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Middle Eastern Renewables Deal of the Year 2013: Tafila

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Jordan is poor in natural resources and imports over 97% of its energy. Regime change in Egypt highlighted its dependence on Egyptian gas, which was disrupted following the explosion of a gas pipeline in Sinai in 2013.

Fluctuations in oil prices and a scarcity of water led Jordans government to intensify its focus on increasing its use of renewable energy. Jordan benefits from wind energy and solar potential, and enacted a Renewable and Energy Efficiency Law in 2012. Under the law the country aims to produce 7% of its electricity from renewable energy sources by 2015, rising to 10% by 2020. To help reach this target, Jordan offers a generous feed-in tariff to renewables producers. Feed-in tariffs have a justified reputation for being the fastest way to encourage renewable capacity additions, and this feed-in tariff is the first of its kind in the Middle East.

In May 2011, Jordans Ministry of Energy and Mineral Resources (MEMR) called for investors to submit expressions of interest in constructing 1,800MW of renewables capacity. Of this, about 1,200MW would be wind, 600MW would be solar, and between 30-50MW of waste-to-energy facilities, In June 2011 Jordan Wind Project Company (JWPC) signed a memorandum of understanding with the Ministry of Energy to build a 117MW wind farm in the Tafila region of Jordan.

The direct proposals route was the door opener for such projects and hugely beneficial to MEMRs [Ministry of Energy] renewables strategy, says Tara Lindstedt, managing director at project developer EP Global Energy, but we still had a lot of work to do with MEMR and NEPCO [Jordans National Electric Power] in helping to develop the implementation framework.

InfraMed owns 50% of JWPC, while Masdar (31%) and EP Global Energy (19%) own smaller stakes. InfraMed is a long-term investment vehicle that launched in 2010 with anchor investments from Cassa Depositi e Prestiti, Caisse des Depots et de Consignations, Caisse de Depots et de Gestion, EFG Hermes and the European Investment bank.

The consortium closed the financing for the $287 million Talifa project on 27 November 2013. The deal was a landmark transaction, as the first privately owned wind farm to close in Jordan, and one of the first project financed wind facilities in the Middle East. Tafila is also the first large-scale fruit of the 2011 renewables law and once completed will on its own account for almost 10% of Jordans 2020 renewable energy target. The wind farm will increase Jordans total power capacity by 3%.

The project company signed a 20-year power offtake agreement with NEPCO on 18 November 2013. On 20 November it signed a design, build, operate and maintain contract with Vestas for the installation of 38 V112 3MW turbines. Construction will begin in 2014 and is expected to

Jordan Wind Project Company PSC

Status
27-Nov-13
Size
$287 million
Description
117MW wind farm located in Tafila province, Jordan
Sponsors
InfraMed (50%), Masdar (31%), EP Global Energy (19%)
Equity
$66 million
Debt
$221 million
Lenders
International Finance Corporation, European Investment Bank, Eksport Kredit Fonden, OPEC Fund for International Development, FMO, Europe Arab Bank, Capital Bank of Jordan
Sponsor Legal advisers
Nabarro (international), Hadidi (local)
Lender Legal advisers
Chadbourne & Parke (international), Khalifeh (local)
Environmental, market and technical consultant
Sgurr
EPC contractor
Vestas
Sponsor insurance adviser
Willis Consulting
Lender insurance adviser
Charles Taylor Risk Consulting

last for around 18 months.

Given that this was the first such project to close in Jordan, the sponsors had to raise much of the required financing from development finance institutions. The financing package was challenging and complex, as was the EPC contract with Vestas. There were no previous templates for us to work with and as such we had to develop customised contracts, which took time and significant cost, continues EPGEs Lindstedt, but there was a real willingness on all sides to make the project happen, and it did.

The International Finance Corporation (IFC) arranged the $221 million financing and is providing a direct A Loan of $54.73 million. It also arranged a B Loan of $59.49 million, $30 million of which will come from Arab Banks Europe Arab Bank, and $28.72 million from FMO. The European Investment Bank is providing a $72.24 million tranche that benefits from a guarantee from EKF, while the OPEC Fund for International Development is providing a loan of $20 million. The financing is rounded off with a $14.36 million mezzanine C loan from the IFC. The sponsors are also providing $66 million in equity.

The deal should help Jordan make progress on a large slate of additional wind and solar projects. The 90MW Fuijeij wind project and the 25MW Wadi Araba wind farm are expected to come to market soon, and the 100MW Shams Maan solar PV and Quwaira solar project are also looking to follow Talifas lead.