

Dubai Electricity and Water Authority (DEWA)

Export Credit Agency-backed deal delivers record tenor and low borrowing costs in turbulent market environment

Case Study

The Client Dubai Electricity and Water Authority (DEWA) is a 100%-owned entity of the Government of Dubai. The principal activities of DEWA comprise water desalination and distribution, and the generation, and transmission of electricity throughout the Emirate of Dubai.

The Challenge

- DEWA was undergoing a massive expansion to triple its electricity generation and water desalination capacity as part of its CAPEX plan from 2008 to 2010, from suppliers in Italy, France and Germany.
- The company needed external financing at a cost-effective price, but in summer 2008, when an RFP was issued, the global financial markets were dramatically weak.
- The bank, bond, securitization and Islamic finance markets were, for the most part, closed to new borrowing, and in the following months conditions worsened.
- An additional challenge was that DEWA required funding with an unprecedented long tenor – right at a time when investors were unwilling to fund long-term borrowing given the uncertainties in global financial markets.

The Solution

- Given the absence of other modes of financing, Citi – having been mandated as one of the Mandated Lead Arrangers (MLA) and overall deal coordinators in August 2008 – looked at support from Export Credit Agencies (ECAs) when it was structuring a long-term financing in March 2009.
- The resulting USD1 billion-plus financing gave DEWA an unprecedented door-to-door tenor of 13 years, which is supported by comprehensive guarantees from three European ECAs, namely: France's Coface (USD180 million), Germany's Euler Hermes (EUR516 million) and Italy's SACE (USD150 million with an option of up to USD300 million).

The Result

- With between 95% and 100% of the deal AAA/AA-rated guaranteed by the three ECAs, along with attractive premium levels given Dubai's high OECD rating, DEWA was able to achieve competitive pricing and a 13-year tenor in the current risk-averse environment.
- The financing delivered cost-effective, long-term borrowing for DEWA. It also enhanced the reputation of Dubai since previous financing from the Emirate had not gone beyond ten years in recent times.
- The financing was the first major multi-ECA financing for a quasi-sovereign from the UAE or the GCC.

**The Result
(cont.)**

- The EUR516 million Hermes tranche, which had 95% cover, was the largest approved for Dubai to date. SACE's USD150 million tranche carried an unusually high level of cover at 100%. SACE has also provided an option for another tranche of up to USD300 million, which would also benefit from 100% cover.
- Finally, COFACE showed its strong commitment, approving a total line of up to USD485 million to DEWA with the first tranche at approximately USD180 million.

"The resulting USD1 billion-plus financing gave DEWA an unprecedented door-to-door tenor of 13 years." – The Client