HOW TO INCENTIVISE INVESTMENTS?
Abidjan, November 5, 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