

African Solar Deal of the Year 2013: Noor I

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In June 2013 an ACWA Power-led consortium closed on the financing for the 160MW Noor 1 concentrated solar power (CSP) project in Morocco, the first of several solar developments that will be located near the city of Ouarzazate. The financing featured a lending group consisting entirely of international financial institutions (IFIs), which lent directly to the state-owned grantor, which in turn lent on to the sponsor group. Noor 1, once complete, will be the first independent CSP producer in the Middle East North Africa region to use parabolic trough technology.

The Moroccan Agency for Solar Energy (Masen), a subsidiary of state utility ONEE, launched the Noor I project to market in early 2012. The agency then picked a consortium led by Saudi developer ACWA Power as preferred bidder in September that year. As ACWA has no operating CSP plants, Masen required Aries and TSK (technical adviser and engineering, procurement and construction (EPC) contractor for the deal, respectively) to take minority equity stakes in the plant of 2.5% each. ACWA owns a 70% stake, with Masen retaining 25%.

ACWA won the tender ahead of an Abengoa/Mitsui grouping and a bid from a TAQA/Enel/ACS consortium. The winning bid offered a tariff of \$0.189711 per kWh, 28.8% lower than the next lowest bid. The ACWA group signed a 25-year power purchase agreement with Masen, which will be the sole offtaker of power from the plant, in November 2012. It then took the project participants just under eight months to reach financial close.

The project has total costs of \$1 billion, with a debt-to-equity ratio of 80:20. Masen has developed a funding structure to which all bidders had to agree in order to take part in the tendering process. Under the structure a club of IFIs lends directly to Masen, which then pools the debt and lends it on to the sponsors. Each of the lenders is providing separate loans at differing margins, which Masen is then aggregating and passing on to the sponsors.

The six IFIs are the African Development Bank (AfDB), Agence Francaise de Developpement, the European Unions Neighbourhood Investment Facility (NIF), the European Investment Bank, the International Bank for Reconstruction and Development (IBRD) and German development lender KfW. Most of these institutions are providing direct loans, though the NIF is providing a grant, while the AfDB and IBRD are also providing funding through the Clean Technology Fund. Once pooled by Masen, the debt passed on to the project has an all-in interest rate of 3.5% over a 25-year tenor.

The fully amortising debt has a debt service coverage ratio of 1.2x. The sponsors and EPC contractors are providing completion guarantees to Masen and the lending group to add extra comfort. TSK, Acciona and Sener are the three EPC contractors on the deal, and construction is expected to be completed within 28 months. First draw-down on the debt took place at financial close in June.

ACWA Power Ouarzazate

STATUS
Signed May 2013 Financial close June 2013
SIZE
\$1.3 billion
DESCRIPTION
160MW concentrating solar power project in Morocco.
SPONSORS
ACWA Power, TSK, Aries
GRANTOR
Masen
DEBT
\$1 billion
LENDERS
KfW, IBRD, AfDB, AFD, EIB, the Neighbourhood Investment Fund.
SPONSORS LEGAL COUNSEL
Ashurst
GRANTORS FINANCIAL ADVISER
Citigroup
GRANTORS LEGAL ADVISER
Norton Rose
GRANTORS TECHNICAL ADVISER
Alatec
SPONSORS TECHNICAL ADVISER
Aries
SPONSORS INSURANCE BROKER
Marsh
EPC CONTRACTOR
TSK, Acciona and Sener
MODEL AUDITOR

The project presented a number of unique challenges, said Thierry Tardy, director of BDO acquisitions & project finance, ACWA Power. Specific and different constraints and policies of the six IFIs made it very difficult for Masen and sponsors to put together a security package that was reasonably balanced and at the same time fit all of requirements of Masen, as lender, and the IFIs. Another challenge was the requirement for high level completion support that was beyond usual standards for the IPP sector and proved to be quite difficult to structure and implement. Thankfully the IFIs, Masen, the sponsors and the EPC contractor showed sufficient flexibility for the project to implement the necessary structures and reach financial close only nine months from the date of award.

Masen recently requested bids for two more CSP projects at the same site in Ouarzazate the 200MW Noor II and 300MW Noor III. Three groups have been shortlisted for each project, and Masen should pick preferred bidders in July 2014. The grantor is also planning another solar project in the area, this time using photovoltaic technology, which will be around 100MW in size, although full details on that project are still scant. In total the government hopes to have built 2,000MW of new solar capacity before 2020.

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