

Mong Duong 2 IPP, Vietnam

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Mong Duong 2 IPP is a 1,240MW base load coal-fired independent power plant project under construction in Vietnam. The project is notable as the largest power plant to be financed in Southeast Asia in 2011 and is the first of three IPPs to be procured under the build-operate-transfer model in Vietnam to date.

Project financing

The consortium led by US-based global power developer AES signed the financing in July 2011 and reached financial close in September 2011. The sponsors are AES with a 51 per cent stake; Korea's POSCO Power with a 30 per cent stake; and the China Investment Corporation with 19 per cent.

The project cost US\$2 billion, of which US\$1.5 billion was debt financed. The US\$1.46 billion financing was provided by 12 international banks plus Korea's export credit agency Kexim, which took the largest ticket at US\$340 million as a direct, 18-year loan.

The project financing includes an irrevocable guarantee from the government of Vietnam and an 85 per cent comprehensive cover (not including the purely commercial debt) provided by Kexim and K-sure, as part of the terms of the security package on the debt which, according to an adviser close to the deal "ensured strong mitigation against emerging market-related risks".

KEXIM and K-Sure wrapped US\$840 million of the credit which also secured an 18-year maturity. The remainder of the commercial debt has a 12-year maturity. The financing is also backed by a 25-year power purchase agreement with Vietnam Electricity (EVN), the state-owned power company, as the sole offtaker. The PPA is US dollar-denominated and allows for a fuel cost pass through, protecting the project from fluctuations in coal prices.

AES originally held a 90 per cent stake in the project with Vietnamese state-owned mining Vinacomin owning the remaining 10 per cent. In March 2011, Vinacomin exited the project and AES sold a 39 per cent share, plus the Vincomin share in the project, to its present partners.

The project's former sponsor, Vinacomin, entered into a 25-year coal supply agreement, which will run parallel to the PPA, to supply locally sourced fuel to the facility.

Project scope

Mong Duong 2 was procured by EVN, as part of its programme to address Vietnam's power supply deficit.

According to EVN research data, electricity demand is set to rise by 15 per cent annually over the next five years. Mong Duong II is part of the Vietnam government's Power Master Development Plan VI which aims to provide stable and attractively priced power to Vietnam and address the recurrent power shortages.

Mong Duong 2 is the first coal-fired IPP to have been commissioned in Vietnam in nine years. Its predecessor was the

Phu My III, which was procured in 2003.

The project includes construction and installation of 2x 620MW units (2x 560MW net) at the facility. The facility is due to begin commercial operations under a 25-year concession in the third quarter of 2015. Doosan Heavy Industries and Construction of Korea is the EPC contractor, responsible for designing, building, and commissioning the project.

At the time of financial close, Victoria Harker, AES chief financial officer, described the deal as “a notable achievement that demonstrates the strength of our project finance model and is a testament to our ability to raise capital in the face of challenging global economic conditions.”

Lenders:

KEXIM

Bookrunning Mandated Lead Arrangers:

BNPP

Crédit Agricole

HSBC

ING

Natixis

Société Générale

Sumitomo Mitsui Banking Corporation

Mandated Lead Arrangers:

Mizuho

Standard Chartered

Unicredit

Lead Arrangers

CIC

DZ Bank

Hedge Providers:

Société Générale

Crédit Agricole

ING

Sumitomo Mitsui Banking Corporation

BNPP

HSBC

Advisers:

HSBC was financial adviser to AES. Shearman & Sterling and Freshfields acted as legal advisers to AES. DLA Piper is legal advisor to the Government of Vietnam. Orrick is legal adviser to the offtaker. Latham & Watkins is legal counsel to the lenders, alongside Vietnamese domestic firm YKVN.

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