

Essent Trading and T-Power's 15-year tolling agreement

★ Essent Trading's 15-year agreement with T-Power to toll the output of a new-build 420 megawatt (MW) combined cycle gas turbine (CCGT) plant at Tessenderlo, Belgium, not only secured the financing of the €440 million project but will also change the competitive landscape in Belgium's power market.

Essent Trading won the tolling agreement after a competitive tender process involving several European utilities, thanks to its strong position in the Benelux gas & power markets. Subsequent negotiations with T-Power were ongoing for just over a year in a challenging environment of soaring commodity prices and credit constraints. "Essent were very strong and creative in their approach and, despite very turbulent market conditions, we were both able to make the deal work," says Mathew Brett, managing director of Advanced Power, one of the three companies that comprise the T-Power consortium.

The T-Power project was initiated when chemical company Tessenderlo Chemie examined ways to secure a supply of long-term power at competitive rates. Advanced Power, a thermal power generation developer, then stepped forward as a deal maker with CCGT technology provider Siemens. The three companies formed T-Power, initiating the first Belgian project financed power plant, and the first large-scale plant to be constructed without the involvement of dominant incumbents Electrabel and SPE.

According to Brett, Essent Trading will resell to Tessenderlo Chemie "a substantial minority" of the plant's production and will trade and optimise the remainder of the position into the market for the 15-year duration of the agreement, with an optional five year extension. The long-term agreement with Essent Trading, which brings a strong credit rating and experience of asset-backed trading, made banks keen to finance the plant construction.

The previous lack of such deals in Belgium is not only due to the dominance of incumbents but also the challenge of finding suitable sites for new build generation. The site of the CCGT at Tessenderlo Chemie's chemical plant was ideal, as it already had a high voltage grid connection. "The location is a big advantage as the CCGT has a lot of commercial synergies with the chemical plant, placing it well in the merit order of new-build

projects in the market," says Carl Hagert, senior vice-president of structured origination at Essent Trading. "At the same time though it makes the structure of the deal more complicated."

Though the site location and permitting phase was smooth, the next challenge arose in the form of spiralling engineering, procurement and construction costs, driven by rising raw material costs. Essent Trading's dedication to the project meant price uncertainty didn't scupper the tolling agreement and subsequent financing.

"People were cautious to see where the market would top out before signing deals," says Brett. "We got around that by establishing a very good working partnership with Essent, and we set targets on the economics of the tolling deal for both sides. Once those targets were met, we closed the deal and signed it."

The process of organising power plant operations to meet the requirements of both Tessenderlo Chemie and Essent Trading was complex. "From an operational standpoint we had to avoid having two captains on one ship," says Jorrit Hachmer, vice-president origination at Essent Trading, who lead the transaction. "We had to agree what would happen in practice and the documentation followed that. That was particularly challenging but we were successful in aligning all stakeholder interests."

Essent Trading has a strong track record in tolling agreements – both with and without an equity stake – in the Netherlands, Belgium, Germany and Italy. However, the T-Power deal stands out due to the size of the contract and the complexity of the project financing involved. It also brings a significant new competitive dynamic to the Benelux power market. "This new entry power plant will bring competition into the Belgian market, and will allow a new player to compete for customers and sell to other retailers; Essent Trading can be part of the market rather than just a price taker," says Hachmer.

The quality of the tolling deal meant that several attractive offers were received for the power plant financing, which closed in December. "With less credit available banks are more cautious as to which projects they'll lend to and on what terms," says Brett. "Banks have commented on the high quality of the contractual structure of this project as one of the reasons they're keen to lend." [ER](#)



A model of the T-Power CCGT plant at Tessenderlo, Belgium