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Guarantee Agency

MULTILATERAL DEVELOPMENT BANKS' COLLABORATION:
INFRASTRUCTURE INVESTMENT PROJECT BRIEFS

Côte d'Ivoire: Block CI-27 Gas Field Expansion



Overview

After several decades of stability and growth, in 1999 Côte d'Ivoire began to suffer from political strife and the effects of a brutal civil war. However, in 2011 the country began to once again stabilize and experience solid growth. To fuel its economic expansion and increasing demand for electricity, Côte d'Ivoire recognized it needed to increase its gas supplies. In 2012, the World Bank Group's International Development Association (IDA) and Multilateral Investment Guarantee Agency (MIGA) provided partial risk guarantees and political risk insurance, respectively, to a project aimed at developing offshore gas fields that would supply independent power plants. Part of the investments covered by MIGA were re-insured by the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), a part of the Islamic Development Bank. The support from these multilateral development institutions, investors, and financiers helped secure a 12-year supply of dry natural gas for the country's domestic power plants.

This series showcases how the Multilateral Development Banks' collaboration supports the development and implementation of infrastructure investment. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

Background

The power and gas sectors in Côte d'Ivoire are deeply interlinked. Power is virtually the sole market for gas producers and electricity production is heavily dependent upon natural gas as power from combined cycle plants running on local gas is highly competitive. At the time the project was proposed, the country's electricity consumption had been growing at a compounded annual growth rate of 6.9 percent from 2005-10, with only 110 MW of generation capacity added over the same period. In addition, gas producers had attained the maximum output levels that gas reserves could sustain. Increasing gas supply became fundamental in order to address the increasing energy demand.

Power generation capacity expansion was delayed by lags in new gas resources development. Furthermore, the gas sector was confronting several challenges, including insufficient tariffs; rising gas costs; lack of a creditworthy off-taker; unbalanced sector finances due to declining collections; and lack of a track-record implementing similar gas field expansion projects. The political crisis of 2010 compounded the sector's financial problems, making long-term financial sustainability more difficult.

In parallel, developing new natural gas sources, particularly offshore, was part of the government's approach to addressing gas supply issues.

Project Description

The project, supported by IDA, MIGA and ICIEC, entailed the expansion of the Block CI-27 gas field through the construction and operation of a new platform, called Marlin. It included adding to the existing platform, called Foxtrot, a network of pipes insuring better reliability to the entire system.

Block CI-27 is located approximately 70 kilometers southwest of Abidjan on the West African continental shelf. The existing Foxtrot field had been producing natural gas since 1999. Gas is transported to the Vridi terminal in Abidjan where it is sold to the Azito and CIPREL power stations. To ensure continued, reliable gas supply from this source, the Foxtrot platform had to be reconfigured. The proposed second field, Marlin, would expand offshore capabilities.

The estimated total cost to complete the expansion of Block CI-27 was close to \$1 billion. This included the construction and installation of a new platform (Marlin), the digging of two new wells, and technical reconfiguration of supply lines and facilities that service the existing platform (Foxtrot).

Multilateral Development Banks' Role

IDA and MIGA guarantees complement each other and both instruments were a necessary condition for the project

partners to finalize their investments in Côte d'Ivoire. To protect the investment against the risk of non-payment by the off-taker (state-owned CI-Energies), the IDA payment guarantee backstops a Letter of Credit to cover purchases under the Gas Supply and Purchase Agreement between the Joint Venture (Project sponsors) and CI-Energies. The \$60 million Letter of Credit corresponds to an estimated four to five months of gas deliveries.

MIGA guarantees protect the investments against the risks of transfer restriction, war and civil disturbance, expropriation, and breach of contract. MIGA's guarantees of \$572.5 million covered an equity investment and a shareholder loan by SCDM Energie SAS of France (subsequently reincorporated in the UK as SCDM Limited), as well as a non-shareholder loan arranged by HSBC Bank of the United Kingdom. Up to \$47.7 million of MIGA guarantees have been reinsured by ICIEC.

Support provided by multilateral development institutions to this transaction was critical to mobilizing private foreign direct investment into the country. Availability of political risk insurance (PRI) for the debt financing was a condition precedent to loan disbursement. MIGA's support of the project was crucial to being able to catalyze the required amounts of reinsurance from both ICIEC and private market PRI providers.

Outcomes

With new investments backed by IDA, MIGA and the ICIEC, Foxtrot International, the operator, completed the drilling of the new wells and associated platform in its Marlin gas field, which went online in 2016. The investment is ensuring a continuous gas supply for power generation, helping the country meet its target of boosting electricity output by around 80 percent over the next six years. The project has enabled Côte d'Ivoire to utilize its strategic hydrocarbon resources to ensure a reliable supply of natural gas at a reduced average price to the country. This is a key component to re-establishing the financial equilibrium of the electricity sector that since 2010 has been seriously impacted.

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