

PFI Awards **EMEA****Power Deal of the Year****Siciliaenergia Waste to Energy**

The EMEA power market has been diversifying this last year – with Eastern Europe, Africa, renewables and nuclear energy balancing out the Middle Eastern IPP focus – but it was the €1.4bn Siciliaenergia project in the emerging waste to energy (WtE) sector that caught the eye.

The sheer size of the non-recourse debt – a hefty €1.118bn – is unprecedented in a sector that has been mainly focused on smaller, more marginal projects. In fact, the debt size would quite happily outstrip many of the traditional power financings that are offered in the EMEA region.

If compared with other WtE projects closed in 2006, the scale of Siciliaenergia is clearly evident. Other deals concluded in the year include RZR II and a SITA Deutschland and Stadtwerke Gera scheme, both in Germany, which received €120m and €114.2m in debt respectively. In France, additionally, there was a €39.5m lease financing to help fund the upgrade of the 173,000tpy Argenteuil WtE plant in Val d'Oise.

The Siciliaenergia project – sponsored by Actelios, a subsidiary of Italian engineering and energy player Falck – was quite complex in

its set-up, divided into different installations. The scheme itself is structured into three separate project companies: Palermo Energia Ambiente, to be situated in Palermo to serve the waste disposal requirements of the provinces of Palermo and Trapani; Tifeo Energia Ambiente, to be situated in Augusta to serve the provinces of Enna, Ragusa, Siracusa and parts of Catania; and Platani Energia Ambiente, to be situated in Agrigento to serve the provinces of Agrigento and Caltanissetta as well as a part of Palermo province.

Each plant will have a waste throughput capacity of about 700,000tpy with the offtake for the collective project being provided by a 20-year CIP6 power purchase agreement (PPA) with parastatal Italian grid operator GRTN.

Under CIP6, the offtaker agrees to purchase the power from a project for 20 years, but the first eight years see the generator paid a substantial premium to the market price for the energy. The PPA with GRTN will account for some 60% of Siciliaenergia's revenues in the first eight years of operation, with waste-handling fees paid by the provincial authorities forming the rest of the revenue stream.



The debt package itself is broken down into a number of facilities, including senior debt (€935.5m); VAT (€105m); a VAT guarantee tranche (€40m); and a stand-by facility (€37.3m). Tenor is 15 years and, impressively for a project in somewhat of a niche sector without a proven track record, the pricing is in line with the wider market rates. Overall, the margin is 140bp during the three-year construction, after which it drops to 127.5bp before increasing over the tenor back to 140bp.

A bank group made-up of local players Banca Intesa, UniCredit Infrastrutture and Cassa di Depositi e Prestiti were mandated lead arrangers (MLAs) alongside UK powerhouse Royal Bank of Scotland. Syndication was launched just before the summer and the reaction was positive. The MLAs had legal advice from Linklaters and Gianni Origoni Grippo & Partners, with Clifford Chance and Grimaldi & Associati representing the sponsors.

Siciliaenergia proved that it is possible to develop and finance a huge project in a relatively unproven area and paves the way for similar bold financings for new technology schemes in the future.