



The Geopolitics of Natural Gas



Political and Institutional Consequences of Major Gas Investment

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The World Bank Group

Five Agencies—One Group



International Bank for Reconstruction and Development

- **IBRD Provides loans and development assistance to middle-income countries**
- **Sells bonds in international capital markets to fund Loans**
- **IBRD Partial Risk Guarantee Program enhances government credit for private sector projects**
 - **Risk coverage of Government contractual obligations**
 - **Investment coverage of Debt only (principal and/or interest payments)**
 - **Terms can be of 15-20 years**



Five Agencies—One Group



International Development Association



- **Provides interest-free loans and grants to poorest Countries**
- **Replenishment contributions from wealthier WBG member countries**



Five Agencies—One Group



International Finance Corporation

- Encourages foreign and domestic private investment in LDCs
- Supports and promotes:
- Viable private sector ventures of benefit to host country's economy
- High HSE standards and project of strong demonstration effect
- Long-term financing, capital mobilization and advisory services





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Multilateral Investment Guarantee Agency Provides



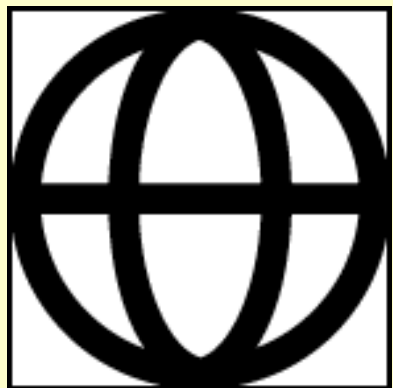
- **Guarantees against non commercial risk losses**
- **Technical assistance to help promote investment opportunities**
- **Legal services to smooth possible impediments to- and encourages direct investments in- developing countries**



Five Agencies—One Group



International Centre for the Settlement of Investment Disputes



ICSID

- **Provides facilities for settlement of investment disputes between foreign investors and their host countries**



World Bank Policy-Oriented and IFC Transaction-Oriented Departments Merge to one Global Product Group (GPG)



- **GPG achieved a critical mass of a world-class, Oil, Gas, and Chemicals-related skills**
- **One Stop-Shop provides Seamless transition from Policy to Transactions**
- **Early project identification and synergy in integrated sector approach**
 - **Increasing private sector OGC investments**
 - **Advisory restructuring services to Governments & private sector**



GPG Offers Policy Advice to the Public Sector toward Creating an Attractive Environment for Private Investment in Oil, Gas, and Chemicals



On the Policy side, GPG offers advice on:

- **Hydrocarbon Sector Reform**
- **Market deregulation and privatization to enable gas penetration and development**
- **Access to environmentally friendly fuels, especially gas in lieu of biomass or petroleum products**
- **Regional studies to facilitate gas trade**
- **Environmental / social impact of gas development**



World Bank Group Geared to:



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- **Attract capital, technology and management**
 - **Maintain transparent Government revenues**
 - **Strengthen State's policy and regulatory role**
 - **Redefine State role in productive sectors**
 - **Provide LDCs with access to Capital Markets**
 - **Increase production and services efficiency**
 - **Provide competitive investment framework**
 - **Promote private sector's participation**
 - **Increase benefits to people at large**



WBG Involvement Prompted by:



- **Government and private sector request**
- **Private sector often needs IFC's umbrella to reduce risk perception**
- **More visibility for difficult projects.**
- **Introduce new technologies to LDC's**
- **Create employment, bring management, and expertise while increasing transparency**
- **Generate business opportunities downstream**



Establishing an Appropriate Business Framework



Establish the appropriate Institutional, Legal, and Regulatory framework for lasting development of capital intensive, high risk gas markets and:

- ☞ Provide incentives to attract investors**
- ☞ Promote economic development**
- ☞ Protect consumer's interests**
- ☞ Have a proper monitoring and enforcement mechanism**



Developing Viable Gas Projects Requires



- ➡ **Co-operation between Governments, NOCs, IOCs and private investors**
- ➡ **Successful gas projects often require initial, strong Government involvement and support**
- ➡ **Smaller projects are easier to bring to fruition and mobilize less scarce resources**
- ➡ **Pilot projects have a strong demonstration effect and generally lead to larger projects**



IFC Supports Financing Private Sector Requests for:



Projects

- Appraisal and Development (no wildcat exploration)
- Oil and Gas Pipelines
- Oilfield Services
- LNG
- **LPG**
- FPSOs
- Acquisition Financing
- Debt Refinancing

Products

- Senior Debt
 - Project Finance
 - Corporate Loans
- Income-Participating Debt
- Convertibles
- Revolving Credit
- Equity
 - Corporate
 - UJVs
- Partial Credit Guarantees



IFC and IBRD collaborate to finance Major Cross-border Pipeline Projects



Chad-Cameroon Pipeline

- **US\$1.5 billion Chad Oilfields owned and funded by a Consortium led by Exxon, US\$2.2 billion pipeline**
- **Pipeline funding:**
 - **65% - 75% of cost: IFC A and B Loans, Export Credit Agency-supported loans, project bonds**
 - **25% - 35% of cost: consortium equity, Chad/Cameroon equity in 2 pipeline companies as funded by IBRD/EIB**
- **IBRD/IFC key in mobilization of funds: country and cross-border risks perceived to be high**



Bolivia-Brazil Gas Pipeline

World Bank and IADB



- **Bolivian Transco is Majority private.**
- **90%**
Shell/Enron/BG/ El Paso/ BHP
- **10% Petrobras**
- **Pipeline Bolivian section 550Km, cost US\$0.4 billion**
- **Brazilian Transco is Majority Public.**
- **49%**
Shell/Enron/BG/ BHP
- **51% Petrobras**
- **Brazilian section: 2600km, cost US\$ 1.7 Billion**



Bolivia-Brazil Financing Sources



	Bolivia	Brazil	Total
Project cost	\$ 436	\$1,650	\$2,086
WB Loan	--	130	130
WB Guarantee	--	180	180
Other IFI	--	380	380
Petrobras Fin.	361	650	1,011
Shareholder Eqty	75	310	385



The West Africa Gas Pipeline Project



- **Sponsors: Shell, ChevronTexaco, NNPC 75%**
- **25% Equity participation: Benin, Togo, Ghana**
- **World Bank to fund part of this equity and provide Guarantee along with MIGA and OPIC to Sponsors**
- **650 km onshore/offshore pipeline project,**
- **450 MMCF/d at Lagos Beach**
- **Total cost: US\$650 million**
- **First gas expected in Ghana in 2006**



Concluding Remarks on Gas Projects



- **Major gas projects and investments, such as trans-border pipelines, require innovative and specifically tailored institutional and Policy frameworks.**
- **Major risks are better mitigated through:**
- **Public-private sector partnerships**
- **IFIs' involvement is necessary at the earliest phases of Project Concept Stage.**
- **Good governance and transparency key to successful projects.**