



# Public-Private Partnership Stories

## Jordan: Tafila Wind Farm



Jordan's power sector is unsustainably dependent on imported fuel. It suffers from high wholesale electricity prices and electricity demand continues to grow at 8 percent per annum. Current financial losses in the power sector are one of the largest pressures on the Jordanian budget. At the same time, Jordan has plentiful wind and solar resources but has been struggling to harness these over the past decade.

IFC played a unique role in this project by engaging early 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. This allowed for an IFC investment of \$69 million and mobilization of a further US\$152 million in private sector financing.

The Jordan Wind Power Company (JWPC), owned in part by EPGE, Masdar and InfraMed Investments, signed a power purchase agreement with the government of Jordan and reached financial close in November 2013. Completion of the new 117MW facility is expected in September of 2015. The Tafila wind project is the first private wind project to reach financial close in the Middle East and North Africa region outside of Morocco.

*This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.*

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*This landmark transaction is Jordan's first wind farm and sets the stage for the roll-out of its long pipeline of wind and solar parks over the next few years.*

## 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. As home to 6.3 million people, and with population growth and demands from increasing numbers of Syrian refugees, the government has been focused on decreasing reliance on imported fuels through increasing domestic renewable energy production. Jordan passed the *Renewable and Energy Efficiency Law*, which, among other things, enabled the Ministry of Energy and Mineral Resources (MEMR) to conduct a direct proposals process to develop a number of renewable energy projects.

EPGE signed a Memorandum of Understanding (MOU) with the MEMR on June 4th, 2011, providing exclusive rights to develop its chosen site, for a period of 24 months. 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.

## IFC'S ROLE

IFC engaged very early in the transaction, signing a mandate letter with EPGE, in December 2011, at a time when the developer had only a six-page MOU. Under the terms of the mandate, IFC leveraged both its investment and advisory teams to support EPGE in structuring the project agreements and assisting in negotiations with the government of Jordan, as well as mobilizing the project's entire debt package. The project agreements negotiated with the Jordanian authorities are now the basis of Jordan's renewable energy contractual structure for the current round of 12 renewable energy projects under negotiation and will also be the template for subsequent rounds of projects.

## TRANSACTION STRUCTURE

As envisioned by the direct proposals process, renewable projects in Jordan take the form of build-own-operate projects. The client, EPGE, has acquired the necessary land for the development of the project and will then design, build operate and maintain the project. At the end of the 20 year PPA, the project company is required to return the site to its original condition. The government provided support through a guarantee of offtaker payment obligations as well as certain tax and customs incentives for renewable energy projects.

## BIDDING

The Tafila project was the first project to be undertaken through the direct proposal process. Specifically, the government invited developers to submit expressions of interest for the development of renewable projects indicating the maximum tariffs that the

government would pay for different types of renewable power. In the developers' expression of interest, the land required for the project and the proposed size and type of facility had to be identified. For expressions of interests acceptable to the government, MOUs were issued, which provided developers with an exclusivity period of 24 months, during which time they need to develop the project, sign project agreements with the government, and reach financial close. Developers are expected to submit generation proposals, containing detailed technical and financial information on the proposed project, within six months of signing the MOU. After acceptance of the generation proposal, MEMR is authorized to sign PPAs and developers then have a further six months to reach financial close.

In the first round of direct proposals, facilities larger than 10MW were accepted, and many of these facilities are now close to signing project agreements. A second round, where projects must be 50MW or larger, was announced and the government is in the process of announcing the short list of developers who will receive MOUs for project development, under the process described above. A third round, expected to be for projects of 100MW or larger, has also been announced and expressions of interest are expected to be received in the near future.

## EXPECTED POST-TENDER RESULTS

- Winner of Project Finance International's Middle Eastern Renewables Deal of the Year 2013 award.
- Investment mobilized: 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 \$93 million in parallel loans from EIB (counter-guaranteed by EKF) and OFID. IFC also provided interest rates swaps for the entire debt package.
- Number of people who benefit: Improved access to power for 72,000 annually. Reduced greenhouse gas emissions of 224,000 tons of CO<sub>2</sub> annually.
- Government benefits: Will provide domestic power to the grid at a price 25 percent below current wholesale electricity prices.

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