

Richard Snow, Irish national and CEO of Belgium's T-Power.

T-Power: Independent's Day in Belgium

Siemens is building a highly efficient combined-cycle power plant in Belgium for a joint venture of three companies. Financed and procured in the midst of a grim financial crisis, it is the first major independent power production (IPP) project this country has ever seen. Ten international banks teamed up to provide 390 million euro in loans, with the remainder put forward by the shareholders.

By Stefan Nicola

Richard Snow darts out of the elevator, his right arm already half extended to shake another man's hand and get things going. "Ah, there you are, pleased to meet you!"

Mr. Snow, a man of many roles, has no time to lose. As the Chief Executive Officer of T-Power, he is the general manager of a 450-million-euro power plant project, but also its coordinator, quasi-CFO, and the person with the mixed blessing of having to confront the press. Snow's office – which he says with a smile is "the size of a cupboard" – is located in downtown Brussels, just a stone's throw from the European Parliament, in the headquarters of Belgian chemicals company Tessenderlo, where he spends his busy workdays. At night, he returns to his Brussels hotel, where he has been staying since

April. During the week, it's "work, work, work," he says, and on weekends, when he flies back home to the UK, "my wife has all sorts of jobs lined up for me." In a bid to permanently move to Brussels, Snow says he is looking for houses in the European capital, but really, when would he have time to do that? Right now, most of his time is devoted to T-Power, a joint venture between Tessenderlo, Siemens Project Ventures (SPV) and independent power generation company International Power, which bought the project package from original lead developer Advanced Power. It was formed to build, own and operate a gas-fired power station on the Tessenderlo industrial park in Flanders, some 80 kilometers northeast of Brussels.

Photo: Frédéric Guerdin



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Groundwork for the 420-MW, single-shaft unit has already started; foundations will be laid toward the end of this year. But once the plant is ready for commercial operation, expected in June 2011, it is supposed to be one of the most efficient in Europe. Outfitted with a Siemens SGT5-4000F gas turbine, the plant can boast a near-58 percent efficiency, making it more environmentally compatible than most other fossil fuel power stations. “This is state-of-the-art technology,” Snow says proudly. But before construction could start, several hurdles had to be overcome. The project had to be carefully planned for several years, because T-Power ventured into uncharted territory when it tried to enter the Belgium power generation market, says Hans-Joachim Schulz, Managing Director of SPV, a group company of Siemens Financial

Services (SFS) that has invested in several power plants over the past years. “It’s the first project in Belgium that received a private power generation license,” says Schulz. “We now have an alternative to the established suppliers.”

Successful Funding: an Early Christmas Present

That alternative didn’t come easy. SPV had to negotiate with banks in the midst of a grim financial crisis. “It was a really difficult time,” says Roger Ernst of SPV, adding that his negotiation team was also a bit lucky: It had asked for a binding loan offer at the end of September, when the financial crisis hadn’t yet shown its worst face. “A lot of negotiations and concessions were necessary, but we reached financial close shortly before Christmas,” says Ernst. Ten interna-

tional banks teamed up to provide 390 million euro in loans, with the remainder put forward by the shareholders. Snow says the involvement of major players such as Siemens and SFS, as well as the project’s solid business plan and strong contracting helped close the deal. “The fact that it was financed at the height of the financial crisis speaks for the credibility of the project,” Snow says. The contracting is based mainly on a 15-year tolling agreement T-Power signed with Essent, the big Dutch power provider, in August 2008. The group’s energy trader, Essent Trading, has agreed to purchase T-Power’s electricity output and sell it on the market, “so we are independent from any market risks,” Snow says. For Essent, the plant adds flexibility to its large energy portfolio: The company provides the gas

to run the highly flexible power station according to its individual needs. According to a recent statement by Paymon Aliabadi, CEO of Essent Trading, “This transaction provides Essent with an important strategic position in the Belgian power market. The T-Power tolling contract further extends our commitment to develop our competitive and flexible generation portfolio in support of our market activities in Belgium.” Siemens Power, SFS and SPV – it’s easy to get confused by the many different companies involved in the project that are in some way linked to Siemens. The connection between shareholder SPV and its parent company SFS has helped establish contacts with Siemens Power and eased negotiations, but all parties involved say investment and power plant construction are clearly separated. “There are no links between us and Siemens when it comes to procurement. Financing each other would only hurt the overall project,” says SPV’s Schulz. “As a supplier, Siemens wants to make money, and so do we as investors.” The basics involved in doing that sound promising: Snow, an electrical engineer with nearly four decades of experience managing power plants in the USA and Europe, says the plant’s flexibility and Siemens’ involvement ensure that T-Power will be ready to serve Europe’s energy future – no matter how that may look. “This power

plant can be operated at varying loads, and that’s very important,” he says. “Because whatever we expect a power plant to do today won’t likely be true in ten years’ time. Environmental standards will change, and there may be a need to reduce emissions, so new technologies may need to be developed. Siemens has demonstrated in the past that this is within its capabilities, and therefore we can expect Siemens to deliver if required.” A long-term servicing agreement with Siemens ensures that T-Power will get quick replacement of spare parts, further boosting the plant’s and the region’s supply security. **Right on Schedule – Almost** T-Power’s location within the Tessenderlo industrial park is a further plus: Not only will it be placed near an energy-intensive chemicals plant, it can also draw upon Tessenderlo’s excellent power grid connection – a rare treat in a densely populated country such as Belgium. Already, T-Power is doing a lot of construction in the Tessenderlo switchyard, where transformers are installed and the grid connections established. Later this year, the company will start building a gas pipeline to connect the plant to the network of Essent’s gas provider, less than 3 kilometers away. So technically, everything is on schedule – had it not been for an unfortunate mishap linked to a subcontractor working for Siemens. The subcontract-

tor, in a bid to prepare the building site, had leveled the ground and covered it with over 40,000 tons of crushed rubble. It later surfaced that this material is contaminated with asbestos at varying levels, from just over zero to nearly 500 milligram per kilogram. Siemens has vowed to do a thorough clean-up of the site. “We have hired an asbestos expert who is examining the ground and will propose a clean-up concept to the environmental agency,” says Michael Eckert, of Siemens Power. Richard Snow is nevertheless confident that the project will make its shareholders very happy. “We will soon have a power plant that – if it performs the way we expect it to – will return our investors’ money and make a profit.”

Stefan Nicola, a politics and energy journalist based in Berlin, is working for United Press International (UPI) as its Europe correspondent. He also writes for the European Energy Review, a bimonthly energy magazine for decision makers.

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Introducing Siemens Financial Services

Siemens Financial Services (SFS) is an international provider of financial solutions in the business-to-business area. With about 1,900 employees, this Munich-based company offers a broad range of financial solutions – from equipment and infrastructure financing through working capital finance to treasury services, fund management and insurance solutions. Relying on its financial expertise and industry know-how in a wide range of sectors, SFS is active in more than 30 coun-

tries, with a focus on Europe, North America and the Asia-Pacific region. The Siemens subsidiary, which calls some 90 percent of EURO STOXX 50 companies its customers, aims to offer customized solutions: To equip the traffic light system of the southern German city of Freiburg with efficient LED technology, for example, SFS created an individual 15-year financing plan tailored to the city’s particular needs.

Photos: Frédéric Guerdin