

Taqa pays \$320m for power assets

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Abu Dhabi National Energy will pay US\$320 million (Dh1.17 billion) to acquire power plants and electricity transmission lines in the Caribbean, it said today.

The company, also known as Taqa, signed a deal on Friday to buy 50 per cent of power assets owned by Japan's Marubeni Corporation in four Caribbean countries, sealing a plan that was announced last month.

Taqa officials had declined to say how much the deal was worth until today's statement to the Abu Dhabi Securities Exchange.

Power plants form a key part of Taqa's investment strategy because they provide long-term, dependable revenues that mitigate the risk of the company's investments in oil and natural gas production.

"2008 was the year when the benefits of our diversification strategy could be seen," Peter Barker-Homek, the Taqa chief executive, said last week.

Its power-generation assets allow the company to generate cash flow even if oil sinks to \$30 a barrel, Mr Barker-Homek said.

Last year these operations provided 33 per cent of the company's total revenues, and 54 per cent of net profits.

Power generation in the UAE made up 79 per cent of this division's revenues. Taqa posted a net profit of Dh1.8bn last year, an increase of 76 per cent from 2007.

The company's new assets in Jamaica, the Bahamas, the Dutch Antilles and Trinidad and Tobago can produce 2300 megawatts (Mw) of electricity, and include hydroelectric dams and conventional oil and gas-fired plants.

Taqa already owns a number of power plants in the UAE and US.

Last December, it announced it would buy an 833Mw gas-fired power plant in New Jersey through a new subsidiary, Generation X, and intends to acquire more plants in the US.

But power generation took a back seat to oil and gas last year at the company, as it spent billions of dollars to acquire energy companies in North America and the North Sea.

Those regions remain key targets for Taqa, as well as the Middle East, west Africa, and natural gas from coal reserves in China, Mr Barker-Homek said.

“When I look to Asia, I think the big surprise will be how much coal-bed methane China has,” he said. “And that’s an area we hope to build great competency in.”

Taqa holds considerable cash resources to fund an aggressive acquisitions strategy this year, said Doug Fraser, the chief financial officer.

The firm had Dh4.1bn in cash and could tap into Dh8.4bn in committed credit facilities, he said.

Taqa also recently announced it would begin buying back equity shares to try to boost its flagging stock price.

Mr Fraser said the company had already bought 45 million shares, at an average price of Dh1.66 each.

He said Taqa had permission from the Securities and Commodities Authority to buy a total of 600 million shares, or 10 per cent of its stock, by the end of the year.

Taqa’s share price rose Dh0.02 to Dh1.69 today.