



MIGA

Multilateral Investment
Guarantee Agency
WORLD BANK GROUP

MIGABRIEF

OIL AND GAS



INSURING INVESTMENTS ■ ENSURING OPPORTUNITIES

MIGA: Securing Oil and Gas Investments

Continued global instability is creating significant challenges for the energy industry. Supplies of oil and gas often come from countries that are located in remote or politically unstable parts of the world, adding to the cost and uncertainties associated with extractive industries. MIGA's guarantees mitigate the unique noncommercial risks associated with investment in oil and gas projects.

The Oil and Gas Investment Challenge

Oil and gas projects can be risky propositions with political dimensions, no matter what part of the world. Events in North Africa and the Middle East have strongly underscored this point. Returns are unpredictable as well, particularly in today's uncertain world where oil reserves are used as political leverage, prices are volatile, and concerns grow about security of supply. Civil disturbances and conflict can disrupt normal operations. Social and environmental concerns are prominent. A weak macroeconomic environment and an inadequate legal and regulatory framework can invite unwarranted government intervention.

In addition, areas of increased focus such as those addressed in the World Bank Group's Extractive Industries Review—such as governance and transparency issues, community consultation, and equitable distribution of revenues—have become part of the already complex investment decision process in this sector

What we Do

MIGA—the Multilateral Investment Guarantee Agency—is a member of the World Bank Group. MIGA's mission is to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives. We do this by providing political risk insurance (guarantees) against certain noncommercial risks to investments in developing countries, as well as by providing dispute resolution services for guaranteed investments. We also conduct research and share knowledge as part of our mandate to support foreign direct investment into emerging markets. In collaboration with our World Bank Group colleagues, we work with investors to structure deals in ways that benefit all parties and foster positive relationships with communities where they invest.

How We Help

MIGA political risk guarantees are well-suited to reduce noncommercial oil and gas investment risks. They are designed to help companies overcome hurdles that may loom large prior to deal signing, particularly for costly investments in countries seen as high-risk. For example, customized breach of contract coverage when governments are contractual partners can be designed to target specific oil and gas concerns such as disputes over long-term agreements that relate to off-take agreements, production sharing, exploitation, or drilling rights. Coverage extends to tariff, regulatory, and credit risks arising from a government's breach or repudiation of a contract.

MIGA insures foreign direct investments against losses related to:

- Currency inconvertibility and transfer restrictions
- Expropriation
- War, civil disturbance, terrorism, and sabotage
- Breach of contract
- Non-honoring of financial obligations

MIGA provides dispute resolution services for guaranteed investments to prevent disruptions to developmentally beneficial projects.

Once a deal is in place, MIGA guarantees bring companies peace of mind, providing an added measure of security that can make the project attractive to investors and lenders as well as reinforce positive relations with host governments. Additionally, MIGA helps clients take a responsible approach to their projects' environmental and social aspects. Central to MIGA's approach are environmental and social impact assessments. These assessments evaluate a project's potential environmental risks and impacts, identify ways to address adverse impacts, and include the process of mitigating and managing them throughout implementation.

MIGA'S Value Added

As a member of the World Bank Group, MIGA offers a range of benefits to investors seeking protection and continuity for their projects in developing markets. MIGA's guarantees can help investors obtain access to funding sources with improved financial terms and conditions. Our unique strength is derived from our standing as a member of the World Bank Group and our structure as an international organization with our shareholders including most countries of the world. Since our inception in 1988, MIGA has issued more than \$30 billion in political risk insurance for more than 750 projects throughout the world in a wide variety of sectors. Our strong record on claims is a testimony to MIGA's ability to help investors resolve disputes that may arise. MIGA has been able to resolve disputes that would have led to claims in all but two cases and has paid five claims resulting from damage due to war and civil disturbance.

MIGA AT WORK

Fueling the Recovery in Côte d'Ivoire

Foxtrot International LDC operates oil and gas facilities in the Block CI-27 fields off the coast of Côte d'Ivoire. The company—which produces 70 percent of the country's gas—is improving its existing operational production platform and constructing a greenfield production platform to ensure a reliable, continuous supply of natural dry gas for Côte d'Ivoire's power plants. The country's demand for power is forecasted to grow at 7 percent annually, requiring significant investment across the energy supply chain.

Investor SCDM Energie SAS of France and lender HSBC Bank sought MIGA's coverage to mitigate the perceived high political and regulatory risks of investing in a country recovering from a prolonged civil conflict. MIGA's guarantees of

nearly \$600 million are protecting the investments against the risks of transfer restriction, war and civil disturbance, expropriation, and breach of contract.

Securing Uzbekistan's First Project Finance Deal

MIGA's support for Uzbekistan's first project finance deal with a consortium of international banks played an instrumental role in helping LUKOIL Overseas Uzbekistan secure the project finance for the upstream gas development of the Khauzak-Shady Block and Kandym Field Group.

The agency issued a guarantee of \$119.5 million to BNP Paribas (Suisse) SA of Switzerland—acting for itself and Crédit Agricole Corporate and Investment Bank and the Korean Development Bank—to cover a non-shareholder loan to LUKOIL Overseas Uzbekistan Ltd. The Asian Development Bank and the Islamic Development Bank also provided \$200 million in financing.

The project has an important demonstration effect for foreign investors in Uzbekistan, especially given the country's need to attract foreign direct investment to improve the economy. MIGA's support for this project in a remote and relatively poor region of Uzbekistan validates the company's efforts to meet international best practice with respect to the governance, environmental, and social impacts of oil and gas projects. Once the Kandym project is completed, it will be a major employer, foreign exchange earner, and source of revenue for the Uzbek economy.

Meeting Egypt's Demand for Refined Oil Products

MIGA has joined a large consortium of financial institutions to support the construction of a \$3.7 billion, 91,000 barrel per day hydro-cracking and coking facility in Mostorod, Greater Cairo. Egyptian Refining Company (ERC) will upgrade locally available refinery atmospheric residue into

lighter products, such as diesel and jet fuel, for the domestic market. The project will also include environmental upgrades to the adjoining facilities of state-owned Cairo Oil Refining Company and Petroleum Pipeline Company.

MIGA is providing guarantees of \$23.4 million covering an equity investment by Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG) of Germany in ERC. In addition to DEG, this project is supported by a number of development finance institutions—among them the International Finance Corporation, the African Development Bank, and the European Investment Bank.

The project will optimize domestic production of low-sulfur refined products, addressing domestic consumer and industrial demand. It will also increase domestic capacity for upgrading locally available atmospheric residue into lighter products, bringing significant environmental benefits and savings through import substitution. The project is expected to become operational in 2017.

For general information

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