

# Egypt closes solar FIT 2 at half the price

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Egypt can finally celebrate substantial success in its attempts to procure 2,000MW of solar capacity under its FIT scheme, with the second round seeing 30 projects reach financial close last week. This comes a year after just three deals reached close in the government's disappointing first FIT round, due to various DFIs walking away from the process.

That Egypt has been able to coax DFIs back to the deal table has been crucial to the success of this second round. Between them, IFC and EBRD backed 29 of the projects to reach financial close at the end of October 2017. The 30th – developed by Votalia – was backed by French DFI Proparco.

Round two of the FIT programme will see 1,390MWac in total generation capacity developed, all of which will be built at the Benban solar park near the city of Aswan in Upper Egypt.

The new projects join the 150MW of capacity closed under FIT I which had originally targeted procurement of 2,000MW. Round one ran into trouble over issues of where [arbitration would take place](#), causing the EBRD, IFC, Proparco, CDC and others to [pull their support](#).

The DFI retreat left little time for sponsors to arrange new financing packages and subsequently just three reached close; one of which was with Bayern LB in a deal insured by German ECA Euler Hermes.

That the bulk of generation has now been procured in the second round is ultimately beneficial for the government: FIT II sees the tariff price offered to sponsors virtually cut in half. Whereas round one offered \$0.1434 per kWh for solar PV plants between 20MW and 50MW in size, round two pays sponsors just \$0.084 per kWh for projects between 20MW and 50MW and \$0.078 per kWh for plants between 500kW and 20MW.

The state-owned Egyptian Electricity and Transmission Company will offtake power from all FIT projects under 25-year PPAs.

## IFC's Nubian Suns

The IFC is providing financial support to 13 of the projects under what it calls the Nubian Suns FIT Financing Programme. Projects backed by the IFC's \$653 million debt package were developed by 15 sponsors from 10 countries and represent 590MW of capacity.

The loan facilities have an average tenor of 18 years door-to-door including one year of construction. Gearing of the projects was set at 75:25 debt-to-equity.

The 13 plants have a total cost of \$823 million. The IFC arranged a \$653 million debt package with lenders including:

- IFC – providing \$202 million in total financing

- AIIB (multilateral) – lending \$147 million
- AfDB (multilateral) – lending \$38 million and \$7 million under concession
- CDC (UK) – lending \$97 million
- Finnfund (Finland) – lending \$20 million
- Oesterreichische Entwicklungsbank (OeEB) (Austria) – lending \$10 million later increasing to \$20 million
- ICBC (China) – lending \$60 million
- Europe Arab Bank (UK) – lending \$30 million
- Arab Bank of Bahrain – lending \$22 million
- Green for Growth Fund (Germany) (advised by Finance in Motion) – lending \$20 million

The IFC arranged a mix of A, B and C loans – the latter of which is similar to mezzanine, being subordinate to the senior debt and carrying a higher margin.

IFC was advised by:

- Norton Rose Fulbright – legal
- Mott MacDonald – technical and environmental
- INDECS – insurance
- Deloitte – model auditor and tax adviser

Another member of the World Bank group, the Multilateral Investment Guarantee Agency, is providing \$210 million in political risk insurance to 12 of the projects throughout the FIT II programme. The 12 projects included some within Nubian Suns requiring MIGA political risk insurance for the equity subscriptions and some within the EBRD programme where equity participants and a B lender required MIGA coverage.

Projects backed by the Nubian Suns programme are:

#### **SunRise Energy (50MW) and Rising Sun Energy (50MW)**

Each costs \$66 million with senior debt of \$49.5 million.

Lenders include:

- IFC – \$12 million A loan (also provided a \$3.3 million C loan)
- ICBC – \$20 million B loan
- EAB – \$2 million B loan
- AIIB – \$15.5 million parallel loan

Ownership of SunRise Energy and Rising Sun Energy:

- Acciona Energia Global – 38%
- Enara Bahrain – 38% (the investment vehicle of Swicorp, KCC Corporation and the Shoaibi Group)
- TBEA Xinjiang SunOasisCo – 24%

TBEA will undertake the EPC contract as well as the O&M.

Acciona was advised on their projects by:

- Baker McKenzie – legal advisory and local counsel
- Acciona – technical
- EcoConServ – environmental
- AON – insurance
- Deloitte – tax

#### **Al Subh Solar Power (50MW):**

A total costs of \$66 million with senior debt of \$49.5 million.

Lenders include:

- IFC – \$12 million A loan (also provided a \$3.3 million C loan)
- ICBC – \$20 million B loan
- EAB – \$2 million B loan
- AIIB – \$15.5 million parallel loan

Ownership of Al Subh Solar Power:

- Acciona Energia – 50%
- ENARA – 50%

TBEA will undertake the EPC contract as well as the O&M.

#### **Arinna Solar Power (20MW):**

Total costs of \$28.8 million with senior debt of \$21.6 million.

Lenders include:

- IFC – \$6 million A loan (also provided a \$1.45 million C loan)
- EAB – \$6 million B loan
- AIIB – \$6 million parallel loan
- CDC – \$3.6 million parallel loan

Ownership of Al Subh Solar Power:

- Al Bilal Group for General Contracts – 51%
- Tech Project Development Group – 9%
- SECI/Enerray – 25%
- Desert Technologies – 15%

Desert Technologies will undertake the EPC contract. A JV between Desert Technologies and Enerray will undertake O&M. Enerray is fully owned by SECI.

Enerray, as lead developer, was advised by:

- Eversheds – legal
- Sarwat A. Shahid Law – local counsel
- DNV-GL – technical
- Eco Consult with EcoConServ – environmental
- Marsh – insurance
- Deloitte – tax

#### **Winnergy For Renewable Energy Projects (20MW):**

Total costs of \$29 million with senior debt of \$21.75 million.

Lenders include:

- IFC – \$6 million A loan (also provided a \$1.45 million C loan)
- EAB – \$6 million B loan
- AIIB – \$6 million parallel loan
- CDC – \$3.75 million parallel loan

#### Ownership of Winnergy For Renewable Energy Projects:

- Al Tawakol Electrical – 51%
- Enerray – 25%
- Desert Technologies – 15%
- Spectrum – 9%

A JV of Desert Technologies and Enerray will undertake the EPC and the O&M contracts.

#### **ARC For Renewable Energy (50MW):**

Total costs of \$74 million with senior debt of \$55.5 million.

Lenders include:

- IFC – \$12 million A loan (also provided a \$3.7 million C loan)
- EAB – \$12 million B loan
- FIM/Green Growth – \$5 million B loan
- AIIB – \$15 million parallel loan
- CDC – \$11.5 million parallel loan

Ownership of ARC For Renewable Energy:

- SECI Energia – 25%
- Enerray – 25%
- Desert Technologies – 50%

#### **SP Energy (Egypt) (50MW):**

Total costs of \$73 million with senior debt of \$54.75 million.

Lenders include:

- IFC – \$13.25 million A loan (also provided a \$3.65 million C loan)
- AIIB – \$15.5 million parallel loan
- AfDB – \$12 million parallel loan and \$7 million concessional
- CDC – \$7 million parallel loan

Under development by Shapoorji Energy, a subsidiary of Indian firm Shapoorji Pallonji Infrastructure Capital.

Sterling & Wilson will undertake the EPC contract.

Shapoorji was advised by:

- Herbert Smith Freehills– legal
- Matouk Bassiouny – local counsel
- Sgurr– technical
- EcoConServ – environmental
- Howden – insurance

#### **Phoenix Power 1 (50MW):**

Total costs of \$73.733 million with senior debt of \$55.3 million.

Lenders include:

- IFC – \$13.7 million A loan (also provided a \$3.69 million C loan)

- FIM/Green Growth – \$15 million B loan
- AIIB – \$15 million parallel loan
- CDC – \$11.6 million parallel loan

Ownership of Phoenix Power 1:

- Phoenix Power Venture – 51%
- Infinity Solar Energy – 23.8%
- IB Vogt – 23.8%
- Cedrus Enterprises Holding – 1.4%

IB Vogt will undertake the EPC contract.

Phoenix was advised by:

- White & Case – legal
- White & Case with Sarwat A. Shahid Law – local counsel
- ILF Munich – technical
- Alesco – insurance
- Ernst & Young – tax

#### **Taqa Arabia For Solar Energy (50MW):**

Total costs of \$74.133 million with senior debt of \$55.6 million.

Lenders include:

- IFC – \$16.8 million A loan
- EAB – \$4 million B loan
- AIIB – \$16.8 million parallel loan
- OeEB – \$10 million parallel loan
- Finnfund – \$8 million parallel loan

Taqa Arabia was advised by:

- Baker McKenzie – legal advisory and local counsel
- EcoConServ – environmental
- PWC – tax

#### **Delta for Renewable Energy (50MW):**

Total costs of \$66.4 million with senior debt of \$49.8 million.

Lenders include:

- IFC – \$13 million A loan
- AIIB – \$13 million parallel loan
- AfDB – \$12.80 million parallel loan
- CDC – \$11 million parallel loan

Ownership of Delta for Renewable Energy:

- Alcazar Energy Partners – 75%
- Nile Capital – 25%

Alcazar was advised by:

- Bracewell Law – legal
- Matouk Bassiouny – local counsel
- Lahmeyer – technical
- EcoConServ – environmental
- Lockton – insurance
- PWC – tax

#### **Alcazar Energy Egypt Solar 1 (50MW):**

Total costs of \$68.667 million with senior debt of \$51.5 million.

Lenders include:

- IFC – \$13.25 million A loan
- AIIB – \$13.25 million parallel loan
- AfDB – \$13 million parallel loan
- CDC – \$12 million parallel loan

Ownership of Alcazar Energy Egypt Solar 1:

- Alcazar Energy Partners – 99.99%
- Enerpal – 0.001%

#### **Horus Solar Energy (50MW) and Aten Solar Energy (50MW):**

Total costs of \$68.667 million with senior debt of \$51.5 million.

Lenders on each project include include:

- IFC – \$18.25 million A loan
- AB Bahrain – \$9 million B loan
- CDC – \$18.25 million parallel loan
- Finnfund – \$6 million parallel loan
- OeEB – will take \$5 million debt in each project in November 2017, acquiring \$2.5 million each from IFC and CDC on both projects.

Ownership of Horus Solar Energy:

- Alcazar Energy Partners – 99.99999%
- Cabli Power Cables Manufacturing – 0.00001%

Ownership of Aten Solar Energy:

- Alcazar Energy Partners – 99.99999%
- Samcrete Egypt Engineers & Contractors – 0.00001%

The EPC contracts for both projects will be conducted by a joint venture between TSK and Enviromena.

#### **EBRD backs 750MW capacity**

The EBRD provided financing to 16 projects in the programme under its \$500 million Egypt Renewable Energy Framework announced in June 2017.

EBRD's largest investment in round two of the FIT programme was with Norwegian developer Scatec's 300MW portfolio of six projects.

#### **Scatec Benban I – VI (300MW in total):**

Scatec's portfolio has a total cost of \$450 million and reached financial close on 27 October.

Gearing it at 75:25, the developer raised \$335 million in debt financing from a group of five lenders:

- EBRD – \$115 million
- Green Climate Fund – \$48 million (syndicated in by EBRD)
- Islamic Development Bank – \$75 million
- Islamic Corporation for the Development of the Private Sector – \$25 million
- FMO – \$72 million (syndicated in by EBRD)

Clifford Chance acted as legal adviser to the lenders.

Equity investors in the portfolio are:

- Scatec Solar
- Norfund
- Africa50

Scatec will complete EPC and O&M contracts for the portfolio. The projects are:

- Scatec Benban I (Aswan)
- Scatec Benban II (Kom Ombo)
- Scatec Benban III (Sun Infinite)
- Scatec Benban IV (Red Sea)
- Scatec Benban V (Zafarana)
- and Scatec Benban VI (Philadelphia)

#### **Infinity 1 and 2 (80MW in total):**

Infinity Solar – one of the three sponsors to close a [round one deal](#) – returned for round two. The EBRD, with Dutch DFI FMO, also backed two projects under development by Infinity Solar and IB Vogt with a total cost of \$115.7 million. Financial close was reached on 26 October.

Infinity 1 is 30MW in size and has a total cost of \$43.2 million. The larger project, Infinity 2, is 50MW and has a cost of \$72.5 million.

EBRD and FMO are lending \$87 million under an A/B structure. The EBRD is contributing \$58 million, of which \$44 million is from the bank's own account -- \$16.2 million for the smaller and \$27.2 million for the larger project. The remaining \$14 million is being lent by the Green Climate Fund.

FMO is providing B loans totalling \$29 million for the two projects.

Infinity and IB Vogt were advised by:

- Synergy Consulting – financial
- Solizer

#### **Acwa Power's PV trio (120MW in total):**

Acwa Power brought in the EBRD and ICBC to finance its trio of projects, costing \$187.7 million in total.

EBRD and ICBC each lent \$73 million on the portfolio. Allen & Overy was legal adviser to the lenders.

Acwa developed the projects with Chinese partner CHINT Solar and local partner Al-Tawakol Electrical Co.

The portfolio also received support from MIGA.

Acwa's projects are:

- Acwa Benban Solar PV I – 50MW – costing \$77.5 million
- Acwa Benban PV II – 20MW – costing \$29.4 million
- Acwa Benban Solar PV III – 50MW – costing \$80.8 million

**Access Power and Eren Solar PV Complex (100MW in total):**

EBRD and French development bank Proparco are each lending \$58 million on Access' and Eren's two projects. Access and Eren's plants cost \$77.3 million each.

The sponsors were advised by:

- Eversheds – legal

The lenders were advised by:

- Allen & Overy – legal
- Sharkawy & Sarhan Law Firm – local counsel

**Alfa Solar Binban PV (50MW):**

Al Fanar's 50MW Alfa Solar has a total cost of \$74 million.

Lenders include:

- EBRD – \$28.5 million
- Islamic Corporation for the Development of the Private Sector – \$28.5 million

Al Fanar was advised by:

- Eversheds – legal
- PWC – financial

**EDF EN Benban PV (50MW) and Elsewedy Benban PV (50MW):**

EDF and El Sewedy co-developed two 50MW projects. They each cost around \$72 million and financial close was reached on 25 October.

EBRD and Proparco provided debt for the projects but did not disclose the amount. The EBRD was considering lending \$27 million for each project, it said earlier this year.

Ownership interests in EDF EN Benban PV and Elsewedy Benban PV are:

- EDF – 50%
- El Sewedy – 50%

**Râ (25MW):**

French developer Voltalia is financing its project with lending from Proparco – and did so outside of the EBRD's financing package. Voltalia's spokesperson did not provide further information on the financing.

Financial close was completed at the end of October.

Voltalia is completing the EPC contract for the plant.

Voltalia was advised by:



- Eversheds – legal
- Shahid Law – local counsel

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