Supporting Porce III Hydroelectric Power Project in Colombia:
Guarantee for Private Syndicate Loan Supports Japanese Firms’ Overseas Business Development

1. The Japan Bank for International Cooperation (JBIC: Koji Tanami) signed today a guarantee agreement with the Bank of Tokyo-Mitsubishi UFJ and the Tokyo branch of Banco Bilbao Vizcaya Argentaria (Joint lead arrangers), offering the cover for their syndicate loan totaling up to US$200 million extended to Empresas Públicas de Medellín E.S.P. (EPM), a Medellin municipality-owned company for providing public utility services, in Colombia.

2. The syndicate loan will finance civil works and procurement of related equipment for constructing the Porce III Hydroelectric Power Plant Project (installed capacity: 660 MW) in the Porce River located northeast of Medellin in the department of Antioquia. JBIC provided a guarantee for a syndicate loan structured by private financial institutions in response to the request made by EPM to support smooth implementation of this Project.\(^1\) Japanese exports of heavy electrical machinery to Colombia have come to a standstill since the 1980’s due to the deteriorating security situation. In this Project, Japanese firms won the order of heavy electrical machinery through international competitive bidding.

3. With robust economic growth, Colombia’s demand for electricity is expected to grow at an annual growth of 4% over the next 15 years. Against this background, EPM and ISAGEN in which EPM has major equity stakes are planning a host of electric power projects following this Project. Smooth implementation of this Project with a guarantee provided by JBIC will lead to the creation of business opportunities in the heavy electrical machinery market for Japanese firms in Colombia, thereby expected to maintain and improve their international competitiveness.

4. Colombia agreed with the Government of Panama to connect the respective power grid systems in September 2007, in addition to already exporting electricity to Ecuador. When this connection is completed, the country can export electricity to Central American countries through the existing power grid systems in this region. Against this backdrop, this Project is not only expected to provide a stable supply of electric power in Colombia, but also contribute significantly to power exports to the neighboring countries.

5. As a provider of official financing, JBIC will continue to support Japanese firms’ overseas business development by mobilizing its various financial instruments.

\(^1\) The Inter-American Development Bank (IDB) has separately provided a US$200 million loan for this Project.