

HIGHLIGHTS

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- Contingent capital product: crucial new product for project finance.
- Enel power, Argentina.
- Invitation to strategic partners for 500 MW IPP in Brazil.

News'nViews

CONTINGENT CAPITAL PRODUCT ANNOUNCED.

Credit Enhancement and Contingent Capital products were announced by Taylor-DeJongh and Swiss Re New Markets at the ICBI Projects International Conference in Paris.

Terry Newendorp, Chairman and CEO of Taylor-DeJongh and Rico Baumgartner, Director of Project Finance at Swiss Re New Markets, delivered a joint presentation "Credit Enhancement Techniques and Products" on February 15. Mr. Newendorp spoke in detail on the issues of credit enhancement, political risk insurance, financial guarantees, and political and bundled risks for project financing. A few new credit enhancement and risk insurance products developed by the two companies were the highlights of the presentation.

Additionally, Mr. Baumgartner discussed Swiss Re's approach to project finance, focusing on contingent capital, as well as some general risks associated with different elements of project financing. Contingent capital funding is considered a special type of insurance coverage, since the funds injected into the project under this scenario are not "lost" for the insurer, but instead are transformed into a senior or subordinated debt or equity with corresponding return. The audience met the new ideas with much interest and initiated a Q & A session that led to discussions on possible application of the announced new products to some projects currently under development. ■

For more information on credit enhancement and the new products, please call Taylor-DeJongh at 202-775-0899.

TAYLOR-DEJONGH CONTINUES TO FURTHER BRAZILIAN POWER DEVELOPMENT.

Taylor-DeJongh has signed a mandate with Copelmi Mineracao, Ltda., to act as financial advisor to the company and to introduce a suitable strategic partner for its 500 MW Seival coal fired power project in Rio Grande do Sul, Brazil. The process of a strategic partner selection has begun, with the Information Memorandum having been distributed to a large variety of power generation developers globally. The final selection will be made by June this year.

Copelmi Mineracao, Ltda. is the owner of the coal mine that will supply the Seival project. The company has already secured various important permits, licenses and MOUs with the pertinent Brazilian regulatory and electricity bodies. The commercial and financial feasibility study for the Seival project was undertaken by a consortium including Parsons Energy & Chemicals and Taylor-DeJongh.

Taylor-DeJongh presented at the U.S - Brazil Coal Power Project & Finance Workshop "Brazilian Generation Development: Challenges", which was held in Porto Alegre, Brazil. Topics of discussion were related to lender and sponsor views and concerns on

Hybrid Power Purchase Agreements, R\$ debt versus US\$ debt, fuel issues, and suitable Debt Service Coverage Ratios. The company presentation was a success and generated a lively discussion followed by several requests from developers for Taylor-DeJongh's assistance in project structuring and financing issues. ■

ENEL POWER. ARGENTINA.

Taylor-DeJongh is acting as the financial advisor to SACE, the Italian export credit agency, in its role providing extended political risk cover for an Argentine merchant power project. The sponsors of the project are ENEL Power of Italy, Inepar of Brazil, and FAT LYF of Argentina. As financial advisor to SACE, Taylor-DeJongh will analyze all aspects of the project, including commercial structure, market risks, financial projections, lender security package, financial modeling, and risk analysis and mitigation. The project will consist of the dismantling of a non-operating power generation plant, use of certain existing facilities, and construction of a new 159 MW gas turbine and a 79 MW steam turbine. The fuel supply contract for this 100% natural gas plant will be based on a take-or-pay agreement and the output will be sold into the national grid through the spot market. The plant is located near the City of San Miguel in the Tucuman Region of Argentina. ■



MALI POWER. WEST AFRICA.

Taylor-DeJongh is appointed financial advisor to the Government of Mali in the building of a 50MW power plant. This assignment follows a financial and technical assessment of project viability conducted jointly by Parsons and Taylor-DeJongh. The project will help to correct the current shortfall in generating capacity, and improve the efficiency of the electricity sector in the long run. The exact structure of the plant ownership has yet to be determined, but several developers have already expressed interest. Taylor-DeJongh will aggressively seek financing from the World Bank and other multi- and bilateral institutions.

Mali will also be the site for a second financial advisory assignment; this time advising the national cement company and a strategic developer on the construction and operation of a new cement plant. Taylor-DeJongh views this project as a strong sign of things to come in the African market.

The advisory, conducted in conjunction with Islamic Finance Consultants (IFC) will leverage Taylor-DeJongh's regional expertise and experience, while IFC will look to bring investors in from its network of 18 Islamic finance groups. ■

Abu Dhabi Conference. UNPRECEDENTED ATTENDANCE - 500 PARTICIPANTS.

The Inaugural Middle East Project Finance & Privatization Conference, held in Abu Dhabi at the end of January attracted a lot of attendees interested in utilities capitalization in the region. Martin Blaiklock from Taylor-DeJongh chaired one of the sessions on "Comparing and Contrasting Financing a Water/Power Project vs a Petrochemical or LNG Project: a Cross Industry Examination". Richard Parry chaired a session on "Risks Associated with International Project Financings and how to effectively benefit from Government Bilateral and Multilateral Agencies in Project Finance." Taylor-DeJongh partner in Bahrain, Abdelhak El Kafsi, the President of Islamic Finance Corporation, made a presentation on local projects in development. Crown Prince Sheikh Khalifa Bin Zayed Al Nahyan and many other UAE and Gulf dignitaries were present.

Taylor-DeJongh shared views of regional project activities with the Ministry of Oil&Gas of Oman; the Ministry of Finance of Oman; SABIC; and the Abu-Dhabi Regulatory Authority.

This was a great opportunity for Taylor-DeJongh to once again present its lines of business - now expanded beyond project structuring and financing to include fund management services - to wider regional audiences.

--Martin Blaiklock, London --Maha El-Alaily, Cairo

The Middle East is a hot target for project financing initiatives, but a tough one too. The majority of capital sources are private. The right contacts and special relationships with entities play an enormous role in convincing the asset holder to participate in a project development.

Read our Middle East series on the regional growth in the March issue of the *EuroMoney International Privatisation Review*, and June and September issues of *Privatisation International*.

COMESA 2000 - THE EMERGING AFRICAN MARKET.

On February 28-29, Maha El-Alaily and Martin Blaiklock attended the above inaugural event in Cairo. The Conference was a 'sell-out': original plans had been made for 700 delegates, but in the end the organisers had to cater for 1400 or more. The Conference received widespread publicity in the mass media. President Mubarak, the Egyptian Prime Minister, the Foreign Minister, the Trade Minister and the Energy Minister all were among the attendees. The Presidents of Zambia and Kenya and the King of Swaziland honored the event with their presence.

The overall politics of the event were of note. There are two competing African blocks, COMESA (The Common Market for Eastern and Southern Africa) and SADC (The Southern African Development Community). Now that Egypt has joined COMESA, this has given it a new purpose and life. At the end of the event, the Egyptian Prime Minister committed to hosting the COMESA 2001 event in Cairo, as well as investing a few million dollars to set up the appropriate telecommunications and infrastructure links within COMESA to ensure effective communication and foster future activities.

Taylor-DeJongh was actively present at the event. There was much interest in the presentation on risk management that Martin Blaiklock gave in the 'Power' panel session. Although the presentation had been cut short due to the unplanned presentations by the Ministers for Energy for Egypt and Uganda, it stirred remarkable interest among the audience members. --Martin Blaiklock, London. --Maha El-Alaily, Cairo

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