

Rantau Dedap geothermal, Indonesia

Mia Tahara-Stubbs

18/04/2018

It took four years for the sponsors of the Rantau Dedap geothermal power plant to reach financial close on the \$700 million project in South Sumatra, Indonesia.

A sponsor consortium led by Marubeni and Engie signed the project's original PPA with state utility PLN in 2014. At that time they were hoping the plant would have a 240MW capacity, but in fact Rantau Dedap will only be 98MW in size once complete.

The sponsors of the project company – Supreme Energy Rantau Dedap – are:

- Engie - 33.3%
- Supreme Energy - 33.3%
- Marubeni – 16.6%
- Tohoku Electric Power – 16.6%

Reduced resource

The Asian Development Bank (ADB) – through a \$50 million loan from the Clean Technology Fund (CTF) – helped the sponsors fund the roughly \$150 million exploration cost. This is the first time the ADB has helped support a geothermal project from the initial exploration phase.

The exploration works revealed a smaller resource than anticipated making the 240MW generation target was unachievable. This meant the PPA with PLN had to be renegotiated, as the project had become financially unviable at the agreed tariff.

The renegotiation, generally an arduous process with PLN, took 18 months. The new PPA was eventually signed in October 2017, raising the tariff to around \$0.13 per kWh from less than \$0.10 per kWh.

The PPA is for 30-years– 15 years of which will be covered by a business viability guarantee letter from Indonesia's Ministry of Finance.

Financing

The debt-to-equity ratio was roughly 75:25 on the total \$700 million cost for developing the power plant.

The ADB rolled over and extended its four-year CTF facility by another 20 years - to 24.5 years - and also provided a direct 20-year loan of \$175.3 million.

CTF is also transferring \$28.5 million already committed to ADB's Indonesia and Philippines: Private Sector Geothermal Program, to the project. Under the wider lending programme the debt had been split between senior, subordinated and convertible grants, but is now a \$28.5 million senior loan of 20.5 years.

With two Japanese sponsors in the consortium, JBIC is also lending directly \$188.8 million to the project.

In addition, the three Japanese mega banks, Mizuho, MUFG Bank and SMBC provided a \$125.9 million loan, which is covered by NEXI. *IJGlobal* understands the tenor is roughly in line with the 20-year ADB loan and priced at just under 110bp over Libor. The three banks are equal lead mandate arrangers.

The transaction, which reached financial close on 23 March 2018, is expected to become the template for renewables in the region, particularly for geothermal, sources have told *IJGlobal*.

Advisers

Advisers and contractors on the deal are:

- Milbank – sponsors’ legal adviser
- Latham & Watkins – lenders’ legal
- Mott MacDonald - technical adviser
- Aecom - engineering adviser
- Leighton Contractors - civil contractor
- Daya Alam Teknik Inti - drilling contractor

The sponsors did not retain a financial adviser.

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.