

Asia-Pacific Utilities Deal of the Year 2006

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Keppel Tuas: Not Wasted

The Keppel Seghers Tuas project is the first waste-to-energy project to be tendered out under the Singapore Government's PPP initiative. The deal is also notable for having among the longest tenor of any private Asian project deal closed to date.

The Keppel Seghers SPV (an entity incorporated in Singapore and owned by Keppel Integrated Engineering), beat off competition from five other international and local bidders. Its bid was entered on 8 September 2005, with support from mandated arrangers DZ Bank and ING. A roughly S\$160 million (\$105 million) 23-year project finance debt package was put in place on 31 August 2006, with a 65:35 debt to equity ratio. At financial close Mizuho joined as lead arranger.

The revenues for the project are provided under a 25-year incineration service agreement. According to the agreement, the SPV will sell incineration services (800 tonnes per day of waste) and electricity for the benefit of the National Environment Agency, a statutory board under the Ministry of Environment. The plant is expected to generate around 20MW of power, though most of the capacity will be used for the plant's internal operations, with only a small amount dispatched to the grid.

The tariff charged will be S\$61 per tonne in the first year of the concession. The project will also benefit from some availability-based revenue, and will sell power to the NEA at a fixed price. The NEA in turn sells this on the deregulated power markets, but does not pass back any gains or losses.

The AAA-rated Singaporean Government backs the offtake contract and both the engineering, procurement and construction, and the operating contracts are backed by a guarantee from Keppel Corp. Keppel is itself a Singapore Government-linked company.

The plant's designer is Keppel Seghers Engineers, and it incorporates in-house technology such as the air-cooled tumbling grates, boiler, rotary atomizer, and flue gas treatment system. The Tuas South plant is likely to be complete in 2009.

To date, Keppel Seghers has executed water, wastewater projects and waste-to-energy projects in more than 25 countries worldwide. Significantly, Keppel was awarded two contracts with a value of S\$1.7 billion from the Ministry of Municipal Affairs and Agriculture in Qatar for an integrated solid waste management facility.

The project's documentation was in line with UK and Australia PPP deals and sets a precedent for future public-private partnerships promoted by the Singapore Government.

Keppel Seghers Tuas WTE Plant

Status: Financial close reached 31 August 2006

Description: financing of the first waste-to-energy project under the Singapore Government PPP initiative

Sponsor: Keppel Integrated Engineering, a wholly owned subsidiary of Keppel Corporation

Mandated lead arrangers: DZ Bank (technical and insurance bank), ING (documentation bank and swap provider)

Lead arranger: Mizuho (modeling and agent bank)

Legal counsel to borrower: Allen & Gledhill

Legal counsel to lenders: Lovells Lee & Lee

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