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PROJECT CLOSINGS

TAYLOR-DEJONGH CLOSES \$2.2 Bn WORTH OF TURKEY POWER PROJECTS.



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In September, Taylor-DeJongh concluded two years of gruelling structuring and negotiations of financing, acting on behalf of the U.S. Ex-Im Bank as the lead arranger and provider of almost \$1 Bn of debt for the three InterGen Energy and Enka gas-fired IPPs at Gebze, Adapazzari and Izmir, Turkey. The projects are all structured legally as "BO" or "Build-Own" power projects under Turkey's complex array of legal structures for private sector participation in the power sector. The sponsors chose U.S. Ex-Im Bank as the lead arranger and primary debt provider in the fall of 1998. No other financial institution in the world had available capacity in the amounts that the sponsors needed in order to close the three projects, in the time frame that was required under the Government of Turkey's bidding requirements.



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All three projects total 3300 MW in capacity.

These projects mark another milestone in the long track record of successful project financings in Turkey by Taylor-DeJongh, as the firm and its professionals have been closely involved with two prior closed BOT power projects and have advised many developers in bids for TORs and for BOT power projects in Turkey. The firm has also been deeply involved in gas pipelines within and to Turkey. u

The Signing Ceremony.

Pic.1(left to right): **front row:** Mike Hogan, Senior VP, Intergen; Sinan Tara, Chairman, Enka Construction; Barbara O'Boyle, VP Project Finance, US Ex-Im Bank; **back row:** Bulent Osma, VP, Taylor-DeJongh; Hala El-Mohandes, Senior Loan Officer, US Ex-Im Bank; Xiaochao Wang, Senior Associate, Taylor-DeJongh.

Pic.2 (left to right): Sinan Tara, Mike Hogan, Barbara O'Boyle.

TAYLOR-DEJONGH

NEW PROJECT ADVISORIES

APPOINTED FINANCIAL ADVISOR ON BRAZILIAN IPP LIMITED RECOURSE FINANCING.

Taylor-DeJongh has been named financial advisor to U.S. Ex-Im Bank, which will be a lead provider of construction and permanent financing for the Araucária power project in Brazil, which is sponsored by El Paso Energy International and COPEL, a Brazilian electric utility in the State of Paraná. The project is a 469 MW combined cycle gas-

fired power plant which will utilize gas from the now-completed Bolivia-to-Brazil gas pipeline. Petrobras, the Brazilian national hydrocarbon company, will be the primary source of the gas that will be transmitted to the plant, through a local gas distribution company.

The lending group for this project financing will be U.S. Ex-Im Bank, OPIC, and BNDES, with Ex-Im likely providing the largest portion of the debt. The equity will come from El Paso, COPEL, and a subsidiary of Petrobras. The EPC contractor will be Bechtel Corporation. The sponsor group is targeting year-end for financial close of this project, which will be a major milestone in Brazilian power project financings.

Taylor-DeJongh's involvement in this landmark power project financing will nicely complement its existing financial advisory engagements to IPP sponsors for the Seival and Criciuma thermal power projects, also in Brazil. ▾

AFRICA ONE TELECOMS ADVISORY.

Taylor-DeJongh has been awarded the Financial Advisory role to one of the most ambitious telecommunications projects in the world today: the Africa ONE project, which is to be a fibre optic link around the entire continent of Africa, with connections to Saudi Arabia, Europe, and North America. The project is an undertaking by Global Crossing, as overall project manager, and supported by Lucent Technologies. Alcatel will be the turnkey supplier. The project will have landing sites in 24 countries, with additional inland transit agreements for service to every country on the continent.

The overall cost of the undertaking is in the neighborhood of \$1.9Bn, and the capital structure will require approximately \$1.2Bn of debt. Capacity purchase agreements with most of the large, key landing site countries are currently in negotiations. The system will be built in three stages, with a North Africa to West Africa linkage first, West Africa around South Africa second, and finally the tie-in of East Africa around to North Africa. The goal is for the entire system to achieve "Ready For Service" by December 2002, which is an ambitious target. A substantial portion of the debt is expected to be raised on a project finance basis from export credit agencies and official lenders, such as U.S. Ex-Im Bank, Coface, SACE and OPIC. Taylor-DeJongh's role is to structure the credit and lender security package to meet the requirements of the official agency participants. ▾

TAYLOR-DEJONGH AND CHEM SYSTEMS AWARDED THE U.K. MINISTRY OF DEFENCE ADVISORY MANDATE.

Taylor-DeJongh, in cooperation with the international chemicals consultancy, Chem Systems, has been awarded the mandate to advise the British Offset Group of the U.K.'s Ministry of Defence in its appraisal of an investment in a major new butyl rubber opportunity in Saudi Arabia.

The Taylor-DeJongh/Chem Systems team will be doing a thorough appraisal of one of the major new industrial projects to be launched in the international butyl rubber market. The more than \$400 million project involves major firms in Saudi Arabia in addition to Pressindustria, an Italian process design and engineering firm. This is Taylor-DeJongh's first assignment for the British

Offset Group, which has a substantial investment program with the Kingdom of Saudi Arabia. The mandate demonstrates the company's continued and increasing dedication to the Middle East region, where it has been ranked #1 Financial Advisor for five consecutive years. ▾

**TAYLOR-DEJONGH CHOSEN AS FINANCIAL ADVISOR
IN MAJOR BRAZILIAN PETROCHEMICAL PROJECT: RIO POLIMEROS.**

For the first time, U.S. Ex-Im Bank and SACE, the Italian export credit agency, have agreed to share the financial advisor for major project financing, which is the Rio Polimeros integrated ethylene and polyethylene complex located near Rio de Janeiro, Brazil. As the two primary lenders to the project along with BNDES (the Brazilian national development bank), Ex-Im and SACE will be providing a combination of construction period and commercial operating period comprehensive commercial risk and political risk guarantees for this project's financing.

The Project is a \$1 Bn capital undertaking, sponsored by major Brazilian industrial groups, Unipar, Sozano, Petrobras and an investment arm of BNDES.

The project will be located in the industrial area of Duque de Caxias adjacent to Petrobras' Duque de Caxias refinery, approximately 30 km from downtown Rio de Janeiro. It will be the first fully integrated ethylene and polyethylene facility in Brazil, establishing a new standard for economies of scale and production efficiencies. It will also be the first natural gas feedstock ethylene cracker in the country with 520,000 tons per year design capacity.

Taylor-DeJongh has multiple ongoing projects in Brazil, representing both Sponsors and Lenders. For 1999-2000, the firm was ranked as #1 financial advisor in Latin America in the *Privatisation International League Tables*. This project makes the 3rd project financing advisory of the firm in which BNDES is a co-lender in the transaction, including the Nueva Central power project of Enelpower in Argentina, where the firm represents SACE, and Araucária power project, where Taylor-DeJongh represents the U.S. Ex-Im Bank.

SPECIAL REPORT

OIL & GAS DEVELOPMENT IN EGYPT.

Rapid expansion in natural gas exploration and extraction is fast outstripping Egypt's ability to accommodate the growing output. For several years the government has worked to redirect the local consumption from oil production to gas in order to take advantage of the cleaner and relatively more abundant resource. As new wells come on line over the next two to three years, however, the domestic market will have difficulty absorbing the additional output. This is why the government has been negotiating with Turkey and Jordan to export gas through pipelines and/or in the form of LNG. These projects are currently assigned high priority and are expected to start exporting within the next two to three years.

EGPC is guaranteeing a gas supply for an undersea pipeline between Egypt and Turkey for the next twenty years. The pipeline will run from North Sinai to Ceyhan terminal in Turkey and is estimated to cost one billion dollars. The line will have the

capacity of carrying up to 1.5 billion cf/day of natural gas. Another project is Midor (Egypt), in Alexandria. The project should start operations by 1st quarter of 2001. It will have the capacity to process 100,000-barrels/day crude oil.

FACTS

- Gas reserves: 43.2 trillion cf
- Gas production (1999): 13 million tons
- Petroleum reserves: 3.7 billion barrels
- Petroleum production (1999): 39 million tons
- Refinery output (1999): 29 million tons
- Installed generating capacity: 17,150 MW (20% hydro, 80% steam, gas, CC)
- Electricity production (1999): 70,000 GWh

Spain's Repsol YPF and BP Amoco have both announced new proposals for the construction of LNG export terminals. BP Amoco has signed a

letter of intent with the government as part of its plan to build a plant on the Mediterranean coast to process gas from offshore fields and to start production in 2004. There will be two plants for LNG and one plant which will produce propane and butagas, currently imported from abroad. The company is producing in

three regions in Egypt: Gulf of Suez, Western Desert and Nile delta. BP Amoco will also be investing \$138 million to build a plant for the treatment of natural liquefied gases in the Gulf of Suez.

Shell is evaluating North East Mediterranean Deepwater concession in Egypt, which is likely to contain 15 tcf gas and 1 billion barrels of crude oil on the basis of 3-D seismic surveys. Shell is planning to spend \$180 million by 2004 on exploration costs in Egypt and each gas or oil development will cost about \$1 billion. First production would be expected in 2005-2006.

Four Natural gas and petrochemical projects of almost \$880 million in investments are in their testing stage as of August 2000. The first is a natural gas complex owned by GASCO (state gas distribution company) worth \$217 million to treat 550 mcf/day of natural gas and produce approximately 470 tons/year ethane and propane. Production is estimated at \$130 million/year.

The second project is Sidi Krier Petrochemical plant which will produce 300 thousand tons /year of ethylene and 225 thousand tons/year polyethylene. This investment is worth \$629 million which is aiming at self-sufficiency from these two products. The third project will produce naphtha at 165 ton/year investment and is estimated at \$21 million. The fourth is a medical oils plant. Production capacity is 7,000 tons/year with investment of \$12 million. ▽

MIDDLE EAST REGIONAL POWER GRID.

Egypt, Jordan, Lebanon, Syria, Iraq, and Turkey are planning to connect their national power grids. Cost reductions and economies of scale will result from the construction of larger and more efficient generating units. Savings will also be achieved from reduced capacity requirements that follow when linked grids reach peak load at different timing. The project allows the countries involved to sell surplus capacity to each other and provides revenue sharing to the states through which electricity passes. Egypt and Jordan have already started to share electricity under this system. In March 1999, they linked their power grids by means of an underwater cable in the Red Sea. Although their current production capacity is 1,500 MW, Jordan values the pooling of their electricity with Egypt's huge power capacity of 14 billion megawatts per hour. The grid connection also allows the coordination of power projects and even the postponement of investments in this sector in poor countries. Jordan's first IPP will start production in 2002. Tractebel of Belgium won the project at an estimated cost of U.S. \$400 million, on a build, operate and own (BOO) basis.

Jordan and Syria have agreed in September 1999 to connect their electricity networks via a 400-kilovolt cable. The link-up was delayed due to technical problems experienced by Syria. Syria has installed generating capacity of 4,600 MW and is planning additional capacity of 3,600 MW by 2010, which will cost the country approximately \$2.5 billion in investments. The Syrian government has already signed agreements with both Iran and Russia on to cooperate in the field of power generation.

Syria is also planning to complete the Syrian-Turkish grid link by January 2001, which is the first stage of a project to also link Syria with Lebanon and Iraq by the year 2002. A 400-kilovolt link already exists between Turkey and Iraq. ▽



--From our Cairo Manager Maha El-Alaily

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