

Genting Power Holdings Limited

Pioneering financing of a USD 1bn power plant in Banten, Indonesia

Case Study

The Client In 2013, power company PT Lestari Banten Energi (part of the Genting group) was seeking to finance a USD 998m project to build a 660MW coal-fired power plant in Banten, West Java, Indonesia. The power plant ("Banten") is due to commence production in 2017, and leverages best-in-class technology combined with high energy efficiency. The company signed a 25-year power purchase agreement (PPA) with state offtaker PT PLN Persero (PLN) to purchase 100% of the project output.

The Challenge The power sector in Indonesia is growing rapidly, boosted by increasingly favorable economic and regulatory conditions, and enhanced government support. However, the global financial crisis resulted in many projects running into difficulty because of the way that they were financed. This resulted in lenders requiring government guarantees, restricting the ability to increase power capacity.

PLN was seeking to launch a project to offtake power without explicit support from the Government of Indonesia, the first project of this kind. Although Genting Power Holdings Limited ("Genting") had not invested in power projects in Indonesia in the past, it recognized the benefits of sponsoring the project, and unlike other potential sponsors, was not discouraged by the lack of government guarantee.

Another challenge that further complicated the potential project financing arrangements was that the equipment supplier and construction contractor for the power plant was a Chinese corporation, Harbin Electric International Co., Ltd. As many international banks lack depth of footprint in China, they were unable to assess the potential risk of the transaction.

The Solution Genting approached Citi, with which it had an existing relationship, to lead the financing for the project. Citi was unique in that it was familiar with each of the three key players: it was keen to support Genting as a valued client; it had financed bond issuances for PLN in the past, and had a strategy to support Chinese corporations in expanding their international footprint. In addition, Citi was familiar with the power industry in Indonesia and was committed to playing a role in the economic and social development in the country.

The Result

Citi rapidly devised and led a long-term project financing facility of USD 730m, which helped a number of Malaysian and regional financing banks to become more comfortable with the credit risk. This was the first major regional independent power producer (IPP) project with a Chinese contractor, and Citi's first IPP financing transaction in Indonesia. The project was awarded a number of international accolades, including:

- *Project Finance*. Deals of the Year 2013. Asia Pacific Deal of the Year; Asia Pacific Power Deal of the Year
- *The Banker*. Deals of the Year 2014. Infrastructure and Project Finance Deal of the Year - Asia Pacific
- *PFI Awards 2013*. Asia Pacific Power Deal of the Year
- *Finance Asia*. Achievement Awards 2014. Best Project Financing 2014

As a result of this successful transaction, a number of other sponsors, and Chinese contractors, have approached Citi to leverage its expertise and track record in facilitating this type of complex, multi-geography project financing solution.