# DEAL ANALYSIS: Tarfaya wind

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Almost five years after it was originally launched, the 300MW Tarfaya Wind project in Morocco finally reached financial close on 26 December 2012. The development will be the largest wind farm in Africa when it is complete, and is part of a wider power upgrade programme in the North African country that features several major renewables components.

Morocco is currently the largest energy importer in the region. State utility Office National dElectricitie (ONE) has set a target of producing an additional 4,000MW of wind and solar power generation by 2020, and Tarfaya represents the start of that $3.5 billion independent power project programme. ONE believes that Moroccos high winds have the potential to eventually support up to 2,600MW of wind capacity.

The Tarfaya project is located 2km south of the fishing village of the same name, on the south-western coast of Morocco. ONE awarded special purpose vehicle TAREC the concession for Tarfaya in 2010, two years after the tender was launched. TAREC is a 50:50 joint venture between Kahrabel (the Dubai-based subsidiary of GDF Suez International Power) and local developer Nareva. The project company is undertaking the development under a build, operate and transfer concession.

ONE appointed HSBC, Chadbourne & Parke and Garrad Hassan at the beginning of the tender process to perform the roles of financial, legal and technical adviser, respectively. Government offered lenders on the deal extra protection, in the form of a guarantee against losses in the event of contract termination.

Although the preferred bidder was in place in 2010, and the sponsors were able to assemble a financing not long afterwards, it was not until the middle of last year that the power purchase agreement (PPA) was finally signed. There were disagreements over the exact location of the projects turbines, and various changes to bid deadlines further slowed the projects progress. Then, in 2011, political unrest in the shape of rioting and protests, part of the Arab Spring uprisings, further delayed the deals documentation.

Under the PPA, ONE will be the sole offtaker of power from the Tarfaya faclity for a contract period of 20 years, with the project will dispatch its power directly into the national grid. The PPA is based on production rather than availability, meaning that lenders had to be comfortable with the projects wind forecasts.

TAREC signed the financing documents with lead arrangers Attijariwafa, Banque Marocanie and French lender Banque Populaire during the middle of 2012. Each bank provided an equal portion of the Dh4 billion ($470 million) 18-year loan. Total project costs are estimated to be around Dh5 billion, with debt and equity split 80:20. Half of the debt has been set at a fixed interest rate while a second tranche will move within a specified band.

German manufacturer Siemens and local firm Somagec are performing the engineering, procurement and construction contract for the plant. It is expected that the site will be developed in 50MW stages with the first 200MW expected to be completed by the end of 2013. Somagec has also been awarded the contracts for the 50MW Foum-eloued Laayoune and 102MW Akhfenir wind farms  both part of ONEs wider wind initiative.

ONE had originally planned to have 1,000MW of additional wind power in operation by the end of 2012, but has also suffered delays at its other projects. EDF and Mitsui are developing the 150MW Taza project located to the east of Fez, which was tendered before Tarfaya. SMBC is understood to be providing debt to the project and the sponsors have lined up Alstom as turbine provider, but financial close still seems some way off.

In November ONE pre-qualified six bidders for the 850MW next phase of its wind programme. The bidders for the multi-site project are an EDF Energy/Mitsui/Alstom consortium, a Nareva/TAQA/Enel Green Power/Siemens grouping, Power international with Vestas, ACWA Power with Gamesa, Acciona with Al Ajial, and a sole venture from GE which will be both turbine supplier and developer.

The winning bidders will be tasked with expanding the existing 50MW Koudia Al Baida facility by 150MW, and constructing the greenfield 150MW Tanger 2, 100MW Midelt, 200MW Jbel Lahdid, 300MW Tiskrad and 100MW Boujdour wind farms. The African Development Bank, Clean Technology Fund, European Investment Bank and KfW have all been linked to the debt financing for this phase.

The Moroccan Agency for Solar Power (Masen), the sister organisation to ONE, is nearing financial close on its first major solar project, the Ouarzazate concentrating solar power plant. ACWA Power is developing the 160MW solar complex, with debt provided by the World Bank, AfDB, KfW and AFD through a 25-year loan priced at 350bp above Libor. The site is expected to be operational by early 2014. The 300MW second stage of the Ouarzazate complex was put out to tender on 24 January, with requests for statements of qualifications due in March.

Despite delays and political obstacles, the successful signing of the Tarfaya financing documents could now spark a solid pipeline of renewables deals in Morocco.

TAREC
STATUS
Closed 26 December 2012
SIZE
Dh5 billion ($600 million)
DEBT
Dh4 billion ($480 million)
DESCRIPTION
Construction and operation of a 300MW wind farm close to the town of Tarfaya, Morocco
SPONSORS
Kahrabel (50%), Nareva (50%)
LEAD ARRANGERS
Attijariwafa, Banque Populaire and Banque Marocaine
GRANTOR
Office National dElectricitie (ONE)
GRANTORS FINANCIAL ADVISER
HSBC
SPONSOR LEGAL COUNSEL
Linklaters
LENDER LEGAL COUNSEL
Clifford Chance
GRANTORS LEGAL COUNSEL
Chadbourne & Parke
GRANTORS TECHNICAL ADVISER
Garrad Hassan
EPC CONTRACTOR
Siemens, Somagec