

ENERGY ROUTE TO EUROPE & U.S.A. THROUGH THE BALKANS



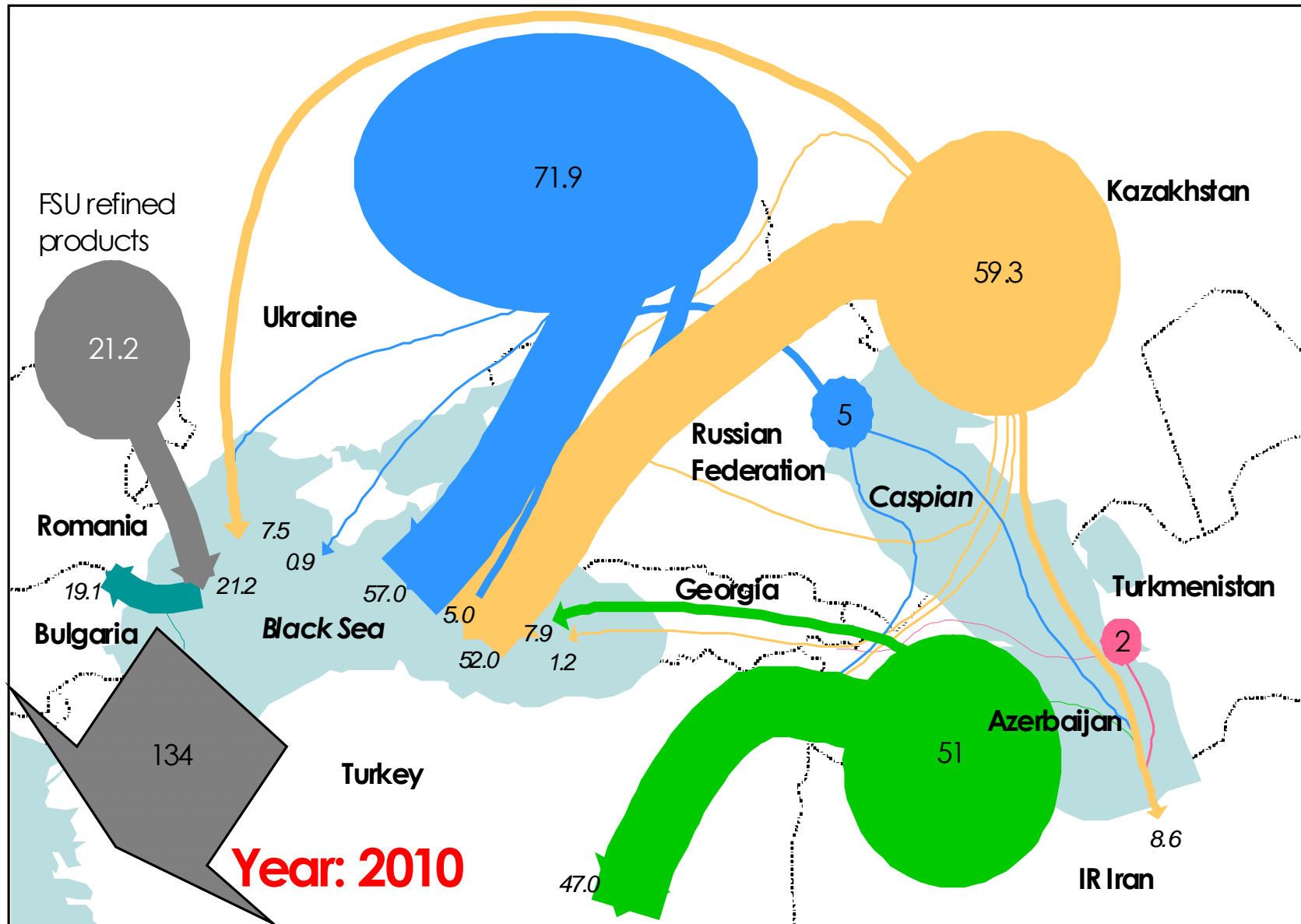
ALBANIAN MACEDONIAN BULGARIAN
OIL PIPELINE CORPORATION

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1st OIL FORUM OF THE ENERGY COMMUNITY
24/25 SEPTEMBER 2009 - BELGRADE

- **AMBO** WAS FOUNDED UPON THE NECESSITY OF A BYPASS TO THE TURKISH STRAITS.
- THE TURKISH STRAITS WITH ITS INCREASED SHIPPING TRAFFIC IS A BOTTLENECK FOR TANKERS AND HAS A SIZE LIMITATION.
- INCREASED OIL PRODUCTION FROM THE CASPIAN AND RUSSIA CALLS FOR MULTIPLE EXPORT ROUTES TO THE WEST.
- ONLY BTC PROVIDES A DIRECT ROUTE FROM THE CASPIAN TO A LOAD PORT IN THE MEDITERRANEAN.
- ALL BYPASS PROPOSALS TO DATE REQUIRE TRANS SHIPMENT IN THE BLACK SEA.
- ONLY **AMBO** PROVIDES THE WESTERNMOST LOAD PORT IN A GENUINE ALL YEAR ROUND SAFE HARBOUR FOR VLCC's.
- OIL SHIPPERS NEED NOT INVEST IN **AMBO**. OIL TRANSIT CONTRACTS WILL SECURE FUNDING BY PRIVATE INVESTORS.
- **AMBO** PRESENTS THE BEST ENVIRONMENTAL AND ECONOMIC LONG TERM SOLUTION TO BLACK SEA CRUDE OIL EXPORTS.

CASPIAN & BLACK SEA OIL EXPORTS FORECAST



Source: CERA

PUBLISHED BY CERA IN 2002 – KASHAGAN NOT INCLUDED

THE COST OF SHIPPING

- BLACK SEA CRUDE OIL EXPORTS HAVE NOW EXCEEDED 100MTA – FUTURE INCREASES THROUGH FIELD EXPANSIONS AND NEW DISCOVERIES (KASHAGAN) ARE PLANNED.
- DELAYS AND THE RISK OF DELAYS IN THE TURKISH STRAITS ADD CONSIDERABLY TO SHIPPING COSTS.
- THE POTENTIAL FOR AN ENVIRONMENTAL DISASTER IN THE BOSPHORUS REMAINS..
- BTC VOLUMES AND OTHER FUTURE VOLUMES CANNOT BE ABSORBED IN THE MEDITERRANEAN.
- NW EUROPE & USA ARE THE MARKETS FOR THIS OIL.
- INCREASED TANKER TRAFFIC AND THE DEMAND FOR VLCC LOADING IS INEVITABLE.

FINANCIAL GUIDELINES

- AMBO'S TRANS BALKAN PIPELINE WILL NOT ONLY SERVE MULTIPLE PRODUCERS AND SHIPPERS IT WILL ALSO BENEFIT REFINERS AND TRADERS
- SHIPPERS PLEDGE A RANGE OF VOLUMES: MINIMUM AND MAXIMUM
- SHIPPERS PAY FOR MINIMUM PLEDGED VOLUMES OF OIL PLUS ANY ADDITIONAL VOLUMES SHIPPED
- SHIPPERS WILL RETAIN THE OPTION TO USE THE STRAITS
- TARIFFS CAN BE HIGHER IN WINTER THAN SUMMER
- TARIFFS CAN BE PREFERENTIAL: LOWER TO THOSE WHO ADD GREATER VALUE
- THE TARIFF STRUCTURE WILL BE OPEN AND TRANSPARENT TO ALL
- EQUITY COMES FROM PRIVATE INVESTORS AND WILL BE IN THE RANGE 25%/30% OF CAPITAL COSTS
- DEBT WILL BE SECURED ON THE BACK OF OIL CONTRACTS

PIPELINE ECONOMICS

SUMMARY

- THROUGHPUT TARIFF **US\$1.75/bbl**
- PROJECT IRR **19 %**
- PROJECT IRR (LEVERAGED) **27.5 %**
- DEBT FINANCE PERIOD **10 Years**

LEGAL AGREEMENTS

TRIPARTITE CONVENTION

- AN INTER GOVERNMENTAL AGREEMENT (IGA) OR TRIPARTITE CONVENTION BETWEEN THE REPUBLICS OF ALBANIA BULGARIA AND MACEDONIA IS RATIFIED BY ALL THREE COUNTRIES.
- ENTRY INTO FORCE OF THE CONVENTION WAS IN OCTOBER 2007.
- THE TRIPARTITE CONVENTION IS BASED ON THE NATIONAL LAWS OF EACH COUNTRY AND THE RELEVANT DIRECTIVES AND REGULATIONS OF THE EUROPEAN UNION.
- ALL THREE COUNTRIES ARE SIGNATORY TO THE EU ENERGY CHARTER TREATY CONVENTIONS THAT SPECIFICALLY SERVE AS GUIDELINES.

AMBO STATUS TO DATE :

- A COMPREHENSIVE FEASIBILITY STUDY WAS COMPLETED BY Kellog Brown & Root (KBR) IN SEPTEMBER 2000.
- A PREFERRED PIPELINE ROUTE HAS BEEN AGREED AND MAPPED IN ALL THREE COUNTRIES.
- A TRIPARTITE CONVENTION OR IGA IS AGREED AND RATIFIED BY ALL STATES.
- PRIVATE INVESTORS WILL PROVIDE FUNDS FOR THE ESIA ALONG WITH EARLY ENGINEERING WORK.
- OPIC & US EXIM BANK HAVE GIVEN SUPPORT AND GUIDANCE THROUGHOUT – EBRD ARE WILLING TO INVEST.
- SHIPPERS HAVE EXPRESSED INTEREST - CONTINGENT UPON SPECIFIC CRITERIA.

THE VALUE TO EUROPE & THE BALKANS

- AMBO PROVIDES A ROUTE TO EUROPE AND WESTWARDS AVOIDING THE TURKISH STRAITS.
- SHIPPING COSTS ARE LESS THAN ALL OTHER OPTIONS.
- VLORE PRESENTS THE ONLY ALL WEATHER ALL YEAR ROUND SAFE HARBOUR FOR VLCC LOADING.
- AMBO OPERATES IN EXISTING TANKER ROUTES.
- AMBO COMPLIMENTS CORRIDOR VIII AND ITS OBJECTIVES.
- THE AMBO ROW COULD PROVIDE A CORRIDOR FOR GAS TO EUROPE.
- AN IMPORTANT ENERGY INFRASTRUCTURE IS CREATED FOR THE BALKANS SUPPLYING OIL AND PERHAPS GAS IN THE FUTURE WESTWARD.

WHY AMBO OVER OTHERS ?

AMBO. BOURGAS - VLORE

- PRIVATE SPONSORS AND OWNERSHIP: PIPELINE TRAVERSES THREE COUNTRIES.
- COUNTRIES ARE ALL SIGNATORIES TO EUROPE'S ENERGY CHARTER.
- EXPORT TERMINAL AT VLORE IS WESTERNMOST OF ALL OPTIONS AND IS AN ALL WEATHER VLCC PORT.
- VLORE IS SITUATED ON EXISTING TANKER ROUTES.
- SHIPPERS DO NOT NEED TO INVEST IN THIS MID-STREAM DEVELOPMENT. TAKE AND PAY CONTRACTS WILL SUFFICE.
- TARIFFS WILL BE TRANSPARENT AND EQUITABLE.

PROBLEMS FACING ALL BYPASS PROPOSALS:

- **THE PERCEPTION THAT A BYPASS IS NOT NECESSARY.**
- **ENVIRONMENTAL OBJECTIONS TO NEW OIL TERMINALS AND PIPELINES.**
- **GEO-POLITICAL ISSUES THAT WILL AFFECT DECISION MAKING OF INVESTORS.**
- **THE CURRENT WORLD FINANCIAL SITUATION ALONG WITH A DECLINE IN OIL DEMAND.**
- **HOST GOVERNMENTS CANNOT THEMSELVES FINANCE SUCH PROJECTS; INDUSTRY AND INVESTORS ARE REQUIRED TO LEAD IN SUCH INVESTMENTS.**
- **GOVERNMENTS AND INSTITUTIONS PROVIDE SUPPORT; INDUSTRY PROVIDES THE OIL; INVESTORS PROVIDE THE FUNDS FOR A FAIR RETURN.**