



# CASE STUDY:

## ALBATROS ENERGY MALI

### THE COMPANY:



<b>Company:</b>	Albatros Energy Mali S.A.
<b>Region:</b>	West Africa
<b>Country:</b>	Mali
<b>Sector:</b>	Power Generation
<b>Technology:</b>	Thermal power
<b>Size:</b>	USD26.5m
<b>Investors:</b>	AIIF3, Redox Power Solutions Ltd, Burmeister & Wain Scandinavian Contractor, Denmark's Investment Fund for Developing Countries

### ALBATROS'S STORY

Albatros Energy Mali (AEM) is Mali's largest and most efficient thermal power plant and the country's first independent power producer (IPP) project. The thermal power station is situated 12kms from the city of Kayes in close proximity to the village of Médine, western Mali.

AEM consists of six Caterpillar diesel reciprocating engines, with a total capacity of 90MW – enough to power an estimated 780,000 households. Produced in line with the latest international environmental guidelines, this output represents around a quarter of Mali's current installed base-load power production.

The project was first conceptualised in 2009 and development work began in the same year. By the start of 2016 development had reached an advanced stage and an equity consortium of like-minded partners came together to drive the project across the line, achieving financial close in July 2017.

Construction of the power station was completed in October 2018, two weeks ahead of the 16-month schedule - a significant achievement, given the construction, transport and logistical challenges encountered along the way, in part due to the remote location.

At midnight on the 31st of October 2018, AEM received its first dispatch notification and began to generate electricity, which it sells to the national utility, Énergie du Mali (EDM), under a 20-year PPA. The fuel and lubricating oil are provided to AEM by EDM under a fuel supply agreement. The plant is operated by Burmeister & Wain Scandinavian Contractor (BWSC), under a long-term O&M agreement.

### IMPACT HIGHLIGHTS

- AEM produces a guaranteed minimum of 578 GWh of electricity a year, helping to reduce the country's energy gap by providing much-needed, reliable and affordable power to benefit Mali's people and businesses.
- AEM has created a successful blueprint for future IPPs in Mali, which include a number of projects under development, including two solar PV plants.
- AEM will have a material positive impact on the local communities in the vicinity of the power station and has already implemented a number of community projects including upgrading the local medical dispensary, creating a maternity ward at the clinic and providing an ambulance to transport mothers in labour to the hospital, in addition to funding a COVID-19 mask-making project. Other projects to date include water boreholes at a number of surrounding villages, and providing school books for children in the area.
- AEM hired 139 people from the local community during the construction phase, making up 25% of the workforce. During the operations phase, this proportion increased to in excess of 60% of staff being recruited from the local community.

# THE COMPANY VIEW

Mr Koen Beckers, CEO of AEM, comments:

**“Albatros Energy Mali has proven its ability to implement a project of this magnitude with the first-class support and advice we have received from our partners. As one of our anchor partners, the team from AIIM has been crucial to the success of this project. Their knowledge and experience has enabled us to structure a competitive and well balanced funding solution, and we have been very impressed by their hands-on, practical, solutions-based approach.”**



## THE ROLE PLAYED BY PRIVATE EQUITY

Given the chronic infrastructure deficit in Mali and the limited levels of domestic public funding available, private sector participation has been identified as a critical component in the development of Mali's infrastructure and broader economy. The project sponsors sought out experienced local and international partners with the required technical and financial acumen and ability to critically assess the structural and return requirements to implement this market-first transaction.

African Infrastructure Investment Managers (AIIM), part of Old Mutual Alternative Investments and Africa's largest and most experienced infrastructure equity fund manager, via its African Infrastructure Investment Fund 3 (AIIF3), teamed up as co-investors alongside the project's developer Redox Power Solutions Ltd, its construction and operations contractor Burmeister & Wain Scandinavian Contractor (BWSC) and Denmark's Investment Fund for Developing Countries (IFU).

Financing for AEM was based on a limited recourse project finance structure, with 70% of the funding requirements provided by senior debt and the remaining 30% provided through a mix of share capital and shareholder loans.

The West African Development Bank (BOAD) was appointed as the project's Mandated Lead Arranger (MLA). Other lenders were the Islamic Development Bank (IDB), the Islamic Corporation for the Development of the Private Sector (ICD), the OPEC Fund for International Development (OFID) and the Emerging Africa Infrastructure Fund (EAIF).

To mitigate the interest rate risk, the lenders agreed to provide competitive fixed rate loans to AEM with long tenors of 12 and 13 years. Moreover, the debt comprises a mix of conventional project finance alongside an Islamic finance facility, as well as local currency and Euro denominated debt.

As one of the leading investors across Africa's IPP sector, AIIM was able to add significant experience gained from similar first-in-market investments in the Azura IPP in Nigeria, Genpower IPP in Ghana and a number of Round 1 investments via the South African renewable energy IPP program. This experience was a vital component in the development of appropriate risk mitigations in a market where information inefficiencies allow for strong risk adjusted returns to knowledgeable investors. As this was the first Malian independent power project, the project company and its shareholders worked closely with the Government to ensure that the Concession Agreement and PPA were appropriately structured to achieve project bankability. This included Government obligations to procure and supply fuel to the power plant, financial support from EDM in the form of a letter of credit underpinning EDM's payment obligations to Albatros and a sovereign guarantee to protect Albatros, the lenders and shareholders for non-performance under the contracts.

As a result of the groundwork laid by AEM, future IPPs should be able to undertake and complete their development more efficiently, enabling additional power capacity to be added more easily to the national grid. This will assist in keeping up with the rising power demand that is driven by Mali's growing economy.

## A FORCE FOR GOOD

The importance of reliable and affordable electricity supplies cannot be overstated. In Mali, before AEM, only around a quarter of its 17.6m people had access to electricity. In villages and rural areas, this fell to just 15%.

This Greenfield power development adds circa 25% to Mali's current base load capacity and is capable of providing electricity to an estimated 780,000 households. It is a significant first step in the Malian government's policy to increase national generating capacity.

The project has also generated substantial local benefits. AEM has worked with a group of community representatives, chaired by the mayor of Hawa-Dembaya, looking at community priority projects including the

provision of healthcare facilities in the village of Médine, implementation of a water master plan for the region, amongst other investments, as noted above.

AEM represents a major milestone for the country and for the private sector. The developers and investors have proven their ability to develop a project of this magnitude and overcome the multi-dimensional challenges towards reaching financial close. The realization of this first IPP project proves that Mali is ready and capable to forge its own destiny and to trust its local entrepreneurs with the structuring, development and implementation of strategic home-grown public private partnerships.

[www.aiimafrika.com](http://www.aiimafrika.com)

A MEMBER OF  **OLDMUTUAL** ALTERNATIVE INVESTMENTS

African Infrastructure Investment Managers (Pty) Ltd (Reg No 2000/001435/07) (FSP 4307) is a licensed financial services provider, approved by the Registrar of Financial Services Providers ([www.fsb.co.za](http://www.fsb.co.za)) to provide advisory and/or intermediary services in terms of the Financial Advisory and Intermediary Services Act 37, 2002. African Infrastructure Investment Managers (Pty) Ltd is a wholly owned subsidiary of Old Mutual Alternative Investments Holdings (Pty) Ltd and is a member of the Old Mutual Investment Group. Old Mutual Alternative Investments (Pty) is a member of the Old Mutual Group. This is a market linked pooled product, which is policy based. The policy is issued by Old Mutual Life Assurance Company (South Africa) Limited. Old Mutual Investment Group is a member of the Old Mutual Group. Accordingly, Old Mutual plc and Nedbank are related entities. We outsource investment administration of our local funds to Curo Fund Services (Pty) Ltd, 35% of which is owned by the Old Mutual Investment Group Holdings (Pty) Ltd. All inter-group transactions are done on an arms lengths basis. While all reasonable steps have been taken to ensure that the information in this report is accurate, the information is provided without any express or implied warranty. Please note that where percentages are displayed in this report, the total may not add to 100% due to the rounding of figures. Past performance is not necessarily a guide to future investment performance. For more detailed legal information pertaining to the Old Mutual Investment Group, and Old Mutual Alternative Investments please refer to the Legal section of our website. [www.oldmutualalternatives.com](http://www.oldmutualalternatives.com)