Enerjisa 2: Project pool

06/05/2011

The Enerjisa stage 2 Eu700 million ($975 million) 12-year project financing is backed by revenue streams from projects that are already cash generating from the stage 1 financing in 2008. Both deals are part of a wider portfolio financing strategy that has enabled Enerjisa to retain a broad lender base without having exactly the same lenders on every project or multiple projects financed.

It is a hybrid corporate/project strategy where all project revenues go into one account to service debt across the portfolio. Enerjisa retains control of the cash waterfall across the portfolio according to its priorities.

The strategy has paid off. Oversubscribed in syndication at the international level, Enerjisa 2 pulled in tight pricing – only 30bp more over Euribor during construction than Enerjisa 1 in September 2008 – and the majority of the same banks that financed the first Enerjisa deal.

The margin proved too tight for most Turkish banks and some of the foreign lenders that had financed phase 1. But the really noticeable absentees from stage 2 that were in the first deal – National Bank of Greece and Akbank – financed Enerjisa's Eu350 million 236MW Arkun HEPP project, along with Yapi Kredi, in late December 2010. The Eu270 million Arkun project debt is also backed by revenue from Enerjisa's overall portfolio.

A joint venture between Verbund and Sabanci, Enerjisa stage 2 is a Eu1 billion project to develop a total of 1,099MW across the 920MW Bandirma II CCGT plant, the 60MW Dogancay Hydroelectric plant, the 80MW Yamanli II Hydroelectric plant and the 39MW Dagpazari wind farm.

The project benefits from the boom in demand for power in Turkey, in turn fuelled by strong GDP growth of around 4.5% over the past seven years. Electricity demand is projected to grow at a CAGR of 6.5% over 2009–2018, but the country is still heavily reliant on imported power and aspires to be self-sufficient by 2023.

Fulfilling that aspiration is still some way off. According to the Energy 2010 report by the World Energy Council's Ankara-based Turkish National Committee (DEK-TMK), Turkey's domestic primary energy production – despite an expected 2.5% increase on 2010 – will only account for 27.6% of its energy needs in 2011.

The Enerjisa 2 debt package comprises a Eu65 million IFC A loan, a Eu515 million IFC B loan backed by international commercial banks, a Eu80 million domestic bank tranche from TSKB and a Eu40 million DFI loan arranged by Proparco.

Banks and DFIs joined the deal at the following levels: Societe Generale and TSKB as mandated lead arrangers; BAWAG, Erste Bank, ING and KfW IPEX as lead arrangers; and FMO, Raiffeisen Bank International and Proparco as co-arrangers.

The deal comes with sponsor support during construction in the form of additional equity injection by Verbund and Sabanci into Enerjisa which then passes that funding on to the project. Sponsor support is triggered only if there are cost overruns or cashflow problems. The 12-year debt is priced at 225bp over Euribor during construction, rising to 330bp once the sponsor support package falls away.

UniCredit, WestLB and the IFC coordinated the loans, targeting lenders that committed to the Enerjisa phase 1 syndicated facility – an Eu865 million 12 year IFC A/B loan structure that closed in 2008 priced at 195bp over Euribor with sponsor support, and rising to 275bp without (Akbank and National Bank of Greece earnt a 20bp premium over the margin). Lender groups to both phases 1 and 2 are treated pari passu and benefit from common covenants, cash flow, security and intercreditor arrangements.

A master Common Terms Agreement (CTA) applicable for all phase 1 assets was closed in June 2008. This structure allowed for the financing of future single additional assets. Phase 2 is financed under the CTA, which was amended to allow for future investments in multiple assets. There is no limit on the amount of debt Enerjisa can raise for the portfolio in the future.

More Enerjisa debt raising is a certainty. The developer plans to have 5,000MW of installed capacity by 2015 – total capacity is currently 1,557MW – spread across 40% CCGT and 44% renewables (hydro/wind/solar). At the end of March 2011 the licensed Enerjisa portfolio reached a total capacity of 3,472.5MW – including existing power plants, projects under construction and projects with ongoing engineering works. In addition, projects with a total capacity of nearly 1,035MW are at the license application stage.

Enerjisa may be back in the bank market as soon as the second half of this year – this time for up to Eu850 million to build a 450MW coal-fired plant in Tufanbeyli in southern Turkey and a 142.5MW wind-power plant in western Balikesir: Enerjisa bought the license for the Balikesir wind facility from Italcementi on April 1.

Enerjisa 2
Status: Financial close March 2011, signed April 2011
Description: Pooled portfolio deal backing development of CCGT, hydro and wind assets in Turkey.
Sponsor: Enerjisa (Verbund and Sabanci)
Debt: Eu700 million
Mandated lead arrangers: UniCredit, WestLB, IFC, Societe Generale, TSKB
Lead arrangers: BAWAG, Erste Bank, ING and KfW IPEX
Co-arrangers: FMO, Raiffeisen Bank International, Proparco
Lender legal counsel: Clifford Chance
Sponsor legal counsel: White & Case (London)