



The East-East Corridor: MENA-Asia Energy and Trade

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TAYLOR-DEJONGH

Taylor-DeJongh in Brief

- ◆ We are an independent, specialist merchant banking firm that focuses on providing creative, objective capital solutions to our clients globally.
- ◆ Our track record: Over 25 years of successes.
- ◆ Our professionals: Bring the highest quality of objective service to clients.



Competitive Position



2007 FULL YEAR TABLE FINANCIAL ADVISERS (MANDATES WON)

Global by Value		
Rank	Bank	US\$MM
1	BNP Paribas	19,591
2	HSBC	12,336
3	Deutsche Bank	10,953
4	Natixis	9,036
5	Taylor-DeJongh	8,950
6	RBC Capital Markets	7,478

Global by Number	
Rank	Bank
1	BNP Paribas
2	Ernst & Young
2	RBC Capital Markets
4	Natixis
5	Taylor-DeJongh
5	Dexia Group

Asia Pacific by Value		
Rank	Bank	US\$MM
1	Taylor-DeJongh	5,000
1	HSBC	5,000
3	BNP Paribas	

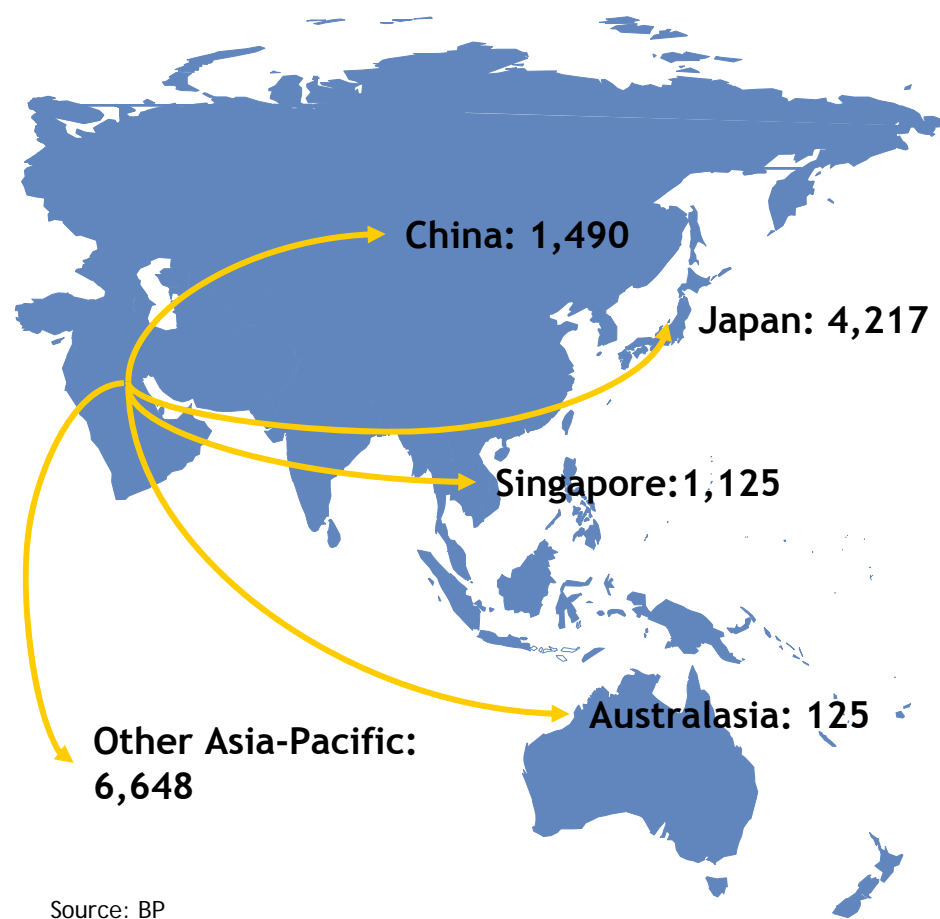
Africa and Middle East by Number	
Rank	Bank
1	Taylor-DeJongh
2	Barclays
3	BNP Paribas
4	Citigroup
5	Standard Bank

Source: Infrastructure Journal 2007 Full Year League Tables

Trade Movements: Middle East to Asia

- ◆ Nearly 65% of Asia-Pacific oil imports originate in the Middle East.
- ◆ Japan relies on the Middle East for 81% of its oil, while China imports 38%.
- ◆ Bilateral trade doubled to \$240 billion during the first half of this decade.

Middle East Oil Exports to Asia, 2006
(thousand barrels/day)

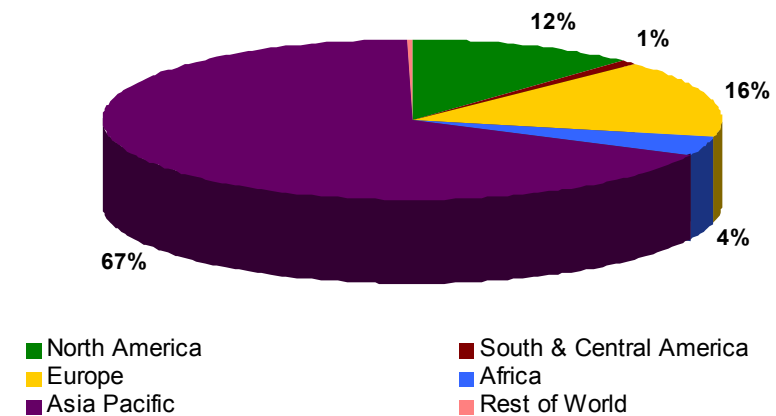


Source: BP

Trade Movements: The Value of the Asian Market

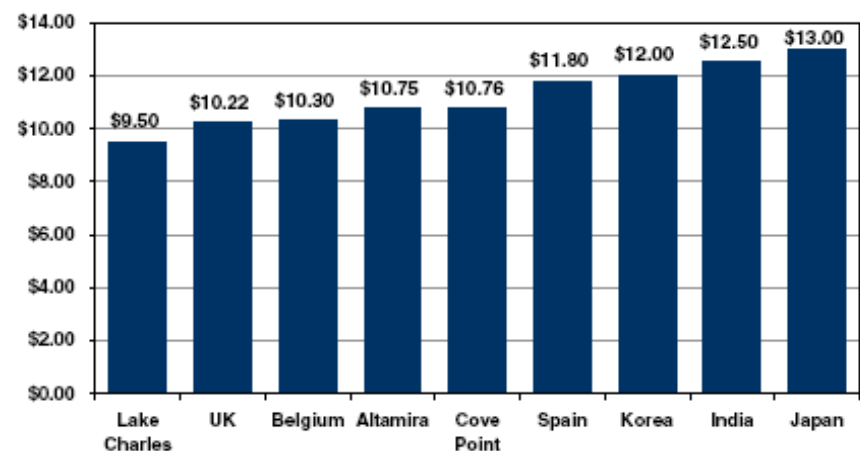
- ◆ The Asia-Pacific region accounts for two-thirds of Middle Eastern oil exports.
- ◆ Oil consumption forecast to increase by 5.2% per year in China & 4.1% in developing Asia through 2015.
- ◆ LNG delivery prices in Asia-Pacific are among the highest in the world.
 - Spot LNG prices in winter 2007 were over \$15/mmbtu, well above EU and US markets.
 - LNG cargoes are being diverted to Asia Pacific due to higher prices.

Middle East Global Oil Exports, 2006



Source: BP

World LNG Pricing (\$/mmbtu)

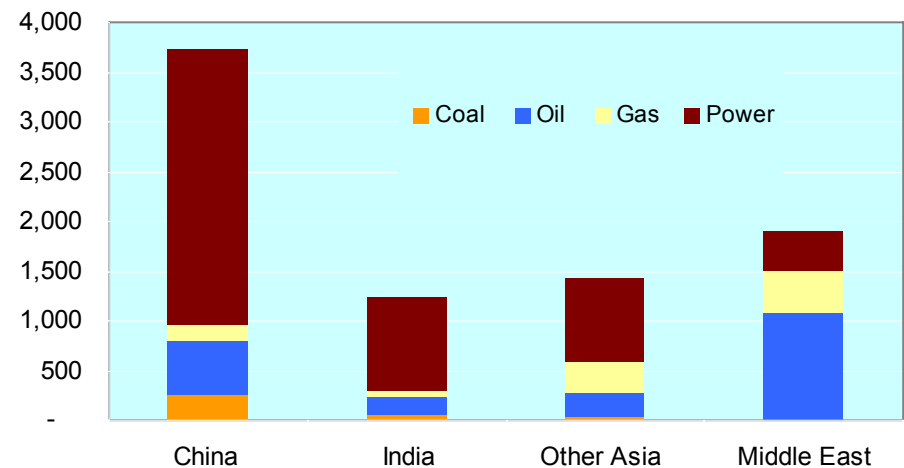


Source: Credit Suisse, Waterborne Energy Inc.

Energy Investment: Asia - Middle East

- ◆ Gulf states could invest as much as \$250 billion in Asia by the end of this decade.
- ◆ China accounts for 17% of world energy investment needs through 2030 - more than all other Asian countries combined.
- ◆ Oil accounts for 15% and 14% of total investment needs in China & India, respectively.

Cumulative Investment Requirements in Energy-Supply Infrastructure
2006-2030



Source: IEA

- ◆ Countries from the Gulf will have \$9 trillion to invest by 2020.
- ◆ India needs Middle East investment to finance its infrastructure overhaul, costing an estimated \$ 500 bn for the next five years.

Cross-border Investment: East-Middle East

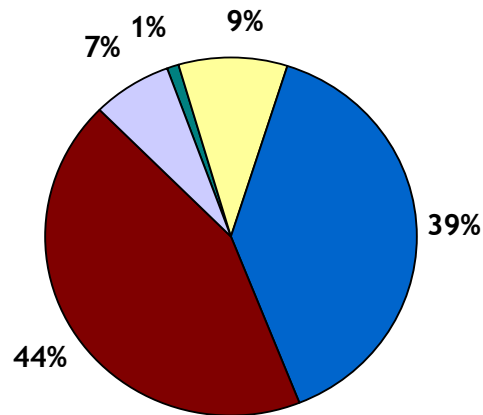
- ◆ Asian companies and financial players are becoming increasingly active in the Middle East to secure access to energy resources - exacerbated by rising oil prices.
- ◆ The Middle East has seen a surge in bidders from Malaysia, Singapore, Korea, Japan, India, China, and others, as evidenced by bids for sponsoring regional IWPPs.
- ◆ For many large-scale projects in the Middle East, fund procurement is done through a combination of conventional financing and Islamic financing.
- ◆ Sponsors are increasingly seeking to include Islamic financing in energy projects in the Middle East.

East-Middle East Financing Trends

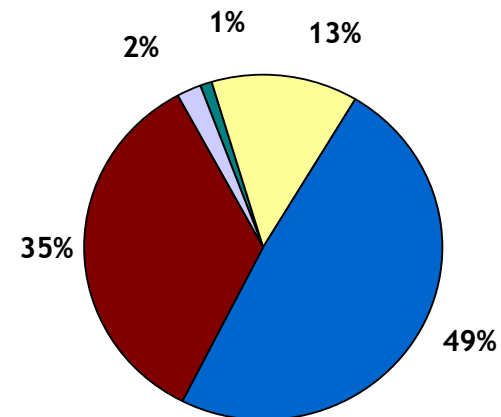
- ◆ Asian banks are active in the GCC energy sector, accounting for 13% of the debt raised from 2000 to 2008 - over one-third the amount raised by GCC banks themselves.
- ◆ Asian ECAs active in the region: Japan's JBIC is largest provider of ECA funds in the Gulf, committing \$4.8 bn in 2007; established Islamic Finance division and expanding geographical remit.

MLAs in the GCC Oil, Gas and Petrochemicals Sectors

Number of MLAs by Nationality
2000-2008



Total Debt Raised by Nationality
2000-2008



Source: Dealogic

Cross-border Investment: Middle East-East

- ◆ Middle Eastern energy companies are investing in Asia, to move closer to growing demand centers.
 - Saudi Aramco is striving to increase its investments in Asian oil & gas projects by negotiating oil exports and building refineries in Asian regions.
 - KPC aggressively expanding in Asia through refineries and petrochemical projects (e.g. Nghi Son refinery project in Vietnam).
- ◆ Middle Eastern funds looking to Asia for diversification.
 - Energy security concerns restricting access to European markets, comparatively open investment in Asia.
 - Investing oil earnings in high-growth countries and expanding political influence.
 - E.g. Singapore Bulk Liquids, CCGT merchant power plant in S. Korea, etc.

Middle East-East Financing Trends

- ◆ Sovereign Wealth Funds in the Middle East are diversifying geographically, particularly in Southeast Asian countries.
- ◆ Shift from bonds and equities, towards investments in real assets (projects or companies) to capture synergies across the portfolio.
- ◆ Islamic funds focusing on Asian countries are forming to capitalize on existing infrastructure.
 - The Islamic Development Bank (IDB) is raising capital for its second infrastructure fund, the EMP Energy Fund, to invest 80 per cent in energy and 20 per cent in infrastructure projects in the GCC and South-East Asia.

Fujian Refining and Ethylene Joint Venture Project (China)

◆ Sponsors:

Fujian Petrochemical Co Ltd	50 %
Exxon Mobil Corp	25 %
Saudi Arabian Oil Co - Saudi Aramco	25 %

◆ Financial Close: September 2007

◆ Project Value: \$ 5.6 billion

◆ The project entails the expansion, upgrade and integration of an existing refinery in Quanzhou, Fujian province, China. Construction began on 8 Jul 2005 while full operation is scheduled for early 2009.

◆ First major project including both China & Saudi Arabia aimed at fully utilizing the synergies between the two regions.

◆ Financing/Tranches:

Term Loan	RMB16.8b	90% of PBOC	20 yrs
Term Loan	RMB4b	90% of PBOC	20 yrs
Term Loan	\$730m	LIBOR + 25bp	15 yrs
Term Loan	\$463m	LIBOR + 25bp	15 yrs
Equity	\$1.6b		

Shuqaiq IWPP (Saudi Arabia)

- ◆ **Sponsors:**

Consortium of ACWA Power Projects, GIC and Mitsubishi	60 %
Water and Electricity Company (WEC)	40 %

- ◆ **Contract Type:** Build, Own, Operate

- ◆ **Contract Value:** \$ 1.85 billion

- ◆ **Financial Close:** February 2007

- ◆ 20-year power and water purchase agreement with WEC, which will also supply crude oil to the plant on an energy conversion basis.

- ◆ Majority of bidding activity from Asian companies.

- ◆ **Financing/Tranches:**

Term Loan	\$1,158m	LIBOR + 120bp	22 yrs
Term Loan	\$230m	LIBOR + 90bp	10 yrs
Islamic Financing	\$142m	LIBOR + 40bp	22 yrs
Equity	\$322m		

Islamic Finance In GCC Oil and Gas Projects

- ◆ Islamic Financing represents a small portion of overall regional oil & gas projects.
- ◆ Since 2000, only 11 projects have utilized Islamic financing.
- ◆ Less than 4% of total value has been funded by Islamic debt.
- ◆ Petrochemical/ chemical plants represent the majority of this financing.
 - 8 of 11 regional Islamic financed projects (73% of total).
 - US\$ 3.1 billion in Islamic financing (69% of total).

Islamic Financing in GCC Oil and Gas Projects, 2000-2008

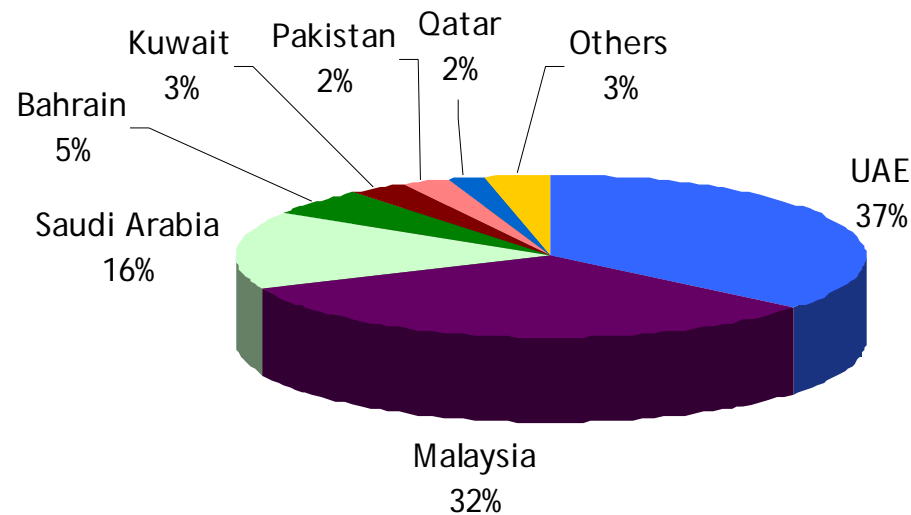
Project Name	US\$ million	% of Project Cost
Al Waha	530	53
International Methanol Co.	152	44
Dolphin Gas	1,000	29
Equate Petrochemical	200	22
Jubail Chemical Industries	164	73
Jubail Polypropylene	575	80
Jubail Propane	107	14
Kuwait Aromatics Project	347	17
Qatargas 2 LNG Complex	530	5
Rabigh Petrochemical	600	6
Sitra Refinery	330	22
Total	4,535	

Source: Project Ware

Islamic Finance in Asia

- ◆ Asian Islamic financing of energy projects has been growing within Asia, specifically in India, Malaysia & Indonesia.
- ◆ Islamic Finance in Asia is spreading to Vietnam, South Korea & other Pacific countries.
- ◆ Islamic financing in China remains limited.

International Sukuk Issuance (2001-2007)



Trends in Islamic Financing

- ◆ Funding that complies with Islamic principles accounts for about 10% of the project finance market in the Middle East.
- ◆ Islamic financing was slow in advancing into project finance because of the long-term nature of these projects and the lack of available instruments.
- ◆ Explosive growth in Asian demand for Middle Eastern oil & gas has forced innovation in Islamic financial instruments that are suited to the long-term capital intensive nature of these projects.
- ◆ Recently the credit crunch has led to increasing Islamic financing in large energy projects in the Middle East.
- ◆ Islamic banks prohibited from using instruments that contributed to credit problems.

Challenges for Islamic Financing

- ◆ Lack of standardization in Islamic Finance, particularly in sukuk; bond equivalent instruments, could cause future liquidity problems.
 - Sheik Mohammed Taqi Usmani, chairman of the Accounting and Auditing Organisation for Islamic Financial Institutions, has recently claimed that 85% of sukuk are not fully Sharia-compliant.
 - Restriction on the use of derivative instruments & insurance.
- ◆ Shortage of knowledgeable workforce in Islamic Finance, particularly in project finance.
 - Islamic banks in GCC countries are finding it harder to find the required experience and skill and are seeking talent from Asian financial centers.
 - Growth of Islamic finance in Asia, centered around countries like Malaysia, has been focused on commercial financing, diversification into project finance recent.



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