

MULTILATERAL DEVELOPMENT BANKS' COLLABORATION:
INFRASTRUCTURE INVESTMENT PROJECT BRIEFS

Jordan: Tafila Wind Farm



Overview

Jordan's power sector is highly dependent on imported fuel. With plentiful wind and solar resources, Jordan has been seeking ways to harness these resources to reduce wholesale prices, meet growing demand and improve efficiency.

Within the framework of the Collaboration Agreement between the International Finance Cooperation (IFC) and the European Investment Bank (EIB), IFC engaged with a private sector partner, EP Global Energy (EPGE), to advise on the development of the project, including the financing package and a set of bankable project agreements. As the lead financier, the European Investment Bank financed 25% of the total cost of the project.

The Tafila Wind Project is the first private wind project to reach financial close in the Middle East and North Africa (MENA) region outside of Morocco and achieved commercial operations on September 16th, 2015.

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

Jordan currently imports around 96 percent of its energy needs, accounting for over 20 percent of GDP, which has created considerable pressure on the government's budget. Energy demand growth has been exacerbated by the recent influx of nearly two million refugees, pushing the population of Jordan up by 25 percent to nearly 6.3 million. To meet this new demand without upsetting fiscal stability, the Government of Jordan (GoJ) has decided to reduce its reliance on imported fuel and increase domestic renewable energy production.

Jordan passed the Renewable and Energy Efficiency Law, which enabled the Ministry of Energy and Mineral Resources (MEMR) to conduct a direct proposals process to develop a number of renewable energy projects. In June 2011, MEMR granted exclusive rights to EP Global Energy (EPGE), a Cypriot energy firm, to develop a wind farm project for a 24-month period. During this period, EPGE was responsible for the development of a bankable project, including carrying out all technical and environmental studies negotiating, a power purchase agreement (PPA) and a guarantee agreement with the government. It requested IFC's assistance in structuring and financing to ensure this unique project for the MENA region is commercially viable.

Project Description

The Tafila Wind project involves the construction, operation and maintenance of a 117 megawatt wind farm and associated facilities in the Tafila region of Jordan, located between the capital, Amman, and the Port of Aqaba. The wind farm operates as an independent power producer (IPP) selling all generated output to the National Electric Power Company (NEPCO), under a 20-year power purchase agreement (PPA). The project is Jordan's first renewable energy IPP. EPGE acquired the necessary land for the development of the project and the project is now in the operations phase. At the end of the 20-year PPA, the company is required to return the site to its original condition. GoJ, provided support through a guarantee of off-taker payment obligations as well as tax and customs incentives for renewable energy projects. The total project cost was estimated at \$287 million.

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Front: IFC

Multilateral Development Banks' Role

IFC provided advice in structuring the project agreements and assisted MEMR in negotiations with EPGE. The project agreements negotiated with the Jordanian authorities became the basis of Jordan's renewable energy contractual structure for the first round of 12 solar power projects which achieved financial close and will also serve as a model for subsequent rounds of projects. This \$287 million project is supported by \$221 million in loans. IFC is providing a \$55 million A Loan, a \$14 million C Loan, B loans of \$59 million (in which the participants are Europe Arab Bank and FMO) and mobilizing a finance tranche of USD 72.24 million from the European Investment Bank (counter-guaranteed by EKF) and \$21 million from OFID. IFC also provided interest rates swaps for the entire debt package.

Outcomes

- Mobilizes a total of \$216 million, including \$75 million from IFC's own account and additional funding of \$141 million from other lenders.
- Improves access to power for 72,000 customers.
- Reduces greenhouse gas emissions of 224,000 tons of CO2 annually.
- Provides domestic power to the grid at a price 17 percent below average electricity prices.
- Winner of Project Finance International's Middle Eastern Renewables Deal of the Year 2013 award.

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