

Mesaieed A - Qatar

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Financing for Qatar's largest power project to date - Mesaieed A - has closed allowing the Gulf state to start construction on the US\$2.4 billion CCGT power plant to meet growing demand in the emirate

The power plant will feed Mesaieed Industrial City, which is located around 40km south of Doha, as well as providing 30 per cent of the country's needs in the near future.

As one of the largest projects in the Middle East, the facility consists of six gas turbines and three combined steam turbines supplying Qatar with 2,000MW [\[Transactions Database\]](#).

The project has evolved considerably since it was first tendered. The original plan was for an independent water and power plant (IWPP), but was changed in the summer of 2006 casting off the desalination element.

The IPP is to be developed by Marubeni, Qatar Petroleum (QP) and Qatar Electricity & Water (QEW) on a build, own, operate (BOO) basis.

The SPV - Mesaieed Power Company - has the following breakdown:

- Marubeni - 40 per cent
- Qatar Electricity & Water - 40 per cent
- Qatar Petroleum - 20 per cent

Construction will be carried out in two phases to keep pace with the aggressive construction timetable. The first phase will take the facility to 1,000MW in 2008 which will then double its capacity by 2010.

All construction work (mechanical, electrical, concrete and project management) - worth US\$281 million - was awarded to Teknotes Technological Plants.

Gas will be provided by Qatar Petroleum. As is the case with most power projects, the principle risk is the ability to sell the power produced. Fortunately for Mesaieed A, Qatar General Electricity & Water Corporation (Kahramaa) was eager to participate and secured a PPA for 25 years, backed by a government guarantee.

The first half of Mesaieed A is expected to be operational by July 2008 and so far it has experienced few delays. The only brief setback was over gas quality issues which held back the signing of the project document for a month.

Financing

The three sponsors provided US\$305 million in equity to finance the US\$2.4 billion project on a 40:40:20 basis.

The remaining US\$2 billion was financed in debt, offered in two tranches equating to a combined debt:equity ratio of 87:13. Syndication is yet to be launched, and is expected to be announced in August.

The first of the two debt tranches was for US\$836 million which was provided through a term loan by JBIC.

Calyon underwrote a US\$1.3 billion term loan that will be repaid over 25 years. Pricing on the senior debt stands at LIBOR +90bp initially, falling to 80bp, then rising to 170bp.

Confidence in the early stages of the project from the sponsors was particularly notable. Mesaieed A is the first project finance loan JBIC has extended to an infrastructure project in Qatar, while Calyon committed to underwrite the project almost one-and-a-half years before financial close.

Conclusion

Messaieed implies that early commitments suggest overwhelming confidence in the sector and point to cut-throat bidding for the future, with a wall of liquidity chasing a limited number of projects in the region.

The prevailing investment climate has assisted developers significantly as they have successfully pushed lenders for better financing terms and for more aggressive risk allocations.

Demand for power has dramatically increased in Qatar due to sharp population growth and rising industrial demands. Demand is increasing by about 11 per cent per annum up to 2015. Mesaieed A will be expected to provide around 30 per cent of the country's total capacity by 2010.

Qatar is by no means alone in terms of soaring demand for electricity. Recent projects of unprecedented size in Saudi Arabia are providing the blueprint for other countries in the Middle East desperate to meet energy demands with Kuwait the only exception.

Middle East IPP/ IWPP projects in procurement

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The above table displays the IPPs and IWPPs in the Middle East pipeline. Several projects are significantly smaller than Mesaieed A, however two stand out as headline transactions for large-scale power plants:

- Fujairah F2 IWPP in Saudi Arabia - 2,000MW [\[Projects Database\]](#)
- Qatar Petroleum / QEWC's Ras Laffan C - 2,600MW [\(IJ News, 27 June 2007\)](#)

While Messiaeed A is the largest such power facility to be procured in Qatar, that is a title it will not retain for long as Ras Laffan C is being fast-tracked to meet the ever-growing demand for power in the Gulf state.

The project at a glance

Project Name	Mesaieed A IPP
Location	Qatar
Description	2,000MW natural gas-fired combined-cycle thermal power plant in Mesaieed Industrial City
Sponsors	Marubeni - 40 per cent Qatar Petroleum - 20 per cent Qatar Electricity & Water - 40 per cent
Operator	Qatar Petroleum Qatar Electricity & Water Kahramaa Power Desai
EPC Contractor	Qatar Petroleum Qatar Electricity & Water Kahramaa Power Desai
EPC Sub-Contractor	Teknotes Technological Plants
Project Duration (Including construction)	25 years
Construction Stage	1 year

PPA	Kahramaa
Total Project Value	US\$2.397 billion
Total equity	US\$305 million
Total senior debt	US\$2.092 billion
Senior debt pricing	LIBOR plus 90bps
Debt:equity ratio	87:13
Mandated lead arrangers	JBIC Calyon
Legal Adviser to sponsor	Norton Rose
Financial Adviser to sponsor	Royal Bank of Scotland Calyon
Legal adviser to banks	Allen & Overy Shearman & Sterling
Date of financial close	26 April 2007

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