As the sponsor, Atlas Enerji Uretim A.S., part of Diler Holding, set in place the first bricks of an ambitious and highly-priced project in Iskenderun in Turkey, and the lending banks (Bank Consortium Garanti Bank and Akbank and Isbankasi) requested that SGS Project Finance Services undertake the role of technical advisor.

A consortium between the China National Aero-Technology Import and Export Corporation (CATIC) and China Power Investment Power Engineering Company Ltd (CPIPEC) was awarded the contract to design, engineer, procure and construct the power plant. The project involved the construction of a two-unit coal-fired power plant, with a capacity of 600MW in each unit. The plant specifications included Flue Gas Desulphurization (FGD), also called “clean coal” technology, with water treatment and coal unloading and storage facilities. These details increased the complexity and magnitude of this large-scale project.

CONTRIBUTION FROM SGS: MARKET, TECHNICAL AND ENVIRONMENTAL DUE DILIGENCE

Between August and November 2008, SGS conducted the market, technical and environmental due diligence on behalf of the lenders. The SGS team consisted of a project manager, coal market expert and technical coordinator, who were all brought on board because the project lenders needed experienced local experts to evaluate the rationality and feasibility of the project before financial close.

SGS experts completed a market study on coal prices and future projections. Since coal is the main energy source of the plant, coal price fluctuations can greatly impact the lenders’ financial model and the return on investment.

A technical due diligence has also been carried out. Technical due diligence includes the survey of the design and engineering as well as specification verification, and aims to confirm that no failure and default will negatively impact the project milestones and costs.

Environmental due diligence was also part of the project, ensuring that it is carried out in accordance with Turkish law as well as EU legislation and other related regulations. For this, the SGS experts reviewed the environmental and public health permits.
CASE STUDY

IDENTIFICATION OF POTENTIAL TECHNICAL AND ENVIRONMENTAL RISKS
In addition to this, the SGS project finance team also reviewed the input/supply and off take agreements, Engineering, Procurement, Construction (EPC) contract, permits and licences for accuracy and conformity to national and international standards and norms.

The due diligence activities performed by SGS helped the identification of potential technical and environmental risks for the lenders. With the help of SGS Project Finance Services a course of action was defined with the sponsors to avoid the occurrence of cost overruns and delays.

SGS, the world’s leading inspection, verification, testing, and certification company, is the preferred international partner for those involved in the energy, infrastructure, trading and commodities fields. The SGS Project Finance Services include risk management, project monitoring and management, technical and environmental due diligence and Equator Principles verification.

SGS IS THE GLOBAL LEADER AND INNOVATOR IN INSPECTION, VERIFICATION, TESTING AND CERTIFICATION SERVICES. FOUNDED IN 1878, SGS IS RECOGNIZED AS THE GLOBAL BENCHMARK IN QUALITY AND INTEGRITY. WITH OVER 59,000 EMPLOYEES, SGS OPERATES A NETWORK OF OVER 1,000 OFFICES AND LABORATORIES AROUND THE WORLD.