

Refinery Projects: a spotlight on ECA financing



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SACE AT A GLANCE

SACE, CDP Group, offers export credit, credit insurance, investment protection services, financial guarantees, sureties and factoring.

EXPERIENCE

30 years

25,000 customers

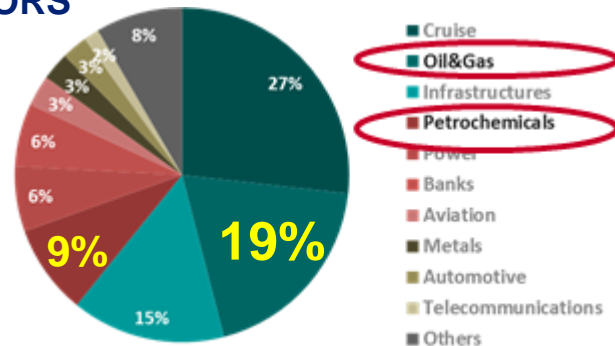
198 countries

FINANCIAL SOUNDNESS

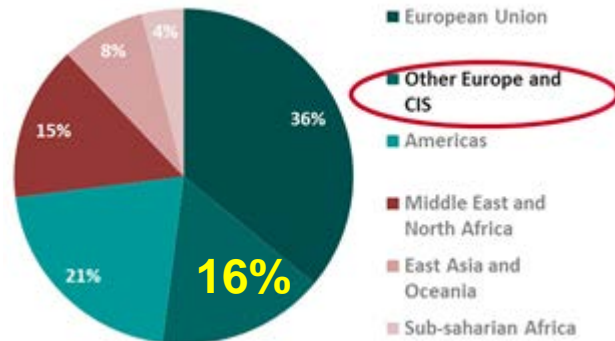
€5.3 billion Shareholders' equity

BBB+ credit rating (Fitch)

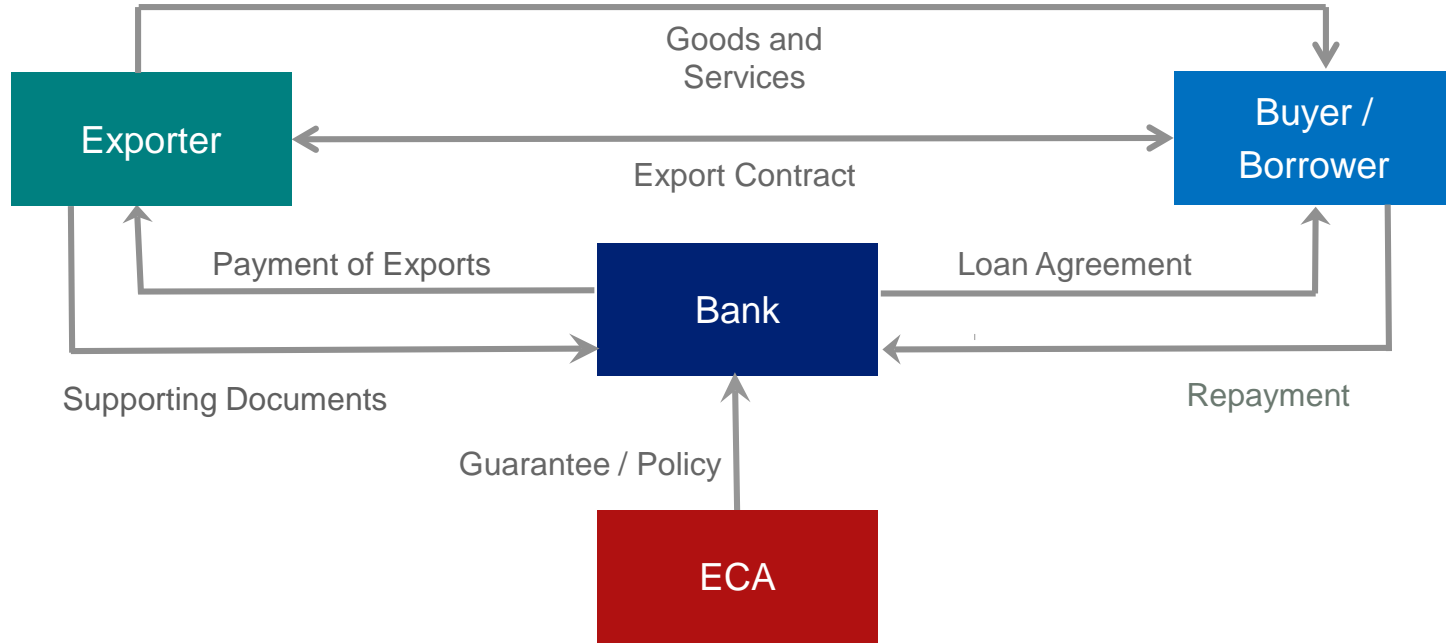
SECTORS



GEO-ECONOMIC AREAS



TYPICAL ECA FINANCING STRUCTURE



ADVANTAGES AND COMPLEXITY OF AN ECA FINANCING

- **Diversifies debt financing sources**
 - **Achieves longer tenors**
 - **Obtains fixed rate financing**
 - **Reduces syndication risk**
 - **Improves bankability**
 - **Underwrites big risks**
- **Timing and documentation requirements**
 - **Variation in ECA Programs among countries**
 - **OECD constraints** in terms of eligibility requirements, terms and conditions



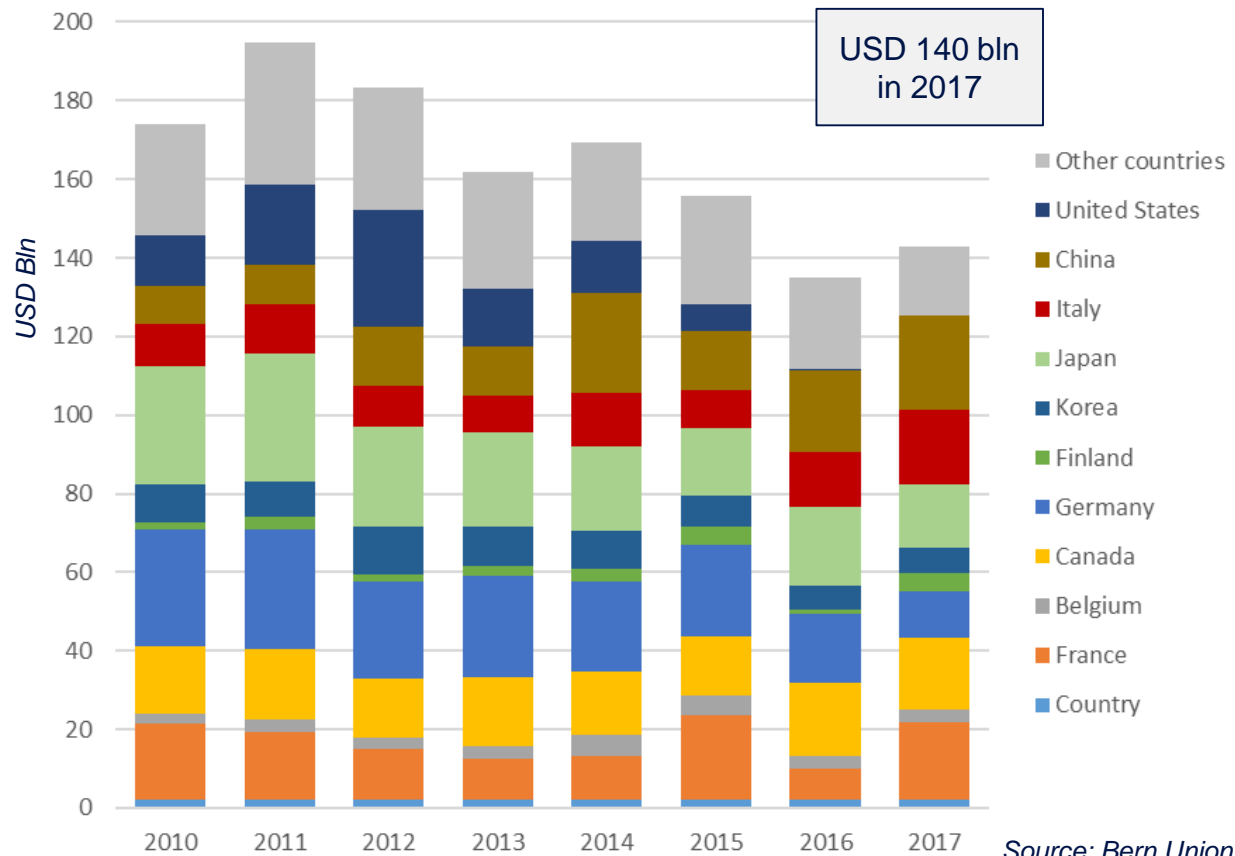
ECA VS LOCAL BANK FINANCING IN RUSSIA

For the long tenors (over 10 years), ECA-backed financing attractive

TENOR (in years)	RUSSIA (OECD Cat. 4/7)
2+10 (WAL 6.25)	8.02% (128 bppa)
4+10 (WAL 7.24)	8.72% (120 bppa)

HP: buyer's risk category CC1.

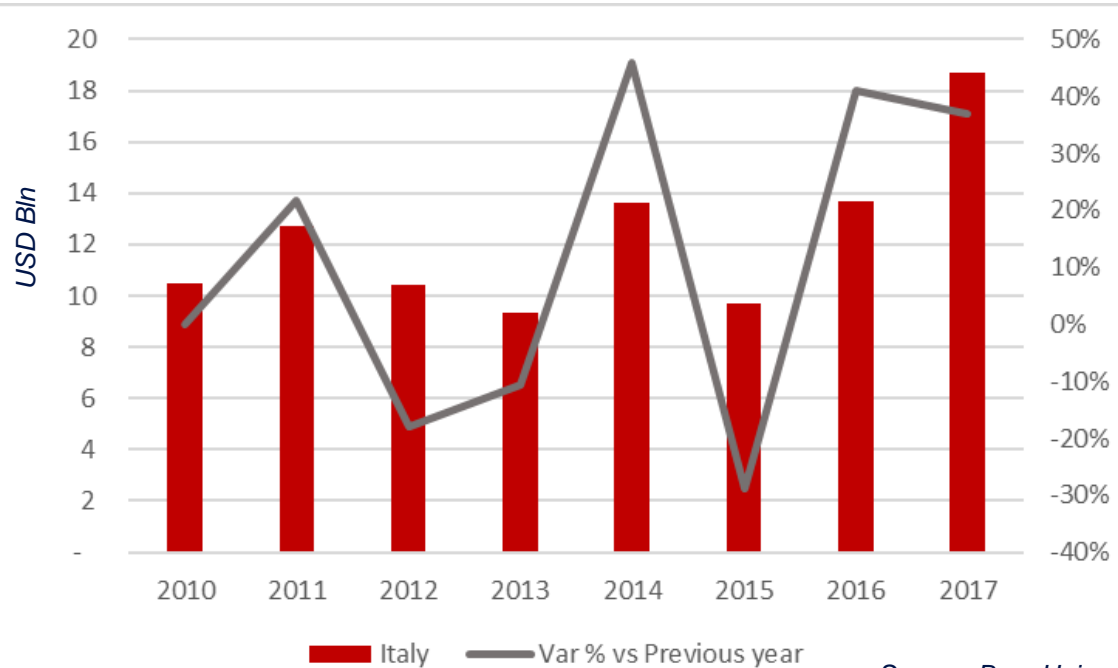
MLT EXPORT CREDIT BUSINESS: KEY FACTS



- Volumes still 11% higher than in 2006
- Development of programs falling outside the OECD Arrangement

Source: Bern Union

MLT EXPORT CREDIT BUSINESS - SACE



Source: Bern Union

- New commitments - increase of 41% and 37% in 2016 and 2017 respectively

SACE PROJECT FINANCE PORTFOLIO

- Significant track record for Project Finance transactions
- Participation in financial negotiations from the start
- Cooperation with the other financiers

Total Portfolio: about € 8 bln
outstanding

> 50% Oil & Gas and Petrochemical
sectors

Approximately 20% in Russia



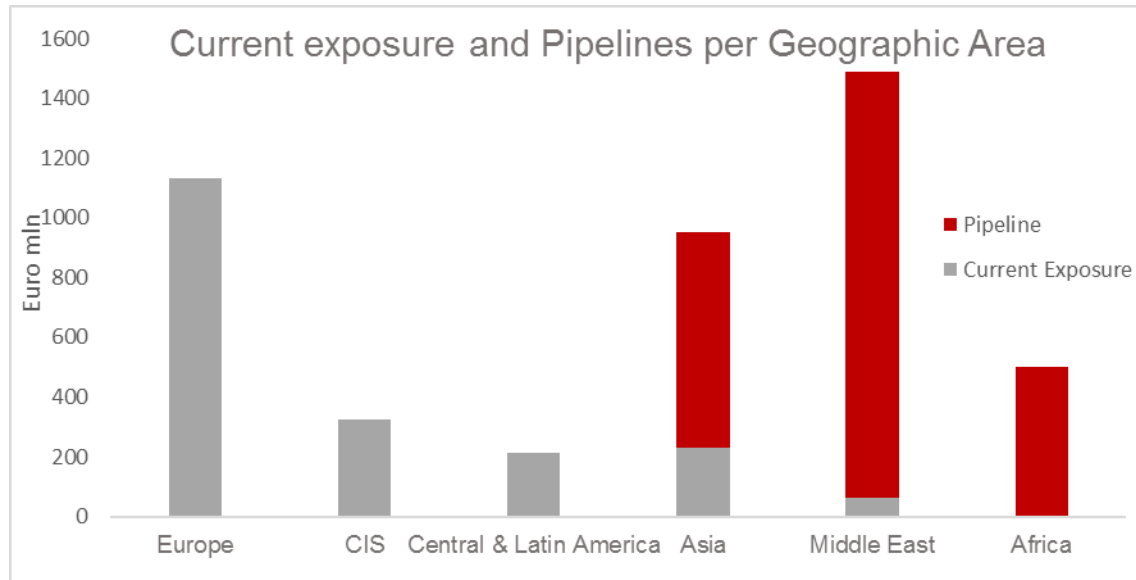
MARKET TRENDS IN PROJECT FINANCE: A COMPLEX SCENARIO

- Increase in the size of the deals
- Availability of financing as a key element to EPC awards
- Accelerated increase in finalizing transactions supporting refineries
- Signs of upturn in investment in other oil & gas sector projects
- Lower-for-longer oil price outlook
- Liquid Commercial Market



SACE PORTFOLIO AND PIPELINE – REFINERY SECTOR

- Over the last decade, SACE-backed financing of 9 projects (both greenfield and brownfield) for over Euro 3 bln
- SACE's total envisaged new commitments in the range of Euro 2.5 bln in 2018



MAIN RISKS AND MITIGANTS – REFINERY SECTOR

Construction Risks

Project completion on time and within budget?

Operating Risks

Generation of sufficient cash flow to repay debt?

Regulatory Risks

External risks related to legal and regulatory framework

Risk Factors

- Performance of EPC contractor/s
- **Cost overruns**
- **Construction delays**
- Technical complexity
- **Claims**

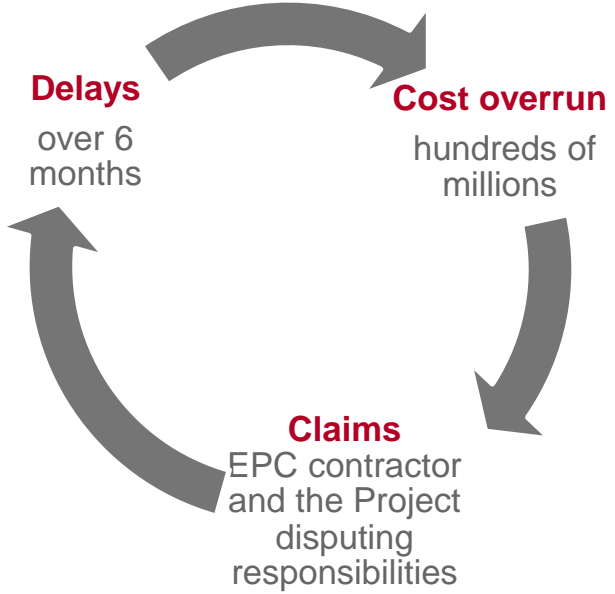
- Feedstocks
- Marketing strategy
- Sale prices
- Production costs
- Ability to operate in the long-term
- **Volatility of refining margins**

- Political / Governmental interference
- Force majeure
- Legal Environment
- **Impact of new regulations** (IMO Regulations, quality standard requirement upgrades)

CASE STUDY 1

Construction of a refinery in Eurasia

- Greenfield, 7 ECAs involved
- Planned investment > USD 6 bln
- No completion guarantee



CASE STUDY 1 - RESOLUTION

Construction of a refinery in Eurasia

Mitigants

Fixed date LSTK EPC with Guaranteed Completion Date and liquidated damages

Budget contingency

Contingent Equity

Drawnstop in case of forecast funding shortfall (Available funding lower than projected project costs)



Realignment of interests between the Sponsor, the lenders and the EPC Contractors

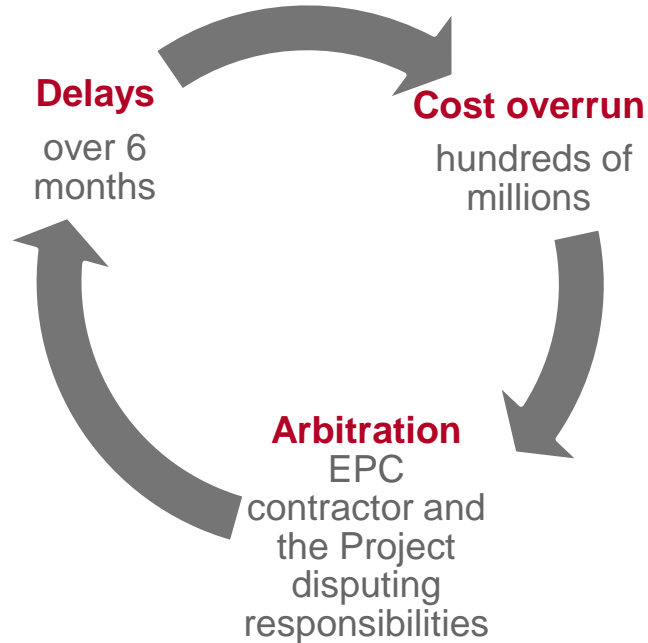
Settlement Agreement between the Project and the EPC Contractor

More stringent monitoring requirements

CASE STUDY 2

Construction of a refinery in Asia

- Greenfield, more than 5 ECAs involved
- Total investment > USD 9 bln
- Completion guarantee (Sponsors DSU)



CASE STUDY 2 - RESOLUTION

Construction of a refinery in Asia

Mitigants

Completion guarantee

Declaration of absence of disputes in drawdown request



Agreement to create a Dispute Reserve Account to cover claims

More stringent monitoring requirements

Thank you!

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