

Thar Coal Project Achieves \$2bn Financial Close After Govt Guarantee

ISLAMABAD: The government on Monday issued guarantee to Engro Powergen Thar Ltd (EPTL) to formally recognise its \$2 billion financial close of the coal mining and power project at Thar. An announcement by EPTL said a joint venture of Sindh Engro Coal Mining Company (SECMC) and ETPL will undertake the project construction at Thar (Block-II) for power generation beginning by mid-2019. It said the National Transmission and Despatch Company (NTDC) also committed to establishing a 500kV Direct Circuit Transmission Line from Thar to Matiari.

“This significant feat marks a new era for energy security in Pakistan and brings with it the realisation of the Thar dream,” said the company, adding this would be the first power project to rely on indigenous coal reserves of Thar. With all necessary formalities for phase-1 for both projects completed, initiation for phase-2 for mine and power plant expansion by Hub Power Company and Thal-Nova Power Limited was also under way, it added.

SECMC is a joint venture company with the Government of Sindh, Engro Powergen and affiliates namely, Thal Ltd (House of Habib), Hub Power Company, Habib Bank Limited, China Machinery Engineering Corporation (CMEC) and State Power International Mendong (SPIM). This company will be responsible for extracting 1.57 billion tonnes of lignite coal available in its allocated area of Block II in Tharparkar. During the first phase of the project, a mine of 3.8 million tonnes per annum capacity will be developed by SECMC.

This coal will be utilised by a mine-mouth power plant of 2x330 (600MW) being established by Engro Powergen Ltd, a joint venture company of Engro Powergen China Machinery and Engineering Company, Habib Bank Ltd and Liberty Mills Ltd. Commercial operations date (COD) for phase 1 of both projects is expected to take place by mid-2019. Total cost for both projects is estimated to be approximately \$2bn.

The mandate to regulate coal pricing has been vested with Thar Coal and Energy Board (TCEB). Last year, in response to tariff petition by SECMC, the board determined tariff for initial 3.8mtpa mine capacity and also approved provision for expansion. National Electricity Power Regulatory Authority (Nepra) had already issued a detailed upfront tariff for Thar coal-based power projects in July 2014. The both regulatory bodies have championed the cause of Thar for the benefit of people. At peak capacity, power tariff from Thar block-II is currently estimated at about 6 cents per unit, which the company said was amongst the cheapest options available to the country.

On the financing front, shareholders of both companies will inject about \$500 million. A syndicate of local banks will provide \$500m for the mining and about \$240m for power plant. The local syndicate is led by Habib Bank, United Bank, Bank Alfalah, National Bank and Faysal Bank. In addition, a syndicate of Chinese banks consisting of China Development Bank, Construction Bank of China and Industrial and Commercial Bank of China are providing \$820m loans for the project.