the largest project financing in Chile to date to feature only local lenders.

Similarly, the $561 million Rumichaca-Pasto financing featured a rare use of the miniperm structure in a Colombian 4G concession deal. JP Morgan and Banco Santander led the $375 million eight-year commercial tranche and were joined by ICO, SMBC, Metlife, MUFG, Credit Agricole and Bank of China. OPIC also provided a $250 million eight-year loan for the scheme.

The final major deal of 2019, the $1.07 billion Ferrocarril Central Rail PPP in Uruguay, sponsored by the Sacyr-led Grupo Via Central consortium, involved a $855 million 17-year project financing that mixed commercial and DFI lenders: SMBC, Intesa, IDB, Corporacion Andina de Fomento (CAF) and its affiliate fund CAFAM. The deal is backed by Uruguayan government payments of $146 million per year over the 22-year life of the DBFM concession.

Towards the end of 2019 Sacyr also won the concession for the $575 million 142km Camino de la Fruta (Route 66) highway project in Chile. The 40-year toll road concession is already around 30% complete, having been abandoned in 2012 by original sponsor Comsa Emte when it went bankrupt, but the route is technically challenging. The winning of Camino de la Fruta upped Sacyr Concessions to 11 assets in Chile: seven highways, two airports and one hospital.

The pace of Sacyr's Latin American expansion shows no signs of let up this year – despite the global pandemic. In March 2020 Sacyr closed a $525 million financing for the $765 million Pamplona-Cucuta 4G dual-carriageway highway concession (which lasts until June 2042) in Colombia. The loan providers are JP Morgan, Deutsche Bank, ICBC, Bank of China, MetLife, MUFG and Societe Generale, as well as development banks ICO and FDN.

In the same month it also issued $350 million in bonds to refinance the debt backing the 35-year Ruta del Algarrobo highway concession (operational since 2015) in Chile. Led by BTG Pactual and Santander the notes priced at 3% with a 25-year tenor and came in 30% oversubscribed.

In addition to winning two deal of the year awards from Proximo, Sacyr closed a number of other cutting-edge deals in Latin America in 2019, some of which also broke records.

North America Developer of the Year

Invenergy: Picking the right deal

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

Invenergy was founded in 2001 as a distressed gas-fired plant buyer. But now, entering the third major crunch for power markets of the last two decades, it finds itself adding to its greenfield renewables portfolio at an ever-faster rate.

Its founders, Michael Polsky and Jim Murphy, have avoided competitive auctions, and avoided chasing outside capital that comes with too many risks and too much downside. Invenergy sat out the yieldco boom and got to watch while its peers raced to merge or cobble together complex rescue financings to stay afloat.

Invenergy has faced challenges over its history. The distressed power strategy did not last long as hedge funds and private equity firms jumped into US power early in the 2000s. Its first wind farm was a disappointment. In 2018, it cancelled a 2GW project, Oklahoma's Wind Catcher, in the face of sustained regulatory opposition.

Still, it's now built up a portfolio of 15GW of wind, 3.6GW of solar, 300MW of storage and, yes, 5.6MW of natural gas, all of it contracted. Invenergy has agreed sales when the opportunities were right, and Boralex and Excelsior Energy have been among the buyers.

It has also taken in some outside capital. In 2014, it sold a 24.7% stake in a wind portfolio to La Caisse de depot et placement du Quebec (CDPQ), building on a project-level collaboration between the two in Canada. By 2018, La Caisse had taken its stake in what had become Invenergy Renewables to 52%, and Invenergy sold a 50% stake in the bulk of its gas-fired portfolio to AMP Capital.

Even with these infusions of capital, Invenergy has preferred to use project finance structures to leverage its equity, and this approach has made it a desirable client in US power. These relationships will be valuable as Invenergy expands its footprint in storage and outside the US.

Invenergy in 2019 was particularly active in Latin America. In December it closed on the $1 billion 378MW Energia del Pacífico LNG-to-power project in El Salvador. That floating regas facility attracted debt commitments from Opic (now the USIDFC), IFC, IDB Invest, Finnvera and KfW IPEX-Bank.

The project is the largest foreign direct investment in El Salvador's history. Given that AES, an even more venerable US-based independent power producer, has historically dominated the country's power market, the closing will have been especially satisfying.

The El Salvador deal was the largest of $3.5 billion in financings, greenfield and brownfield, that Invenergy closed in 2019. It was an unusually large and high-profile financing. Most of Invenergy's project financings have been easily digestible, solidly structured and unshowy, and tend to keep arriving and performing year after year.

In addition, it has announced plans for 168MW of wind capacity in Nuevo Leon, Mexico, and formed a joint venture to develop 400MW of renewables in Colombia. Colombia is a challenging location for development, but Invenergy's choice of partner – massive municipal utility EPM – should give it confidence of success.

The US market was more a source of development than financing activity, with Invenergy signing up three top-tier offtakers – AT&T, Microsoft and Google – for virtual power purchase agreements, part of a 5.5GW portfolio of new contracts.

Even with these infusions of capital, Invenergy has preferred to use project finance structures to leverage its equity, and this approach has made it a desirable client in US power. These relationships will be valuable as Invenergy expands its footprint in storage and outside the US.

EMEA PPP Deal of the Year

Liege Tram: Multi-sourced and long tenor

The Liege Tram financing was the first large PPP project to close in Belgium's Walloon region. It was also multi-sourced in the broadest sense, in that it combines debt from development and commercial banks, as well as institutional sources.

The tramway will connect the Sclessin multimodal station southwest of Liege to the city of Herstal in the northeast via the high-speed train station and Saint Lambert Square. As a key piece of transport infrastructure, the project will cut carbon emissions, improving air quality and mobility within Liege. It will also facilitate the development of 240,000m2 of surrounding urban space.

The financial structure displays significant ingenuity, in that the sponsors have secured long-term financing from a diverse range of lenders from multiple countries, including commercial banks, institutional investors and the EIB.

The €441.7 million ($485.1 million) of debt facilities comprise a 30-year €136.6 million term loan, a 30-year €56.7 million term loan, a five-year €42 million equity facility, a 30-year €10.6 million debt service reserve facility, a five-year €2.7 million VAT facility, and a 30-year €193 million EIB term loan.

The project is expected to become operational in the second half of 2022, giving it a short construction period (around three years) and a lengthy operational period (around 27 years). Lenders benefit from a positive tail on the project debt of around six months, given the sponsors' 31-year concession. In accordance with the deal's PPP structure, sponsors will receive regular availability payments from the Operateur du Transport de Wallonie when construction is completed, giving a large degree of repayment certainty to lenders.

Attracting eight institutional investors is an impressive feat, which probably made the lengthy tenors on most tranches possible. The support of non-bank lenders will make the project less capital-intensive and, therefore, less expensive for banks, allowing for the 30-year tenors on many of the loans.

The deal's sponsors secured the concession in a fairly short space of time, given pressure from the grantor to start construction in the wake of a tender process that had to be restarted after intervention from Eurostat. Finally, the deal stands out for including both rail and rolling stock components. CAF and Colas have signed EPC contracts for the rail and rolling stock, as well as an O&M contract.

Tram'Ardent S.A.

Close date: 22 January 2019

Location: Belgium

Description: The design, financing, construction and maintenance of a 12km tramway line in Liege, Belgium under a 31-year concession. The project includes 21 stations, 20 trams, two park-and-ride facilities and a maintenance depot.

Size: €476.9 million

Grantor: Operateur du Transport de Wallonie

Sponsors: DIF (80%), Colas (10%), CAF (10%)

EPC contractor: Tram Liege Construction

Debt: €441.7 million

Lead arrangers: BBVA, EIB, HDI Lebensversicherung, HDI Versicherung, Neue Leben Lebensversicherung, Targo Lebensversicherung, PB Lebensversicherung, Neue Leben Pensionkasse, HDI Pensionkasse, AG Insurance, Belfius Bank, Natixis

Financial Adviser: Natixis

Sponsor counsel: DLA Piper

Lender counsel: Loyens & Loeff

Technical adviser: Infrata

The Liege Tram financing was the first large PPP project to close in Belgium's Walloon region. It was also multi-sourced in the broadest sense.

EMEA Roads Deal of the Year

Silvertown: Boring into the margins

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

UK PFI may be dead, but the £1.2 billion ($1.5 billion) Silvertown Tunnel financing shows that major availability-based UK PPPs can still achieve extremely competitive debt pricing (well under 200bp, with some tranches at less than 100bp) and very long tenors – even without EIB support and Brexit looming.

Sponsored by the Riverlinx consortium – comprising Aberdeen European Infrastructure GP II (22.5%), BAM PPP PGGM Infrastructure (22.5%), Cintra Global (22.5%), Macquarie Corporate Holdings (22.5%) and SK Engineering & Construction (10%) – the project involves development of a twin-bored road tunnel under the River Thames between the Greenwich peninsula and Silvertown in partnership with Transport for London (TfL) under a DBFM contract. The EPC consortium for the scheme is BAM Nuttal (40%), Ferrovial Agroman (40%) and SK Engineering & Construction (20%).

The PPP concession is for 30 years – 25 years of operation and five years of construction. The tunnel is scheduled to begin operating under a TfL tolling system in 2025.

Availability payments from TfL to Riverlinx, which are not UK government guaranteed, will only start once the tunnel is open and available for use. TfL will also be able to reduce payments should the tunnel not meet certain key standards, such as availability for use by traffic and physical condition.

The financing involved multiple debt tranches with a tenor of up to 30 years, and an equity bridge facility during the six-year construction period. With SK Engineering in both sponsor and EPC line-ups, South Korean lenders and export credit agencies took a significant piece of the deal.

The deal comprises a £484 million 30-year commercial term loan and a £25 million DSRF from Credit Agricole, DZ Bank, ICO, Korea Development Bank, KEB Hana, Norinchukin, Shinsei, SMBC and Woori; a £181 million 30-year Kexim direct loan and a £9.6 million Kexim DSRF; a £354 million 18-year K-Sure-covered loan from Credit Agricole, Norinchukin and KfW IPEX; a £90 million 30-year institutional fixed-rate tranche from Aviva and Samsung Life; and a £102 million 5.5-year equity bridge loan (EBL) from Credit Agricole, DZ Bank, SMBC and Woori.

Despite its political backing, the deal did face a number of hurdles. STC, the losing bidding team, issued a writ against the award of the contract to Riverlinx on the grounds that STC scored a higher mark on its construction price. But when other factors were added into the bids, Riverlinx got a 94.56% score and STC 94%. Local residents and environmental campaigners also argued heavily against the scheme, and continue to do so, on pollution grounds.

Silvertown demonstrates that UK PPPs can still achieve extremely competitive debt pricing.

Silvertown Tunnel

Borrower: Riverlinx Limited

Signed: 21 November 2019

Location: UK

Description: Development of a twin-bored road tunnel under the River Thames between the Greenwich peninsula and Silvertown in partnership with TfL.

Sponsors; Aberdeen European Infrastructure GP II Ltd (22.5%), BAM PPP PGGM Infrastructure (22.5%), Cintra Global (22.5%), Macquarie Corporate Holdings (22.5%), SK Engineering & Construction (10%)

Financial adviser: Macquarie Capital

Concession awarder: TfL

Debt: £1.2 billion (inclusive of equity bridge loan)

Lenders: Aviva Life & Pensions, DZ Bank, Korea Development Bank, Kexim, Norinchukin Bank, Shinsei Bank, Woori Bank, Credit Agricole, ICO, KEB Hana Bank, KfW IPEX-Bank, Samsung Life Insurance, SMBC

ECA cover: K-Sure

Borrower counsel: Allen & Overy

Lender counsel: Hogan Lovells

Lender advisory: Arcadis

Concession awarder advisory: Ashurst, Pinsent Masons, KPMG

EPC contractors: BAM Nuttal, Ferrovial Agroman, SK Engineering & Construction

Joint EMEA Offshore Wind Deal of the Year

Neart Na Gaoithe: Persistence pays

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

Like our other joint winner in this category, Saint Nazaire, the 448MW Neart Na Gaoithe (NnG) offshore wind project is sponsored by EDF Renewables. As joint winners, both projects constitute significant achievements by EDF in relation to financial, environmental, and legal concerns.

Originally proposed by Mainstream Renewable Power, NnG took almost a decade to close, primarily due to legal action. In March 2015 the project won a 15-year contract for difference (CfD) priced at £114.39/MWh – a record low at the time – but was then challenged in court over its planning consent. Mainstream won the court case and then sold the project to EDF Renewables. EDF in turn reconfigured the project to its own technical specifications and in 2018 sold 50% of the equity to ESB for €243 million (KPMG provided financial advisory to EDF on the sale of the stake to ESB which waqs finalised just after financial close on the project financing).

The ultimate debt package put to banks attracted a very large syndicate of lenders – the deal features 24 MLAs. The tenor on most tranches accounts for construction plus the length of the CfD, meaning there is not a merchant tail on the debt, which gave additional lender comfort.

The facilities, totalling £2.28 billion ($2.88 billion), comprise an 18.8-year £1.5 billion generation term loan, an eight-year £228 million transmission term loan, an 18.8-year transmission revolving capital facility, a £46 million standby debt facility, an 18.8-year £87 million debt service reserve facility, an 18.8-year £50 million letter of credit facility, an 18.8-year £30 million revolving working capital facility, and a one-year £20 million revolving VAT facility.

The deal attracted a wide range of banks – Bank of China, BNP Paribas, Barclays, Caixa, Commerzbank, Credit Agricole, CIC, DZ, Helaba, ING, KfW IPEX, Lloyds, Mizuho, MUFG, NatWest, Norinchukin, OCBC, Santander, Societe Generale, SEB, Shinsei, Siemens and SMBC – and EKF provided £250 million of cover.

By adding 448MW to its total capacity, NnG brings EDF significantly closer to realising its CAP 2030 strategy of doubling its renewable energy generation by 2030. It also represents a substantial advancement to de-carbonising the UK, as it will offset 400,000 tonnes of carbon emissions annually. In addition, NnG is an important investment in the Scottish economy. The project's turbines will all be assembled in the Port of Dundee and BiFab, a Scottish engineering firm will be responsible for building many of the foundation jackets. Maintenance work on the wind farm is set to create a number of permanent jobs for the duration of the project's operation. The scheme will use Siemens Gamesa 8MW turbines.

NnG Offshore Wind

Borrower: Neart Na Gaoithe Offshore Wind Limited

Close date: 27 November 2019

Location: UK

Description: 448MW wind farm 15km off the coast of Scotland in the outer Firth of Forth

Sponsors: EDF Renewables, ESB

EPC Contractor: Deme Offshore

Debt: £2.28 billion

Lead arrangers: Santander, Bank of China, Barclay, BNP Paribas, Caixabank, Commerzbank, Credit Agricole, CIC, DZ Bank, ING, KfW IPEX, LBBW, Helaba, Lloyds, Mizuho, MUFG, NatWest, Norinchukin Bank, OCBC Bank, Shinsei Bank, Siemens, SEB, Societe Generale, SMBC

ECA: EKF

Financial adviser: Societe Generale

Sponsor counsel: Linklaters

Lender counsel: Clifford Chance

Independent engineer: Wood Group

Lenders' insurance adviser: Benatar

Tax and accounting adviser: EY

Model auditor: BDO

By adding 448MW to its total capacity, NnG brings EDF significantly closer to realising its CAP 2030 strategy.

Joint EMEA Offshore Wind Deal of the Year

Saint-Nazaire: A twisting pathfinder

As important as EDF Renewables' NnG deal was in setting a benchmark for future development of the UK offshore wind market, EDF's 480MW Saint-Nazaire project was the first French offshore wind project to reach financial close. The deal was also accelerated by another first, initial underwriting by just three banks, although the debt was subsequently sold down.

The project financing attracted a broad range of high-profile lenders, generating debt at a fairly low cost. Lenders have the comfort of a 20-year PPA with the French state under a feed-in tariff of €150/MWh until year 17, which is then replaced by a floor price for the last three years, which, as in the case of NnG, leaves no merchant tail on the loan.

Sponsored by Eolien Maritime France (EMF) – a 50/50 joint venture between EDF and Enbridge – the debt comprises a 19-year €1.5 billion ($1.7 billion) term loan, a €100 million stand-by facility, a €450 million equity bridge loan, plus smaller revolver and letter of credit facilities. The deal was fully underwritten by BNP Paribas (financial adviser), MUFG and Societe Generale.

The project, located 12km off the west coast in the Bay of Biscay, has DEME and Eiffage Metal as EPCs, while GE is supplying 80x150-6MW Halidade wind turbines that will be built in its factory in Saint Nazaire. Commercial operation is scheduled for 2023 and the project should generate up to 20% of Loire-Atlantique's electricity needs when it is commissioned.

Despite its successful close, Saint Nazaire was a long time coming. In 2016 Saint Nazaire was awarded its construction permit, but shortly afterwards received a number of challenges from different parties over the project's environmental impact. The French courts dismissed these cases but further challenges followed and it wasn't until June 2019 that the Conseil d'Etat was able to give the project the go-ahead.

In the seven years it took to get to this stage, the shape of the deal altered on many levels. The original owner of the non-EDF 50% share in EMF, Denmark's DONG energy (now Orsted), was bought out by Enbridge. Additionally, the French government upped cut subsidies – the offshore wind FiT dropped from €200/MWh to €150/MWh, a saving of around €15 billion for the state but another headache for the project's sponsor.

Having overcome seven years of legal and environmental hurdles, Saint Nazaire provides a lending blueprint for future offshore wind farms in France, as both pricing and tenor are on a par with more mature European markets. The work done on the scheme should reduce the time needed to close future offshore wind deals. Unlike Saint Nazaire, such deals will not need to be fully underwritten by the MLAs at signing, given that the underwriting of Saint Nazaire was largely driven by time constraints on the sponsors caused by the legal appeals against the project. Saint Nazaire has laid highly important groundwork for the French offshore wind industry.

Saint-Nazaire Offshore Wind

Borrower: Parc Du Bank De Guerande

Close date: 31 July 2019

Location: France

Description: Development of 480MW offshore wind farm off the west coast of France

Sponsors: EDF Renewables (51%), Enbridge (49%)

EPC Contractor: Deme Offshore, Eiffage Metal

Debt: €2.3 billion ($2.5 billion)

Lead arrangers: BNP Paribas, MUFG, Societe Generale, Credit Agricole, Mizuho, Helaba, BBVA, Rabobank

Financial adviser: BNP Paribas

Sponsor counsel: Clifford Chance

Lender counsel: Linklaters

Saint Nazaire is a blueprint for future French offshore wind deals.

EMEA Water Deal of the Year

Rabigh 3 IWP: A new water benchmark for Saudi

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

Sponsors of the $715 million Rabigh 3 independent water project (IWP) in Saudi Arabia – ACWA Power (70%) and Saudi Brothers Commercial Company (30%) – won the tender for the scheme with, what was at the time, a global record-breaking low tariff of SAR1.99 ($0.53) per m3. The tariff meant any project financing for the plant would require banks to get comfortable with a new normal in terms of forecast project cashflow. What emerged was a $538 million soft mini-perm financing split between a $525 million term loan and a $12.64 million standby facility – and both with a record 27-year tenor.

Mandated lead arrangers for the deal were MUFG, Natixis, Samba and Riyad Bank (Riyad Bank also put up a separate equity bridge loan). They were joined in syndication by Woori, DZ Bank, SMTB and Apicorp. The deal was structured on an underwrite-and-distribute mode. Natixis and MUFG were bookrunners and took on a joint underwriting role for around 65% of the debt in order to get the deal to financial close quickly.

The project is the first standalone Saudi IWP to be structured under a DBFOM contract. The length of the tenor on the debt, which includes a three-year construction period, is largely due to the scheme's 25-year water purchase agreement with offtaker Saudi's state-owned Water and Electricity Company (WEC) – in effect a tolling structure with cashflows contracted on an availability basis. The payment obligations from WEC under the WPA are guaranteed by the Ministry of Finance of Saudi Arabia.

"The 25-year concession pushed out the debt tenor significantly as lenders took comfort from the water purchase contract beginning from the start of operation," says a source on the deal. "In effect – the project has a 28-year door-to-door concession including construction." Traditionally in the region, such projects benefit from 20-year concessions and therefore Rabigh 3 has set a benchmark for future IWP concessions and the future financing thereof in the region.

At time of financial close commercial operation was scheduled for before the end of 2021. The desalination plant will produce 600,000 cubic metres per day of potable water. A consortium of SEPCOIII (Power China), Abengoa and SIDEM (Veolia) are the EPC contractors and Rabigh Water Production Services Company, an affiliate of NOMAC, will carry out O&M services.

The project comes with some mandatory provisions from the Saudi government over local content – at least 40% local content is required during construction, stepping up to a minimum of 70% during operations, with liquidated damages applicable in case of failure in achieving these targets. ACWA Power deployed capital locally and plans to further expand local manufacturing and assembling capacities, fulfilling one of the long-term objectives under Saudi Vision 2030.

Rabigh 3 IWP

Borrower: Rabigh Three Company

Financial close: 30 April 2019

Location: Saudi Arabia

Description: Development of a 600,000 cubic meters a-day reverse osmosis IWP. The project was procured under a 25-year build-own-operate (BOO) contract and will commence commercial operation in Q1 2022.

Total project cost: SAR2.575 billion

Sponsors: ACWA Power (70%), Saudi Brothers Commercial Company (30%)

Concession awarder: WEC

Debt: SAR1.971 billion

Equity: SAR603.9 million

MLAs: Natixis, MUFG, Samba Financial, Riyad Bank, Woori, DZ Bank, SMTB, Apicorp

Borrower counsel: Covington

Lender counsel: Norton Rose Fulbright

Legal adviser to concession awarder: DLA Piper Middle East

Financial adviser to concession awarder: Banque Saudi Fransi, Alderbrook Finance

EPC contractors: Sepco 3, Abengoa, Sidem

The tariff meant any project financing for the plant would require banks to get comfortable with a new normal.

EMEA Communications Deal of the Year

SFR FTTH: Full fibre diet

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

The deal backing the roll-out of SFR's French fibre-to-the-home network is the largest financing to date in last mile fibre in France, and benefits from some impressive tweaks over its predecessors in terms of being optimised to accommodate capex plans and milestones set by the French state. Both the financing and preceding outside equity investments allow for the debt to be deconsolidated from the lead sponsor's balance sheet. France has been a bit of a leader in this sector, and the SFR deal extends this leadership.

The deal uses a bespoke structure to finance capex plans and meet the sponsor's regulatory commitments for FTTH deployment, as set by the French state. It follows the acquisition of 49.99% of Altice's French fibre-optic network by OMERS, Allianz Capital partners and AXA in December 2018 for €1.8 billion. The SFR FTTH business is a wholesale-only operation, selling access to telecoms providers including Altice's own telecoms operator SFR on a non-discriminatory basis.

The acquisition was financed exclusively through equity but was connected to the separate project financing to roll out the fibre network. The €1.9 billion ($2.1 billion) debt raising comprises a seven-year €1.1 billion term loan, a seven-year €571 million institutional facility, a seven-year €125 million guarantee facility and a five-year €100 million VAT facility.

The lead arrangers – Credit Agricole, BNP Paribas, Societe Generale, RBC Capital Markets and Natixis – were joined in syndication by an international consortium of bank and institutional lenders from North America, the UK and China. With a three-year positive tail on most tranches, the record-breaking size of the deal reflects the confidence of lenders in SFR FTTH and in the development of fibre infrastructure in France.

The project is remarkable for the scale and speed of its implementation. SFR FTTH is the largest FTTH infrastructure operator in France and, with this new expansion, it will ensure that the roll-out of optical fibre technology is growing in almost all regions of France. The company is able to operate within the sphere of both private and public telecommunications investment. Reaching five million homes over the next four years, SFR FTTH will expand its network very rapidly. This strategy is particularly notable, given that the project will reach areas where no fibre infrastructure currently exists. Services will be sold wholesale to all operators according to the same terms and conditions.

SFR FTTH

Close date: 29 March 2019

Location: France

Description: Financing the deployment of five million fibre-to-the-home (FTTH) plugs to medium-density and low-density areas of France

Sponsors: Altice, Omers, Allianz, AXA

Debt: €1.925 billion ($2.1 billion), comprising a 7-year €1.1 billion term loan, a 7-year €571 million institutional facility, a 7-year €125 million guarantee facility, and a 5-year €100 million VAT facility

Lead arrangers: Credit Agricole, BNP Paribas, Societe Generale, RBC Capital Markets, Natixis

Arrangers: Bank of China, NatWest, AIB, Erste Bank, Institutional investors

Financial Adviser: Rothschild

Sponsor counsel: Linklaters, Mayer Brown, Ropes & Grey

Lender counsel: Allen & Overy

Technical Advisor: Analysys Mason

Tax Advisor: Deloitte

Insurance Advisor: Marsh

The deal uses a bespoke structure to finance capex plans and meet the sponsor's regulatory commitments for FTTH deployment, as set by the French state.

EMEA EV Charging Deal of the Year

Allego: Financing for a future asset class

Meridiam-owned Allego closed a market first in 2019 – a hybrid project/corporate finance facility to expand its Netherlands-based EV charging network. Despite reservations from ratings agencies and some project lenders, this deal will be viewed by history as a pathfinder financing for EV assets in Europe and the first of more evolved deals as the EV market matures into a mainstream project sector.

The hybrid debt is a senior financing of Allego, without recourse to Meridiam, and includes an extensive security package and strong covenants. The covenants include draw-stop events based on revenues and profitability and a drawdown mechanism in which Allego can access debt in proportion to the delivery of its business plan, thus sizing the drawn debt according to the company's growth rate. The security package includes a pledge over the shares and bank accounts, reserve accounts and assignment of commercial receivables.

Meridiam bought Allego from Alliander for €110 million ($129 million) in May 2018, and just prior to that Allego raised a €40 million 17-year quasi-equity investment from the EIB. Allego is heavily focused on developing a pan-European interoperable high-power charging (HPC) network called MEGA-E. The scheme involves installation of 322 ultra-fast charging stations and 27 e-charging hubs throughout Europe. It is designed to connect metropolitan areas alongside highways and to enable continuous fast-charging in more than 20 countries. The European Commission has provided a €29 million grant for the first €146 million phase of Mega-E and Meridiam is providing initial equity.

Proceeds from the hybrid debt facility purely fuel Allego expansion – none of the debt refinances Meridiam's acquisition in 2018. The debt was underwritten by Societe Generale and Kommunalkredit on an equal basis and then sold down to invstors that included Edmond de Rothschild Asset Management, via its BRIDGE platform, La Banque Postale Asset Management and SCOR Investment Partners, through a new debt fund specifically focusing on pioneering infrastructure investments.

The seven-year deal – a five-year availability period and a bullet payment at maturity – comprises a €120 million fully underwritten tranche and a €30 million accordion option which is subject to Allego meeting certain milestones. The loan comes with lender risk that is difficult to compute. Allego has no monopoly and little precedent for its ramp-up predictions. Consequently, margins are said to be around 400bp, stepping up to 600bp to maturity, and drawdowns are subject to debt service ratio tests.

The 2026 horizon for debt maturity was designed to give enough headroom for the EV market to take-off and for Allego's market position to strengthen in order to warrant a possible refinancing of the outstanding amount. With few precedents in the market, the business ramp-up period is difficult to evaluate. The company does not operate a monopoly and is exposed to competition. Nonetheless, electricity price risk is not generally seen as a problem as it is passed through to customers. And as its business expands, Allego is shifting from a model in which it owns charging points to one in which it maintains and operates the infrastructure under medium-term contracts – it will therefore not take on usage risk.

Allego EV Expansion

Borrower: Allego BV

Close date: 26 June 2019

Location: Netherlands

Description: Hybrid expansion financing for EV charging network active in the Netherlands and Germany

Size: €230 million expansion programme

Debt: €120 million with €30 million accordion option

Sponsor: Meridiam

Mandated lead arrangers: Societe Generale, Kommunalkredit Austria

Sponsor counsel: Clifford Chance

Lender counsel: Linklaters

Modelling: Green Giraffe

Lender advisers: Mott MacDonald, E-Cube, Marsh, PwC

Sponsor business adviser: BCG

This deal will be viewed by history as a pathfinder financing for EV assets in Europe and the first of more evolved deals as the EV market matures into a mainstream project sector.

EMEA Solar Deal of the Year

DEWA IV CSP: Always the sun

There's life yet in concentrating solar – ACWA Power's DEWA IV is the largest CSP project in the world and is remarkable in several ways. It represents a string of record-breaking achievements in solar technology, both in terms of cost and power output. This phase will provide clean energy for 320,000 homes and will reduce carbon emissions in the region by 1.6 million tonnes per year. It includes 100MW of capacity from the world's highest CSP tower (260m), 600MW from a CSP parabolic trough, and 250MW from solar PV.

The project will occupy an area of 44 square kilometres and the largest thermal storage capacity in the world, allowing for 15 hours of power generation from thermal storage. In essence, power is available 24 hours a day. It also has the world's lowest levelised cost of electricity (7.3 US cents per kilowatt-hour) for CSP and the lowest levelised cost of electricity for photovoltaic technology (2.4 US cents per kilowatt-hour). It forms part of what will, in 2030, be a 5000MW solar park, the greatest ever undertaking of its kind. It is, in short, an enormous step forward in the world of solar power and takes Dubai closer to achieving its goal of producing 75% of its electricity from clean sources by 2050.

The deal includes an unusual combination of Chinese, western, and regional lenders in one project financing. Shanghai Electric's presence as the project's EPC contractor garnered significant support from Chinese investors, both through equity and the debt package which accounts for around 60% of the total investment.

The $2.6 billion 27-year door-to-door debt comprises two tranches: a $1.6 billion international tranche provided by ICBC (lead arranger), Bank of China, Agricultural Bank of China, and China Minsheng Bank; and a $1 billion tranche led by Natixis and Standard Chartered (co-lead arrangers), and Union National Bank. Pricing starts at 200bp over Libor and rises to 330bp after nine years (including four years construction), which is around the same pricing as DEWA III.

The difference between the two tranches is that the international bank debt is drawn first, starting after 16 months, with first drawdown on the Chinese lender debt following in month 28. The first 15 months of construction are funded through an equity bridge loan.

The project managed to tap into a vast pool of liquidity, securing debt that matures long after construction is due to be completed. The presence of such long-dated debt from an international consortium of lenders is a testament to banks' confidence in the long-term profitability of this solar park, and of solar power more broadly.

Noor Energy 1 P.S.C

Close date: 21 March 2019

Location: United Arab Emirates

Description: Financing of the 950MW fourth phase of the Mohammed bin Rashid Al Maktoum Solar Park in Dubai, UAE.

Size: $4.3 billion

Sponsors: ACWA Power, SRF, DEWA

EPC Contractor: Shanghai Electric

Debt: $2.6 billion, made up of a $2.5 billion senior tranche and a $185.5 million mezzanine tranche.

Lead arrangers: ABC, BOC, CEB, ICBC, Natixis, Standard Chartered, Union National Bank, CMBC, CBI, CBD

Financial advisers: DIFC, KPMG, CBI

Sponsor counsel: Covington & Burling

Lender counsel: Allen & Overy

Technical adviser: Mott MacDonald

There's life yet in concentrating solar – DEWA IV is the largest CSP project in the world and is remarkable in several ways.

EMEA FLNG Deal of the Year

Gimi FLNG: Hit by Covid-19 but still a deserving winner

No ECA support for this deal – having secured financing from 12 international financial institutions, Gimi FLNG is the first pure commercially banked syndicated project financing of an FLNG vessel in the international bank market.

Lead arranged and underwritten by Clifford Capital, ING, Natixis and ABN Amro, the $700 million debt was syndicated down to DBS, Standard Chartered, OCBC, Morgan Stanley, Cathay United Bank, Intesa Sanpaolo, Development Bank of Japan and CIC. The debt has a tenor of seven years post-commercial operations date (COD), which is pretty long given the lack of ECA cover.

Gimi will kickstart Phase 1 of the Greater Tortue Project, one of the few global megaprojects under development, and supported by technical, fiscal, legal, and financial assistance from the World Bank. Helpfully, a workable template for the project already exists in the form of FLNG Gimi's sister ship FLNG Hilli Episeyo, which has been operational with Golar LNG since mid-2018.

The project also has the backing of the governments of Senegal and Mauritania, who signed an Intergovernmental Co-operation Agreement in 2018 to facilitate developing the resource, which straddles the border between the two countries. Both governments will be advised by the World Bank. All the project's stakeholders have signalled a commitment to ensuring that the project is an economic success for Senegal and Mauritania by trying to take the interests of local residents and investors into account.

Like many oil and gas deals, Gimi FLNG has, however, already been affected by the Covid-19 fallout and the oil price collapse. BP has declared force majeure on its Tortue LNG project with Golar LNG, saying it would not be ready to receive the FLNG unit in 2022 as a result of the coronavirus pandemic. BP Mauritania issued the claim to Gimi MS warning the delay will be around one year. The two sides are holding an active dialogue on the delay's duration.

BP Gas Marketing had signed up as the LNG offtaker from the project, with 2.45 million tonnes per year contracted for 20 years, long exceeding the 12-year amortisation period. Despite the postponement, which the sponsors could not reasonably have predicted, the deal displays substantial innovation and has opened a window into a new opportunity for project finance lending when normality returns.

Gimi FLNG

Close date: 12 November 2019

Location: Senegal/Mauritania

Description: Conversion of the LNG carrier 'Gimi', previously owned by Golar, into an FLNG and the utilisation of the vessel at the Tortue West field off the coast of Senegal/Mauritania. The vessel will be chartered to BP for 20 years

Size: $1.3 billion

Sponsors: Golar LNG (70%), First LNG Holdings (30%) – an indirectly wholly-owned subsidiary of Keppel Corporation

Debt: $700 million, with a 4+7-year amortizing term loan with a 12-year underlying repayment profile.

Equity: $600 million

Lead arrangers: Clifford Capital, ING, Natixis, ABN Amro, DBS, Standard Chartered, OCBC, Morgan Stanley, Cathay United Bank, Intesa Sanpaolo, Development Bank of Japan, CIC

Sponsor counsel: Shearman & Sterling

Lender counsel: Clifford Chance

Gimi FLNG is the first pure commercially banked syndicated project financing of an FLNG vessel in the international bank market.

EMEA Petrochemicals Deal of the Year

Bapco: Going local

Given that it was established in 1936, the Bahrain Petroleum Company (Bapco) is a venerable project company. But the hybrid project/corporate financing for its refinery modernisation project was so well received, and Bapco such a familiar credit, that the borrower was able to significantly scale back the support it required from export credit agencies.

Local lenders, in particular, were keen to support the project, given how important Bapco is as an outlet for Saudi crude and as a regional producer of refined products. They were able to offer Bapco and its sole shareholder, state holding company nogaholding, significant pricing benefits.

Like many 2019 financings, it is difficult to tell whether local banks, even those very familiar with Bapco, would be willing to offer similar terms today. What is clear is that by improving the refinery's energy efficiency and refining margins, the modernisation will better position to weather a slump in oil prices. The project will allow Bapco to double its production of fractions for diesel, naphtha, kerosene and jet fuel.

One of the keys to the economics of the deal is the refinery's access to subsidised feedstock through the Bahraini government. At pricing of $10 per barrel it is still – just – below market. As such the financing benefits from a debt service coverage ratio that, at 1.7x, is incredibly low for a refining asset.

ECA support was certainly key to the selection of engineering, procurement and construction contractors, TechnipFMC, Samsung Engineering and Tecnicas Reunidas, and lenders do not benefit from completion guarantees. The EPC price tag is $4.2 billion, only a little more than the $4.1 billion total debt package size, though fees, capitalised premiums and other upfront costs were also funded with the debt and sponsor equity.

Uncovered commercial bank facilities comprise $1.04 billion of the debt, and an uncovered Islamic trance another $530 million. The ECA facilities comprise a $650 million SACE-covered tranche (which is believed to have been scaled back significantly from $1 billion plus); a $650 million CESCE-covered tranche; a $367 million K-Sure-backed tranche; a $400 million UKEF-covered tranche and a $100 million UKEF direct loan; a $110 million Kexim-covered tranche and a $257 million Kexim direct loan.

ECAs were hardly marginal on the Bapco transaction – given some of the instability in the Gulf region in recent years they were still vital to getting the deal away. The borrower's initial plan, for a bond financing, was not solid enough to cope with the political and economic headwinds. Those are unlikely to abate any time soon, but Bapco's well-received bank/ECA package should stand the upgrade project well.

The financing for Bapco's modernisation project was so well received that the borrower was able to significantly scale back support it required from ECAs.

Bahrain Petroleum Company

Close date: 9 May 2019

Location: Sitra Island, Bahrain

Description: Upgrade to existing refinery, improving energy efficiency and increasing capacity from 267,000 barrels per day (bpd) to 380,000 bpd

Size: $4.2 billion (EPC price)

Sponsor: nogaholding

EPC contractors: TechnipFMC, Samsung Engineering and Tecnicas Reunidas

Debt: $4.1 billion in ECA-covered and uncovered commercial and Islamic facilities, with a 16.5-year tenor

ECAs: CESCE, K-Exim, K-Sure, SACE, UKEF

Mandated lead arrangers: Societe Generale, BNP Paribas, Santander, Ahli United Bank, Arab Banking Corporation, Apicorp, Banque Saudi Fransi, BBK, Credit Agricole, Credit Suisse, Gulf International Bank, HSBC, Mashreq Bank, National Bank of Bahrain, Natixis, Riyad Bank, Standard Chartered

Financial advisers: BNP Paribas, HSBC, Verus Partners

Sponsors' legal advisers: Linklaters (finance), Shearman & Sterling (project)

Lenders' legal advisers: Allen & Overy (English), Haya Al Khalifa (Bahraini)

Lenders' technical advisers: Jacobs (independent engineer), ERM (environmental), JLT (insurance), Nexant (market)

EMEA Mining Deal of the Year

Guinea Alumina Corporation: Heavy on the ESG

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

Large greenfield mining projects tend to be transformative for smaller developing economies – and not always in a good way. With scrutiny of sustainability issues by development finance institutions (DFIs) growing ever more intense, developers have been increasingly tempted to assemble purely private financing groups for mining projects, no matter the additional cost.

So credit to Emirates Global Aluminium for assembling a bank group anchored by DFIs and an export credit agency (ECA) for the $750 million financing for its Guinea Alumina Corporation (GAC) bauxite mine. The financing package is designed to hold the borrower to a strict suite of environmental and social standards and required intense due diligence of ESG concerns.

That this $1.4 billion project and its financing constitute multiple firsts for Guinea is a given. The country ranks a lowly 165th in the world for GDP per capita, and the project's estimated $700 million per year in revenues will account for 5.5% of GDP. But the deal is indeed the largest investment in the country in 40 years, largest greenfield mining deal ever, and first multi-sourced greenfield mining deal in Guinea.

Perhaps more significant is that GAC went through the due diligence to raise the following DFI and ECA debt tranches: a $150 million A loan from the IFC, $100 million from the African Development Bank, $150 million from Export Development Canada, $40 million each from the Emerging Africa Infrastructure Fund and DEG. In addition, the IFC mobilised a $180 million B loan, and its sister organisation MIGA provided political risk insurance on a $90 million commercial bank facility.

Joining lead banks SG (also financial adviser), ING (technical and intercreditor agent) and BNP Paribas (offshore security agent) were Natixis, Emirates NBD Bank, First Abu Dhabi Bank, Mashreq Bank. This heavy support from Emirati lenders shows how important EGA was to the transaction.

EGA was perfectly suited to lead a multi-sourced project financing like this, neither too large to make non-recourse debt worthwhile, nor too small to do the heavy lifting DFIs require. It is experienced from its home market in closing project financings, enjoys solid local and international bank support, and brings a solid commercial rationale to the project.

EGA is developing the mine as a reliable source of upstream supplies for its Al Taweelah refinery in Abu Dhabi. It supports the transaction with a minimum offtake volume, and appears to have developed a constructive enough relationship with its host government and fellow mine operators to produce project and shared facilities agreements acceptable to lenders.

At a time when mining borrowers in even the most frontier of emerging markets can access capital from non-traditional sources like stream providers, there's something heartening about the willingness of a large, transformative mining project developer raising the bulk of its debt from DFIs. It might spark a trend elsewhere on the continent.

Guinea Alumina Corporation

Close date: 26 April 2019

Location: Boke region, north-western Guinea

Description: 12 million tonnes per year greenfield bauxite mine, upgrade to 134km rail line and new port terminal

Size: $1.4 billion

Grantor: The Government of Guinea

Sponsor: Emirates Global Aluminium

Debt: $750 million in DFI, ECA and commercial bank facilities

Development bank and ECA lenders: International Finance Corporation, African Development Bank, Export Development Canada, Emerging Africa Infrastructure Fund, DEG

Political risk insurance: Multilateral Investment Guarantee Agency

Commercial banks: Societe Generale, ING Bank, Natixis, BNP Paribas, Emirates NBD Bank, First Abu Dhabi Bank, Mashreq Bank

Financial adviser: Societe Generale

Sponsors' legal advisers: Shearman & Sterling, SD Avocats, Akin Gump Strauss Hauer & Feld

Lenders' legal advisers: Allen & Overy, Bao & Fils, Maples & Calder

Government legal advisers: DLA Piper, Sylla & Partners

The deal is the first multi-sourced greenfield mining deal in Guinea.

EMEA Onshore Wind Deal of the Year

Dumat Al Jandal: A first for REPDO

After a slow start, Saudi Arabia is starting to make some progress in renewables. The evidence of the groundbreaking Dumat Al Jandal wind project suggests that if the kingdom can ensure a steady supply of projects, it should reap huge benefits in terms of low tariffs and attractive debt packages.

Dumat Al Jandal is the first wind project, and the second project of any type, to be procured by Saudi Arabia's Renewable Energy Project Development Office (REPDO) under the National Renewable Energy Program. Upon completion, the 400MW wind farm will likely be the largest in the Middle East.

The project was not meant to be the first wind deal to close in the programme. Round 1 comprised the 400MW Midyan wind and 300MW Sakaka solar projects. While Sakaka closed successfully in November 2018 (winning a Proximo Deal of the Year in the process), Midyan suffered delays and was swapped out for Dumat Al Jandal in July 2017, mere months after the launch of the round one request for expressions of interest (RFI).

The RFI for the new project attracted healthy interest from 15 groups, and the request for proposals attracted four bids in April 2018 – from groups led by ACWA Power, EDF, Enel, and Engie. EDF (51% sponsor) and Masdar (49%) came in with the winning bid, at an extremely keen levelised cost of energy of $0.02127 per kWh.

That cost was slightly inside the $0.02343/kWh on Sakaka, but Dumat Al Jandal followed Sakaka's template by closing as a soft mini-perm. The 20-year debt has low initial pricing in the low 100bp over Libor region, but following 2.5 years of construction and three years of operations will rise to a little over 250bp. The approach maximises bank market liquidity and sponsor flexibility, and sets the deal up for a refinancing in year six.

The debt's lead arrangers are Natixis, SMBC, Societe Generale, Norinchukin Bank, Korea Development Bank and NCB, the last of which provided interest rate swaps. While the debt is denominated in Saudi riyals, the 20-year PPA with the Saudi Power Procurement Company has provisions for an escalation in the event the Riyal loses its peg against the US dollar.

With two keenly priced and well-supported transactions under its belt, REPDO is well-placed for the larger and more ambitious rounds ahead. With the kingdom's government aiming for 27.3GW of capacity installed by 2023, financings will have to be as quick and no-drama as possible.

Appetite for the groundbreaking Dumat Al Jandal wind project suggests that if Saudi can ensure a steady supply of projects, it should reap huge benefits in terms of low tariffs and attractive debt packages.

Dumat Al Jandal Wind Co For Energy LLC

Close date: 7 February 2019

Location: Al Jouf, Saudi Arabia.

Description: 400MW onshore wind farm, the first to be developed under the REPDO National Renewable Energy Program

Size: $427.71 million

Grantor: Renewable Energy Project Development Office

Offtaker: Saudi Power Procurement Company, under a 20-year PPA

Sponsors: EDF Renewables (51%) and Masdar (49%)

EPC contractor: Vestas

Debt: $270.76 million

Lead arrangers: Natixis, SMBC, Societe Generale, Norinchukin Bank, KDB and NCB

Sponsors' financial adviser: Cranmore Partners

Grantor financial adviser: SMBC

Offtaker financial adviser: HSBC

Sponsors' legal advisers: King & Spalding

Lenders' legal advisers: Allen & Overy

Grantor legal adviser: DLA Piper

Offtaker legal adviser: Baker & McKenzie

Technical advisers: UL (independent engineer), EY (model auditor), INDECS (insurance)

Eurasian Oil and Gas Deal of the Year

Amur GPP: Pushing boundaries

At a total project cost of €19.1 billion ($21.07 billion) and total debt of around €11.4 billion, Gazprom's Amur Gas Processing Plant (AGPP) project is up there with the largest project financings of all time. But the most surprising feature of the deal is that although heavily ECA-backed, the sponsor achieved a 15-year tenor on the uncovered commercial portion of the debt – unprecedented both for Gazprom and any project in the downstream oil and gas sector in Russia.

Financing a project on the scale of Amur in any geographic location would be challenging – in US sanctions hit Russia, even more so. According to a source close to the deal sanctions were a challenge, not only from the perspective of building bank appetite but also ECA coverage. Nevertheless, the sponsor garnered one of the largest export support packages ever granted by Euler Hermes for a Russian corporate.

Structured via project company Gazprom Pererabotka Blagoveshchensk – which is a subsidiary of Gazprom Pererabotka LLC and Gazprom Upravlenie Aktivami LLC, both of which are wholly owned by the ultimate sponsor, Gazprom PJSC – Amur forms just one part of a wider project known as the Eastern Gas Programme (EGP).

The debt backing the scheme comprises six tranches, three of which come with ECA cover – from Euler Hermes, SACE and EXIAR respectively – and three of which are uncovered. Gazprombank, ING Bank and China Development Bank were joint financial advisers on the deal's structure. Of the ECA-backed facilities, Euler Hermes is covering a €2.56 billion 17-year tranche which is being provided by SMBC (€284.05 million), Credit Suisse, Credit Agricole, MUFG, Landesbank Hessen-Thuringen (Helaba), Natixis, Societe Generale, ING, Mizuho, UniCredit, DZ Bank, Banca IMI and Intesa Sanpaolo.

The SACE covered tranche comprises €1.1 billion of 17-year debt provided by SMBC (€130.19 million), Banca IMI, DZ Bank, UniCredit, Societe Generale, Natixis, UBI Banca, Cassa Depositi e Prestiti (CdP), Mizuho, MUFG, ING Bank, Credit Suisse and Intesa Sanpaolo.

The EXIAR covered portion totals RUB85 billion (€1.22 billion or $1.37 billion). The 15-year debt is being provided by Sberbank, Gazprombank and VTB with equal takes.

The €1 billion 15-year international uncovered commercial tranche is being provided by SMBC (€177.53 million), ING Bank, Mizuho, Helaba, MUFG, Credit Agricole, Natixis, UBI Banca, UniCredit, Societe Generale, DZ bank, Banca IMI and Intesa Sanpaolo.

The uncovered 15-year Russian bank tranche is dual-denominated, split between RUB85 billion and €1.08 billion. The lenders on the tranche are VTB, Bank Otkritie Financial Corporation, Sberbank, Vnesheconombank and Gazprombank.

The Chinese bank tranche is the largest of the six, with a total volume of €3.4 billion. Lenders on the 15-year deal are China Development Bank, China Construction Bank and Bank of China.

Amur GPP

Borrower: Gazprom Pererabotka Blagoveshchensk

Signed: 20 December 2019

Location: Russia

Description: Development of Amur GPP – one of the world's largest natural gas processing plants

Project cost: €19.1 billion

Sponsor: Gazprom

Debt: €11.4 billion

Commercial lenders: VTB, Bank Otkritie Financial Corporation, Sberbank, Vnesheconombank, Gazprombank, SMBC, Credit Suisse, Credit Agricole, MUFG, Helaba, Natixis, Societe Generale, ING, Mizuho, UniCredit, DZ Bank, Banca IMI, Intesa Sanpaolo, DZ Bank, UBI Banca, Cassa Depositi e Prestiti (CdP), MUFG, ING Bank, Credit Suisse, China Development Bank, China Construction Bank, Bank of China

ECAs: Euler Hermes, SACE, EXIAR

Borrower counsel: Herbert Smith Freehills CIS

Lender counsel: Freshfields Bruckhaus Deringer

Borrower E&S consultant: Ramboll

Lender E&S consultant: RINA

Lender technical consultant: Advisian

Lender insurance: BMS Group

EPC contractors: Linde, Gazhouba Group, China Petroleum Engineering and Construction, Technimont, Sinopec, Nipigaz (project management contractor

An unprecedented deal on many levels.

EMEA Developer of the Year

Meridiam: A true innovator

Meridiam is a financial sponsor with very broad tastes and a refreshing lack of fear for emerging asset types, financing and concession structures, and jurisdictions. There are no other developers whose name would show up in such a broad greenfield asset spectrum – African ports, French solar, Dutch and German EV, French high-speed rail, US toll roads, African renewables. Meridiam does it all, and in a way that few other investors do.

Founded by ex-CEO of Egis Projects Thierry Deau in 2005, Meridiam has expanded rapidly. The company has raised seven infrastructure funds, has around $8 billion of assets under management and has spawned or participated in many concession and project financing firsts in its 15 years since inception.

Last year was no different. Meridiam closed on a $160 million financing from the AFC for the 30-year Nouakchott Port PPP concession – the country's first PPP scheme to be completely privately financed. And even more notably, it also closed on the first hybrid EV charging financing for its Allego BV asset in the Netherlands (see page 35).

The hybrid corporate/project facility is a senior financing of Allego, without recourse to Meridiam, and includes an extensive security package and strong covenants. The deal is the first EV financing of scale in Europe and the strongest signal yet that the sector is close to transitioning from equity and venture capital financing to mainstream project debt – when that happens, the Allego deal will very likely be seen as the deal that set the original benchmark.

The difference between Meridiam and many other infrastructure fund managers is its long-term approach to investing (investors commit to Meridiam funds for 20 years-plus), a commitment that also give lenders to its project financings comfort. Furthermore, Meridiam only invests in essential infrastructure – transport, power, social infrastructure – and is very focused on ESG compliance and transparency, which gives it very strong appeal in a global investor market that is becoming increasingly concerned with all things ESG.

But what really makes Meridiam stand out from the pack is its willingness and ability to handle greenfield risk. Where most infra funds see a downside in greenfield risk, Meridiam sees an upside. As Matthieu Muzumdar, Chief Operating Officer Europe at Meridiam, says: "Creating the right business model and revenue structure from the start works better should a downside scenario arise. We actively steer a project from the start – Meridiam is no passive investor – and ensure flexibility is built into the deal. If you are in at the start you can have considerable input, give and receive feedback to and from all stakeholders, and make changes. Some things cannot be changed, but most can."

In short, Meridiam is as much a project sponsor – actively monitoring construction and its project partners – as it is a fund manager. And because of that it is very risk aware and keeps leverage low on its financings. But also because of that it is often responsible for pathfinder project financings, a skillset it continues to demonstrate in 2020, most recently with the financial close on the Espoo Schools project – Finland's first social infrastructure PPP concession – and earlier in the year with the Iowa University utility deal, another market first.

There are no other developers whose name would show up in such a broad greenfield asset spectrum – African ports, French solar, Dutch and German EV, French high-speed rail, US toll roads, African renewables.

Gipuzkoa waste-to-energy plant, Spain

Global Developer of the Year

ACWA Power: The art of bidding

ACWA Power just goes from strength to strength. This year alone it has won two Deals of the Year from Proximo – the Rabigh 3 IWP (see page 33) and DEWA IV/Noor Energy 1 CSP project (see page 36) – both of which have pushed the boundaries on tenor and tariff: DEWA IV has the world's lowest levelised cost of electricity at 7.3 c$/KWh for a CSP (it is also a base load 24/7 facility and has an integrated storage solution); Rabigh 3 was won with a global record-breaking low water tariff; and both deals are backed by 27-year debt. In short, ACWA Power is one of the main reasons why debt tenors are continually being stretched, power prices reach record lows and debt terms are so competitive.

ACWA Power has also grown far beyond the Saudi market to become a true regional and global player, with an impressive power and water portfolio comprising 59 assets across 12 countries and a footprint extending from Morocco to Vietnam.

ACWA Power has a reputation for highly aggressive competitive tariff bids and has set record low tariffs over the years. The driver behind those tightly priced bids is a different take on project risk management – risk is compartmentalised and placed with the party best able to manage each risk, thus driving down the price, as also a truly demonstrated track record of cost leadership, especially towards the supply chain and construction management aspects of these greenfield bids. So, in a typical ACWA Power deal, the supply chain and stakeholders are responsible for managing their own aspect of the risk, thus the need for contingencies and risk margins are either eliminated or lessened. The same applies to the financial engineering, which enables better loan pricing. Where risks cannot be passed on, contingencies are either built in or pricing is reflective of that risk.

ACWA Power also has a reputation for hard bargaining with its supply chain, not just focusing on the initial cost of equipment but the cost over the life of the equipment. That long view feeds into its bids – a highly competitive bid today could be gravy in five years as technology becomes more efficient and costs continue to drop. Of course, ACWA Power is not alone in that – but its bid projections seem to deliver a very high degree of accuracy. As Rajit Nanda, Chief Investment Officer of ACWA Power, notes: "We strongly believe in our mission to deliver power and desalinated water reliably and at the lowest possible price. This reduces the economic burden on our clients, minimises consumption of resources and is the foundation of a strong partnership with our clients for the multi decade long economic life of our assets."Aside from Rabigh 3 and DEWA IV, ACWA Power also signed off on a number of key achievements in 2019. In November it signed on the $680 million 24.5-year debt facilities for the Umm al Quwain IWP in the UAE (lenders included include Korea Development Bank, MUFG, Siemens Bank, Standard Chartered, SMBC, First Abu Dhabi Bank and Samba Financial). In the same month it also signed the PPA for the 200MW Kom Ombo solar project in Egypt, and typical of ACWA, the contracted tariff is the lowest to date for a solar energy project in Africa.

Another highlight of the year was the loan signing in December of ACWA Power's second project in Vietnam – the 1.2GW Nam Dinh 1 IPP, albeit the project is yet to achieve financial close. The debt comprises a $1.89 billion 20-year Sinosure-backed loan provided by a consortium of Chinese banks led by Bank of China along with China Construction Bank, China Development Bank, Chexim and China Minsheng Bank.

Earlier in the year ACWA Power also signed on a $710 million 18-year facility for the 100MW Redstone CSP project in South Africa. The deal includes extensive DFI backing – the lenders are AfDB, FMO, DEG, IDC, Absa, Development Bank of South Africa, Investec and Sanlam. This is not the norm for ACWA Power, it tends to favour commercially banked solutions over DFI and ECA-backed debt, but given the inherent risk in the South African power market, it is in keeping with its strategy of placing risk with those best able to deal with it.

Other key deals closed in 2019 include financings for the Abu Dhabi Taweelah IWP, which is the world's largest sea water desalination facility, and the Al Dur 2 IWPP in Bahrain. ACWA also completed construction of the Shuaibah 3 IWP in August 2019, notable for achieving commercial operations in less than two years from financial close.

Nanda is especially bullish about the future of the desal sector. "The Middle East is witnessing an astonishing transformation, moving away from highly energy intensive thermal desalination to Sea Water Reverse Osmosis (SWRO), which can be deployed much faster and uses much less energy than conventional desalination. During 2019, we financed four mega-scale SWRO desalination plants with a total capacity of 2.4 million m3 of desalinated water per day. The success of SWRO technology, coupled with cheap renewable energy, is expected to make desalinated water much more accessible and affordable, even to emerging markets."At its simplest, ACWA Power tends to defy market expectation. Very few bankers in 2017 thought ACWA Power's holdco hybrid 23-year 144A bond deal would find takers. It did – and then some (a 300% oversubscription). So, despite Covid-19, more ACWA Power surprises are a certainty in the coming year.

Asia-Pacific Power Deal of the Year

Riau IPP: DFI-backed and no government guarantees

Unlike the majority of the ECA/DFI financed IPPs in Indonesia to date, the Riau IPP financing does not benefit from a government guarantee (BVGL) of offtaker state-owned PLN's obligations and was one of the first of a new generation of gas-fired IPPs in which PLN also takes responsibility for supplying the feedstock.

Structured via PT Medco Ratch Power Riau (MRPR) – a special purpose vehicle sponsored by PT Medco Power Indonesia (51%) and Ratch Group (49%) – the project was awarded as a BOOT concession and is backed by a 20-year power purchase agreement (PPA) with PLN.

The $293 million 275MW CCGT power project, which is located in Sumatra, also includes construction of a 40km stretch of gas pipeline for feedstock which is the responsibility of the sponsor and not feedstock provider PLN. Lotte Engineering and its domestic partner PT Hutama Karya are joint EPCs for the power plant, and PT Citra Panji Manunggal is EPC for the gas facilities. General Electric is turbine provider under a long-term service contract.

The plant is expected to provide reliable power to the domestic grid, amounting to about 1,445 gigawatt-hour annually. The use of combined-cycle gas-fired power generation will improve the environmental sustainability of the current energy mix in Sumatra by displacing diesel and coal as fuels for electricity generation.

The deal is the first joint financing of an Indonesian IPP by ADB and IFC, with commercial banks participating through ADB's B Loan product. The $222 million 20-year debt comprises a $70 million ADB A loan, an $82 million ADB B loan provided by MUFG and SMBC (the first time ADB has provided partial risk cover in Indonesia) and a $50 million IFC direct loan. ADB is also administering a $20 million loan from the Leading Asia's Private Sector Infrastructure Fund (LEAP) which is supported by JICA.

Given the project is the first time PLN has had sole responsibility for gas supply to an IPP, the tolling arrangement for Riau IPP required some new structural elements to be added to the deal's documentation, setting the template for future projects under a PLN tolling arrangement.

The lack of a government guarantee/ BVGL for PLN's offtake obligations also presented challenges. Although some DFI-backed renewables projects have closed on financing without BVGLs, Riau is one of the first large conventional IPPs to do so and its power purchase agreement also included some relatively new features designed to give all parties more comfort.

Riau IPP

Borrower: PT Medco Ratch Power Riau

Close date: Signed 22 March 2019, closed 14 November 2019

Location: Pekanbaru City, Riau province, Indonesia

Description: 275MW combined-cycle gas-fired power plant

Project cost: $293 million

Offtaker: PLN

Feedstock provider: PLN

Sponsors: PT Medco Power Indonesia, Ratch Group

Debt: $222 million

Lead arrangers: ADB, IFC, Leading Asia's Private (LEAP) Sector Infrastructure Fund, MUFG, SMBC

Sponsors' legal advisers: Linklaters (International); Widyawan & Partners (Indonesia)

Lenders' legal advisers: Milbank (International); Assegaf Hamzah & Partners (Indonesia)

Technical adviser to ADB: Jacobs

The deal is the first joint financing of an Indonesian IPP by ADB and IFC, with commercial banks participating through ADB's B Loan product.

Asia-Pacific Power Refinancing Deal of the Year

Mong Duong 2: A double first

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

The refinancing of the Mong Duong 2 coal-fired power project is the first project bond issue and first independent power project refinancing in Vietnam. It was also a comparatively rare example of a project bond in Asia and should serve as a useful example to other IPPs in the region of the same vintage – provided they have solid enough power purchase agreements.

The sponsors of the 1240MW Mong Duong 2 plant are AES (51%), Posco (30%) and China Investment Corporation (19%). The three reached financial close on the plant's $1.5 billion construction debt package in 2011. Thanks to the presence of Doosan as construction contractor, the deal attracted considerable support from Korean ECAs, in their first project financing in Vietnam.

The construction package comprised a $342 million direct Kexim loan, a $280 million 100% Kexim-covered loan, and an $839 million loan featuring 80% political and commercial risk coverage from K-Sure. The debt had an 18-year tenor and pricing of between 225bp and 415bp over Libor. It featured 13 commercial bank lenders.

The linchpin of that financing, and the reason why the bond refinancing was possible, is a very sponsor-friendly power purchase agreement. The 25-year PPA with state-owned power company Vietnam Electricity (EVN) passes on all fuel price risk to the offtaker and benefits from a central government guarantee of EVN's obligations.

The government, however, also imposes strict currency controls, which posed a challenge to refinancing the bank facilities. So rather than simply pay down the original construction debt, the Dutch-registered special purpose vehicle for the bond and bank refinancing purchased the loan from its original lenders. Even this purchase required central bank approval, and bondholders do not benefit from direct security over the project assets.

Still, Fitch rated the refinancing BB, the same level as its sovereign foreign currency rating for Vietnam, and the bonds tightened considerably from their initial 5.625% price talk. The refinancing, led by Citi, HSBC, SMBC, and Standard Chartered, consisted of $678.5 million in 5.125% bonds due 2029, a $402.7 million four-year term loan and $82 million debt service reserve letter of credit. The bank debt is swapped into fixed rates of between 4.41% and 7.18%.

AES recorded a loss on the extinguishment of the debt of $31 million, but the transaction frees up lenders to support the sponsor's next, slightly more environmentally friendly, project – next year AES hopes to close on the financing for a 2.25GW LNG-to-power project in partnership with PetroVietnam.

Mong Duong 2

Borrower: Mong Duong Finance Holdings B.V.

Close date: 29 July 2019

Location: Quang Ninh Province, Vietnam

Description: Refinancing of four-year-old 1,240MW coal plant

Size: $1.08 billion

Offtaker: Vietnam Electricity, under PPA running to 2040

Sponsors: AES, Posco, China Investment Corporation.

Debt: $678.5 million in 5.125% bonds due 2029, $402.7 million term loan and $82 million debt service reserve letter of credit

Lead arrangers: Citi, HSMB, SMBC, Standard Chartered

Sponsors' legal advisers: Shearman & Sterling (International), VILAF (Vietnam), NautaDutilh (Netherlands)

Lenders' legal advisers: Allen & Overy

Trustee: Citi

Mong Duong 2 is the first project bond issue and first IPP refinancing in Vietnam. It was also a comparatively rare example of a project bond in Asia

Asia-Pacific Hydro Deal of the Year

Upper Trishuli 1: Impact finance on a utility scale

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

One of the largest private sector investments into Nepal to date and a milestone in the development of a largely untapped hydro market in the country, the 216MW Upper Trishuli hydropower project will increase Nepal's electricity supply by one-third.

The scheme is being developed by Nepal Water & Energy Development Company (NWEDC) – a joint venture between Korea South-East Power (KOSEP, 52%), Daelim Industrial (16%), Kyeryong Construction Industrial (10%), IFC (12%), and Bkesh Pradhananag (10%) – under a 35-year BOT concession backed by a 30-year power purchase agreement (PPA) with state utility Nepal Electricity Authority.

The project includes construction of a 29.5 metre high dam in Trishuli river, 9.7 km long headrace tunnel, 292 metre high vertical pressure tunnel and an underground powerhouse. A joint venture of Daelim Industrial Company (60%) and Kyeryong Construction Industrial Company (40%) is the main EPC contractor for the project, while lead sponsor KOSEP will be responsible for operations and maintenance.

The $453.2 million 15-year financing for the scheme involved the cooperation of multiple DFIs and two ECAs. The lenders are the IFC ($161.3 million); Asian Development Bank (ADB, $60 million); Asian Infrastructure Investment Bank (AIIB, $39.55 million); Commonwealth Development Corporation (CDC, $21.97 million); Kexim ($100 million); Korea Development Bank (KDB, $30.76 million) with cover from K-Sure; FMO ($15.38 million); Opec Fund for International Development (OFID, $13.18 million); and Proparco ($11 million). Is also providing $135 million in guarantees to cover political risk for the sponsors.

The impact of the project on Nepalese generation will be significant. Nepal's rivers, fed by runoff from the Himalayas, could support 43GW of electrical generation capacity, but less than 3% of that has been developed to date. Consequently, if the project proves a success, Upper Trishuli 1 is likely to be the DFI-backed template for more private sector utility scale hydro in Nepal.

A milestone in the development of a largely untapped hydro market in Nepal, Upper Trishuli hydropower project will increase Nepal's electricity supply by one-third.

Upper Trishuli 1

Project company: Nepal Water and Energy Development

Signed: 1 November 2019

Location: Upper Trishuli River, Nepal

Description: 216MW run-of-river hydroelectric power project

Project cost: $647 million

Awarding authority: Nepal Ministry of Energy, Water Resources and Irrigation/ Department of Electricity Development

Offtaker: Nepal Electricity Authority

Sponsors: KOSEP (52%), Daelim (16%), IFC (15%), Kyeryong (10%), Bkesh Pradhananga/local shareholders (10%)

EPC contractor: Daelim (60%)/ Kyeryong (40%) joint venture

Debt: $453 million

Lenders: IFC, Asian Development Bank, Asian Infrastructure Investment Bank, Kexim, Korea Development Bank, CDC Group, FMO, Proparco, OFID

ECAs: Kexim, K-Sure

Financial adviser: Synergy

Sponsors' legal advisers: Clifford Chance

Lenders' legal advisers: Shearman & Sterling

Sponsors' technical advisers: KOSEP and Jade Consult (Owners' engineer)

Technical adviser: Stantec/MWH (Independent engineer), ERM (Lenders' E&S)

Asia-Pacific Offshore Wind Deal of the Year

Yunlin: An ECA-backed local currency solution

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

The financing for Taiwan's Yunlin offshore wind farm is the third such deal to close in Asia, and the second in Taiwan, but it is comfortably the largest ever in the region. Yunlin demonstrates that the regional and international bank market will respond strongly for a deal denominated in New Taiwanese Dollars (NT$) with long-term interest rate hedging.

Yunlin has a total project cost of NT$94.4 billion ($3 billion) and was the subject of NT$83.5 billion in 18-year debt raised via borrowing vehicle YunNeng Wind Power. For the deal's local arrangers – Cathay United Bank, Taipei Fubon Commercial Bank, CTBC and E.SUN Bank – accessing local currency was no problem.

For the deal's international arrangers – BNP Paribas, Deutsche, Credit Agricole CIB, DBS, OCBC, SMBC, ING, MUFG, Societe Generale, Mizuho, Natixis, Standard Chartered, Commerzbank, Siemens Bank, KfW IPEX-Bank – it was a chance to get creative. At least one of the lenders, Societe Generale, funded its commitment by issuing NT$-denominated green bonds, saying it was one of the first large international bank green bond issues in the country.

In common with some of the larger early offshore wind deals in Europe, export credit agency-supported tranches accounted for a large proportion of the financing. The debt's base facilities comprise a NT$16.6 billion tranche covered by EKF, a NT$15.6 billion Euler Hermes-covered tranche, and a NT$3.95 billion tranche that benefits from Atradius cover.

The plant is located 8km off the western coast of Taiwan, consists of 80 8MW Siemens Gamesa turbines, and will sell power, when complete in 2021, to Taiwan Power Company under a 20-year power purchase agreement. The sponsors are wpd, a German developer that has been present in Taiwan for almost a decade and a half, and Japan's Sojitz, which is making its first investment in offshore with the aim of using the experience in its home market. EPC contractors include SGRE, Formosa Heavy Industries, Steelwind, CTCI, Smulders, GE, Seaway, Sapura and Jumbo. Start of operations is scheduled for end of 2021.

The long tenor and wide cast of lenders make it difficult to distinguish Yunlin from an offshore wind financing produced in the European market and show just how quickly newer offshore markets can achieve the terms that Europe took a decade to reach. With Taiwan moving aggressively to decarbonise and de-nuclearise its power markets, Yunlin shows that debt markets will respond favourably.

Yunlin shows that the regional and international bank market can respond strongly for a deal denominated in New Taiwanese Dollars (NT$) and with long-term interest rate hedging.

YunNeng Wind Power

Close date: 30 May 2019

Location: Offshore Taiwan

Description: 640MW

Size: NT$94.4 billion ($3 billion)

Offtaker: Taiwan Power Company

Sponsors: wpd (73%), Sojitz Corp (27%)

EPC contractors: Siemens Gamesa, Formosa Heavy Industries, Steelwind, CTCI, Smulders, GE, Seaway, Sapura and Jumbo

Debt: NT$83.5 billion, comprising six-tranche NT$70 billion in base facilities and five-tranche NT13.5 billion ancillary facilities

Mandated lead arrangers: Cathay United Bank, Taipei Fubon Commercial Bank, CTBC, E.SUN Bank, BNP Paribas, Deutsche, Credit Agricole CIB, DBS, OCBC, SMBC, ING, MUFG, Societe Generale, Mizuho, Natixis, Standard Chartered, Commerzbank, Siemens Bank, KfW IPEX-Bank

ECAs: EKF, Euler Hermes, Atradius

Financial advisers: SMBC (International) and E.Sun (Local)

Sponsors' legal advisers: Linklaters (International); Lee and Li (Taiwan)

Lenders' legal advisers: White & Case (International); Tsar & Tsai (Taiwan); Kromann Reumert (Danish); De Brauw Blackstone Westbroek (Dutch)

Technical advisers: Benatar (Insurance); PwC (Financial Model Tax & Accounting); Wood Group (Technical); Mott MacDonald (E&S)

Asia-Pacific Development Finance Deal of the Year

DHD: Scaling up floating solar

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

Floating solar has gone from being a curiosity in developed markets to a viable option for emerging markets developers at breakneck speed. Credit for this rapid acceptance has to go to a development finance community that has been willing to get to grips with the technology.

The 47.5MW Da Nhim–Ham Thuan–Da Mi Hydro Power (DHD) floating solar project is the first floating solar project, or certainly the first large-scale floating solar installation, in Vietnam, and the largest in Southeast Asia.

The debt financing comes entirely from the Asian Development Bank or ADB-managed funds, and both the sponsor and the offtaker are ultimately state-owned utility Vietnam Electricity (EVN). But as a first step, and given the potential that the region has for floating solar, DHD is a real pathfinder.

The project involves the installation of floating solar panels on the reservoir of the existing 175MW Da Mi hydroelectric plant in Bình Thuan Province. While in cooler countries, floating solar might be used where land is scarce, in countries like Vietnam, the technology can be used to reduce losses from evaporation from irrigation or hydroelectric infrastructure.

The Da Mi hydro plant, which has been in operation since 2001, only operates at a capacity factor of 46% during Vietnam's dry season. The floating solar panels not only boost dispatch during the periods of low availability, but they reduce evaporation.

The borrower is the project company for the dam – Da Nhim–Ham Thuan–Da Mi Hydro Power – which is in turn a subsidiary of EVN. EVN is buying power from the project under a 20-year power purchase agreement that falls under Vietnam's feed-in tariff regime.

The financing package comprises a $17.6 million direct loan from the ADB, $15 million from the Canadian Climate Fund for the Private Sector in Asia the Canadian Climate Fund for the Private Sector in Asia II, a $4.4 million loan from the Leading Asia's Private Infrastructure Fund (LEAP), in which the Japan International Cooperation Agency is an investor. The construction of the Da Mi hydro plant was funded in part through a debt facility from JBIC.

There may be potential for DHD to become independent of EVN. Power sector restructuring is a 30-year work in progress in Vietnam, but DHD belongs to one of a number of genco subsidiaries that have been created below EVN, have been given increasing operational independence and might be privatised if conditions permit.

Da Nhim–Ham Thuan–Da Mi Hydro Power

Close date: 2 October 2019

Location: Ham Thuan Bac district, Binh Thuan

Description: 47.5MW floating solar installation on reservoir of existing 175MW Da Mi hydro power plant

Size: $64 million

Offtaker: EVN

Sponsor: EVN, via Power Generation Corporation 1

Debt: $37 million

Lenders: Asian Development Bank, and three ADB-managed funds – Canadian Climate Fund for the Private Sector in Asia, Canadian Climate Fund for the Private Sector in Asia II, Leading Asia's Private Infrastructure Fund

Financial adviser to the lenders: Mizuho

Lenders' legal advisers: Watson Farley & Williams

Tax and modelling adviser: PwC

As a first step, and given the potential that the region has for floating solar, DHD is a real pathfinder for Vietnam and beyond.

Asia-Pacific Rail Deal of the Year

Cross River Rail: PPP appetite still strong

As South East Queensland's population continues to boom, its infrastructure needs to continually expand. The Cross River Rail project is a transformative transport project running through Brisbane's central business district, designed to increase rail transport capacity and reduce road congestion. Brisbane's single rail crossing of the Brisbane River has long been a constraint on improving the performance of the city's transport network.

The Cross River Rail Tunnel & Stations PPP, funds the largest single component – about half – of the A$5.4 billion 10.2km project, and involves the digging of a 5.9km tunnel and constructing four underground stations. The remainder, the rail, systems and integration package, is being conventionally procured. It is the largest infrastructure project in Queensland in decades and the tunnel and stations component is the largest PPP to close in 2019.

The bulk of the roughly A$2.7 billion PPP's cost comes as A$2.27 billion in debt. This breaks down into a 6.4-year A$2.1 billion construction and term facility seven-year A$109 million guaranteed facility and 6.4-year A$58 million debt service reserve facility. The remainder comes as equity from the sponsors – Pacific Partnerships (CIMC, 49%), DIF (26%), BAM (15%) and Ghella (10%) – that make up the Pulse consortium.

The bidding for the tunnel and stations was fierce, and the final three groupings were all thought to be strong contenders. The winning Pulse consortium beat out competition from a consortium of QIC, Capella, Lendlease, John Holland and Bouygues; and a Plenary, Acciona, GS, Salini Impregilo and Spotless grouping.

The lead arranger group featured a strong showing from international lenders – BBVA, Credit Agricole, HSBC, Intesa Sanpaolo, KfW, MUFG, Norinchukin, Societe Generale, Standard Chartered, SMBC, and SMTB. The short tenor encouraged banks to write large tickets, allowing them to show they are still competitive in the Australian market.

The project has not been without controversies, as the Queensland Government tries to keep a lid on total project costs and regulators scrutinising the balance sheet of lead contractor CPB. But the strength of the competition both for the concession and its financing shows that PPP can still make a powerful case on complex public works projects.

The bulk of the roughly A$2.7 billion PPP's cost comes as A$2.27 billion in debt.

Cross River Rail PPP

Borrower: Pulse Partners Finance Pty Limited

Close date: 1 July 2019

Location: Brisbane, Queensland, Australia

Description: 25-year concession for the construction of part of a 10.2 km greenfield rail line, including a 5.9km tunnel and four underground stations

Project cost: A$5.4 billion

Grantor: Queensland Government, through the Cross River Rail Delivery Authority

Sponsors: Pacific Partnerships (CIMC, 49%), DIF (26%), BAM (15%) and Ghella (10%)

EPC contractor: JV of CPB Contractors, BAM International, Ghella, and UGL

Debt: A$2.27 billion

Lead arrangers: BBVA, Credit Agricole, HSBC, Intesa Sanpaolo, KfW, MUFG, Norinchukin, Societe Generale, Standard Chartered, SMBC, SMTB

Consortium financial adviser: Macquarie Capital

Government financial adviser: KPMG

Government legal adviser: Clayton Utz

Sponsors' legal adviser: Corrs Chambers Westgarth

Lenders' legal advisers: Allens Linklaters

Technical advisers: Advisian (Independent engineer); Marsh, Willis (Insurance); EY (Tax and accounting); Mazars (Model auditor)

Asia-Pacific PPP Deal of the Year

Sydney Metro Extension: Going large

A little over six months after opening the Sydney Metro North West Line in May 2019, the NRT consortium closed a combined refinancing for that line and financing for the Metro's City and Southwest extension. PPP concession expansions are reasonably common in Australia, particularly in the toll roads sector, but the Sydney Metro deal is the largest such expansion to date.

Sponsors have long recognised that the ability to refinance post-completion cheaply, and use those savings to offer a competitive expansion, gives them a key advantage. But metro projects are complex. Sydney Metro is fully automated, promising a train every four minutes, and the expansion required signalling and station upgrades.

The extension takes the concession's number of six-carriage trains from 22 to 45, its stations from 13 to 31, its track length from 36km to 66km, and total trains per hour from 120 services per hour to 200. The A$3.7 billion contract comprises a new-build component of A$1.7 billion and a A$2 billion operations and maintenance component.

The refinancing was also a chance for a reshuffling of the project's equity. Two founding sponsors – Palisade Investment Partners and Partners Group – sold down their stakes in the concession. Two other founding sponsors – MTR and Plenary – increased their stakes, and Quebec's La Caisse bought an equity stake. The current sponsor line-up is Marubeni, MTR Corporation, CIMIC Group, Plenary Group and Caisse de depot et placement du Quebec.

The A$1.5 billion refinancing component of the deal was the largest that Plenary had closed in its 15-year history. The total debt package comprises a A$778 million 2.7-year tranche, a A$771 million 5.7-year tranche, and a A$1.04 billion 8.2-year tranche. The consortium talked to 35 lenders as part of the financing process, before settling on ANZ, Credit Agricole, HSBC, ING, Intesa Sanpaolo, KfW, Mizuho, MUFG, NAB, OCBC, SMTB, UOB and Westpac as lead arrangers. The group is notable for combining domestic, European and Asian banks.

The Sydney Metro Extension raises the bar for what sponsors of existing concessions should have to offer the public sector to get them expanded. But it also demonstrates the savings that proactive lender management can produce for those clients.

Sydney Metro Extension

Borrower: NRT Finance Pty Ltd/NRT CSW Finance Pty Ltd

Close date: 4 December 2019

Location: Sydney, New South Wales, Australia

Description: Financing of 30km City & Southwest extension of Sydney Metro Northwest, and refinancing of existing 36km Metro North West Line

Contract size: A$3.7 billion

Grantor: Sydney Metro

Sponsors: Marubeni, MTR Corporation, CIMIC Group, Plenary Group, Caisse de depot et placement du Quebec

Contractors: MTR Corporation (Integrator) and Metro Trains Sydney

Debt: A$2.59 billion

Lead arrangers: ANZ, Credit Agricole CIB, HSBC, ING, Intesa Sanpaolo, KfW, Mizuho, MUFG, NAB, OCBC, SMTB, UOB, Westpac

Sponsors' legal advisers: Allens (consortium), Minter Ellison (MTR, D&C and O&M)

Lenders' legal advisers: King & Wood Mallesons

Government legal adviser: Ashurst

Government financial adviser: EY

Sponsors have long recognised that the ability to refinance post-completion cheaply, and use those savings to offer a competitive expansion, gives them a key advantage.

Asia-Pacific Upstream Oil & Gas Deal of the Year

Jambaran-Tiung Biru: Multi-firsts

When Indonesian state-owned Pertamina (Persero) subsidiary Pertamina EP Cepu (PEPC) raised $1.846 billion of debt from a consortium of banks to finance the Jambaran-Tiung Biru project (JTB) in August 2019, it was not just another vanilla oil and gas project financing.

The deal was engineered via a trustee borrowing structure – which although an established mechanism in the Indonesian project finance market is a first for a greenfield limited recourse upstream project. The financing also comes with no recourse to parent Pertamina or guarantees from the Indonesian government, and is the first oil and gas project facility in Indonesia to combine Islamic and commercial tranches. Although the Islamic tranches are very small (totalling just $100 million) relative to the overall debt, the transaction is a useful template for multi-sourced financing and diversification of the project funding base in the country.

JTB is also the first Indonesian oil and gas project financing to be backed purely by domestic offtake contracts, with no government support. The project comprises development of proven gas reserves as well as the construction and operation of gas processing facilities and pipelines in Java. The project, with a production capacity of 192 MMSCFD of gas sales and 2.5 trillion cubic feet (TCF) of gas reserves, is targeted to be operational in 2021.

JGC Corporation and PT Rekasaya Industri are EPCs for the scheme on a fixed price, lump-sum, turnkey, date certain basis. Pertamina (Persero) will offtake 100% of the gas produced from the JTB field on a 90% take-or-pay basis throughout the project life at a fixed price. The gas will be channelled through the Gresik-Semarang transmission pipeline – managed by PT Pertamina Gas (Pertagas) – to Central and East Java: the Tambak Lorok Gas and Steam Power Plant (PLTGU) in Central Java and the Java-3 PLTGU in East Java will both be fuelled by the project.

MUFG was financial advisor and facility agent for the financing and was joined in the commercial lender line-up by SMBC, Bank of China, DBS, Intesa Sanpaolo, CIMB, Maybank, Bank Mandiri, Bank Negara, Bank Rakyat Indonesia and Bank Tabungan Pensiunan Nasional (BTPN). MUFG (Malaysia) Berhad was wakala investor for both Islamic tranches.

The $1.84 billion of debt comprises four tranches: a $700 million 15-year commercial tranche and a $1.04 billion 10-year commercial tranche; a $40 million 15-year Islamic tranche and a $60 million 10-year Islamic tranche.

The trustee borrowing structure employed in the financing – whereby loan repayments are made by a trustee that draws directly from the project's revenue streams, leaving lenders with no recourse to the project and no security interest in the project assets – is an established staple of the Indonesian project finance market. HSBC Bank USA was trustee bank for the deal and is the borrower under the loan agreements with the lenders. Pertamina (Persero), as offtaker for the project, pays PEPC's portion of the gas and condensate revenues to the trust account directly. These revenues will be paid by HSBC to the lenders and serve as their primary security.

Jambaran-Tiung Biru

Close date: 13 June 2019

Location: East Java, Indonesia

Description: 315 million cubic feet per day gas extraction, processing and transportation facility

Size: $4.6 billion

Sponsor: Pertamina EP Cepu

Offtaker: Pertamina

EPC contractors: JGC, Rekayasa Industri

Debt: $1.846 billion

Lead arrangers: MUFG, SMBC, Bank of China, DBS, Intesa Sanpaolo, CIMB, Maybank, Bank Mandiri, Bank Negara, Bank Rakyat Indonesia, Bank Tabungan Pensiunan Nasional

Financial adviser: MUFG

Sponsors' legal advisers: Latham & Watkins (International), UMBRA (Local)

Lenders' legal advisers: Milbank (International), Ali Budiardjo Nugroho Reksopdiputro (Local)

Trustee: HSBC

The transaction is a useful template for multi-sourced financing and diversification of the project funding base in Indonesia.

Asia-Pacific Downstream Oil & Gas Deal of the Year

RAPID/Project Marigold: Less cover, more appetite

The largest petrochemical and refinery project in Malaysia to date, the $9.5 billion debt financing for the $15.3 billion Refinery & Petrochemical Integrated Development project (RAPID, also known as Project Marigold) in Malaysia was one of the largest Asian project debt syndications of 2019 and a landmark for Petronas' Pengerang Integrated Complex (PIC), of which RAPID is a major part. But most significantly, around 60% of the debt was uncovered.

Sponsored by Petronas (50%) and Saudi Aramco (50%), RAPID is expected to accelerate the growth of Malaysia's oil and gas downstream sector. The project, which was almost complete at financial close, will have capacity to process 300,000 bpd of crude oil and produce Euro 5 gasoline and diesel, and other refined products, as well as feedstock for production of 3.3 mtpa of petrochemicals. To that end, the project involves development of a refinery complex, steam cracker and extraction complex, C2/C3 polymer complex and a C2 glycols petrochemical complex.

The wider PIC scheme also involves separately funded projects, notably the Pengerang cogen project, an LNG regasification terminal, an air-separation unit, a raw water supply project, a liquid bulk terminal, and central and shared utilities and installations.

RAPID involves two borrowers – Pengerang Refining Co and Pengerang Petrochemical Co – but the lenders to both are the same, there is a cross-guarantee and pari passu treatment.

Construction was initially funded via an $8 billion 18-month bridge loan while the $9.5 billion of long-term facilities were being negotiated with commercial banks and ECAs. The final 15.5-year facility comprises a $5.63 billion uncovered tranche – provided by Ambank, ANZ, BNP Paribas, Bank of China, Credit Agricole, China Construction Bank, CIMB Bank, Citibank, HSBC, ICBC, JP Morgan, Maybank, Mizuho Bank, MUFG, National Bank of Kuwait, OCBC, Standard Chartered Bank, Societe Generale, SMBC and UOB – and four ECA-backed facilities.

The ECA tranches comprise a $1.5 billion JBIC/Nexi piece with Citibank, Mizuho, MUFG and SMBC; a $789 million Kexim/K-Sure tranche with ANZ, BNP Paribas, Bank of China, Credit Agricole, DZ Bank, JP Morgan, Mizuho Bank and National Bank of Kuwait; a $794 million SACE-covered tranche with Bank of China, BNP Paribas, DZ, HSBC and JP Morgan; and a $800 million CESCE-covered tranche with Banco Santander, BNP Paribas, DZ Bank, HSBC, JP Morgan, Natixis and Societe Generale.

RAPID (Project Marigold)

Borrowers: Pengerang Refining Company Sdn Bhd and Pengerang Petrochemical Company Sdn Bhd

Close date: 5 November 2019

Location: Pengerang, Johor, Malaysia

Description: Integrated petrochemical complex l

Project cost: $15.3 billion

Sponsors: Petronas (50%), Saudi Aramco (50%)

Debt: $9.5 billion

Commercial lenders: Ambank, ANZ, BNP Paribas, Bank of China, Credit Agricole, China Construction Bank, CIMB Bank, Citibank, HSBC, ICBC, JP Morgan, Maybank, Mizuho Bank, MUFG, National Bank of Kuwait, OCBC, Standard Chartered Bank, Societe Generale, SMBC, UOB

ECAs: SACE, CESCE, Kexim, K-Sure, JBIC, Nexi

Financial adviser: BNP Paribas

Sponsors' legal advisers: White & Case, Shearman & Sterling, Kadir Andri & Partners, Shook Lin & Bok, Civilence

Lenders' legal advisers: Milbank, Christopher & Lee Ong, Tanner De Witt

One of the largest Asian project debt syndications of 2019 and a landmark for Petronas' Pengerang Integrated Complex (PIC), of which RAPID is a major part.

Asia-Pacific Airport Deal of the Year

Hokkaido 7 Airports: Flight to quality

PROXIMO
INFRASTRUCTURE | ENERGY | PROJECTS
DEALS OF THE YEAR 2019

Backed by the largest project financing in Japan to date – a JPY365.1 billion ($3.3 billion) 30-year facility – the Hokkaido 7 Airports privatisation was also the first bundling in one PPP concession of multiple airports controlled by different public authorities. In short, the deal sets the template for future large-scale PPP and bundled concessions in Japan.

Awarded to Hokkaido Airports Company – a consortium of 17 Japanese companies – the 30-year PPP concession comprises the Asahikawa airport controlled by Asahikawa City; the Obihiro airport controlled by Obihiro city; the Memanbetsu Airport controlled by Hokkaido prefecture; and the New Chitose, Wakkanai, Kushiro and Hakodate airports controlled by MLIT. The sponsors are providing JPY111 billion of equity for the scheme.

The consortium was required to pay a concession fee for the 30-year operating rights via a lump-sum upfront payment and instalments over the life of the concession. The total project cost is JPY470 billion, which includes the upfront piece of the concession fee, refinancing of the terminal building operators' existing debt and capex for airport upgrades. The JPY365.1 billion of debt facilities comprise a JPY272 billion 30-year senior term loan, a JPY30 billion 30-year capex tranche, a JPY30 billion 30-year mezzanine tranche, a JPY5 billion five-year working capital facility and a JPY27 billion 1.75-year VAT facility.

The 30-year tenor on the deal can be extended by another five years in a force majeure event or other stress scenarios. And repayments risk on the senior term loan and the capex facility is mitigated by a partial cash-sweep based on cover ratio tests – a comfort to lenders that made raising the large amount of liquidity required for the deal easier.

The deal generated strong appetite, enabling MLA/ bookrunners Mizuho and SMBC to pull in 44 other lenders including Hokkaido Bank, North Pacific Bank/Hokuyo Bank, MUFG, Norinchukin Bank, a number of insurance companies and a host of regional and local banks. The mezzanine facility was provided by Mizuho and PFI Promotion.

Corporation of Japan.

Hokkaido 7 Airports PPP

Borrower: Hokkaido Airport Co Ltd

Close date: 19 December 2019

Location: Hokkaido, Japan

Description: PPP concession for seven regional airports

Project cost: JPY470 billion

Grantors: Japanese Ministry of Land Infrastructure, Transport and Tourism; Asahikawa City; Obihiro City; Hokkaido Prefecture

Sponsors: Hokkaido Airport Terminal, Mitsubishi Estate, Tokyu, Development Bank of Japan, North Pacific Bank, Hokkaido Bank, Hokkaido Electric, Sankei Building, Japan Airlines, ANA Holdings, Mitsui Fudosan, Mitsubishi Corporation, Iwata Chizaki, Doshin Service Center, Dentsu., Taisei Concession, Sompo Japan Nipponkoa Insurance

Debt: JPY365.1 billion

Lead arrangers: Mizuho, SMBC (MLAs), North Pacific Bank, Hokkaido Bank

Financial adviser: Mizuho

Sponsors' legal adviser: Baker McKenzie

Lenders' legal adviser: Nishimura Asahi

The biggest project financing in Japan to date, the deal sets the template for future large-scale PPP and bundled concessions in Japan.

Asia-Pacific Developer of the Year

Mitsubishi: Out of sight

Mitsubishi, as lead sponsor, did not complete any project financings of major significance in Asia-Pacific in 2019 – but that is not the point. Mitsubishi, via its direct subsidiaries or major shareholdings in key project developers, was a significant influence on the project finance market in 2019. It had equity stakes in the Hokkaido 7 Airports financing and the Summit LNG Terminal scheme in Bangladesh – both cutting edge deals – and has been gathering expertise in European offshore wind and renewables via its Europe-based Diamond subsidiaries, expertise that will find its way back into the fledgling, but potentially very large, Japanese offshore wind sector.

Mitsubishi also rescued Chiyoda last year, which had struggled with losses after a hurricane hit its Cameron LNG project, and bought Eneco in the Netherlands for €4.1 billion (acquired in partnership with Chubu Electric, the deal was finalised in March 2020), which again will mean more green energy expertise going forward. In short, Mitsubishi, whether directly or indirectly, is a major catalyst and facilitator of progress at the project and wider market levels, both within its domestic market and abroad.

A key project highlight for Mitsubishi in 2019 was the signing of the first commercially-banked project financing for an LNG import facility in Bangladesh – Summit LNG Terminal. The project, also only the second LNG terminal in Bangladesh to reach financial close, was developed by a joint venture between Summit Corporation (75%) and Mitsubishi Corporation (25%). The sponsors signed an uncovered $97 million 10-year loan fully underwritten by SMBC.

The Hokkaido 7 Airports concession financing (see page 55) was also a significant deal with Mitsubishi equity participation. The first bundled concession of multiple airports controlled by different authorities in Japan, the $3.3 billion financing that backs it came with a very lengthy 30-year tenor and 46 lenders in total took a piece of the debt. The deal will almost certainly be repeated for the upcoming Naha airport concession in Okinawa and other bundled airport concessions in Okinawa prefecture.

Mitsubishi also had minority stakes in some small renewables transactions in 2019: the Omaezakikou and Tokushima Tsuda biomass projects. But it is via direct subsidiaries and major shareholdings in key project development companies that Mitsubishi's impact is mostly felt. For example, its JPY180 billion rescue of Chiyoda Corp – a major LNG plant builder in which Mitsubishi is the biggest stakeholder with 33% – recently resulted in Chiyoda and Mitsubishi announcing they are to collaborate with City Gas, Jurong Port, PSA International, Sembcorp Industries and Singapore LNG on a major hydrogen project in Singapore.

More significantly, Mitubishi's Diamond subsidiaries – Diamond Generating Asia, Diamond Transmission Corporation (DTC) – are key developers in the Asian power market and European offshore wind market respectively. For example, with the acquisition of the Walney Extension OFTO in 2019, Mitsubishi, via 100% owned DTC, became the largest OFTO operator in the UK.

Mitsubishi, whether directly or indirectly, is a major catalyst and facilitator of progress at the project and wider market levels, both within its domestic market and abroad.