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PFI Yearbook 2017

Middle East & Africa Bank of the Year – SMBC

Sumitomo Mitsui Banking Corporation (SMBC) has expanded into the Middle East & Africa region just as other banks, particularly in the Gulf, have been pulling back – hit by the fall in the price of oil.

Lending opportunities are therefore a lot more interesting than they were a couple of years ago when liquidity was deep and debt financing was not an issue. In addition, the project advisory market has lost some key players.

SMBC's big deal in the Gulf this year was the Liwa Plastics financings in Oman. The bank, as the project's financial adviser, raised US$3.8bn in project financing in a challenging environment with low oil prices and sovereign downgrades. It tweaked the financing structure after the deal was sent out to the bank market but this was done in a well managed way - changes made in one go, deal then gets to financial close.

Later in the year, the bank picked up two more mega energy financial advisory mandates – a new financing for Oman LNG and the financing of the new US$3bn Kuwait LNG regasification terminal. Two other successful advisories were the US$300m Seenat steel pipe manufacturing plant financing in Abu Dhabi with JBIC, Mizuho and NBAD and the US$180m Fujeij wind farm in Jordan with Kexim and Mizuho.

On the lending side, the bank was involved in its share of Gulf deals such as Liwa, Facility D, Ibri/Sohar and Fadhili.

In Africa, the bank is advising on an US$800m power project in Botswana, the Morupule Units 5 & 6 scheme sponsored by Marubeni, which is due to close early in the new year. And the Japanese bank is coordinator on the US$2.7bn financing for the Nacala rail and port project in Mozambique, which could close next year.

Late last year Tom Waterhouse moved from London to Dubai to become head of corporate and project finance. The bank has been building up the lending and advisory teams this year.

Middle East Petrochemical Deal of the Year - Liwa

The economic backdrop for one of the largest petrochemical financings this year, the US$3.8bn Liwa Plastics Industries Complex deal, was tough but the deal got over the line with a host of banks and export credit agencies (ECA) eventually signing in.

The scheme is sponsored by Oman Oil Refineries & Petroleum Industries Co (Orpic), which is ultimately owned by the Government of Oman. The fall in the oil price hit both Oman's sovereign rating and the price for LPIC's polymer products which are highly correlated with oil prices.

As a result some tweaks were made to the project structure during the financing process. Payments to the gas supplier were subordinated in relation to the debt payments, the sweet and sour ratio between banks and ECAs was altered and the debt/equit spliy was narrowed. These changes were made in response to bank comments and the process was smoothly executed.

The scheme had eight pathfinder ECAs involved from an early stage. Six joined the deal when signed following the EPC tenders - Atradius DSB, Euler Hermes, K-Exim, K-Sure, SACE and UKEF. The ECA covered debt came in at US$2.38bn and on top of this there was US$1.42bn of uncovered debt. Raising such a large amount of debt - whether covered or uncovered - from the commercial banks was an achievement.

The mandated lead arrangers and arrangers were Arab Banking Corporation, Bank Dhofar, Bank Muscat, BNP Paribas Fortis SA/NV, Cassa depositi e prestiti spa, Crédit Industriel et Commercial, Crédit Agricole Corporate & Investment Bank, Export Development Canada, HSBC, ING, JP Morgan Chase, KfW IPEX, Korea Development Bank, MUFG, Natixis, Saudi National Commercial Bank, Société Générale, SMBC and UniCredit.

SMBC was the financial adviser and Allen & Overy was the legal adviser. White & Case advised the lenders. Other roles included: MUFG, intercreditor agent and commercial facility agent; BNP Paribas, K-Exim and K-Sure agent; Natixis, SACE and UKEF agent covered and; SMBC, Atradius DSB and Euler Hermes agent.

Middle East Power Deal of the Year - Hassyan

The 2,400MW, US$3.4bn Hassyan coal-fired independent power project (IPP) in Dubai was a first in many ways. At a time when coal fell out of favour, particularly after the COP21 conference in Paris in late 2015, the scheme was able to raise a sizeable amount of long term finance at competitive rates.

State utility Dubai Electricity & Water Authority (DEWA) has been pursuing a diversified strategy in procuring its power. It is one of the world leaders in procuring new solar capacity but at the same time it is seeking up to 4800MW of new coal fired capacity, albeit on a ultra supercritical basis.

The project was awarded by DEWA in October 2015 as a 1,200MW scheme to a ACWA Power, Haiban International and Silk Fund Road Fund team and then doubled in size in the new year. The ACWA team beat Kepco to the deal in a long drawn-out contest. It bid U$4.5 cents at May 2015 coal prices on the 1,200MW scheme while Kepco bid US$4.9 cents. The ACWA team is then believed to have bid a 10% discount on the next 1,200MW.

Given the anti-coal sentiment in western banks following COP21, the financing relied on Chinese banks. ICBC, China Construction Bank, Agricultural Bank of Bank and Bank of China contributed 78% of the debt and the rest came from Standard Chartered, National Commercial Bank, Union National Bank and First Gulf.

The deal has a US$2.5bn 25-year loan with a soft mini-perm structure and US$650m of equity, with the rest of the funds coming from early generation revenues. Loan pricing is 200bp stepping up to 275bp.

Chadbourne & Parke was the sponsors' counsel and Shearman & Sterling the lenders' counsel. Standard Chartered was the documentation bank. EY and White & Case advised DEWA on the scheme. Golder Associates is the coal adviser, Sargent & Lundy is the independent engineer and Indec is the insurance adviser. The ultra supercritical plant will be built by GE and Harbin.

Middle East PPP Deal of the Year - Facility D

The US$3.15bn Facility D independent water and power project (IWPP) in Qatar was one of the largest single power deals in the world this year. The financing was highly competitive both in terms of tenor and pricing, despite the size of the deal.

The Qataris have been successfully raising project finance for a long period of time and while the LNG deals have stopped, the power and water deals continue. Into next year, there is talk of a PPP programme. On Facility D, the Qataris was able to leverage long standing relationships with Japan Inc to get the best deal.

The US$2.5bn project financing came from a US$1.269bn JBIC direct loan and a US$1.209bn long-term commercial bank loan led by Mizuho, MUFG and SMBC, plus Mitsubishi Trust, Sumitomo Mitsui Trust, Norinchukin Bank, QNB and KfW IPEX. HSBC led the swaps on the deal. The loan runs for 26.5 years and is priced at a flat rate of 190bp.

Mitsubishi and Tepco are the lead sponsors and will hold 30% of the company while Qatar will hold the rest via Qatar Electricity Water Company (QEWC), Qatar Petroleum (QP) and Qatar Foundation. The plant will have a capacity of 2,520MW and 136.5m gallons a day.

PricewaterhouseCoopers, Eversheds and EnergoProjekt advised state utility and offtaker Kahramaa on the project, while Simmons & Simmons advised the sponsor and Shearman & Sterling advised the lenders. Synergy Consulting advised the Qatari companies in the project group.

Facility D is the largest IWPP incorporating both reverse osmosis (RO) and thermal desalination technology in Qatar and one of the largest in the Gulf region. As a result, the output of Facility D alone will represent almost 25% of Qatar's total installed power and 30% of its water desalination capacity. The EPC contract for the power plant was awarded to Samsung C&T while a joint venture between Hitachi Zosen and Acciona is the EPC contractor for the water desalination elements.

Middle East LNG Deal of the Year – Bahrain LNG

The Bahrain LNG deal was one of new breed of LNG financings in the Middle East – a regasification terminal financing as opposed to the LNG export projects of old. The deal is part of a global trend: with LNG prices low, many developed and developing countries are looking to import the fuel – expanding the market from its traditional Japanese and South Koreans heartlands.

The US$740m Bahrain LNG debt financing provides a template for this new market. And it was carried out under challenging circumstances. Bahrain has its sovereign rating issues, now below investment grade, yet the LNG deal was able to get a 20-year international loan financing. One big reason for this was the structuring – K-Sure is covering US$580m of the debt but the K-Sure tranche was snapped up by international banks and the uncovered portion was taken by Standard Chartered, Apicorp and Ahli United. Pricing was decent at 150bp for the K-Sure tranche and 300bp plus for the uncovered.

The underlying project has an interesting structure. The project financing covers the regas terminal kit and is banked, essentially, on an availability payment. The floating storage vessel (FSU) is not part of the financing and is time chartered. This allows the FSU to be redeployed to trade as an LNG carrier if the LNG imports are not needed in Bahrain.

The Samsung C&T/Teekay LNG/GIC sponsor group won the scheme in late 2015. Teekay LNG will have 30% of the project company, Samsung C&T 20%, GIC 20% and the client, Nogaholding 30%.

The three pathfinders in the deal are Standard Chartered, Apicorp and KDB, the financial adviser is Societe Generale and the other banks are Natixis, ING, Credit Agricole, Ahli United and Santander. Norton Rose Fulbright, Galway Group and Verus Partners advised Nogaholding, White & Case advised the sponsors and Shearman & Sterling advised the lenders.

Turkish Deal of the Year - Elazig

2016 was a tough year for Turkey. A nationwide state of emergency and downgrade of the sovereign's credit rating to junk were not the ideal backdrop for the country's first hospital PPP project bond. But the price of success is adversity, they say.

In the final weeks of December, Elazig found its success in a new credit enhancement mechanism from the European Bank for Reconstruction and Development (EBRD), a resulting two-notch uplift in the project rating from Moody's and the cheapest debt pricing on a Turkish hospital PPP to-date.

The credit enhancement, which combines a €89m liquidity facility from the EBRD and political risk insurance from the World Bank's MIGA, makes Elazig a landmark deal. MIGA insurance is not an on-demand product, with arbitration typically a long and drawn-out process, so the EBRD's credit enhancement is considered more important for investors in the short term if the project gets into difficulty. It is already being discussed for use on other EBRD schemes and by European development banks keen to bring it to below investment-grade countries in Africa, Europe and the Middle East.

The Elazig project raised €83m of 2034 bonds, €125m of 2036 bonds, and €80m of unrated 2036 bonds that rank pari passu to the rated bonds. Investors from Europe, China and Japan included development banks IFC and Proparco, and commercial lenders MUFG, Siemens and ICBC.

The €350m, 1,038-bed hospital is in Eastern Anatolia and is being developed on a 28-year availability-based concession. Project shareholders are Meridiam, Rönesans, Sila, SAM and TTT. Clifford Chance advised bond lead manager HSBC, Freshfields advised the EBRD and Willkie Farr Gallagher advised Meridiam.

African Power Deal of the Year - Amandi

When Ghana's first independent power project, Cenpower, reached financial close in 2014, it was expected to open the door for many more. Two years later, there has been just one.

Although less than half its size, the US$552m, 200MW Amandi gas-fired project close to Takoradi on the coast has been equally impressive in the scale of its ambition. In a year where oil prices reached historic lows and Ghana's utilities struggled to pay out on existing projects, the Amandi project team was able to bring new investors into the country and provide cover for commercial banks without World Bank MIGA support.

The 15-year commercial bank tranche of US$83m may be limited, but the political risk insurance (PRI) from US firms Chubb and Talbot is a beacon of hope for similar power projects across the continent. OPIC's role in the transaction was pivotal, taking its maximum debt allocation of US$250m on an 18-year tenor along with reinsurance cover for the PRI. CDC provided its largest ticket on the continent to date and South African banks Nedbank and RMB remain committed to Ghana in the two years after Cenpower.

The combined cycle, dual-fuel power project has a government consent and support agreement (GCSA), which backstops state utility ECG's payment obligations under the power purchase agreement, including any termination payments. It will initially run on crude oil before switching to gas from the Sankofa field being developed by Vitol and Eni.

Local sponsor Amandi Energy was joined by Aldwych International. Aldwych brought in ARM-Harith Infrastructure Investment Fund and the Pan African Infrastructure Development Fund (PAIDF) as co-investors. The majority shareholder is Endeavor Energy with 51%. Trinity International and Fieldstone advised the sponsor with Norton Rose Fulbright advising Endeavor. Clifford Chance advised the lenders. Senet Corporate Solicitors and ENSafrica Ghana served as Ghanaian legal advisers.

African Oil & Gas Deal of the Year - Vitol

It's hard to underestimate the importance for Ghana of the Offshore Cape Three Points (OCTP) oil and gas project on the Sankofa-Gye Nyame fields. Gas from the project is expected to help generate 1,100 MW of additional electricity, providing enough gas to power Ghana's thermal power operations for more than 15 years.

The US$7.9bn scheme represents the largest-ever foreign direct investment into Ghana. The World Bank put in place US$700m of backstop guarantees, bringing in the International Development Association (IDA), International Finance Corporation (IFC) and MIGA for its largest single project investment.

The fields are in the OCTP block in the Tano Basin, at water depths ranging from 600m to 1,000m in an area of approximately 694km². They are estimated to hold approximately 1.5trn cubic feet of gas and approximately 500m barrels of oil. Oil production is expected to start in 2017 and peak at 80,000 barrels of oil a day in 2019, whereas gas production is expected to start in 2018, with a daily production capacity of 170m cubic feet.

The project is being developed by a joint venture of Eni Ghana (44.44%), Vitol Ghana (35.56%) and Ghana National Petroleum Corporation (20%). While Eni used its balance sheet for the large part of its financing, Vitol raised US$1.4bn as part of its share through coordinating banks Standard Chartered, ING, HSBC and Societe Generale.

The 10-year deal has some corporate guarantees on the oil and gas price with World Bank MIGA partial risk cover on part of the debt and a 20-year take-or-pay agreement on the offtake from GNPC. The IFC and UK Export Finance were joined by commercial banks from Japan, China and Europe to complete the syndication. Standard Chartered was financial adviser to Vitol, alongside law firm Herbert Smith Freehills. Milbank advised the lenders.