

Sohar and Barka IWPs, Oman

Jordan Bintcliffe

06/07/2016

Developers of the Sohar and Barka independent water projects (IWP) in Oman agreed financing with groups of local and international banks, respectively, in recent months. Despite the projects being procured simultaneously, their sponsors took divergent routes to their financings.

Sohar, the smaller of the two facilities with 250,000 cubic metres per day of capacity, is being developed by a sponsor consortium consisting of Valoriza Agua (51%), the Oman Brunei Investment Company (25%) and Sogex Oman (24%).

Valoriza's consortium signed on an Omani rial-denominated OR82 million (\$213 million) financing for the Sohar project in April this year. Four banks provided OR70 million in 24-year debt:

- Bank Muscat (facility agent and largest lender)
- Oman Arab Bank
- Bank Sohar
- Bank Dhofar

Sohar's debt facility is priced at 4.23% for the first three years and then moves to a floating rate based on the weighted average interest of the Omani bank's deposits. It includes an upfront fee of 1.25%, a commitment fee of 0.5% and an all-in price of 4.5%.

Valoriza signed on equity bridge and shareholder loans in the first half of March 2016 which have since closed. The OR12 million in equity needed for the project was partially provided via an equity bridge loan (EBL) of OR9 million lent to the sponsors by:

- Oman Arab Bank - OR3 million (facility agent)
- Bank Sohar - OR6 million

The three-year EBL, which is equivalent to the date of reaching commercial operations plus 12 months, is priced at 3.75628% and is due as a single bullet payment at maturity. Oman Brunei Investment Company provided a further OR3 million of shareholder loans.

In contrast the sponsors of the 280,000 cubic metres per day Barka plant signed debt financing for the \$300 million project in March this year, with first draw-down in mid-June. Sponsors Itochu (36%), Suez International (formerly Degremont) (27%), International Power (a subsidiary of Engie, 27%), and W.J. Towell (10%) agreed \$250 million of debt from a group of four international lenders:

- SMBC
- MUFG
- Credit Agricole
- KFW IPEX

Debt pricing obtained for the Barka project was not disclosed, though BOT vice-president at Suez International, Didier Sachot, said international lenders offered the most competitive debt pricing.

Barka's debt tenor terminates around half a year prior to the water purchase agreement's (WPA) expiry whereas Sohar's amortises two years before the 20-year WPA with project grantor and offtaker Oman Power and Water Procurement Company (OPWP) comes to an end.

Lender appetite for the projects was strong at the bidding stage, Sachot said, which meant the developers were able to put forward a robust bid during the tender. That investor enthusiasm provides a positive outlook for OPWP which has a string of other IWPs it is in the process of either preparing or tendering.

[The authority invited advisory bids for up to 325,000 cubic metres per day of desalination capacity in the Muscat area](#) late last month, and in May this year put [technical surveys for the Duqm and Khasab IWPs out to tender](#) – which have a combined capacity of 76,000 cubic metres. [Bidders for the Salalah and Sharqiyah IWPs were prequalified in March this year](#); those projects have a planned capacity of 100,000 and 80,000

cubic metres per day, respectively.

Advisers

On Sohar, Hogan Lovells, Marsh and ILF Consulting Engineers were the legal, insurance and technical advisers, respectively, to the lenders. The lenders were also supported by Al Maqtari Auditing for the model audit.

Barka's lenders received legal advisory from Allen & Overy. The sponsors were advised by Chadbourne & Parke and SMBC for legal and financial advisory, respectively.

For both projects, OPWP was advised by DLA Piper, Project Financing Solutions and Fichtner for legal, financial, and technical issues, respectively.

Thank you for printing this article from IJGlobal.

As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.

If you have been given this article by a subscriber, you can contact us through www.ijglobal.com/sign-up, or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.