

# INTERVIEW

## Africa's First Ultra Super Critical Coal-Fired Power Plant in Morocco

Project Financing under the JBIC Facility for African Investment and Trade Enhancement ("FAITH")

Talking with Deputy Director Kenichiro Kitamura and Hiroshi Yasui of Division 3, Power and Water Finance Department, Infrastructure and Environment Finance Group

JBIC signed loan agreements in September 2014, in project financing, with Safi Energy Company S.A. (Safi), invested by Mitsui & Co., Ltd., Electrabel S.A. (Electrabel), a Belgian company which is a subsidiary of French company GDF SUEZ S.A., and Nareva Holding S.A. (Nareva), a company in the Kingdom of Morocco, for financing the Safi coal-fired power generation project. This is the first Ultra Super Critical (USC) Coal-fired Power Plant project for the African continent as well as for JBIC.

This project won the North African Power Deal (of the year) in the PFI AWARDS 2014 held by Thomson Reuters, the world's leading information media.



Deputy Director Kitamura



Mr. Yasui

### Ultra Super Critical Coal-Fired Power Plant Leading to Reduced Burden on the Environment

In this project, Safi builds and operates an USC coal-fired power plant with a capacity of approximately 1,250 MW in the city of Safi, and sells the electricity generated to the Office National de l'Electricité et de l'Eau Potable (ONEE) for 30 years after the completion of the construction.

USC coal-fired power generation increases the efficiency and reduces in emissions, such as carbon dioxide.

"In Morocco, demand for electricity increases at an annual average rate of about 7% with continued economic growth as the "Gateway to Africa." However, the country currently imports more than 15% of electricity from Spain. Thus it is a national challenge to increase domestic power generation for economic growth and people's lives. The Moroccan government planned the project as the source of stable and economically highly viable base load electricity, while focusing its efforts on expanding renewable energy." Yasui explains the background of the project. The project is scheduled to start commercial operation in 2018, supplying about 20% of the country's electricity.

### Supporting Business Deployment of Japanese Companies in Morocco

"JBIC has the experience of providing project financing to the export of facilities to Morocco in 2012. This time, with a change in the construction site in addition to financial turmoil, there are a number of uncertain factors on the stability and sustainability of the project selling electricity for 30 years. JBIC showed its willingness to consider that it is conducive to realizing a project plan where Japanese companies participate and then to spreading our support to Morocco and other African countries." Kitamura said.

Under the 5th Tokyo International Conference for African Development (TICAD V), JBIC launched the JBIC Facility for African Investment and Trade Enhancement ("FAITH") and is making efforts to support investment and trade from Japan to the African region. Further, JBIC signed in March 2011 a memorandum of understanding on comprehensive strategic partnership with the Moroccan government (the Ministry of Economy and Finance) and started to exchange information and opinions on such sectors as infrastructure, electric power and environment. In that framework, this project was recognized as an important one.

### Leading Negotiations as the Largest Lender

The project took time in consolidating the project plan, and financing discussion started in January 2014.

"To make up for the delay, we had a total of five intensive meetings lasting one week every month in Paris. Since Japanese banks, a number of other commercial



Image of the Safi coal-fired power generation project

financial institutions and Islamic Development Bank participated as lenders, discussion was tough, but as the largest lender, JBIC led the negotiations." Kitamura reflected. Yasui negotiated with ONEE and the Moroccan government, which purchases electricity.

"As the project lasts 30 years, various problems such as the soaring price of coal, and economic and financial fluctuations are expected. Thus the power purchase agreement embodied the worst anticipated situation, and finally it was important that the Moroccan government makes a firm commitment to the full support for this project and ONEE. Since the Moroccan side has great expectations and desire on this project, I had a real feeling of jointly working on the large national project." Yasui stated.

### Supporting Investment in Overseas Infrastructure with "Quality and Speed"

In the signing ceremony held in September 2014, eleven main cabinet ministers led by Prime Minister S.M.E. Abdellilah BENKIRANE attended and expressed appreciation for the lenders, including JBIC. The local newspapers reported it as the top news on the following day. There are great expectations as a model case of infrastructure development by making use of foreign funds, which the Moroccan government is moving forward.

"Other African countries are paying attention on this highly efficient power generation system. As the stable operation is important in long-term infrastructure projects, it is the dominant field of Japanese companies with highly advanced technologies and track record. JBIC will continue to support to strengthen the international competitiveness of Japanese companies." Yasui continued.

"The Japanese government revised the "Infrastructure Systems Export Strategy" in June 2014, and is pushing for overseas infrastructure system exports. The expectation on JBIC is "Quality and Speed" in the international competition intensifying more and more. JBIC continues its support to overseas infrastructure projects, by participating in projects from the early stage and packaging the advanced Japanese companies' technologies, track record and know-how with JBIC's various financial support." Kitamura concluded.

### Loans for the Safi Coal-Fired Power Generation Project

JBIC signed loan agreements in September 2014 totaling up to approximately USD718 million and EUR147 million (JBIC portions) respectively, in project financing, with Safi Energy Company S.A. (Safi), invested by Mitsui & Co., Ltd., Electrabel S.A., a Belgian company which is a subsidiary of French company GDF SUEZ S.A., and Nareva Holding S.A., a Moroccan company, for financing the project. The loans are cofinanced with ten private financial institutions, including The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, The Mizuho Bank Ltd., Sumitomo Mitsui Trust Bank, Limited, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Société Générale, Standard Chartered Bank and two local Moroccan financial institutions, and Islamic Development Bank, reaching the overall cofinancing amount to the equivalent of approximately USD2.107 billion.

Nippon Export and Investment Insurance (NEXI) provided insurance for part of the portion cofinanced by the private financial institutions.