

Paiton 3: Indonesian benchmark

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The brownfield financing for Paiton 3 sets an important benchmark in the Indonesian market, as it is the first independent power plant deal to be completed since the 1990s Asian financial crisis, and the first to be signed under JBICs umbrella note with the Indonesian Ministry of Finance.

PT Paiton Energy is an existing 1,230MW coal-fired power plant located in East Java, Indonesia. It commenced commercial operations in 2000 and its power output is sold to state-owned Perusahaan Listrik Negara (PLN) under 30-year long term power purchase agreement (PPA). Following a tender, PE was granted the right to build, own and operate a new 815MW coal-fired power plant at the existing Paiton complex, to be implemented through an amendment to the existing PPA.

Total project costs for Paiton 3 are \$1.519 billion, with an 80/20 debt/equity ratio, a debt package of \$1.215 billion and \$304 million in equity. The debt has an 18-year tenor and comprises three tranches: a \$395 million US dollar JBIC direct facility, a \$334 million equivalent JBIC direct facility denominated in Yen and a \$486 million JBIC extended political risk guarantee-covered commercial bank facility denominated in yen). The commercial banks are Bank of Tokyo Mitsubishi UFJ, Mizuho, Sumitomo Mitsui Banking Corporation, BNP Paribas, ING, Credit Agricole, HSBC and Sumitomo Trust. A commitment fee of 50bp is paid for each of the three tranches. And pre-completion the bank funded tranche has a margin of 270bp which is thought to rise to around 300bp post-completion. Pre-completion the JBIC dollar loan is priced at 169bp and the JBIC yen loan is priced at 178bp.

The financing was a protracted affair given the economic backdrop. PLN announced the limited tender for the Paiton III expansion in February 2007. In August 2007 the project company for Paiton I, PT Paiton Energy (PE), was awarded the exclusive right to negotiate the power purchase agreement (PPA) for the Paiton III coal-fired power plant expansion project and a heads of agreement between PE and PLN was signed. The sponsors signed the 30-year PPA with PLN on 4 August 2008. The financing in its ultimate form had been held up from November 2009 to close in March 2010 because JBIC was waiting for a letter of comfort from the Indonesian government, without which JBIC was not in a position to provide the debt and cover.

Paiton 3

Status: Closed 30 March 2010

Description: \$1.21 billion debt for the 815MW expansion of its 1.23GW coal-fired power plant in East Java, Indonesia

Sponsor: Paiton Energy (International Power, Mitsui, Tokyo Electric Power and BHP)

Mandated lead arrangers: JBIC, Bank of Tokyo Mitsubishi UFJ, Mizuho, Sumitomo Mitsui Banking Corporation, BNP Paribas, ING, Credit Agricole, HSBC and Sumitomo Trust

ECA: JBIC

Financial adviser: BTMU

Borrowers legal counsel: Paul Weiss Rifkind Wharton & Garrison

Lenders legal counsel: Latham & Watkins

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