

Financing availability via IFIs – EBRD

Energy Community: Western Balkans Gas Infrastructure Workshop

Vienna, 24 May 2018 – Natalia Lacorzana



European Bank
for Reconstruction and Development



1. Introduction to the EBRD
2. EBRD Natural Resources: Gas Midstream Infrastructure
3. Working together

Appendix: *EBRD transactions: Case Studies*

1. Introduction to EBRD

Who we are



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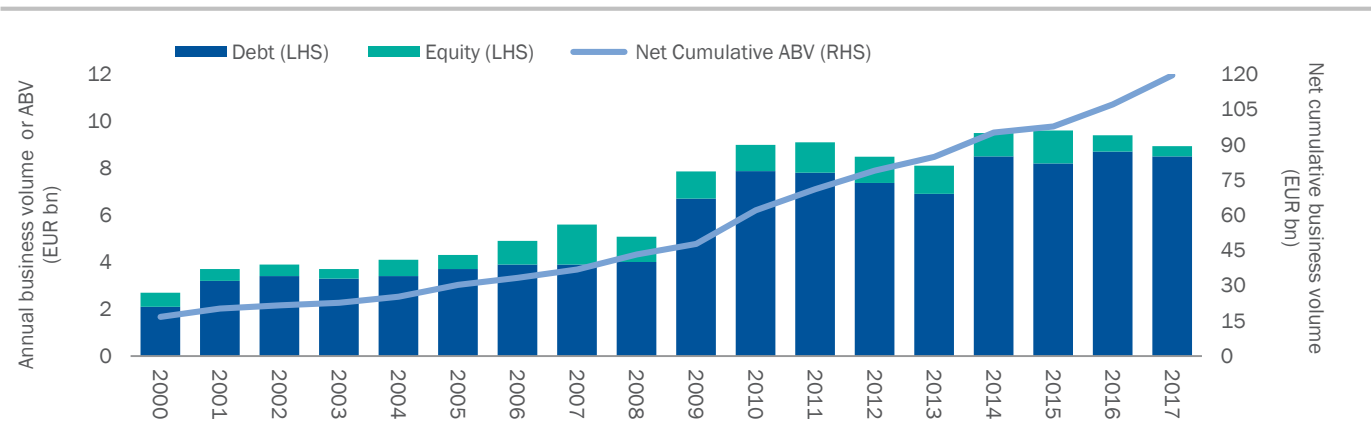
Introduction to EBRD

EBRD Natural Resources Track Record

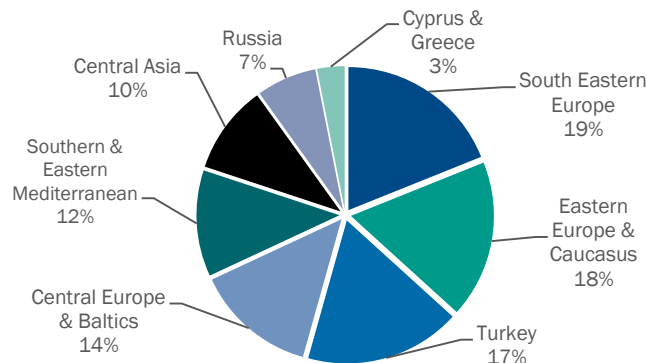
Working Together

- IFI with **private-sector mandate**: to promote the transition towards market economies.
- Owned by 66 countries and two inter-governmental bodies, including the European Commission and the EIB.
- Since 1991: **EUR 119 billion** across 5,035 projects.
- In 2017: **EUR 9.7bn** across 412 projects, 71% private sector and 95% debt & guarantees.

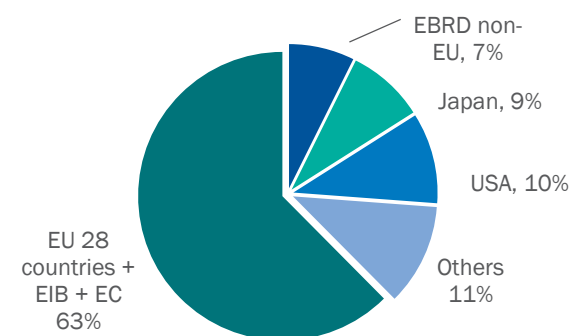
Cumulative Business Volume (excluding Guarantees)



Country Group Portfolio Distribution



Shareholding Structure



1. Introduction to EBRD

Where we operate

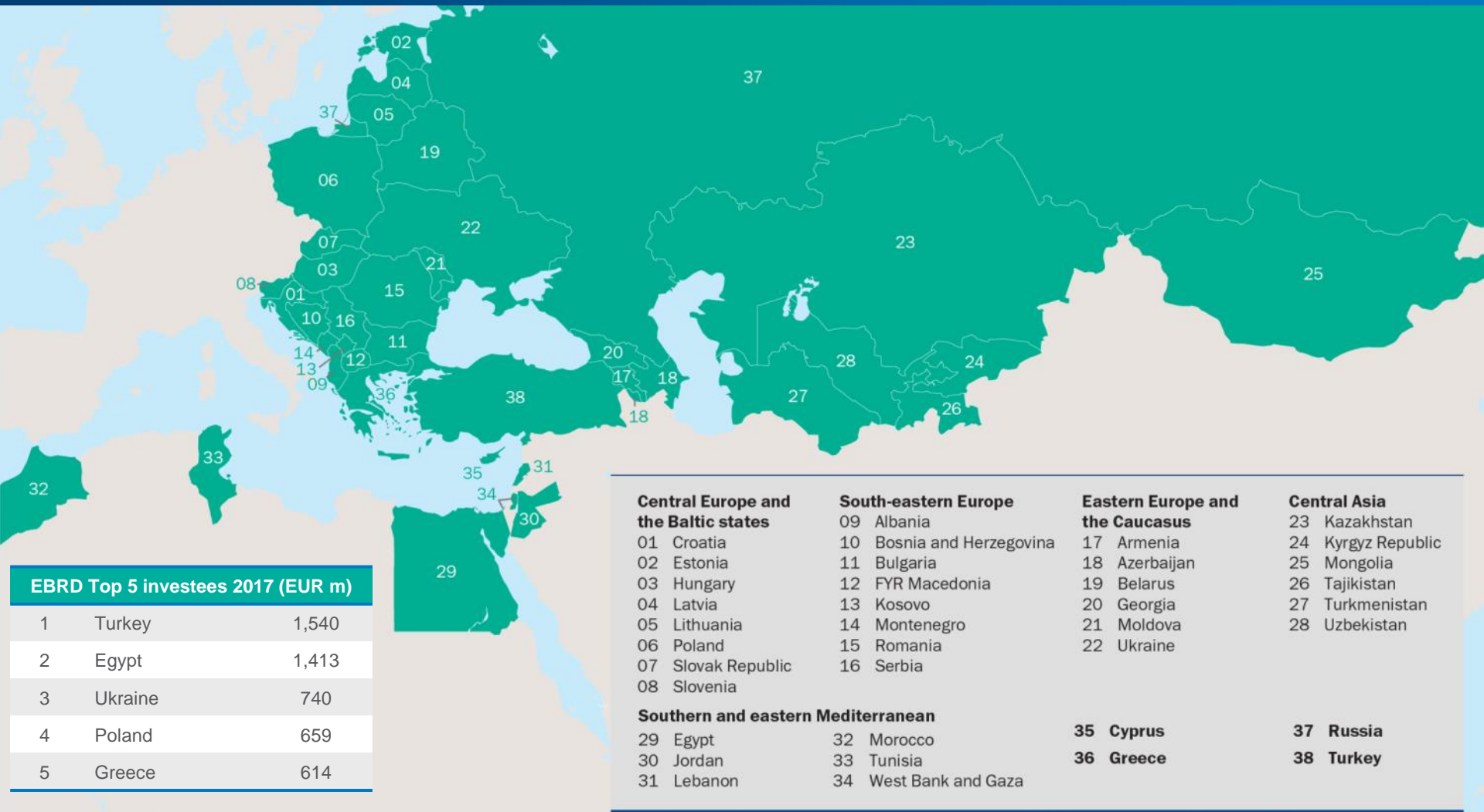


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1. Introduction to EBRD

A key investor in the extractives and infrastructure sector



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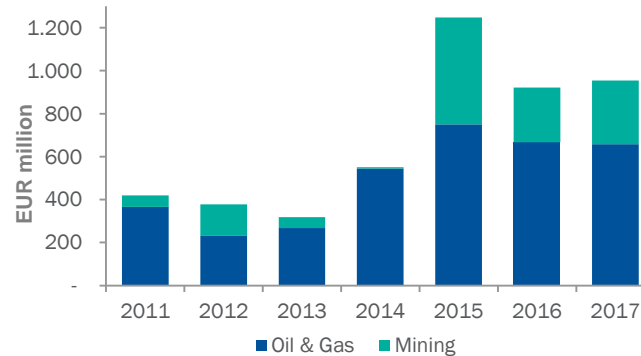
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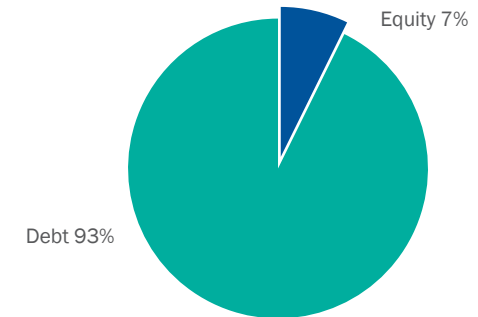
Working Together

- **From 1991 to 2017:**
 - 187 operations
 - EUR 8.13bn invested
- **Large, dedicated team:**
 - 30+ bankers distributed across the EBRD region
 - Supported by regional offices in all Western Balkan countries.
- **Natural Resources :**
 - EUR 3.67bn portfolio
 - ~15% of operating assets are midstream gas infrastructure.
 - ~16% of the portfolio is invested in Central and South Eastern Europe.

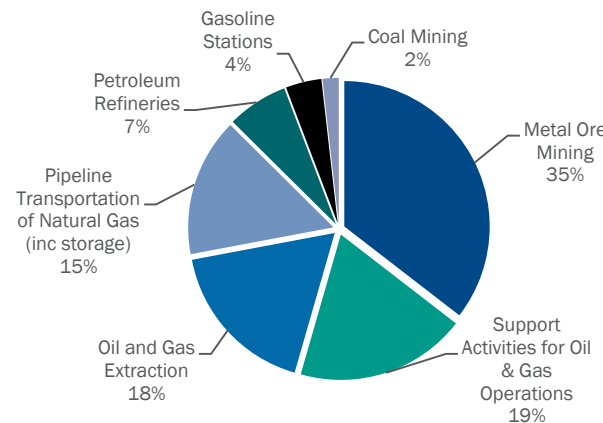
Signed business volume



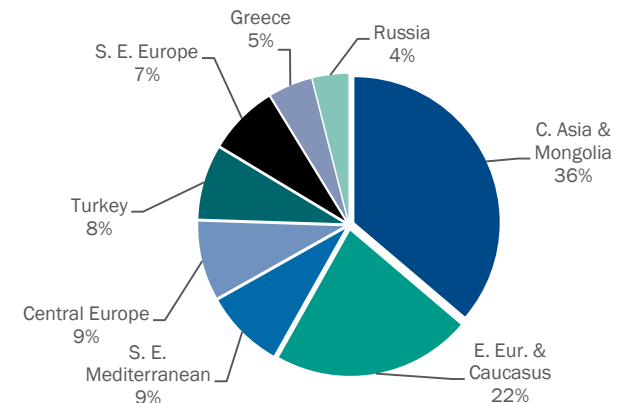
Operating assets by instrument



Operating assets by sub-sector



Portfolio by region



1. Introduction to EBRD

EBRD product flexibility – Tailored to the client's needs

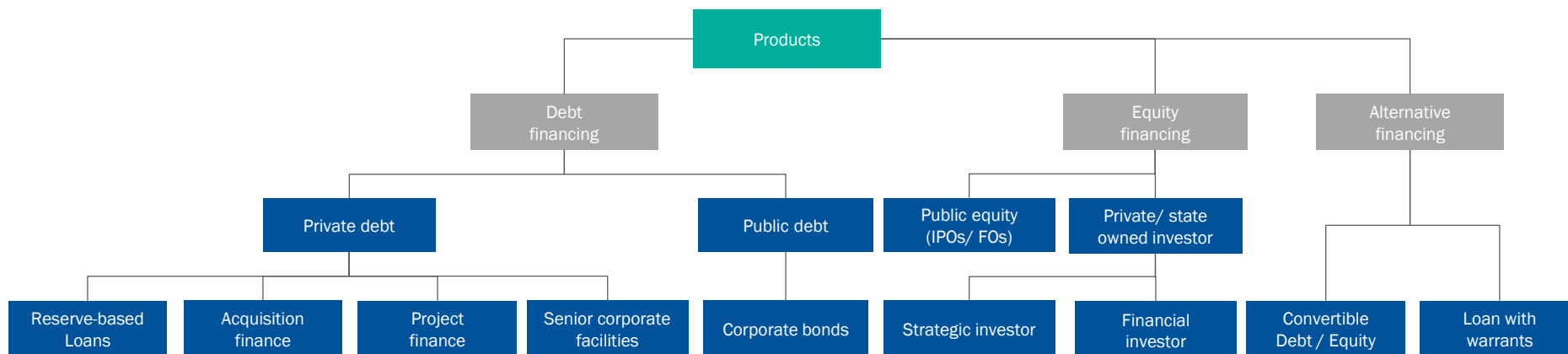


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Debt

- **Flexible loan structure.** Senior/subordinated, mezzanine, project finance, convertible debt, reserve-based or subscription of bond issues.
- **Up to 1/3** of the total project costs.
- **Long tenors.** Up to 20 years, tailored to needs.
- **A/B syndication structures.** Preferred creditor status. Mobilization of commercial credit under the Bank's umbrella.
- **Co-financing/Parallel lending** with local/international banks
- **Multi-currency lending.** EUR, USD or local currency.

Equity

- **Common and preferred stock.** Typically, up to 20% minority stake.
- **Support to strategic investors.** Share of development-stage risk.
- **Long term partnership.** Long exit horizons (5-10 years).
- **IPO participation as anchor investor.** Increased credibility and comfort to investors and financiers.
- **Board representation.** Positioning as neutral party ("honest broker") providing commercial/technical advice and promoting best Corporate Governance practices.

2. EBRD Natural Resources

Track Record – Midstream Gas Trade and Infrastructure

- More than **EUR 2bn** finance volume signed since 2000.
- Support to the **modernisation** and **development** of existing and greenfield gas pipelines, transmission assets, underground gas storage and LNG terminals.
- Strategic energy market **integration** and **energy security**.
- **Typical Instruments** include corporate and project finance, sovereign loans.
- **Technical cooperation** is used to develop the domestic and regional gas sectors and attract investment – examples:
 - *Tariff and regulatory reforms,*
 - *National energy strategies,*
 - *Governance of public entities,*
 - *Capacity Building.*

 <p>Transgaz 2018, Romania EUR 60 million Sovereign-guaranteed loan BRUA gas pipeline development</p>	 <p>Southern Gas Corridor CJSC 2017, Azerbaijan USD 500 million Sovereign-guaranteed loan TANAP gas pipeline development</p>	 <p>Egyptian Natural Gas Holding Company 2017, Egypt USD 200 million Sovereign loan Energy efficiency investments</p>	 <p>Ungeni-Chisinau Pipeline 2016, Moldova EUR 41 million Sovereign loan Gas pipeline development</p>
 <p>Intergas Central Asia JSC 2016, Kazakhstan EUR 245 million Senior Loan Gas storage modernisation</p>	 <p>NAK Naftogaz 2015, Ukraine USD 300 million Trade finance facility Gas transmission & wholesale</p>	 <p>PJSC Ukrtransgaz 2014, Ukraine USD 150 million Sovereign loan Gas transmission & wholesale</p>	 <p>Polskie LNG 2012, Poland EUR 75 million Senior loan LNG regasification terminal</p>
 <p>BH-Gas 2010, Bosnia-Herzegovina EUR 19 million Senior loan Gas transmission network</p>	 <p>Srbijagas 2010, Serbia EUR 150 million Sovereign loan Gas transmission network</p>	 <p>MOL / MMBF 2009, Hungary EUR 200 million Senior loan Gas storage development & operation</p>	 <p>Plinacro 2009, Croatia EUR 70 million Sovereign loan Gas storage development & operation</p>

2. EBRD Natural Resources

Examples of gas projects in the West Balkans and the broader region



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Signed
2009

EUR 70m sovereign-guaranteed loan to **Plinacro** for the acquisition of gas storage infrastructure at Okoli.



Signed
2017

RON 278m (EUR 60m) sovereign-guaranteed loan to **Transgaz** for the construction of the Romanian section of the BRUA pipeline.



Signed
2010

EUR 19 m senior loan to **BH-Gas** for the construction of a new 40km natural gas pipeline to supply four municipalities in Central Bosnia.



Signed
2010

EUR 150m senior sovereign-guaranteed loan to **Srbijagas** to rehabilitate 40% of Serbia's gas transmission network.



Selection
Ongoing

EUR 290,000 Technical Cooperation grant from the Shareholders Special Fund to support regulatory and legal capacity building of the **Albanian TSO**.



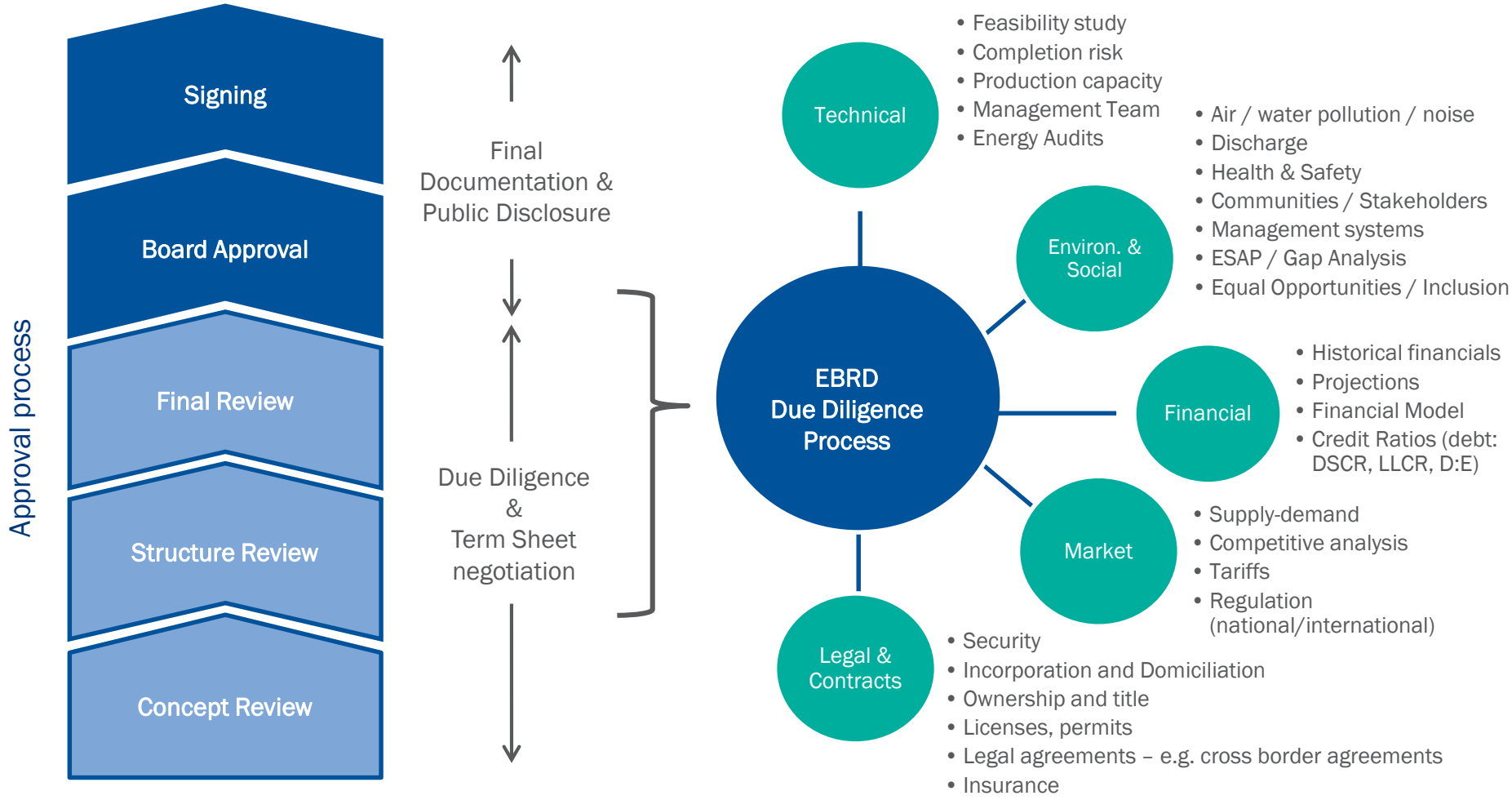
*Under
consideration*

Up to EUR 500m project finance A-loan as part of a larger EUR 4bn project financing to support the development of **TAP**.



3. Working Together

Approval process and due diligence



3. Working Together

Cross-country Gas Infrastructure Project Finance – Key risks



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Project Finance Due Diligence and Transaction Structuring

2. EBRD Natural Resources

Case Study: *Trans Adriatic Pipeline*



Project

- Project finance facility to **Trans Adriatic Pipeline AG** (Switzerland) consisting of a **EUR 500m** for the account of EBRD and a sizeable B-loan for the account of commercial banks.
- Ca. **EUR 4bn co-financing package** alongside the EIB and the ECAs of Germany (Euler Hermes), France (BPI) and Italy (SACE), currently under consideration. The total cost of the project is ca. **EUR 6bn**.
- The loan will finance the construction and development of a 878 km, **10 bcma** pipeline between **Greece, Albania and Italy**, including a 105 km offshore section, 4 compressors, 1 control centre (Italy). TAP can be expanded to 20 bcma.
- Project is more than 50% advanced. First gas is expected by 2020.
- The EBRD ESIA package was disclosed in Q4 2017 to the public.

Key specific risks and mitigating factors:

- **Construction:** mitigated by strong sponsors and robust EPC structure.
- **Downstream-Upstream Interface:** ship-or-pay contracts, strong value chain.
- **Tariff/Sales/Volume:** long-term firm capacity, fixed tariff, substantial gas reserve.
- **Political/Regulatory:** host government agreements, benchmarking agreements.

3. Working Together

Welfare and development impact – EBRD Transition Qualities



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Working Together

Competitive

- Implementation of **Energy Community Treaty** – e.g. *NAK Naftogaz*
- **Transparency** and standardisation of gas and project procurement – e.g. *NAK Naftogaz, BH-Gas*.
- **Third Party Access**, Network Codes
- **Unbundling**, contestability, private capacity allocation, commercial restructuring – e.g. *Srbijagas, MMBF*.

Integrated

- **New export/import routes** and technologies – e.g. *Polskie LNG*.
- **Interconnection** with major transit routes and gas hubs – e.g. *BRUA pipeline*

Well-governed

- **Environmental standards** and ESAP – e.g. *UkrTransgaz E&S TC, BH-Gas*
- **Commercialisation** and corporate governance - e.g. *Intergas Central Asia (KZ), NAK Naftogaz*.
- **Anti-corruption/integrity** procedures.
- **Revenue transparency** undertakings (EITI).

Resilient

- **Financial restructuring** – e.g. *Intergas Central Asia (KZ)*
- **Energy security**, diversification of supplies – e.g. *Ungheni-Chisinau Gas Pipeline*
- **Institutional skills** – e.g. *SGC*.

Inclusive

- **Vocational training** and skills development.
- **National qualifications framework**.
- **Local business opportunities** (SMEs).
- **Gender Action Plans**.

Green

- **Reduction and avoidance of GHG emissions** through modernisation and new technologies – e.g. *EGAS heat recovery systems (EG)*.
- **Coal displacement** through gas expansion – e.g. *TAP*

Contacts



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EBRD Case Studies :

Midstream Gas Infrastructure: Trade, Transportation, Storage and LNG Transportation



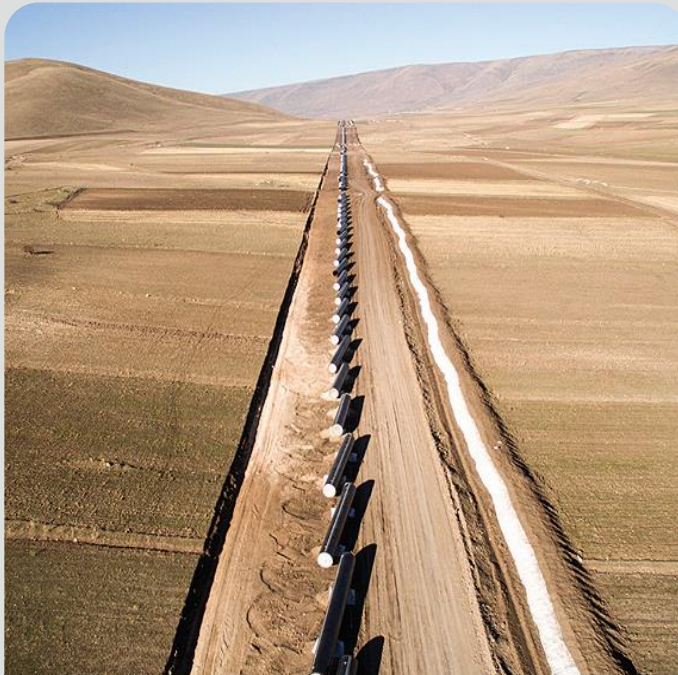
EBRD Transactions: Case Studies

Southern Gas Corridor Co., Azerbaijan – Trans Anatolian Pipeline



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Signed in
2017



EBRD Finance

USD 500 million loan to the Southern Gas Corridor CJSC, a company owned by the Republic of Azerbaijan (51%) and the State Oil Company of the Azerbaijani Republic (SOCAR) (49%), to finance its share in the Trans Anatolian Pipeline project (TANAP). The loan benefits from a sovereign guarantee.

Project

USD 8.6 billion construction and development of a 1,850 km, 16 bcm gas pipeline stretching across Turkey and connecting the Georgian and the Greek borders.

Environmental Impact

The comprehensive EBRD ESIA package was disclosed on 16 June 2017 and extensive public consultations were carried out as per the Bank's requirements. The project is expected to promote the use of natural gas and support the transition towards low-carbon economy in Turkey and south-east Europe.

Transition Impact

(1) *Resilient* – Enhancement of energy security, development of institutional skills in Azerbaijan; (2) *Integrated* – Cross-regional connectivity between the Caspian region and Europe.

[Link to Project Summary Document](#) / [Press Release](#)

EBRD Transactions: Case Studies

Transgaz, Romania – BRUA Pipeline



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Signed in
2018



EBRD Finance

RON 278 million (EUR 60 million) loan to Romania's state-owned operator Transgaz for the construction of the Romanian section of a new gas pipeline between Bulgaria-Romania-Hungary-Austria gas pipeline (the BRUA pipeline).

Project

The BRUA gas corridor will help connect the countries along the route with major gas infrastructure projects such as the future TAP, other Central European gas hubs and potential Black Sea gas deposits.

Environmental Impact

Environmental and Social Action Plan (ESAP) has been agreed between EBRD and Transgaz.

Transition Impact

(1) *Competitive* – The BRUA pipeline will help to diversify the regional gas supply and is therefore expected to boost competition and help energy security; (2) *Integrated* – connection of the area with future major gas infrastructure projects such as TAP, gas sources from Central European gas hubs and potential gas from Black Sea deposits.

[Link to Project Summary Document](#) / [Press Release](#)

EBRD Transactions: Case Studies

EGAS, Egypt – Energy Efficiency project



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Signed in
2017



EBRD Finance

USD 200 million sovereign loan to the Arab Republic of Egypt. The ultimate beneficiary will be GASCO, the Egyptian gas transmission system operator and a subsidiary of the Egyptian Natural Gas Holding Company (EGAS).

Project

USD 250 million project consisting of energy efficiency investments along the gas pipeline and transmission network system of the Arab Republic of Egypt

Environmental Impact

The introduction waste heat recovery technology will lead to a reduction of over 250,000 tonnes of carbon-dioxide equivalent (CO₂e) per year.

Transition Impact

(1) The project will help save considerable amounts of currently used energy, yield significant greenhouse gas emission savings; (2) Technical Cooperation support will promote the participation of the private sector in Egypt's natural gas transmission network.

[Link to Project Summary Document](#) / [Press Release](#)

EBRD Transactions: Case Studies

Ungheni-Chisinau Gas Pipeline, Moldova – Gas interconnector



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Signed in
2016



EBRD Finance

EUR 82 million loan jointly with EIB and EUR 10 million EU grant to the Republic of Moldova. Funds will be on-lent to VestMoldTransgaz (VMTG), the transmission system operator of the Romania-Moldova interconnector and the Project.

Project

EUR 92 million project to construct a new 120-km natural gas trunk pipeline, which will bring gas to Moldova's capital, Chisinau, from Romania. The pipeline will have capacity of 1.5 bcm/year and connect with the existing gas infrastructure at Ungheni. The EBRD worked in partnership with the EU, the Energy Community and SIDA. The latter provided cooperation funds for the Project's technical, regulatory, environmental and social assessments.

Environmental Impact

Fully-disclosed and comprehensive Environmental and Social Impact Assessment with due public consultation. Right-of-way parallel to existing pipelines and roads minimised the impact.

Transition Impact

(1) Market expansion and energy security; (2) Support to the Moldovan gas market for liberalisation and reform agenda.

[Link to Project Summary Document / Press Release](#)

Signed in
2016



EBRD Finance

KZT 94 billion (EUR 245 million) multi-currency loan to Intergas Central Asia JSC (ICA), Kazakhstan's national gas transmission operator.

Project

KZT 112.5 billion (EUR 293 million) balance sheet restructuring and capex program that includes the modernization of the Bozoi underground gas storage facility. The project will help replace coal-based power generation and increase the security of gas supply while optimising ICA's balance sheet by replacing hard-currency loans.

Environmental Impact

The project will contribute to Kazakhstan's Green Economy strategy and efforts to fulfil its COP21 commitments through the direct reduction of CO₂ emissions by 80,000 tonnes/year and a wider indirect effect via switch from coal to gas.

Transition Impact

(1) Demonstration of successful financial restructuring. (2) Improved standards of corporate governance leading to a secure gas network in the region and supply of natural gas.

[Link to Project Summary Document](#)

EBRD Transactions: Case Studies

NAK Naftogaz, Ukraine – Gas trade and working capital facility



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Signed in
2015



EBRD Finance

USD 300 million sovereign-guaranteed revolving loan to National Joint Stock Company NAK Naftogaz, Ukraine's state-owned vertically integrated oil and gas group.

Project

Bridge financing for the purchase and sale of up to 1.1 bcm of natural gas during the winter season 2015-2016. The project aims at supporting the Ukrainian Government's policy of making NAK's operations financially sustainable by establishing trade finance mechanisms, cost recovery pricing and eliminating the need for price subsidies.

Transition Impact

The project is complementary to the earlier NAK Emergency Pipeline Upgrade and Modernization loan (signed 2014) and aims at supporting gas sector reform in Ukraine. Key elements of transition include (1) Implementation of Energy Community Treaty requirements and development of a framework for markets. (2) Improvement of corporate governance practices at of NAK's company Ukrtransgaz. (3) Increased transparency and standardisation of the gas procurement process between Ukraine and the EU vendors.

[Link to Press Release](#)

EBRD Transactions: Case Studies

UkrTransgaz, Ukraine – Emergency pipeline modernization



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Signed in
2014



EBRD Finance

EUR 150 million sovereign loan to Ukrtransgaz with parallel co-financing from the EIB. Ukrtransgaz is Ukraine's gas transmission operator and a subsidiary of Naftogaz.

Project

EUR 466 million project to replace 4 sections of the Urengoy-Pomary-Uzhgorod gas pipeline, a key section of the Ukrainian gas transit system that ensures gas deliveries of gas from Russia to the EU and reverse-imports by Ukraine from the EU.

Environmental Impact

Comprehensive Environmental & Social Action Plan (ESAP) agreed with the client. Development of an Industrial Safety Declaration. Improved pipeline safety and reduced potential for adverse impacts to the communities, as virtually all of the land-take occurs within the existing Right-of-Way.

Transition Impact

(1) Assistance to the institutional reform process for the Ukrainian gas sector. (2) Improvement of corporate governance, environmental, social and health & safety practices through an EBRD-led Technical Cooperation.

[Link to Project Summary Document](#) / [Press Release](#)

Signed in
2012



EBRD Finance

EUR 75 million (PLN 300 million) loan to Polskie LNG S.A. a subsidiary of OGP Gaz-System SA, Poland's gas transmission operator. The Bank will provide financing alongside EU structural funds and loans from the EIB.

Project

EUR 691 million project for the construction of a 5 bcma liquefied natural gas (LNG) re-gasification terminal and associated infrastructure near the coastal city of Świnoujście.

Environmental Impact

The project was developed to EIB and EBRD environmental standards as well as EU Directives and included a comprehensive Environmental & Social Action Plan (ESAP). Preparation of emergency response in line with Seveso Directive (82/501/EEC). Designation of a Community Liaison Officer and implementation of Worker Management Plan.

Transition Impact

(1) Diversification of Poland's energy supplies, increased contestability and regional integration of its downstream gas market. (2) Development of LNG expertise in the Baltic Sea.

[Link to Project Summary Document](#) / [Video Interview](#)

EBRD Transactions: Case Studies

BH-Gas, Bosnia-Herzegovina – Gas pipeline development

Signed in
2010



EBRD Finance

EUR 19 million senior loan to BH-Gas d.o.o. Sarajevo, a state-owned company active in transport and wholesale of natural gas in the Federation of Bosnia and Herzegovina.

Project

USD 23.5 million project for the construction of new 40km high-pressured natural gas transport pipeline to enable natural gas supply to four municipalities in Central Bosnia, providing a clean and efficient fuel alternative.

Environmental Impact

A comprehensive Environmental & Social Action Plan (ESAP) has been agreed with the client. The pipeline will provide an alternative clean energy source and reduce CO2 emissions.

Transition Impact

(1) Support reform of the natural gas sector in Bosnia and Herzegovina. (2) Technical Cooperation to improve the competitive environment in the gas infrastructure sector by enabling private companies to participate in public tenders on an equal basis. (3) Setting standards for health, safety and environmental management (HS&E) and procurement.

[Link to Project Summary Document](#) / [Press Release](#)

EBRD Transactions: Case Studies

MOL / MMBF, Hungary – Underground gas storage development



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Signed in
2009



EBRD Finance

EUR 200 million unsecured corporate loan to Hungarian group MOL. In 2013, MOL sold its stake in the project to the Hungarian Development Bank and the Hungarian Hydrocarbon Stockpiling Association, and the EBRD converted the remaining EUR 100 million loan into a project finance facility to MMBF, the operator of the gas storage facility.

Project

EUR 611 million project involving the completion and conversion of Szőreg-1 reservoir in the depleting Algyő oil field into an underground gas storage facility with a 1.9bcm mobile and 25mcm/day peak capacity.

Environmental Impact

Development of an Environmental & Social Action Plan (ESAP) aimed at addressing issues during project construction.

Transition Impact

(1) Transfer of development/operation of a gas storage facility for strategic and commercial purposes to the private sector, resulting in increased competition in the sector. (2) Enhancement of corporate governance standards.

[Link to Project Summary Document](#) / [Pres Release](#)

Signed in
2009



EBRD Finance

EUR 70 million senior corporate loan secured with a sovereign guarantee to Plinacro d.o.o., a state-owned company and the Croatian natural gas transmission system operator.

Project

Financing of the acquisition of Podzemno Skladiste Plina d.o.o., a company that owns a strategic underground gas storage facility at Okoli. The acquisition of Okoli will enable Plinacro to implement non-discriminative third party access to storage gas supply.

Environmental Impact

A comprehensive Environmental & Social Action Plan (ESAP) was agreed with the client. In addition, a Stakeholders Engagement Plan (SEP) was prepared.

Transition Impact

(1) Promote improvements in the efficiency of the gas storage and supply services, including commitment to rehabilitation and expansion of the storage facility. (2) Improvements in the regulatory framework for gas storage and gas market activities in Croatia.

[Link to Project Summary Document](#) / [Press Release](#)