Facility D IWPP, Qatar

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A Mitsubishi-led consortium wrapped up financing of the 2,400MW facility D independent water and power producer (IWPP) earlier this week, arranging some $3 billion in financing with nine international and local banks.

The build, own, operate and transfer project entails the construction of a natural gas-fired power plant and 136.5 million gallons per day associated desalination plant. It will be built near Qatar Economic Zone 3, south of the capital, Doha.

The sponsor group of Mitsubishi and Tokyo Electric Power Company (TEPCO), titled K1 Consortium, signed on a 25-year power and water purchase agreement (PWPA) with grantor Qatar General Electricity & Water Corporation (Kahramaa) in May 2015.

South Korean firm Samsung C&T Corp won the W2.87 trillion ($2.5 billion) contract to build the 2,520MW combined thermal power plant in mid-2015, which it will deliver with six gas turbines, four steam turbines, and ten generators from Siemens.

Japanese firm Hitachi Zosen Corporation will deliver the desalination portion of Facility D, it said in May 2015. The firm contracted Acciona Agua to build the desalination component and provide operations and maintenance at a cost of $225 million, local media reported at the time.

Mitsubishi faced a financial penalty imposed by Kahramaa for not closing the deal before the end of 2015, sources previously told *IJGlobal*, although Mitsubishi did not comment on the terms of the penalty.

Commissioning of the first phase of Facility D is scheduled for 2017, with commissioning of the entire complex planned for mid-2018.

Equity stakes

Facility D has a debt-to-equity ratio of 85:15, giving it an equity requirement of $430 million.

Interests in project company Umm Al Houl Power include:

- Qatar Electricity & Water Co (60%)
- K1 Consortium (30%) – owned 66.6% by Mitsubishi and 33.3% by TEPCO
- Qatar Petroleum (5%)
- Qatar Foundation (5%)

The deal includes three equity bridge loans (EBL). SMBC is providing two of the EBLs; one of $258 million to Facility D's majority owner Qatar Electricity and Water Company and a second one of $21.5 million to Qatar Foundation.

K1 Consortium will take the final EBL of $129 million from the following banks:

- MUFG
- Mitsubishi UFJ Trust and Banking Corporation
- Sumitomo Mitsui Trust Bank
- Mizuho

The debt lasts for the construction period and will be paid as a bullet at the end of the three-year tenor.

Debt financing

Mitsubishi signed for Facility D’s debt financing on 13 January 2016, with the deal closing on 11 April.

Commercial banks are providing a total of $1.27 billion debt. Contributions include:

- Qatar National Bank (MLA) – $267 million
- Bank of Tokyo-Mitsubishi UFJ (MLA, documentation bank, and global facility agent) – $203 million
- Mizuho Bank (MLA) – $203 million
- Sumitomo Mitsui Banking Corporation (MLA) – $203 million
- Mitsubishi UFJ Trust and Banking Corporation – $132 million
- Sumitomo Mitsui Trust Bank – $132 million
- Norinchukin Bank – $65 million
- KfW IPEX-Bank – $65 million

Japan Bank for International Cooperation is lending the remaining $1.269 billion.

The debt has a tenor of 26 years inclusive of the three-year construction period, giving it a two year debt-free tail against the PWPA. It carries the same price throughout the whole tenor, with no step-ups, making it initially more expensive than other recent deals in the region.

Priced at 175bps over Libor, the debt is fully-amortising over the term. The project has a debt-service coverage ratio of 1.20x.

Advisers

Eversheds is legal adviser to Kahramaa on the deal, and PwC is financial adviser. Shearman & Sterling is advising JBIC, the commercial banks, the hedging banks, and the EBL banks with local counsel Arab Law Bureau also advising the lenders. Mitsubishi is using in-house financial advisers with legal counsel from Simmons & Simmons. Simmons & Simmons Doha is advising the project company.