

Project Finance

Gauss closes on Aura solar debt

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Gauss Energia has closed a more than \$75 million project financing for the 30MW Aura solar photovoltaic project – the first large-scale solar project in Mexico. The International Finance Corporation (IFC) led the long-dated peso-denominated deal, and contributed \$25 million – a \$15 million senior loan and a \$10 million mezzanine subordinated loan. Nafinsa contributed a \$50 million loan parallel with the IFC’s senior loan plus a VAT facility.

The \$100 million Aura project has merchant characteristics – the first Mexican generation project of any sort to include such exposure. The project will sell electricity to Comisión Federal de Electricidad (CFE), under the agency’s small producer framework; the framework allows projects to connect up to 30MW to the Mexican grid. Under the interconnection agreement, CFE must buy Aura’s output, but makes the payments on a marginal costs basis, according to Cheryl Edleson Hanway, the IFC’s chief investment officer in Washington, DC.

The IFC absorbed the price risk to demonstrate that project finance can be structured around merchant risk as well as the viability of solar in Mexico – despite a promising resource there, few megawatts have been installed to date. With Aura, the IFC determined that the project would be cost competitive against diesel-fired generation in Baja California Sur, where it is being built near La Paz. Construction began in January 2013.

The IFC supported the deal to demonstrate that solar is viable in Mexico & project finance can be structured around merchant risk. In this case, the project will be cost competitive at its location in Baja, compared to diesel-fired generation.

Gauss, a Mexican developer, developed the project and structured the equity, which derives from a consortium of domestic investors.