

INTERVIEW

Project Financing for Onshore Wind Power Generation Project in Morocco

Supporting Japanese company participating in renewable energy business

Interview with Director **ABE Ryoichi** and Then-Deputy Director **NISHIDA Ryohei**, Division 2, New Energy and Power Finance Department I, Infrastructure and Environmental Finance Group

The Japan Bank for International Cooperation (JBIC) signed in December 2019 a loan agreement for project financing amounting up to approximately EUR 44 million (JBIC portion) with Moroccan company Parc Eolien de Taza SA (PETS), invested in by Mitsui & Co., Ltd. (Mitsui), for the Taza Onshore Wind Power Generation Project in Morocco. The loan is provided as part of JBIC's Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG).^{*1} The loan is co-financed by Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., as well as Banque Marocaine du Commerce Extérieur, bringing total co-financing amount to approximately EUR 113 million.

JBIC's First Financing for Renewable Energy in Morocco, and First QI-ESG Project in Africa

Located in the northwestern part of the African Continent, Morocco is rich in mineral resources, such as phosphate rocks, and has achieved economic growth in recent years led by the manufacturing of clothes, automobiles and railway carriages. The Moroccan government aims to increase the generation of renewable energy to 52% of the country's total power production by 2030 in order to meet rising electricity demand while reducing environmental impact.

Abe explained the characteristics of this project as follows: "In this project, PETS, a joint venture between Mitsui and French electricity utility EDF Renouvelables, SA (EDFR), will construct, own and operate an onshore wind power generation plant with a capacity of 87.21 MW in Taza in the northern area of Morocco. PETS will sell the generated electricity to Morocco's public electricity and water company for 20 years. This project is in line with the energy policy of Morocco, which aims to increase the use of renewable energy for power generation. The loan is JBIC's first financing for a renewable energy project in Morocco and also the first project in the African region supported through its financing under QI-ESG."

Accelerating Negotiations towards Loan Agreement by Aligning Interests of Stakeholders

In autumn of 2018, JBIC received a request from Mitsui to structure a project financing scheme for the project. Nishida was in charge of the entire process under the leadership of Abe, starting from due diligence, throughout negotiations, and finally to the signing of a loan agreement.

Nishida looks back on the loan negotiation process: "After a consortium between Mitsui and EDFR acquired a concession in the project in 2012, it took time to initiate loan negotiations due to the circumstances of Morocco. As a result of the delay in starting the negotiations, we needed to accelerate the process to implement the project, including the signing of a loan agreement. Shortly after receiving a request from Mitsui for structuring a financing scheme, I flew to Morocco with Abe to negotiate with officials and staff members of Mitsui, EDFR and the Moroccan government. We also visited the project site. This journey took us about six hours by car from the capital of Casablanca. The project site is located in a hilly area in open moors, which creates favorable conditions for wind power generation. Wind conditions and the transportation route for construction materials are extremely important elements for a wind power generation project. We wanted to make sure these requirements were properly met by visiting the project site in addition to carefully reading reports on wind power generation prepared by our project advisors.



Mr. NISHIDA

Mr. ABE

As the project sponsors were trying to sign a loan agreement within 2019, we needed to achieve a consensus about the financing conditions as early as possible, although they had yet to be discussed in-depth. In order to catch up on loan negotiations, all sponsors and lenders gathered in Paris in the summer of 2019 for intensive discussions. They actively participated in face-to-face discussions and learned more about each other's positions in the project. As a result, the discussions on financing conditions made rapid progress. Although it was a difficult task to coordinate the opinions of stakeholders in the project towards reaching a consensus on the financing conditions, we were able to agree to the basic conditions on the loan with the help of sponsors within only several months after the negotiations in Paris. Afterwards, we could finally sign a loan agreement in December. I believe years of good relationships between the sponsors and the officials of the Moroccan government also helped the negotiation process to be successfully completed."

Supporting Expansion of Renewable Energy Business in Africa

Abe talked about the significance of this project: "Our support for a renewable energy business in Africa, where Japanese companies are relatively less experienced, creates expectations for the expansion of renewable projects in Africa in which Japanese companies will be involved. In particular, as European companies have a strong presence in Africa, implementing a renewable energy project in cooperation with a Japanese company and a European company leads to promoting business in which they can collaborate on in Africa. This also provides a foothold for the expansion of Japanese companies into African countries."

JBIC is enhancing its support for promoting growth led by the private sector and infrastructure development in Africa. Industrial diversification in Africa and investment in quality infrastructure towards increased connectivity in the region were raised as an important topic of discussion at the 7th Tokyo International Conference on African Development (TICAD7) held in August 2019. At TICAD7, JBIC announced the launch of its Facility for African Investment and Trade Enhancement 3 (FAITH3).^{*2}

Abe added, "This project is the first renewable energy project supported under FAITH3. There are also renewable energy projects involving Japanese companies in other African countries such as Egypt and Kenya. These countries are expecting to receive financing support from Japan. We would like to provide financial assistance to promote the export of Japanese infrastructure systems, which will help to increase and maintain the international competitiveness of Japanese companies."

Nishida expressed his aspiration, saying "It was an important experience for me to be in charge of the whole process to develop a project financing scheme for a renewable energy project for decarbonization, starting from the initial phase of the project development, throughout negotiations, and finally to the signing of the loan agreement. I feel extremely honored to contribute to the Moroccan government's electric power policy of promoting the renewable energy business, and to help with this significant project, which is in line with the Japanese government's low carbon infrastructure export policy. I would like to support the overseas expansion of Japanese companies based on the experience I have gained through this project."

^{*1} See Announcement on June 28, 2018.

^{*2} JBIC established financing facilities for Africa in June 2013, called the "JBIC Facility for African Investment and Trade Enhancement (FAITH)" and in August 2016, called "FAITH2." Following these facilities, FAITH3 was launched in August 2019 by further improving FAITH2.