

# IJGlobal ESG Award – Wind, APAC – Zarafshan I

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Zarafshan I Wind Farm – the first wind IPP to close in Uzbekistan – is the winner of the IJGlobal ESG Award 2023 in the wind category for APAC, described by one of the judges as a “genuine landmark transaction”.

One of the independent panel of judges said: “This is a strong submission that emphasises the local benefits and how the project will support further investment in the country.”

Another judge added: “Zarafshan deployed innovations such as deployment of Identiflight which demonstrate the strength of the commitment from the government and the sponsors – Masdar – to outcomes which target the E element in ESG.”

Zarafshan [reached financial close](#) at the end of August 2022 with the sponsor Abu Dhabi Future Energy Company (Masdar) lined up to deliver the 500MW wind farm some 7km east of Zarafshon City in Tamdy, Navoi. The SPV is Shamol Zarafshan Energy and it is wholly owned by Masdar.

The \$560 million transaction involved \$374 million of debt with a green loan of \$102 million provided by First Abu Dhabi Bank and Natixis. The \$272 million term loan was arranged by EBRD, ADB, IFC, FMO, JICA, Natixis and First Abu Dhabi Bank. Both debt tranches have 20-year tenors.

As the first wind IPP to close in the country, Zarafshan stands as a benchmark for future wind developments in the country. Beyond achieving net carbon reduction, it sets the stage for a flood of FDI involvement in wind projects in Uzbekistan and – by extension – the neighbouring Kazakhstan.

It did so through 2 crucial signals. It demonstrated the bankability of long-term PPAs for wind in central Asia; and demonstrated that DFIs and MDBs were willing to provide competitive rates in a region that has traditionally been seen as lacking the requisite stability and market development for projects of this scale.

The effects of this transaction are clear – more than 1.5GW of wind and 3GW of solar capacity are approaching, or have reached, financial close in 2023.

By serving as a catalyst for Central Asian wind, Zarafshan has had a concrete positive impact towards helping Uzbekistan reach its 2030 goals of 7GW of solar and 5GW of wind energy production.

## Innovation

Zarafshan achieved numerous financing innovations to achieve its status as a market pioneer in Uzbekistan.



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It was the first limited-recourse project financing ever where Etihad Credit Insurance – the export credit agency of the UAE – provided cover.

The remainder of the financing is being provided by ADB, EBRD, FMO, IFC and JICA – each under exceptionally competitive terms.

The wind farm is on a large site with nesting birds of prey close to the wind farm. To ensure the safety of the birds extensive work was spent micro siting specific turbines and working with the DFIs' E&S teams to develop a long-term strategy to protect the birds which involved the installation of an Identiflight artificial intelligence computerised camera system to allow automatic shutdown of turbines when bird flight is detected.

This was the first time DFIs had agreed to use such a system and is a landmark for the development of onshore wind farms of this scale where previous solutions would have involved employing a larger number of human spotters.

The project required further innovation in the Uzbek context of VAT facility for construction costs. In the absence of any local bank solution, Masdar and Cranmore Partners worked with EBRD to develop a product under a revolver structure for the Uzbek market to cover construction period VAT payments – the first time a DFI had offered such a product in the country, which will serve as a precedent for future transactions.

## Impact

Zarafshan will primarily help reduce in Uzbekistan's carbon footprint. Once operational, the wind farm will produce enough electricity to power 500,000 households and avoid 1.1 mtpa of CO2 emissions.

In addition, the project is designated for future expansion by Masdar by up to 1GW. The financial and technical success of the project therefore provides an avenue for electricity production for 1 million further households and another 2.2 mtpa of CO2 emission reduction.

Zarafshan I's development implies relative improvements for Uzbek communities' quality of life, who would otherwise be adversely affected by air pollution.

By precipitating increased financing for ESG-focused infrastructure projects in the region, Zarafshan also helps to increase the total DFI investment that Uzbekistan, and other Central Asian countries, will receive.

This increase will lead to employment opportunities for local EPC and O&M contracting firms, constituting material social improvements for numerous communities in Uzbekistan.

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