



# Electricity Lending to IPP



## Lending Capacity of Syrian Banks as of June 2009 (CBK)

### ▪ Commercial Private Banks:

- Cumulated Capital of \$637MM (14% of total)
- Total assets of \$7,770MM (20%)
- Loans of \$2,665MM (13% ) and Deposits of \$6,407 MM of which \$2,614MM in Foreign Currencies (L/D = 41.00%)
- Maximum Lending Limit of ~\$160 MM per obligor

### • Islamic banks:

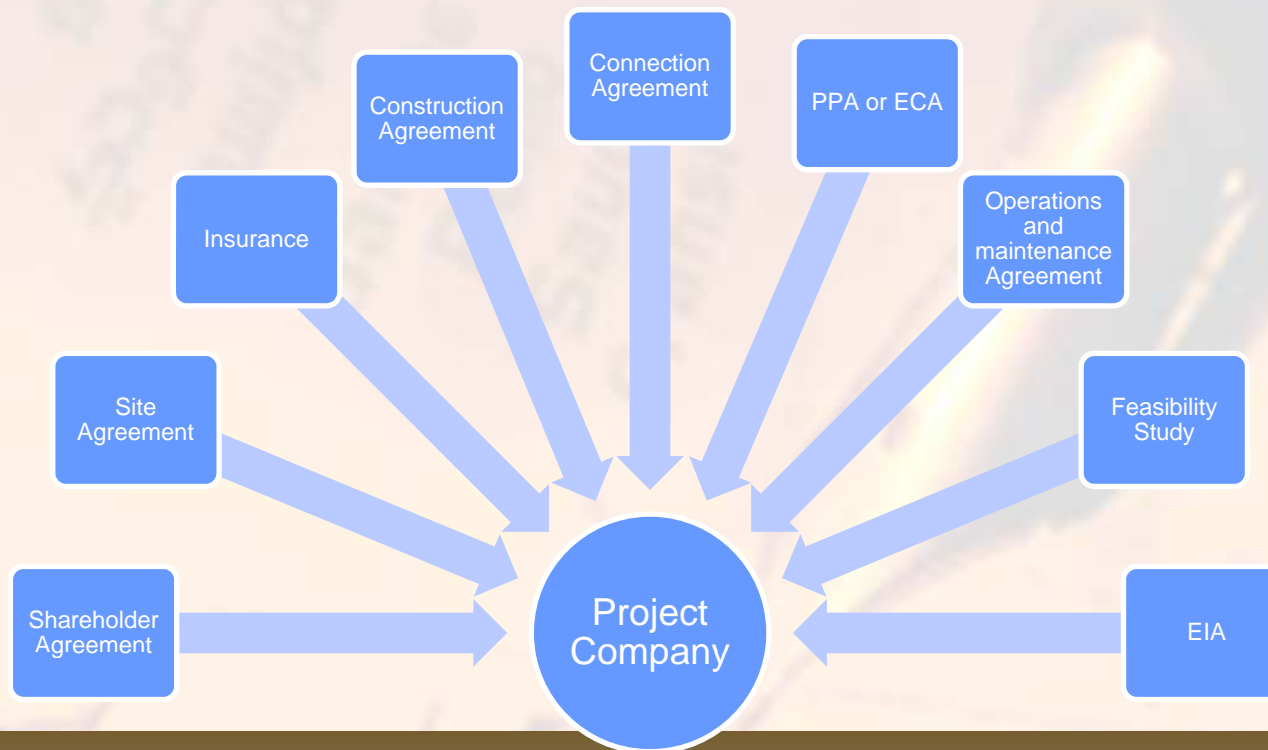
- Cumulated Capital of \$154MM (4%)
- Total assets of \$1,270MM (3%)
- Financing of \$365MM (2%) and Deposits of \$956MM of which \$270MM in Foreign Currencies (F/D = 38.17%)
- Maximum Lending Limit of \$38.38 MM per obligor

### • Public Banks:

- Cumulated Capital of \$3,700MM (82% of total)
- Total assets of \$29,960MM (77%)
- Loans of \$24,576MM (85% of total)

# PROBLEM OF MISMATCHING

## IPP agreements



## Players

- Project Company:
  - Shareholders/Partners should enjoy technical expertise, local experience, good financial means and creditworthiness
  - Should have strategic interest
- Lenders:
  - Club of Commercial Banks (Syndication)
  - Development Banks (DEG, EIB, AFD, IFC, IDB,...)

# Players

- Export Credit Agencies:
  - Promote national products
  - Offers credit insurance to lenders (COFACE, EKN, Finnvera, EBRD, Hermes, SACE, KfW IPEX Bank,..)
- Regulatory Bodies
  - Licenses, permits (operations, work, etc..)
  - Site agreements (leased, sold)
  - Operations and maintenance agreement
  - Rights (grid access,..)
  - Incentives (tax exemptions, etc..)

# Players

- EPC Contractors (turnkey):
  - **Construction, installation of equipment and launching**
  - **Responsible for performance , output**
- Suppliers :
  - **Heavy Fuel Oil, Gas**
  - **Supplying agreement**
- Off-Takers:
  - **Power Purchase Agreement, Energy Conversion Agreement**
- Independent Technical Advisors:
  - **Validate the feasibility study**
  - **Validate disbursement requests**

# Players

- Financial Advisors:
  - **Propose the structure**
  - **Arrangement of financing**
  - **Preparation of banking memorandum**
- Legal Advisors:
  - **Prepare all loan documentation**
  - **Opine on all aspects of the transaction**
  - **Highlight all risks**
- Insurer:
  - **Provide all appropriate insurances (construction, delay, third party, environmental liability, operational, business interruption,..)**

# Risks

- Construction risks:
  - **Delays, cost overrun, permissions, performance, technical failure, financial failure of contractor,..**
- Operational risks:
  - **Fuel or gas shortage**
  - **Maintenance, spare parts**
- Financial risks:
  - **Changes in operational costs (raw materials, charges to use the grid, inelasticity of prices,..)**
  - **Increasing financial expenses, exchange risk**
  - **Unforeseen miscellaneous costs**
  - **Financial failure of shareholders**



# Mitigations

- Construction risks:
  - **Quality, financial situation and track record of EPC contractor, performance bonds, completion guarantee, cost overrun guarantee from sponsor, or cost overrun facility, permissions, equity.**
- Operational risks:
  - **Fuel or gas supply agreement**
  - **Proven Technology**
- Financial risks:
  - **Solid financial model**
  - **Avoiding mismatch of currencies, fixed rates from DB**
  - **Securities, export guarantees**

## Type of Securities

- Mortgages on land, buildings and equipment
- Assignment of rights
- Assignment of project insurances
- Assignment of proceeds of PPA / ECA
- Pledge of shares
- Pledge of project accounts
- Commercial mortgage