

**CARDUCHI**

Kurdistan Energy and Politics



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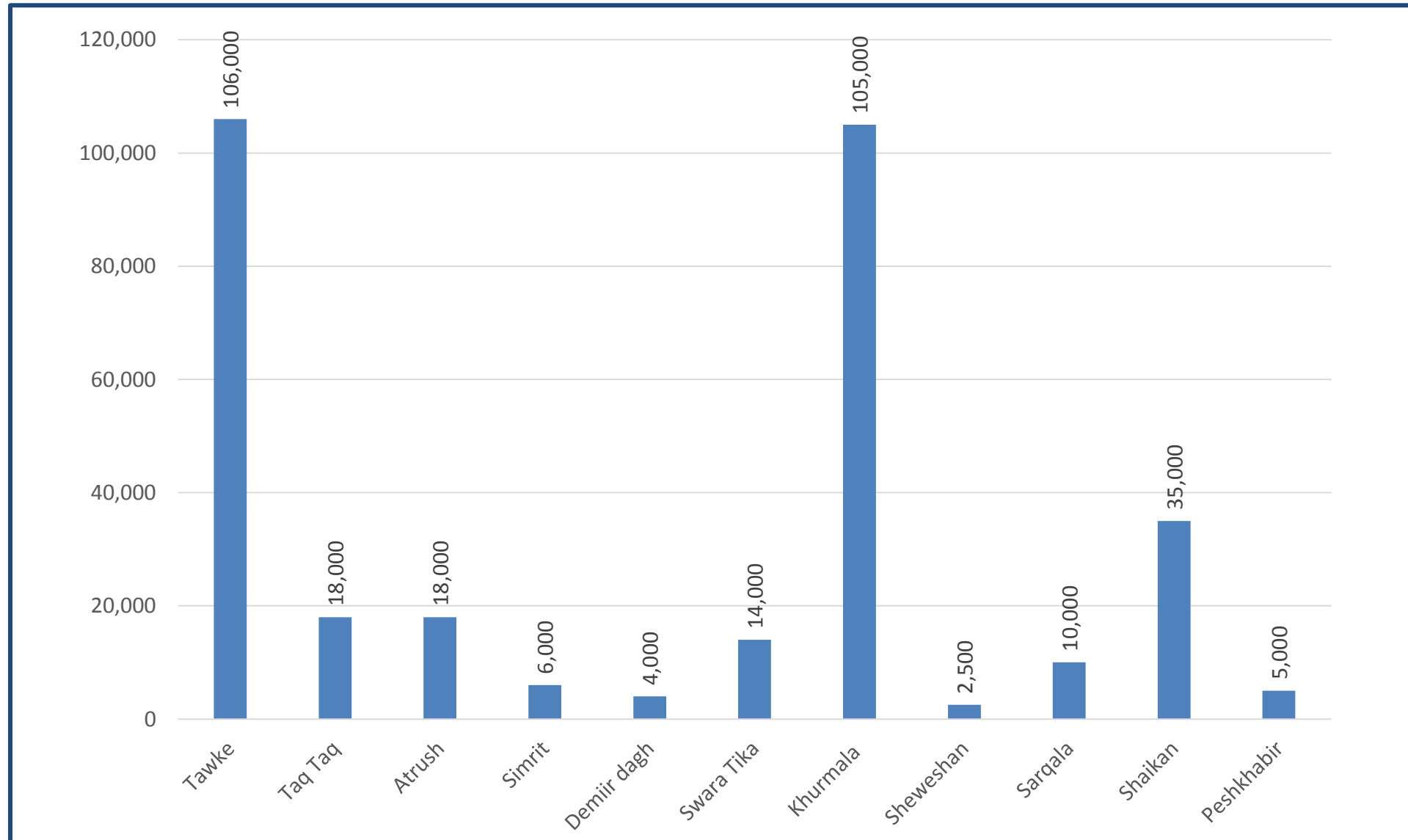
***Consulting***

## **Kurdistan Region Oil industry**

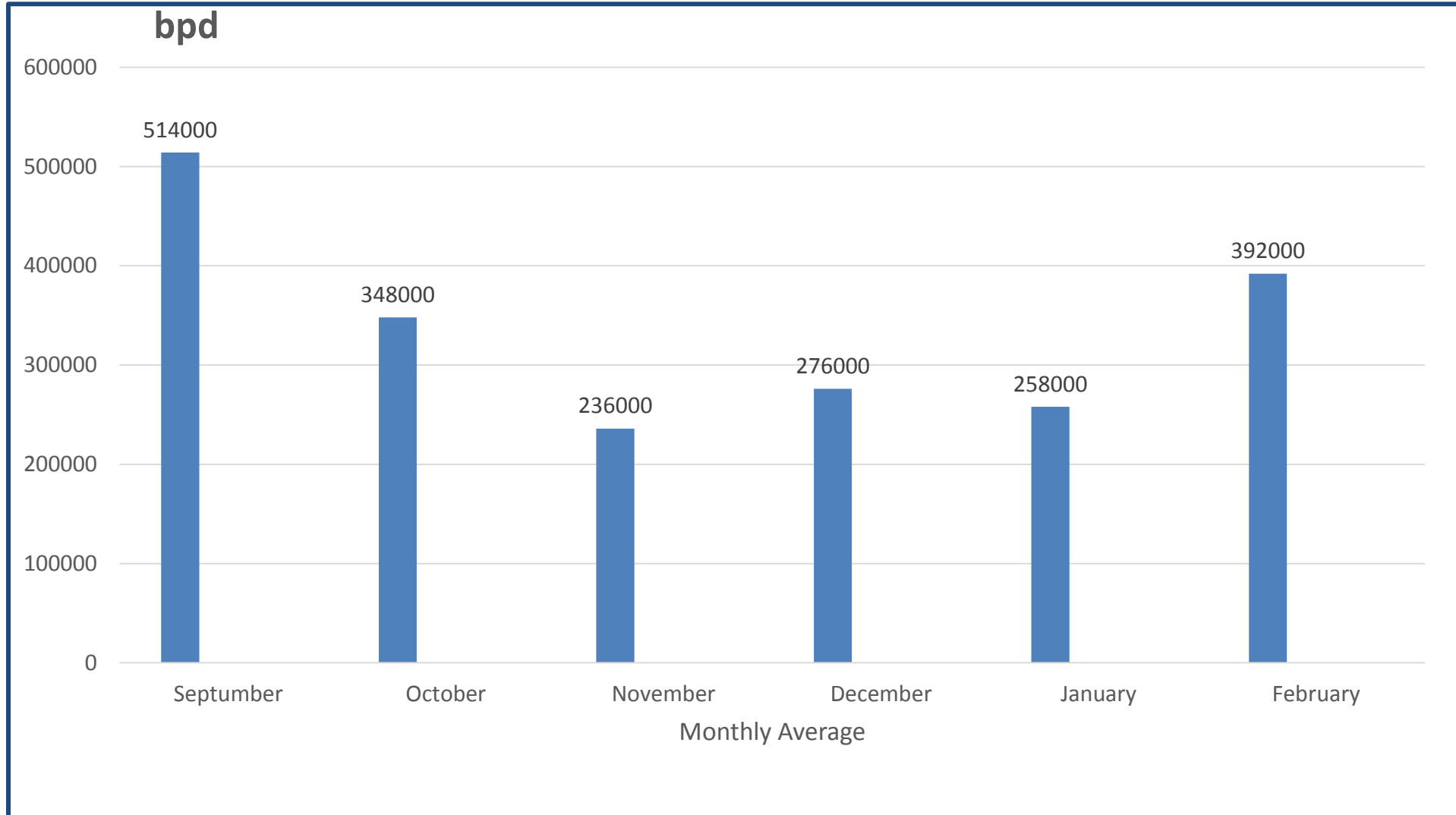
Asset valuation and prepayment  
debt

29 March 2018

# Kurdistan Region Oil Production: 325,000 bpd



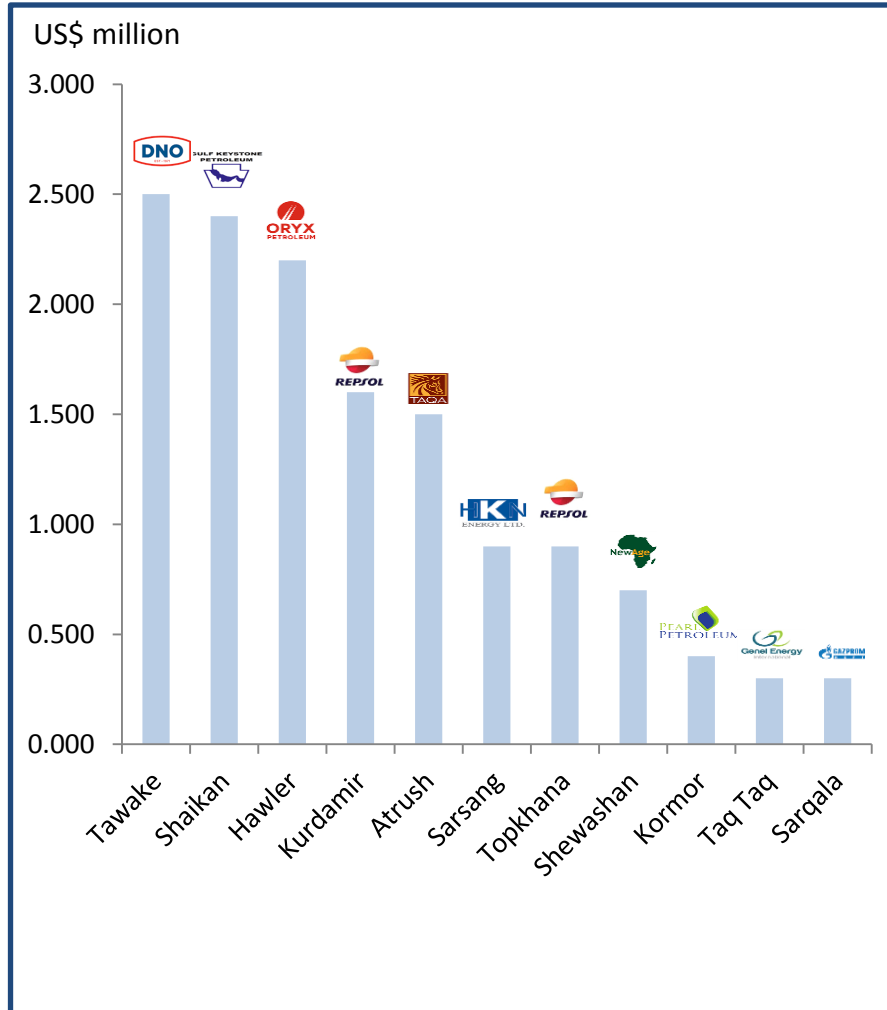
# Kurdistan Region Oil Export From Ceyhan



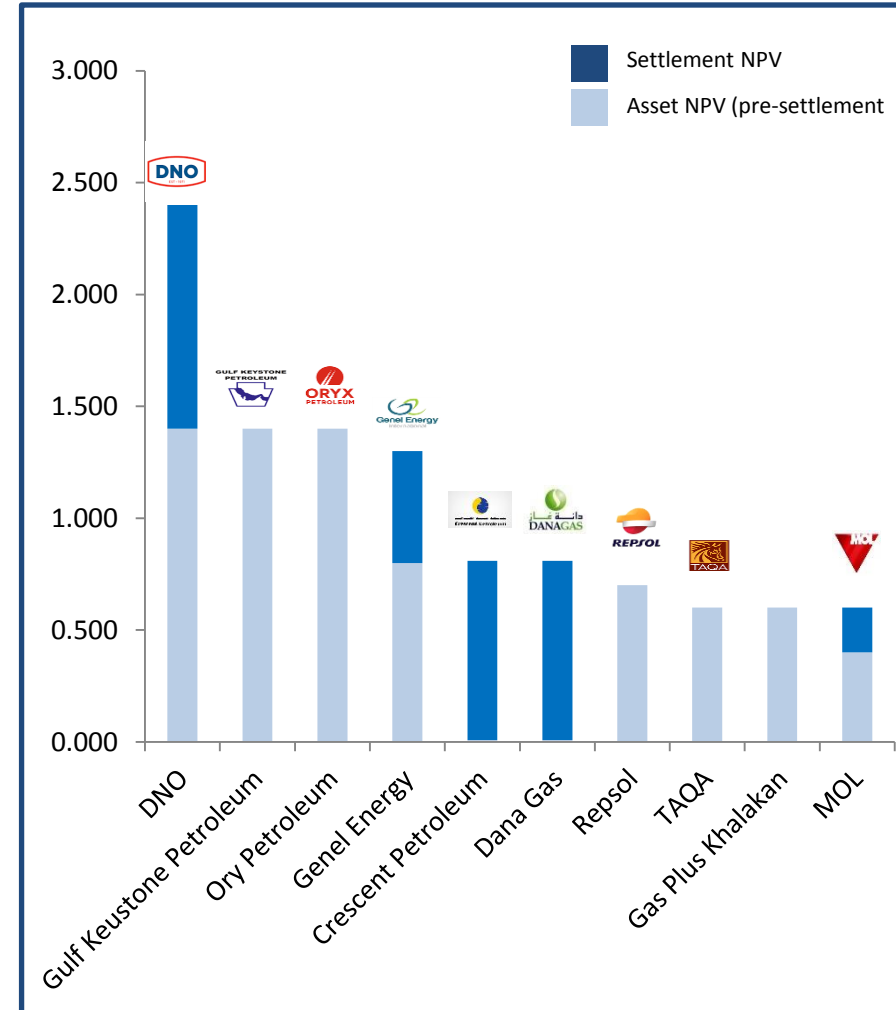
Export Data: MNR and TankerTrackers

# Top 10 oil companies

Asset value in Kurdistan

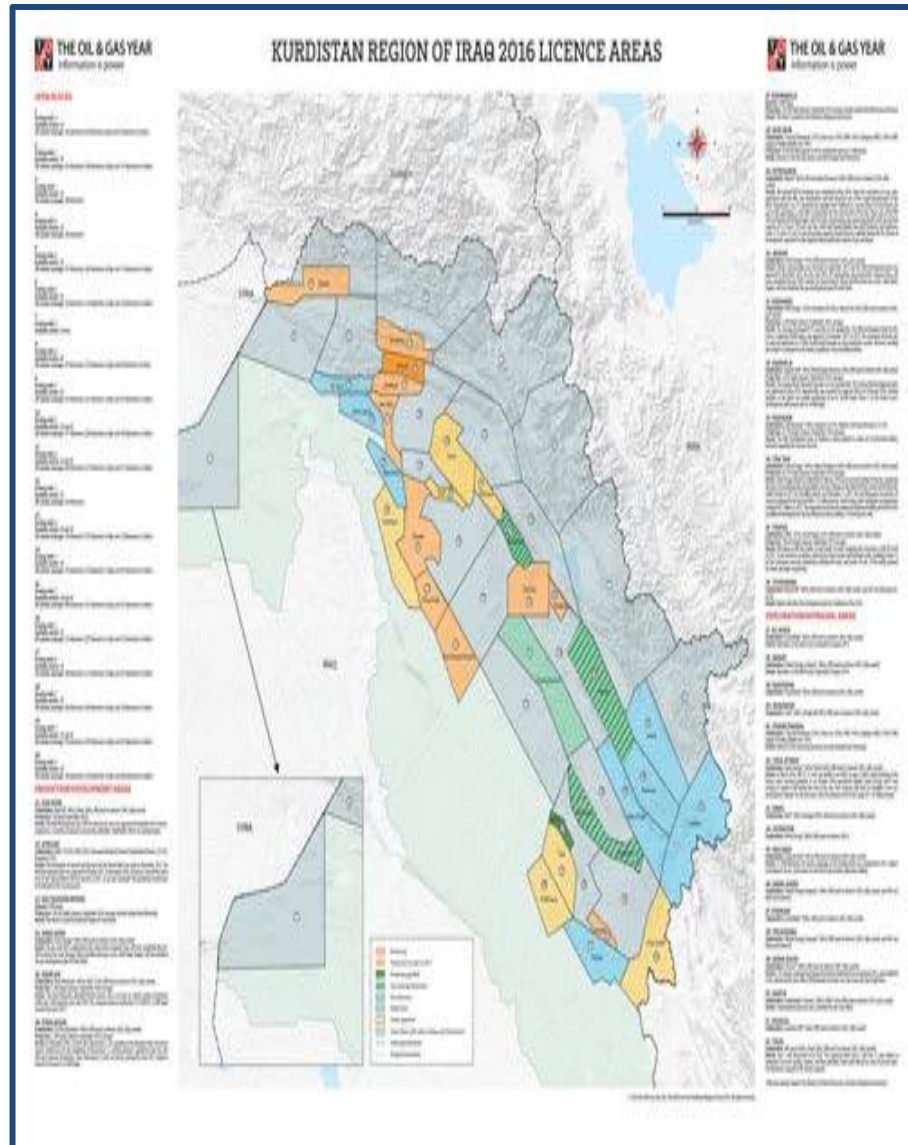


IOC value in Kurdistan (top 10)



Source: Wood Mackenzie

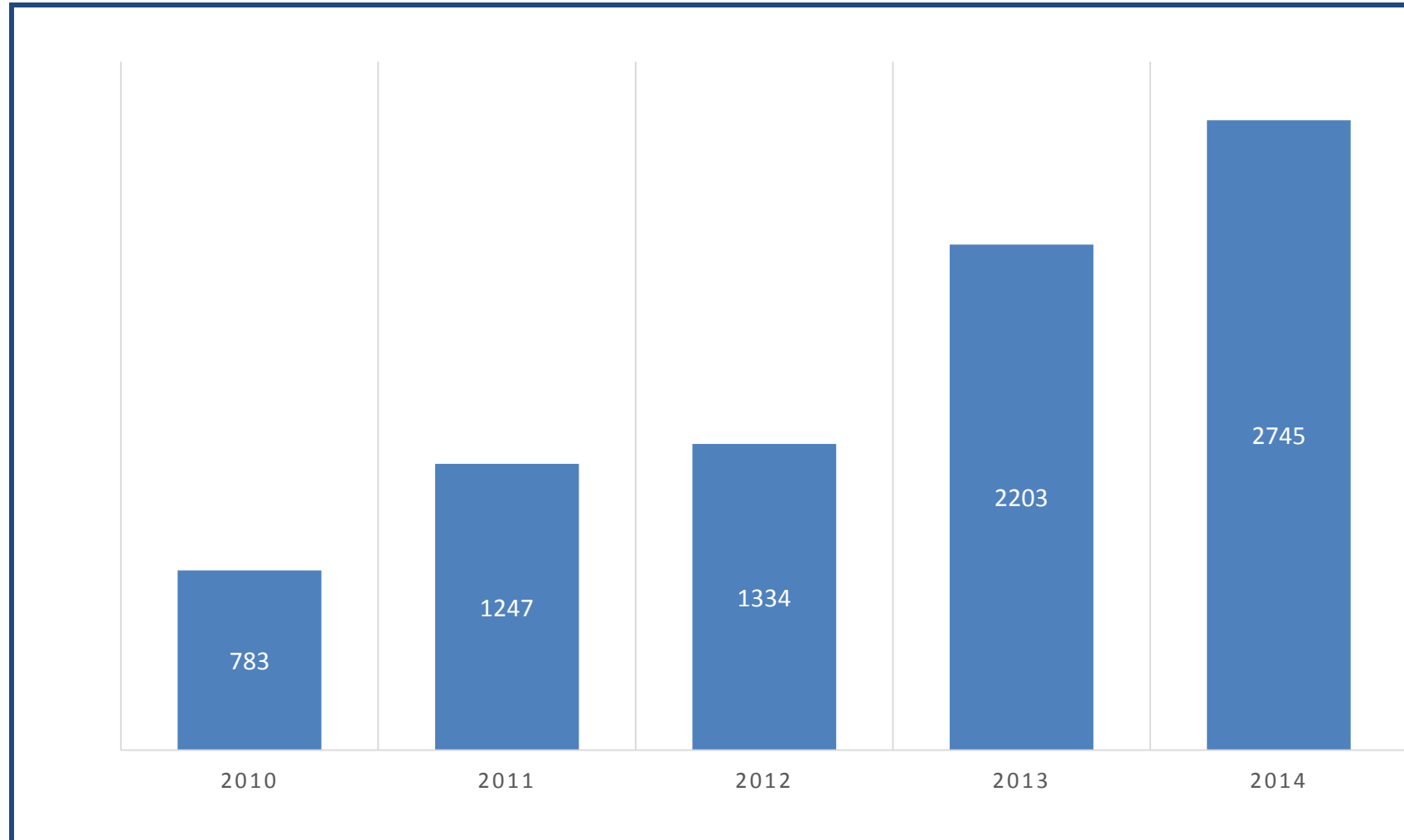
# The KRI's oil map



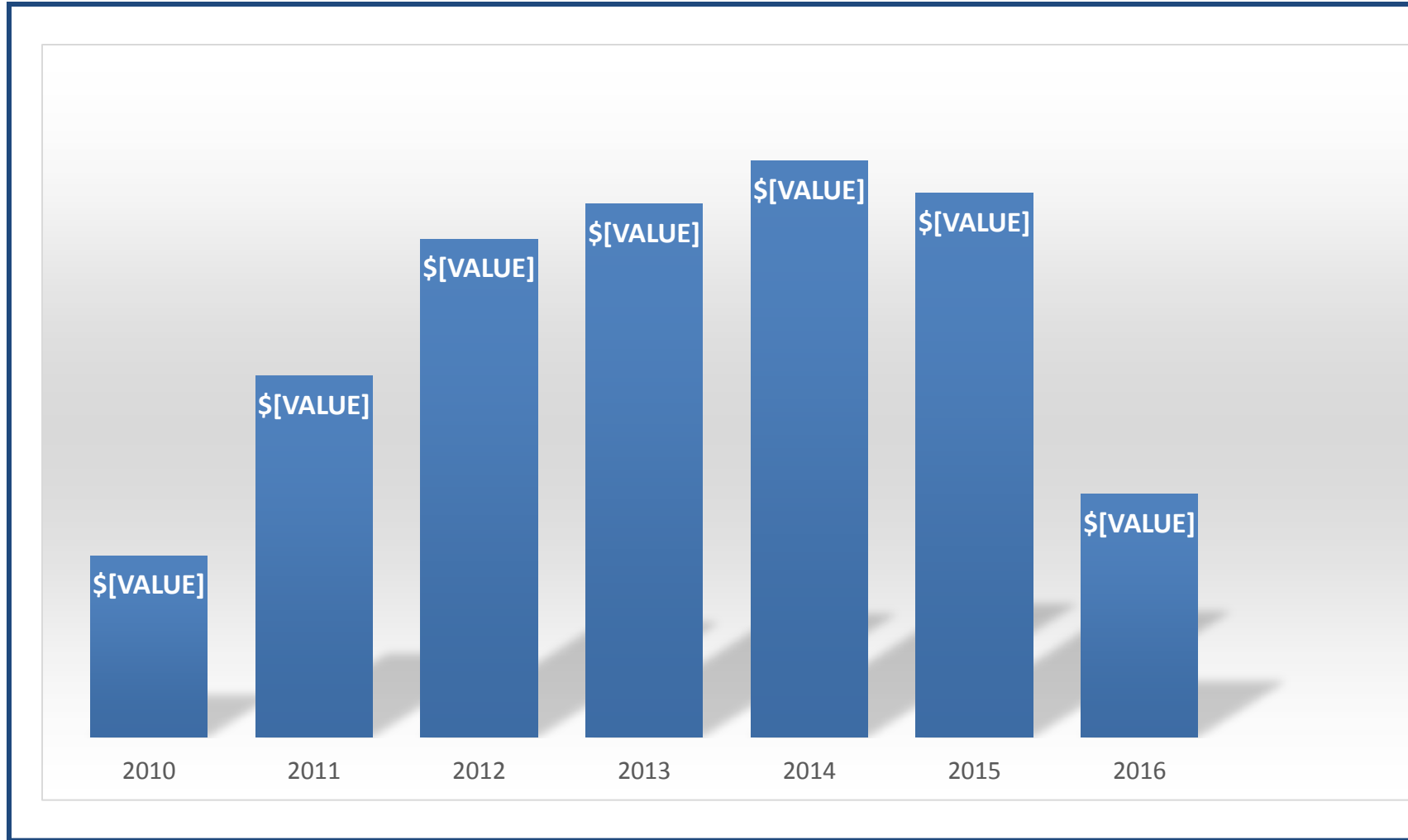
Block	Area (km <sup>2</sup> )	Basin
Block 1	1,174	South East Turkey Foldbelt
Block 2	2,652	South East Turkey Foldbelt
Block 3	3,303	South East Turkey Foldbelt
Block 4	2,626	Zagros Foldbelt
Block 5	3,730	Zagros Foldbelt
Block 6	2,133	Zagros Foldbelt
Block 7	2,774	Zagros Foldbelt
Block 8	1,628	South East Turkey Foldbelt
Block 9	1,272	South East Turkey Foldbelt
Block 10	1,070	Zagros Foldbelt
Block 11	1,397	Zagros Foldbelt
Block 12	1,104	Zagros Foldbelt
Block 13	342	Zagros Foldbelt
Block 14	1,370	Zagros Foldbelt
Block 15	1,480	Zagros Foldbelt
Block 16	1,058	Zagros Foldbelt
Block 17	1,758	Zagros Foldbelt
Block 18	861	Zagros Foldbelt
Block 19	1,409	Zagros Foldbelt
Block 20	792	Zagros Foldbelt

# Annual net debt Incurred

Annual net debt incurred to top up KRG salaries (\$m)

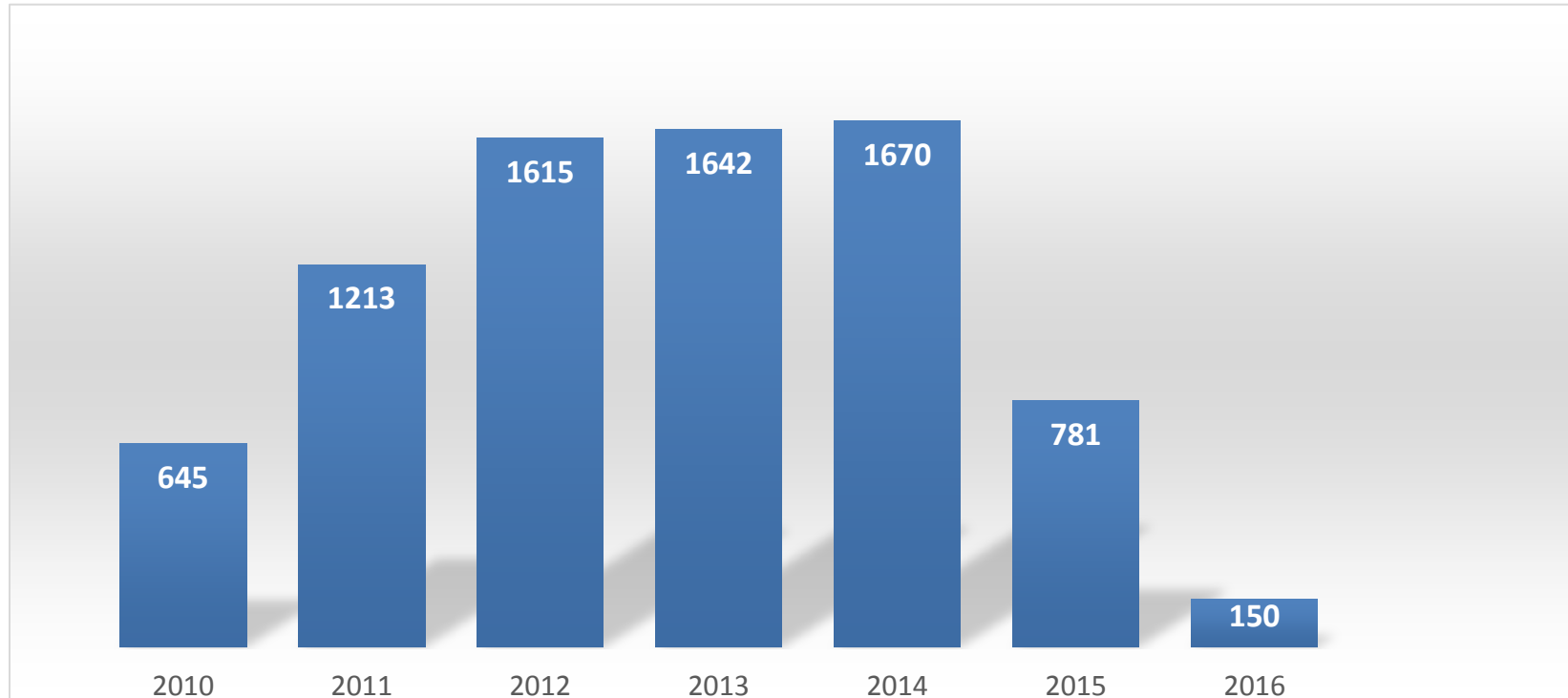


# Electricity Cost



# Fuel Subsidy

Fuel products subsidy cost to the KRG



## Cost for fuel and electricity subsidies between 2010-2016

-\$12.852 bn electricity for power generation

-\$8.461 bn for fuel subsidies



# Kurdistan Region Prepayments debt structure

## **US\$ 500 million notes offered to investors**

- Interest of 12% paid by Trader under the Loan Facility passed through to the Issuer
- Principal repaid on a pass-through basis by oil deliveries from the Kurdistan Regional Government
- Notes will have a tenor of five years and are expected to start amortizing after 36 months
- Trader will hold a minimum of 10% of the Notes at all times

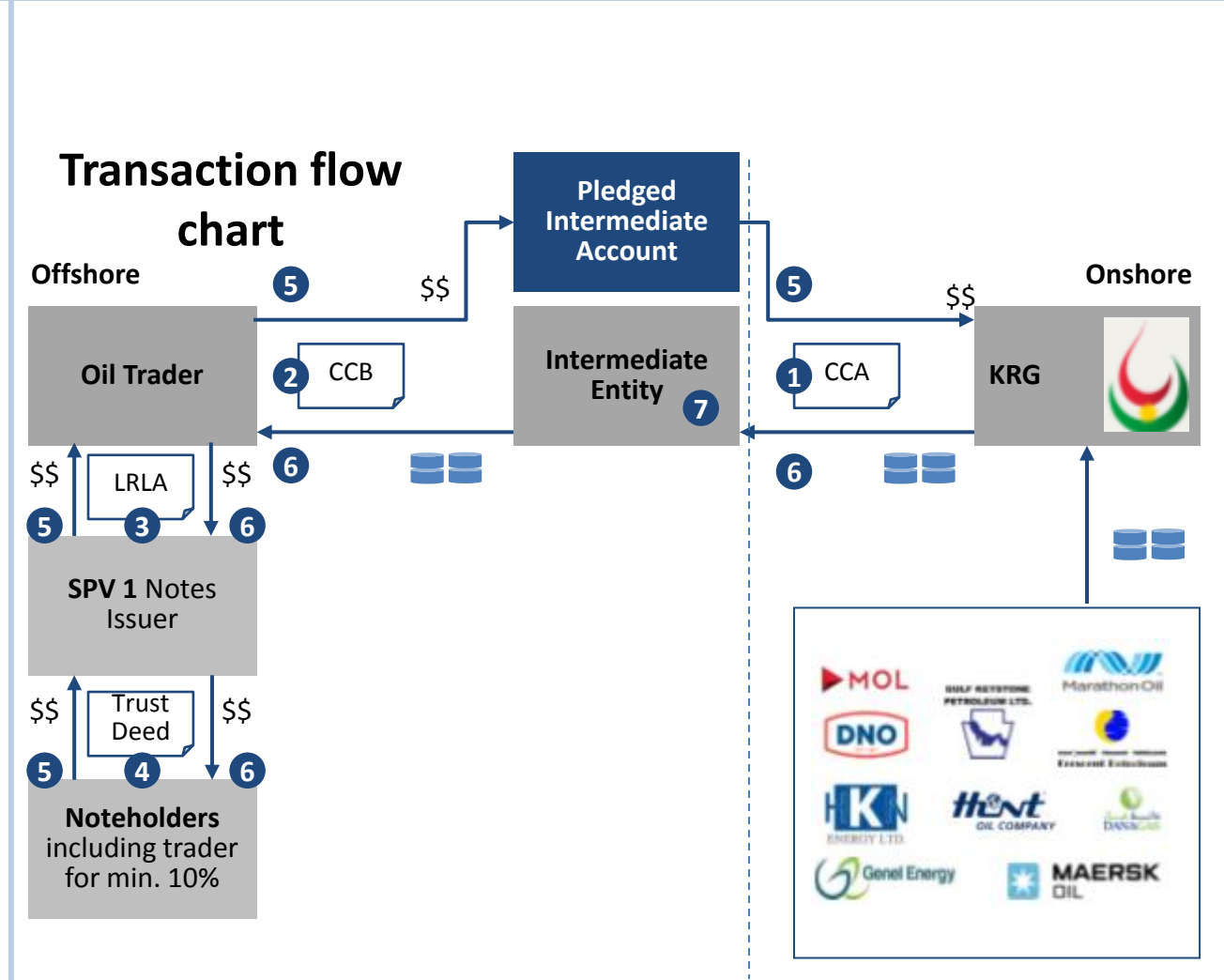
## **The Notes are over-collateralized**

- Off-take agreement is for an average of 3.5 million barrels per month during five years
- In normal circumstances, Traders will require no more than 20% of the proceeds from the deliveries to discharge the prepayment and ultimately repay the Notes

## **Prepayments advantages or assurances for investors**

- Prepayments for commodities are generally considered as commercial advances
- Unlike a debt obligation, an obligation to deliver crude oil is difficult to challenge

# Bond Structure



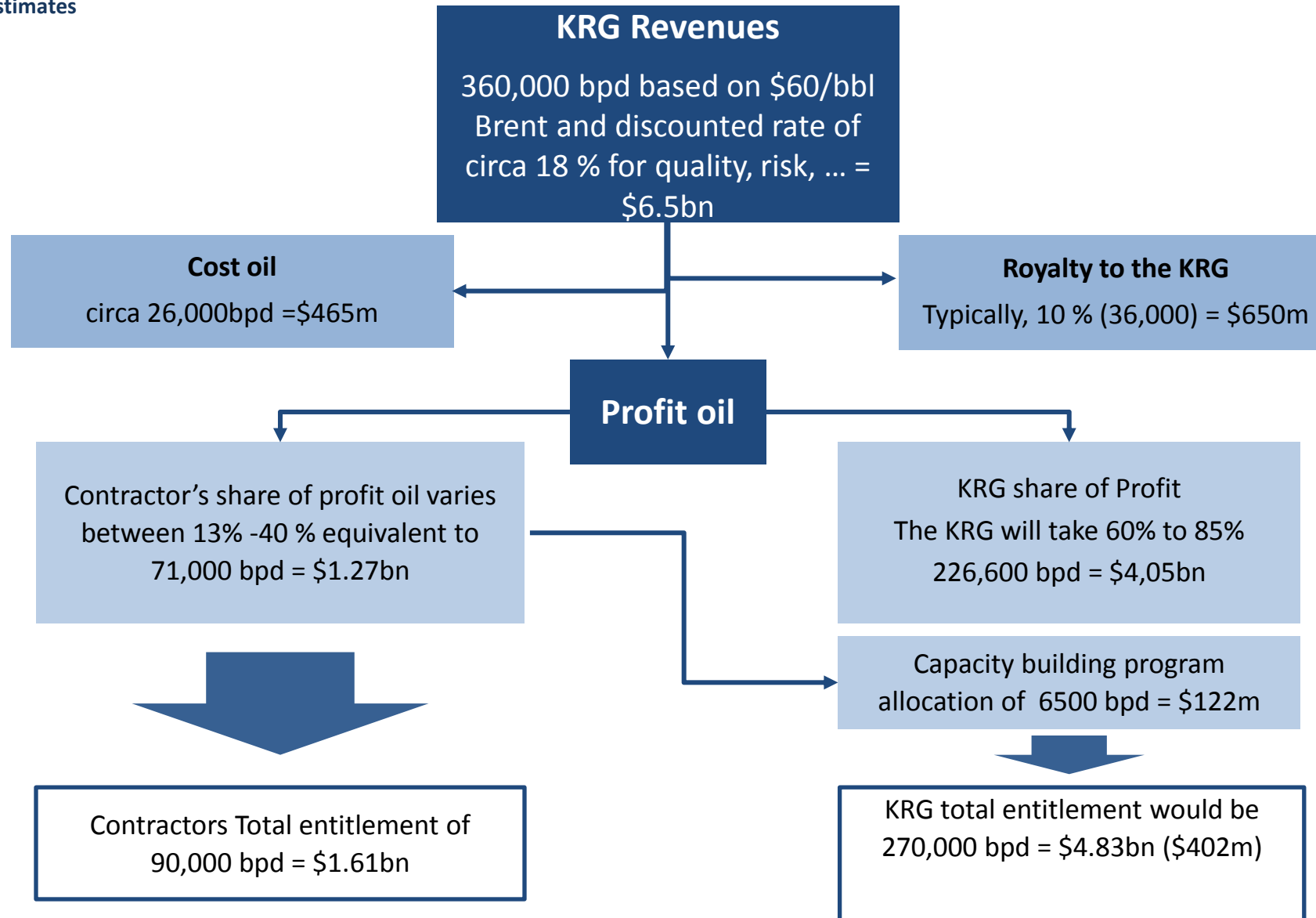
- 1 Commercial Contract A ("CCA") signed between KRG and the Intermediate Entity ("IE") for future deliveries, including a prepayment addendum;
- 2 Commercial Contract B ("CCB") signed between IE and Trader for future deliveries, including a prepayment addendum (back to back with CCA) secured by an assignment by IE of its rights and interest under CCA to Trader;
- 3 Limited Recourse Loan Agreement between Tader and Notes Issuer secured by an assignment by Trader of its rights and interest under CCB to Notes Issuer;
- 4 Trust Deed between Notes Issuer and the Trustee secured by an assignment by the Notes Issuer of its rights and interest under the Loan Agreement to the Noteholders;
- 5 Funding flows;
- 6 Trader is responsible for making interest payments, while repayment of principal is discharged through the application of proceeds from the oil deliveries;
- 7 Trader issues a performance guarantee of the Intermediate Entity under the CCB

# Kurdistan oil focused companies debt

Company	Facility (\$m)	Interest/prof rate	Payment Date	Info
Shamaran	\$149	11.5 %	Nov 18	Senior bonds
Shamaran	\$18	11.5%	Nov 18	Senior bonds
Genel	\$422	7.5 %	May 19	Bonds
DNO	\$400	8.8%	May 19	Bonds
GKP	\$10	10%	Oct 21	Reinstated Notes payable as PIK
WestrenZagros	\$200	12- 14%		Shareholders Loan facility
Dana Gas	\$700	7-9 %	Oct 17	Sukuk and convertible Sukuk restructured
Oryx	\$478	10.5 %	Jul 19	Shareholders Loan

# KRG oil PSCs & current revenue Projections

estimates



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- Stake Holder planning
- Political Risk Management
- Monitoring Service
- Weekly Energy report
- Bespoke service
- Due Diligence



**Contact:**

Kurdistan Region/Iraq: +964 (0)7708620986

London +44 (0)2082400824

Mobile +44 (0)7882933905

contact@carduchi.com