

Financing AI Data-Centre Power

Non-recourse lending against PPAs and compute offtake: how an integrated gas-power-compute project is structured, secured and taken to the bond market

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Summary

The AI data-centre boom has produced a new kind of project: a gas supply, a power plant and a compute facility that only make sense together, in a market where none of the three has been financed before. Sponsors arrive with a local bank term sheet for the first phase, a land lease, a gas allocation and a queue of would-be compute tenants — and no structure that lets institutional capital fund the whole.

MIG's answer is the structure used for every capacity-backed power project of the last thirty years, adapted for two offtakes instead of one: a ring-fenced project company that borrows without recourse to its sponsors, repays from contracted revenue collected in a trustee-controlled account, and gives lenders a security package that survives the failure of any single counterparty. This paper walks through that structure — parties, flow of funds, tariff, security, construction-phase protection — and the two decisions every sponsor must make before it will work: phase or fully fund, and who holds the offtake.

1. What "non-recourse" means and why it matters here

In a non-recourse (or limited-recourse) financing, lenders look to the project's own cash flows and assets for repayment, not to the sponsor's balance sheet. The sponsor's exposure is capped at its equity; the lender's protection is the contract set. This is the only structure under which a USD 300–500 million gas-power-compute project in an emerging market can be financed, for three reasons:

- **No sponsor in these markets has the balance sheet to guarantee the debt**, and a local bank's USD 50 million first-phase term sheet, however welcome, will not fund the other USD 300 million and often carries terms that deter the investors who could.
- **Institutional capital — and an investment-grade rating — attaches to contracted receivables held in a ring-fenced vehicle**, not to a developer's promise.
- **The three sub-projects have different risk profiles**. Gas supply is a commodity contract; power is a utility-style asset; compute is a technology-market asset. Separating them into a structure that isolates each risk is what makes the combination fundable.

2. The parties

Role	Entity	What it does
Borrower / IPP	Project Company (host-country SPV, owned by the sponsor group with a local partner where required)	Owns or holds under concession the power plant, data facility, land and grid works; signs the PPA and the compute offtake agreements as seller; borrows
Issuer	Bond SPV (neutral jurisdiction)	Issues the MIGCorp Bond™; on-lends proceeds to the Project Company under a Loan Agreement and Promissory Note
Security holder	Trustee / Security Agent at the Bond SPV	Holds every security instrument for bondholders; controls the collection account; releases construction funds against certified milestones

Role	Entity	What it does
Power offtaker	Utility, industrial user or the data facility itself	Pays a two-part tariff under a long-term PPA; provides payment security
Compute offtakers	Hyperscaler, GPU-cloud operator, enterprise tenants	Pay under colocation / capacity contracts with minimum-commitment terms
Fuel supplier	Gas producer or LNG supplier	Supplies under a long-term GSA with volume and price formulas aligned to the PPA energy charge
Contractors	EPC (power), EPC (data), O&M	Build and operate under fixed-price, date-certain contracts with liquidated damages
Arranger / structurer	MIG International	Structures, arranges guarantees and insurance, secures the rating, places the bond, and – where it acts as consortium leader – integrates EPC, management and finance under one accountable structure

3. Flow of funds

Construction. Bond proceeds sit in escrow at the Bond SPV and are released in tranches: Tranche A for land, grid and port/civil works; Tranche B for the power plant EPC; Tranche C for the data facility fit-out. Each release is certified by an independent engineer against a milestone schedule and paid directly to the contractor. Nothing is drawn for work that has not been certified.

Operation. Every dollar of revenue – PPA payments from the power offtaker, capacity payments from compute tenants, surplus-power sales – is paid into a **collection and reserve account controlled by the Trustee**. The account funds, in order: operating costs and fuel; debt service; the debt-service reserve (typically six to twelve months); maintenance reserves; and only then distributions to the sponsor. The sponsor cannot touch revenue ahead of the bondholders. This waterfall, not a guarantee, is what gives the bond its rating.

4. The tariff and the offtake: making the revenue bankable

The PPA must be two-part. A *capacity charge*, payable on availability whether or not power is dispatched, sized to cover debt service, reserves and fixed O&M, and indexed to the bond currency – this is the bankable leg. An *energy charge* per kWh covering fuel and variable cost, with a pass-through to the gas supply formula. A single blended price negotiated in the abstract leaves the lender exposed to dispatch risk and the sponsor exposed to fuel risk; two parts make the price the sum of auditable components plus a return.

The compute offtake must look like a PPA. Colocation and GPU-capacity contracts are bankable when they carry minimum committed capacity, a term that covers a substantial part of the debt tenor, take-or-pay or availability-based payment, rated counterparties or payment security, and assignment rights in favour of the financing parties. Spot GPU rental revenue is upside, not security.

Where the data facility is the power offtaker – the integrated case – lenders look through to the compute contracts as the real source of repayment, and size the debt to the committed compute revenue plus any firm surplus-power PPA with the grid.

Illustrative arithmetic. On a USD 350 million project financed 80 % by a 20-year amortising bond, debt service is roughly USD 25–30 million a year depending on coupon. Against 100 MW of IT capacity sold at even conservative committed rates, that is a comfortable debt-service coverage ratio – which is why these projects attract capital once the contracts are in place, and why they do not before.

5. The security package

The Trustee holds, for the life of the bond:

1. **Offtaker payment security** – a standby letter of credit or bank guarantee from the power offtaker's bank covering 24–36 months of capacity payments, with a tenor tracking the debt; equivalent deposits or parent guarantees from compute tenants.
2. **Assignment of all project contracts** – PPA, compute agreements, GSA, EPC, O&M – with **direct agreements** giving the Trustee notice, cure and step-in rights if the Project Company defaults.
3. **Pledges** over the Project Company's shares, the project accounts and, where law permits, the physical assets; where the host state must own infrastructure, assignment of concession rights with termination compensation sized to outstanding debt.
4. **Construction-phase security** (Section 6), outstanding until commercial operation.
5. **Insurances** – construction all-risks, delay-in-start-up, operating all-risks and business interruption, political-risk cover where required for the rating – with the Trustee as loss payee.

6. Construction-phase protection

Until the plant is running, bondholders have paid for an asset that cannot yet repay them. The structure covers that window the way export finance covers a vessel under construction:

Risk	Instrument	Sizing (market reference)
Contractor fails to deliver	Advance-payment / refund guarantee from the contractor's bank	100 % of advances until certified; stepping down as title vests
Delay to commercial operation	Delay liquidated damages under the EPC, backed by a performance bond	Bond of 10–15 % of EPC price, covering 12 months of financing cost
Delivered but under-performing	Performance LDs / capacity buy-down	NPV of revenue shortfall per MW below contracted capacity
Short delays	Capitalised interest and DSRA	Construction period plus 6–12 month tail
Availability after COD	O&M availability regime with LDs	Below an agreed availability floor

7. The two decisions sponsors must make first

Phase or fully fund? A USD 50 million first phase that generates revenue before the next raise minimises carried-but-unused capital and avoids fees on money not yet needed. A single USD 330–350 million raise gives stronger negotiating leverage with contractors, protects against rising rates, and – critically – produces one rated instrument instead of a stack of bilateral loans with conflicting terms. MIG's practice is to run both cases through the financial model and let the answer depend on one question: can the first phase sell its power and compute fast enough to carry the second? If yes, phase. If the compute contracts are already signed for the full site, raise once.

Who holds the offtake? The contracts must sit in the Project Company that borrows, in a jurisdiction and under a governing law the rating agency and investors accept, with receivables collected in the Trustee's account. Offtake held by an affiliate, a parent in another jurisdiction or a counterparty exposed to sanctions or currency-control risk cannot be lent against, however good the economics.

8. Prerequisites – what the local sponsor must bring

Before structuring begins, the sponsor delivers: land (owned or under long lease), the generation and data-centre licences, environmental approval, a signed gas supply agreement or allocation with a credible backup, grid interconnection terms (for surplus sales and standby), and letters of intent from compute offtakers. These are local responsibilities that no arranger can substitute for; the structure in this paper converts them into a financeable project — it cannot create them.

9. MIG's role: one partner from mandate to delivery

MIG International structures and arranges the financing, provides or arranges the collateral and guarantees where the sponsor cannot, secures the investment-grade rating at the SPV level, places the bond with institutional investors and oversees disbursement — and, where the sponsor needs it, leads the delivery consortium so that EPC, project management and finance sit under one accountable structure. The instrument is the **MIGCorp Bond™**: qualifying projects above USD 100 million, one SPV per project, investment-grade rating independent of the sponsor's balance sheet, tenors of five to twenty years, from mandate to funding in approximately twenty weeks once documentation is complete.

The AI build-out will be financed the way power has always been financed: against contracts, in a box, with the lender first in line. The projects that arrive with that box already built will fund first.

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