

Calais Port 2015 expansion, France

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The Calais Port 2015 project marks the seventh use of the European Investment Bank's project bond credit enhancement (PBCE) pilot programme and also featured another enormous private placement, of €504 million (\$554 million), taken entirely by Allianz Global Investors during the construction stage.

Another interesting feature of the deal was that sponsors Meridiam, CDC and two local chambers of commerce have used two special purpose vehicles (SPV) to separate construction and operations.

Meridiam and CDC Infrastructure achieved financial close on Monday (13 July 2015) on a roughly €890 million financing package for a concession to operate Calais Port and the Boulogne-sur-Mer fishing port in north-west France.

The port is vital infrastructure for connecting the UK and Ireland to continental Europe, for passenger, freight and cargo. The financing covers the Calais Port 2015 expansion plan which will double the port's capacity with a new terminal, and combine operation of the two ports under a 50-year concession.

The [Region Nord-Pas-de-Calais, owner of both ports, signed the concession agreement](#) with the consortium in February 2015. The consortium was sole bidder in 2013 after Groupe Eurotunnel dropped out.

Separating the risk

The financing separates operating risks from construction and maintenance risks, through two separate project companies.

The Société de Projet des Ports du Détroit SPV is carrying out the design, build contract, whereas the Société d'Exploitation des Ports du Détroit is the operating company and owner and holds the concession.

The operating SPV will collect revenues from the operations of the port. It will use the revenues to finance operations but will also make regular payments to the construction SPV to reimburse the capital expenditure, once the new facilities are available. The Nord-pas-de-Calais Region, as grantor of the concession, has guaranteed those payments in case of shortfall.

A construction-phase bond financing

[Allianz Global Investor-managed entities have subscribed to all the senior bonds](#) - €504 million – with a long tenor of 40 years, and staggered drawdowns over construction.

The coupon for the private placement bonds is 3.7% during construction and 4.5% afterwards, *IJGlobal* understands from a source.

The project debt benefits from the European Investment Bank's PBCE product, through a €50.4 million letter of credit equivalent to 10% senior debt. The rating is private but investment grade.

AllianzGI's demonstrated its willingness to provide large amounts of debt to deals in May, when *IJGlobal* revealed it subscribed to a \$700 million bond for the operational [Indiana Toll Road](#) in the US. It is also very comfortable lending big to European construction phase transport projects, having done deals including Belgium's A11, [France's L2 Marseille](#), [Scotland's Aberdeen Western Peripheral Route](#). It is also lined up to finance the [N25 New Ross bypass in Ireland](#).

Public and private equity

The consortium comprises Côte d'Opale Chamber of Commerce and Industry (CCI) (previous concessionaire of the port), the Northern France Region CCI, CDC Infrastructure and Meridiam. Overall they provided roughly €116 million in equity.

The sponsors invested roughly €40 million into the operations SPV (€15 million equity and €25 million upfront cash contribution). They committed to €89 million in equity and shareholder debt for the construction SPV.

Meridiam and CDC provided about 11% of the equity each to the operating company, while the Côte d'Opale CCI owns the remaining 78% and intends to sell 5% to port employees.

In the construction SPV the sponsors invested a combination of equity and subordinated debt, of which Meridiam and CDC each provided 40%. The other 20% predominantly comes from the Côte d'Opale CCI, with small amounts from the Northern France Region CCI and Grand Port Maritime de Dunkerque.

Subsidies

The public sector eventually provided a total of €270 million in subsidies from the EU and local authorities, after it took until February 2015 to arrive at this figure. The European Commission's 2014-2020 Connecting Europe Facility provided €98.5 million.

The European Commission approved the subsidies with regard to state aid on 2 July 2015, saying the operating income would not cover investment costs over the 50-year concession without these subsidies.

This ruling came after [Groupe Eurotunnel, operating a competing cross-channel transport link, had appealed the subsidies](#), as *IJGlobal* reported in May. Eurotunnel appealed on the basis that when it withdrew from bidding in partnership with the Côte d'Opale CCI in 2013, the level of subsidies was lower.

Increasing port capacity and connections

Construction at Calais started in March 2015 after the [concession signed in February with the Nord Pas de Calais Regional Council](#). Construction is due to be completed in January 2021. The project includes the Calais Port expansion as well as investments to improve sustainable development, tourism, logistics, fishing and fisheries at both ports.

Bouygues Travaux Publics is leading the construction as a subcontractor.

The Calais Port 2015 expansion project is due to cost roughly €715 million and includes:

- Building a new 3km seawall and a 90-hectare dock to allow for port developments
- 44 hectares of new quayage using material dredged from the dock
- Constructing berths for the latest generation of mega ferries
- Developing required road and rail connections
- A new rail-road-sea terminal where the futures rail and sea motorways meet it from southern France and the rest of Europe.

Advisers

The financial advisers to the sponsors are Ernst & Young and Credit Agricole, and Wilkie Farr & Gallagher was legal adviser.

Orrick advised AllianzGI, and Linklaters the EIB. CMS Lefebvre was legal adviser for the CCIs, while Latournerie Wolfrom advised the grantor. Espelia was financial adviser to the grantor.

Other advisers include H3P (model audit), Mott MacDonald (technical), Marsh (insurance), MVA/Systra (lenders' traffic adviser) and JMJ (sponsor's traffic adviser).

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