Carthage Power / Radès II

Financing Tunisia's First IPP

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Tunisia

- Population 9.2 million
- GDP of $2,133 *per caput*
- Geographically / historically close to Europe
- Close EU trading links
- Exports - textiles, tourism, agricultural products
- Significant overseas workers' remittances
- Modest debt levels and good repayment record
- Investment grade ratings (Baa3 / BBB-)
- Political stability
- Low inflation
- Stable Tunisian Dinar (TD) exchange rate
  (TD1 = (approx.) US$1

STEG

- *Société Tunisienne de l'Electricité et du Gaz*
- Gas supplier and power offtaker under GSA and PPA
- *Société Anonyme* under Ministry of Industry
- Present capacity around 2250 MW, mostly open or steam cycles
- Annual growth in power demand around 7%
- Need to replace ageing / less efficient capacity
- Consumer / industrial user tariffs at reasonable levels
- Profitable and sound financial structure
- Support from Tunisian Government for social programmes (e.g. rural electrification)

Gas Sector

- Sources:
  - Algeria / Trans-Mediterranean Pipeline
  - Domestic production mainly via offshore Miskar field (British Gas)
- STEG main distributor within Tunisia
- Power generation now mainly gas-based

IPP Development

- Enabling legislation for IPPs passed in 1996
- STEG retained monopoly of transmission and distribution
- Hence all power generated is to be sold to STEG
- Key drivers:
  - Competitively priced power in Tunisia
  - Budget relief
  - Showcase for foreign investment
- "Groupe IPP" - joint working party of Ministry of Industry and electricity and gas wings of STEG

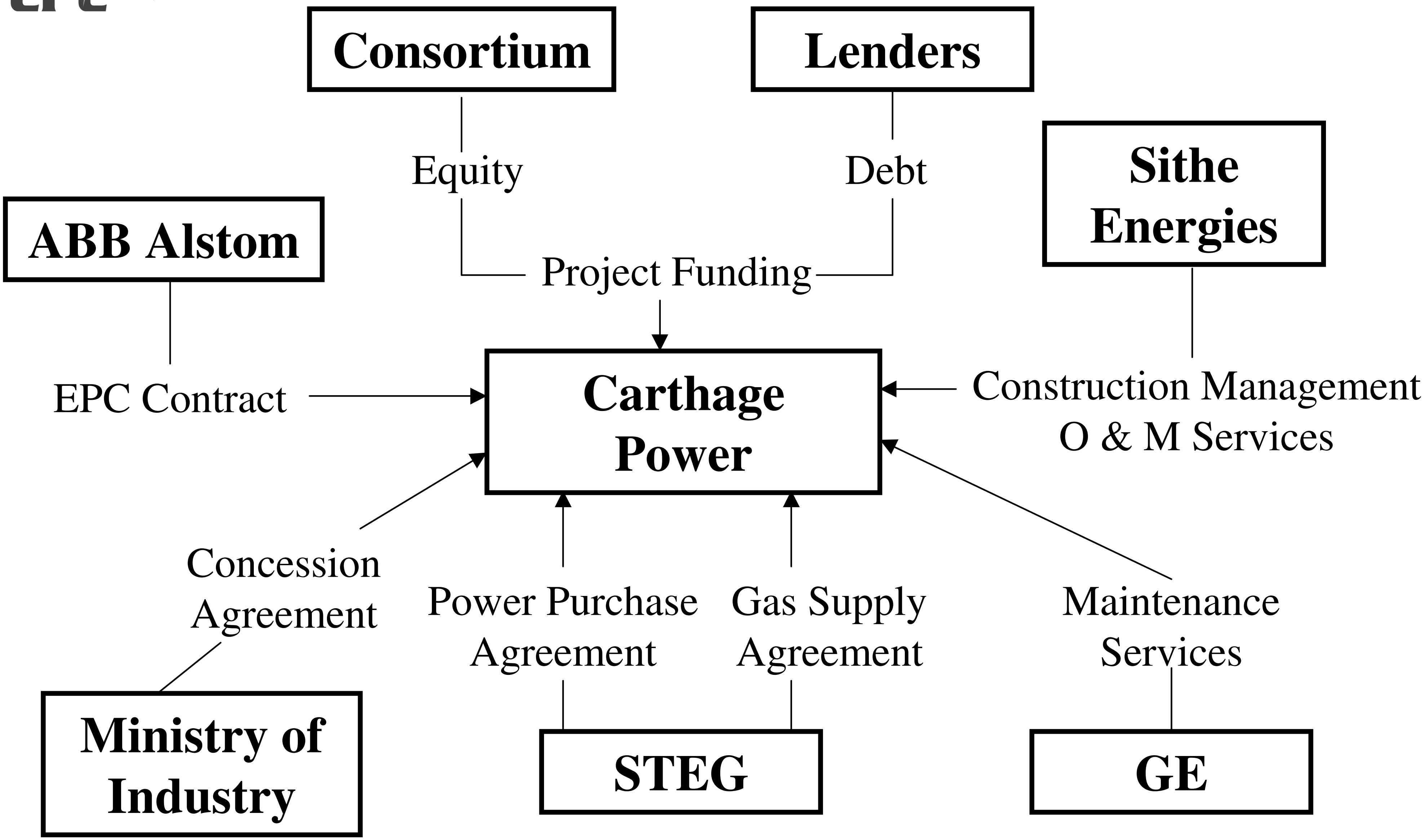
Radès Site

- Industrial area south of Tunis
- Reclaimed land by the sea
- Next to 2 existing plants (Radès "A" and "B")
- Grid connections and gas pipelines already available
- Convenient nearby sources of standby diesel
- Limited environmental effect

Timetable

Jan 97:	Following pre-qualification, bids invited (8 bidders submitted proposals)
May 97:	Consortium submitted offer for 471.3MW (351MW without duct firing) with lowest average discounted tariff (TD 0.023)
Sep 97:	Letter of Intent issued
Mar 99:	Project Agreements signed with Ministry of Industry & STEG
Jun 99:	Loan documentation signed
Sept 99:	Financial Close
Oct 99:	Commercial Loan syndication
Sep 01:	Scheduled Commercial Operation Date
Sep 21:	End of concession term - plant may be purchased by STEG

Project Structure



Carthage Power

- Carthage Power SARL incorporated in Tunisia
- Ownership:
  - PSEG Global (consortium leader) 35%
  - Marubeni Corporation 32.5%
  - Sithe Energies 32.5%

  \- via offshore subsidiaries
- SARL legal form (akin to a partnership), for U.S. tax reasons
- Limited number of expatriate staff
  - General Manager
  - Plant Manager (seconded by Sithe Energies)

Concession Agreement

- Signed with Ministry of Industry on behalf of Republic of Tunisia
- Linked closely to PPA - 20 year term from completion; parallel events of default, etc.
- Provides tax concessions:
  - VAT and import duty-exempt during construction
  - Corporate tax exemption for first 5 years of operation
- Ministry support on permits
- Imposes debt:equity ratios, minimum contingency funding, and funding in €and US$
- Confirmation of support for STEG
- Overall ratification of Project Agreements by Presidential Decree

Key PPA / GSA Features

- Tunisian law contracts, in French
- 20 year operation
- Usual fixed / variable charge structure in PPA
- Tariff paid in TD, but currency-based components in € / US$ equivalent
- Reduction in fixed capacity charge from year 9
- Penalty regime for unavailability / reduced output
- Option for STEG to repurchase for TD1
- Political *force majeure* / change in law protection
- Gas delivery at STEG's risk, no "take or pay"
- Gas payments in TD, fuel cost passed through

Financing Issues

- Little borrowing history in Tunisia except Republic
- No previous project financings
- No significant local funding capacity
- Strict exchange controls
- No offshore accounts
- Short debt term (2+8) to match tariff profile
- Covered or uncovered debt?
- Currency hedging
- Interest rates fixed in bid

Funding

- Total project cost US$261m equivalent
- 70:30 debt:equity (to meet Tunisian investment law)
- 60:40 mixture of € and US$, matching tariff revenues
- Commercial banks - €93m (uncovered) loan
  - U/W by Sanwa/Paribas; small general syndication
- JEXIM (JIBIC) - US$73m debt, on untied basis
- Commercial banks also provide $14m performance bond
- TD facility for VAT during construction (Citibank Tunis)
- Interest Swap Facility

Debt Structure

- JEXIM / commercial bank loans *pari passu*
- Common Terms Agreement
- 2 year drawdown
- 8 year repayment, structured to maintain level ADSCR
- LLCR 1.7x; average ADSCR 1.4x
- Margin of 1.4-1.55% on commercial debt
- Interest / monthly debt service reserve accounts

Future projects

- **Power generation**
  - Small (20 MW) flared gas project under negotiation
  - Tender for a wind farm (40 MW) being prepared
  - Next possible major project 300 MW gas-fired plant in the south
- **Cross-border grid development**
- **Gas production / distribution**
  - BG has financed on balance sheet
- **Water / sewage**
- **Other infrastructure (e.g. roads)**