

HOW TO INCENTIVISE INVESTMENTS?

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2013, Odd Ivar Biller



Competitive landscape- increased competition

- **Many new natural gas nations wanting to commercialize its resources**
 - **Mosambique and Tanzania**
- **Established players wanting to expand their gas based industries**
 - **Qatar, Malaysia, Saudi, Iran, Australia**
- **US shale gas creating “window of opportunity”-**
 - **American industry lobbying for reduced exports of gas**
 - **Industries moving from Europe back to the US**
- **China may come in with large quantities of shale gas for own consumption by 2030.**

Corruption- major deterrent

- **Corruption a serious threat to wealth creation and distribution**
- **Big competitive disadvantage**
- **A serious threat to individuals of investing companies**
- **Qatar nr 18 on Transparency International's ranking list**
- **Determined to be among the 10 best**
- **Previous deputy prime minister leading the Anti-Corruption Commission.**

Partner related aspects

- **Investors asked to include local company as partner on equal or favorable terms**
- **May formally not be determined as corrupt practices**
- **May be subject to international public scrutiny**
- **Importance of transparency**
- **Long term partnership horizon**
- **Local partners in domestic national “building blocks” should preferably be NOCs or stock listed companies**

Personal security

- **Recent killings of 40 hostages in gas treatment plant in Algeria**
- **Secure every day outdoor and indoor life important**
- **Unattractive residential ghettos for expatriate workers**
- **Qatar, complete security in integrated compounds and on the streets**

Access to competent work force

- **Construction phase**
 - **CSR aspects-welfare of contractors' employees**
- **Operational phase**
 - **High cost of bringing in families from abroad**

Stable and predictable business framework

- Offshore oil and gas can be regulated in detail.
- Production sharing agreements quite complete
- More difficult to regulate all aspects of onshore industries
- Onshore industries subject to general legislation
- Tax holiday for 10 years normal in emerging economies
 - Prolonged in case of capacity extensions
- Decrees changing the rules of the game frightening
- Qatar, marketing agreements for petrochemical industry terminated
 - Marketing taken over by new state owned company
- Limited ownership period for foreign partner unattractive
- Gas based industries in emerging industries often dependent upon single source of supply -25 years short from industry perspective

External partial financing

- **Export credits**
 - **Difficult to obtain for entire plant**
- **Loans from World Bank or IFC**
- **Project financing by independent financial institutions**
- **Dependent on**
 - **substantial equity contributions**
 - **credit worthiness of main partners**
 - **completion guaranties from sponsors, i.e. that the plant is working according to technical specifications**
 - **Long term supply of raw materials**
 - **Take- or pay marketing agreements**
 - **Access to infrastructure, like harbor**