



**International
Finance Corporation**
World Bank Group

Financing of the Shuakhevi Hydro Power Plant

181 MW, Shuakhevi Scheme, Georgia

July 10-11, 2014

- Since 1995 IFC invested approx. \$800 million in 58 projects in financial services, manufacturing, and infrastructure sectors
- Mobilized \$92 million from other lenders
- Supported regional projects that include Georgia commitments
- Implemented advisory projects focused on developing the private sector

**IFC Investment –
InfraVentures:**
*Early stage
project developer*

- 181 MW Shuakhevi HPP: Co-developed with Clean Energy Invest (CEI)
- 150 MW Koromkheti HPP: Under development with co-developers CEI and Tata Power

**IFC Investment –
Mainstream:**
*Loan and equity
investments*

- 87 MW Paravani HPP: \$40.5 million A loan and \$11.5 million B loan from TSKB
- 181 MW Shuakhevi HPP: Lead arranger for a debt package of \$250 million. \$70 million A loan, \$35 million equity

IFC Advisory:
Advisory to
companies and
governments

- 210 MW Nenskra HPP – greenfield project with an annual approximate generation of 1,194 GWh

PROJECT OVERVIEW

Key Features

Description:

- The Project consists of the construction, operation and maintenance of the 181 MW Shuakhevi run-of river HPP (consisting of the 6 MW Skhalta and the 175 MW Shuakhevi schemes) on the Adjaristsqali River, located in the Adjara region, south west Georgia (the “Project”)
- Sponsors are CEI from Norway, Tata Power from India and IFC

Generation:

- 452 GWh power, designed as a peaking plant
- First revenues expected by April 2017

Prices and sales:

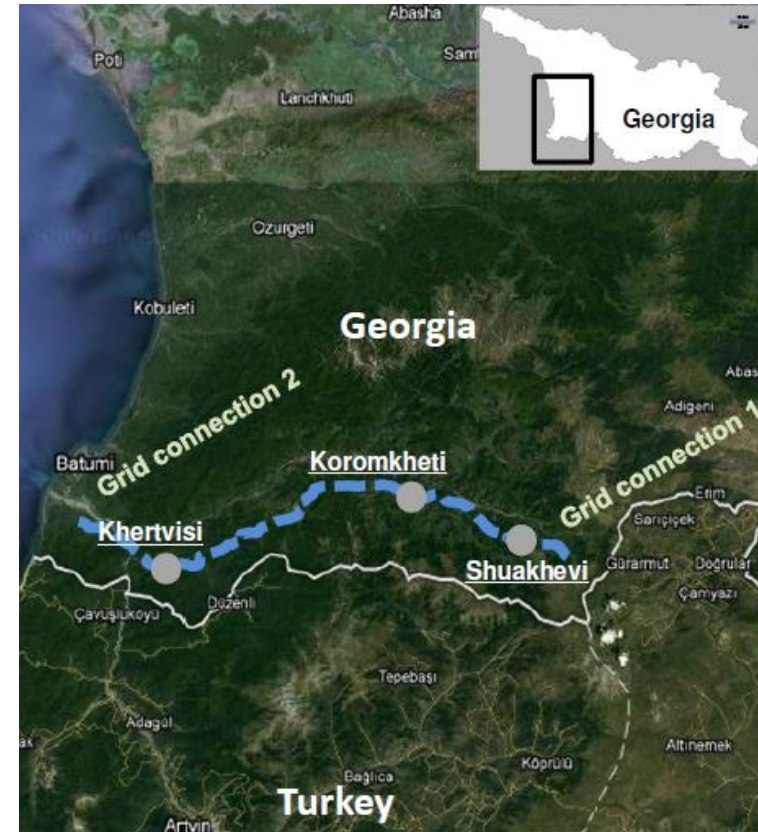
- In the first 10 years of operations, the Project will supply electricity to the Georgian market during 3 months through a new 220 kv transmission line and export power to the Turkish market in the remaining 9 months of the year through the 400 kv cross-border transmission line

Off-take:

- In terms of off-take arrangements for exports to Turkey, the Sponsors are considering both merchant sales and a long term PPA
- For domestic sales the Project can sell to ESCO or to any eligible buyer in Georgia

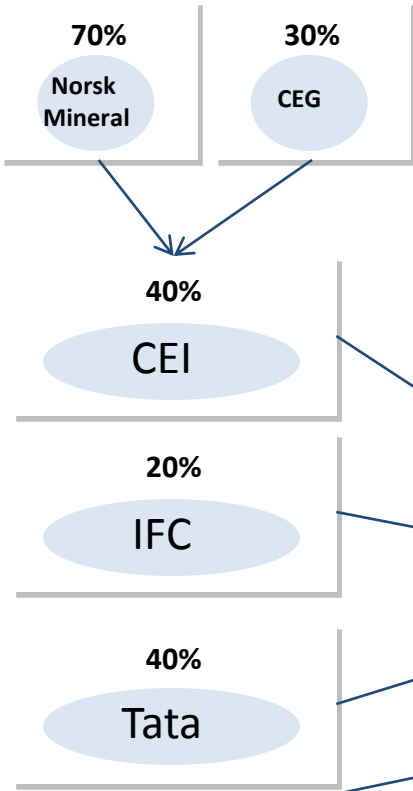
Project costs:

- Total Project cost is estimated at \$417 million with 3 tunnels of 34 km

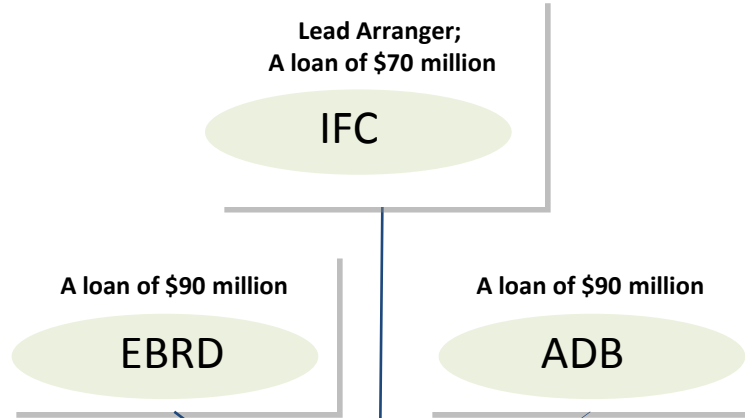


Contractual Arrangements

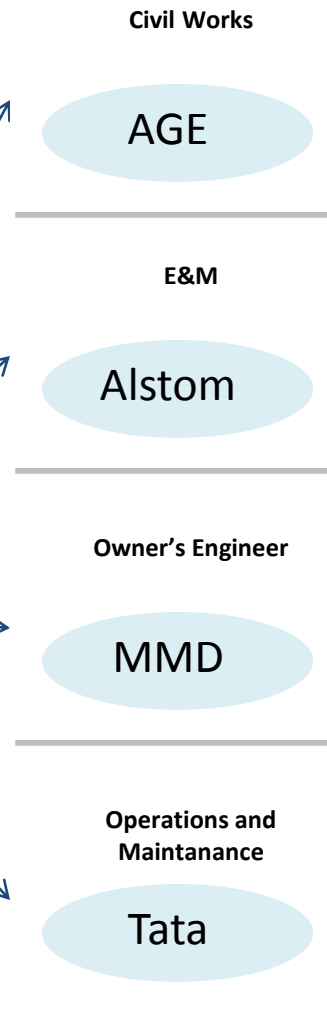
EQUITY PARTICIPANTS



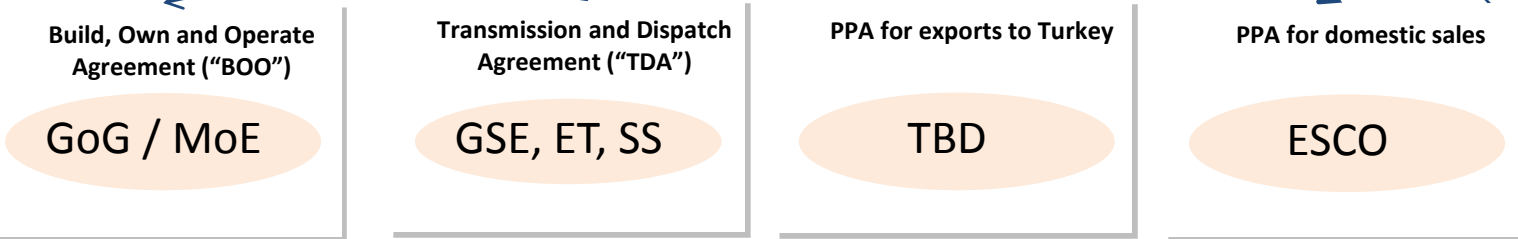
FINANCIERS



CONTRACTORS



Adjaristsqali Georgia LLC ("AGL")



Timeline

Phase 1:
Development
Stage / IFC
InfraVentures as
a co-developer

Awarding of the
tender and
involvement of IFC
InfraVentures

Identification of
potential investors

Agreeing on the
composition of
equity holders

Phase 2:
Financing Stage /
IFC Mainstream
as the Lead
Arranger

Agreeing on the
Composition of
Lender Group

Analysis of Project
Risks and
Discussion of
Financing Structure

Term Sheet
Negotiations and
Credit Approvals

Phase 3
Documentation
Phase / IFC
Mainstream as
the Lead
Arranger

Drafting / Documentation
of Loan Agreements and
Security Agreements

Closing

Project Development & IFC InfraVentures

- CEI bid for the Project under the framework of the State Programme “Renewable Energy 2008”, which provides for transparent bid awards and a sample MOU with standardized terms. A competitive bid for the Project was undertaken in April 2010 and CEI was awarded the license
- A Joint Development Agreement (“JDA”) was signed between CEI and IFC in April 2011 to develop the Cascade. InfraVentures’ responsibilities included:
 - **Capital:** Supply of cash as outlined by the project development budget
 - **Structuring:** establish a balanced and bankable project, with a focus on legal and regulatory issues (particularly Transmission Agreement)
 - **Technical Review:** Provide input on feasibility study, detailed design, offtake agreement, etc
 - **Environmental & Social:** Guidance on E&S issues; assist with outreach to local communities and NGOs
 - **Financial Plan:** Identify debt and equity providers to supply financing for construction
 - **Investor:** Recruit a strategic investor to join the project during the late stages of development with experience in large hydro project and willingness to invest in Georgia
- A Shareholders Agreement was signed with Tata Power in May 2013, whereby CEI, Tata and IFC are entitled 40%, 40% and 20% ownership in the Company, respectively.

FINANCING STRUCTURE

Main Value Drivers

- Electricity prices
- Electricity volumes
- Construction time
- Capital expenditures

Main Risks

- Complex **construction** works with 33 km of tunneling leading to risk of cost overruns
- **Hydrology** related risks typical to hydro power projects with possible adverse impacts on cash flows
- **Transmission** risks related with both the cross-border AB line and the new domestic transmission line, possibly leading to delays in commissioning
- Developing **regulatory framework** with impacts on the Project's concession terms
- **Off-take** risks for export to Turkey

Key Financing Terms

- After evaluation of risks and mitigants, Lenders agreed to finance the Project on a limited recourse basis, marking the **first HPP Project financed on a project finance basis**
 - **Long tenors** including a grace period to cover construction and a certain period of operations
 - Flexibility in determining the **commercial strategy**, i.e. merchant sales vs. long terms PPAs
 - **DSCR requirements** to be maintained during operations and to be tested for dividend distributions
- **Strong legal advise**, both on the concession documents and the financing terms, provided comfort to Lenders, especially given the developing nature of the regulatory framework
- **E&S aspects** of the Project, which is a crucial aspect of IFI financing, were undertaken in accordance with Georgian legislation and IFC performance standards

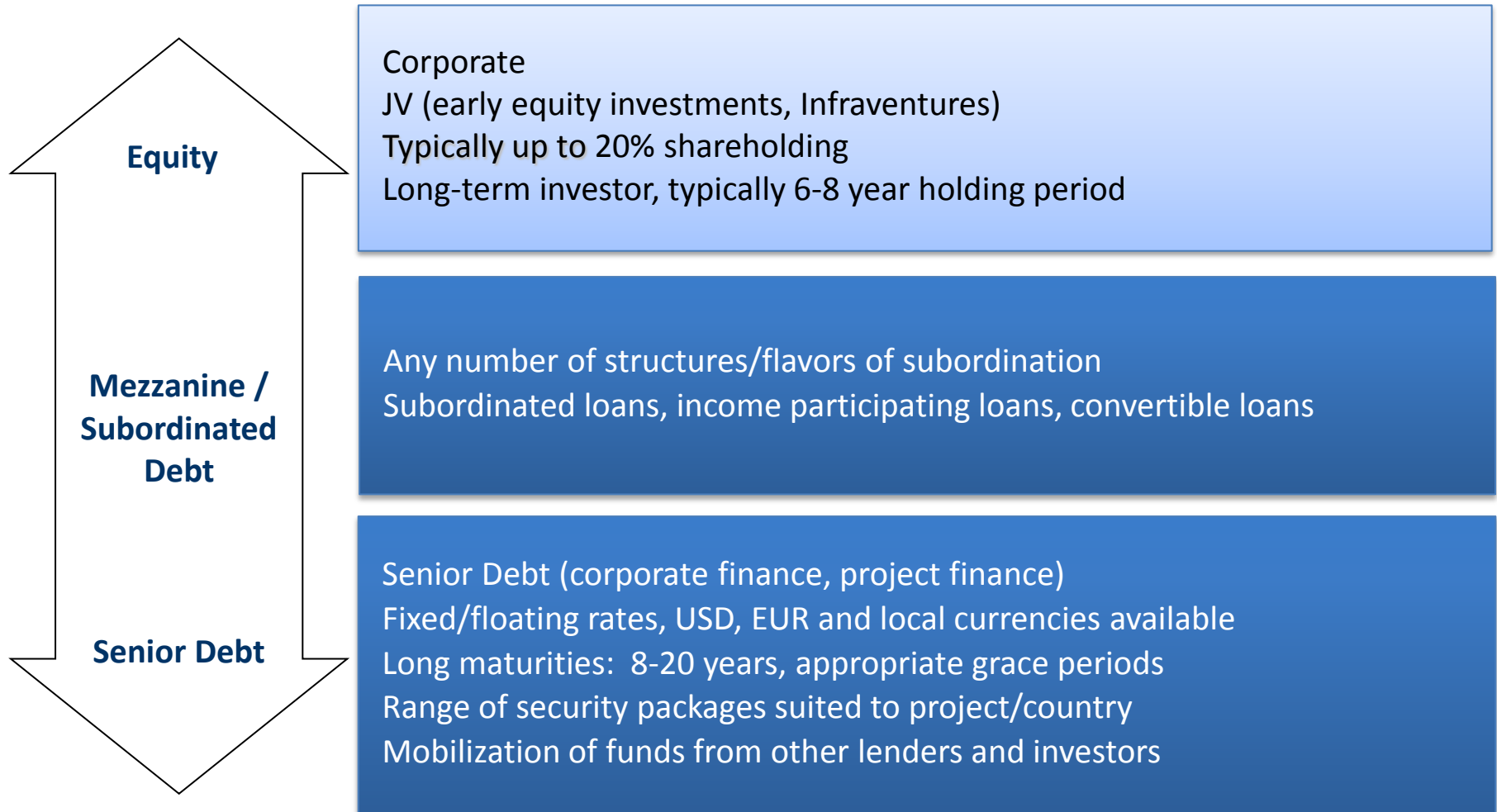
IFC Approach to Financing

How We Finance Projects

•Project Type		•IFC Investment
•Greenfield, total cost less than \$50 million	➔	•Up to 35% of project cost for IFC's account
•Greenfield, total cost more than \$50 million	➔	•Up to 25% of project cost for IFC's account
•Expansion or rehabilitation	➔	•Up to 50% of project cost

- Umbrella for participants in IFC's syndication program: IFC lender of record, immunity from taxation and provisioning requirements.
- IFC's total financing (for its own account) must be less than 25% of total company capitalization

IFC invests Equity, Senior Debt, Everything in Between



THANK YOU

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