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The Impact of the Economic Slowdown and the Ongoing Implications for Deals this Year

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Overview

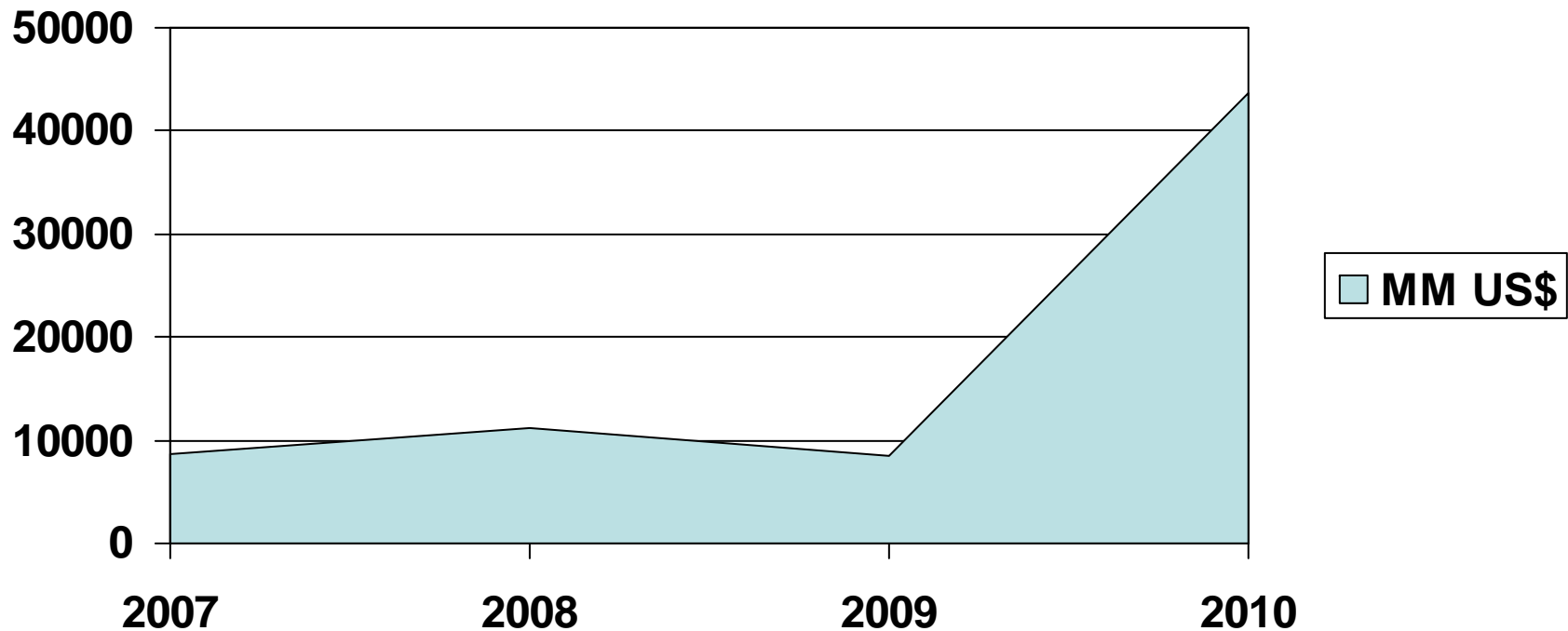
- Sector
- Geography
- Source of Capital
- Transaction types

Project Financing Deal Flow

- Energy markets slowed down in 2008 and 2009
- Things are looking up in 2010

Project Financing Deal Flow

Energy Deal Value



Source: PFI



Deals by Sector

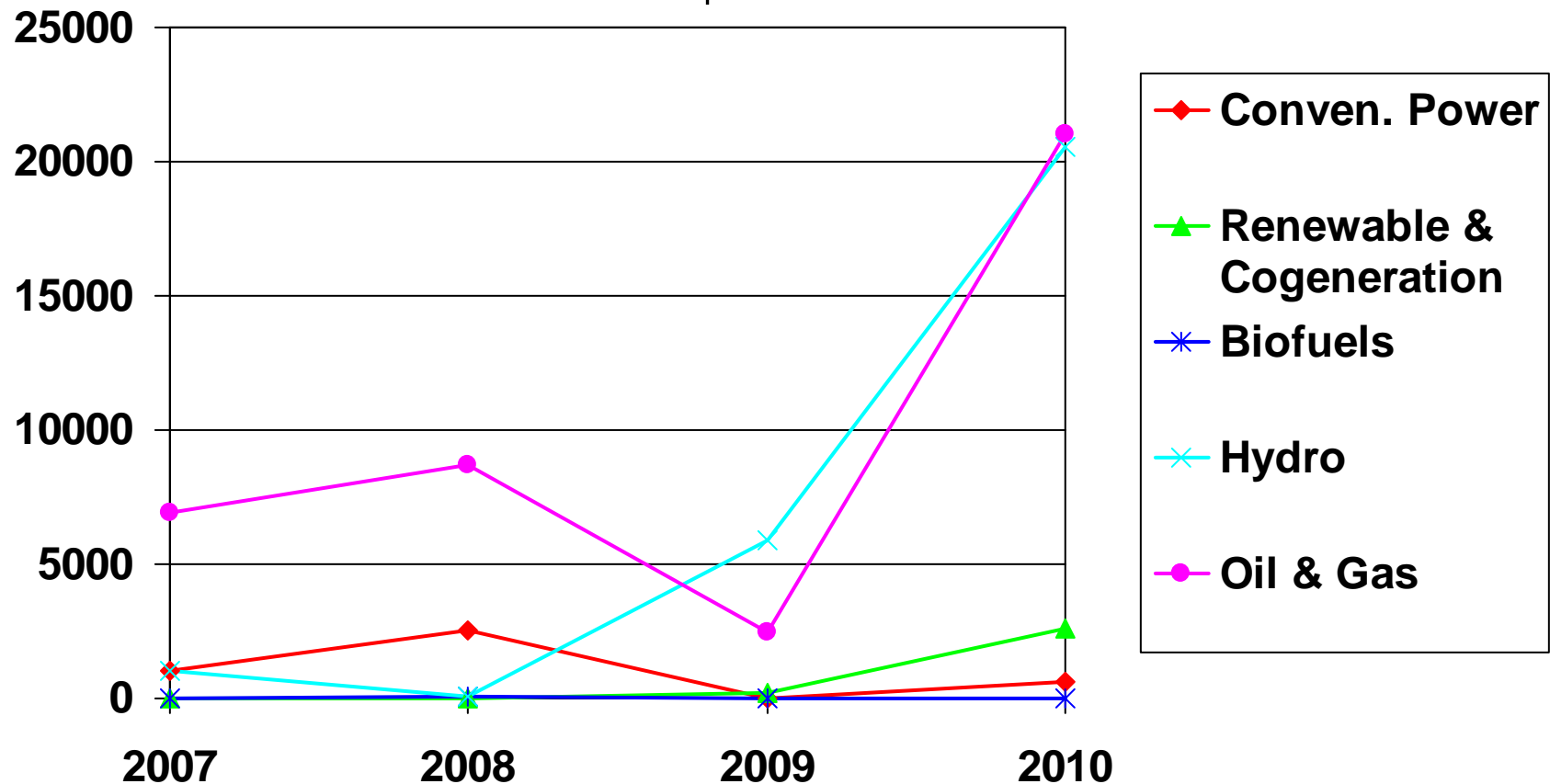


Sector Trends

- Oil & Gas and Hydro receive greatest share of project financing
- Oil & Gas investments flow in tandem with price of oil:
 - Business tumbled when the price of oil collapsed
 - Business is now recovering
- Hydro power is on upward trend, proved somewhat recession resistant
- Renewable & Cogeneration is growing, but still small

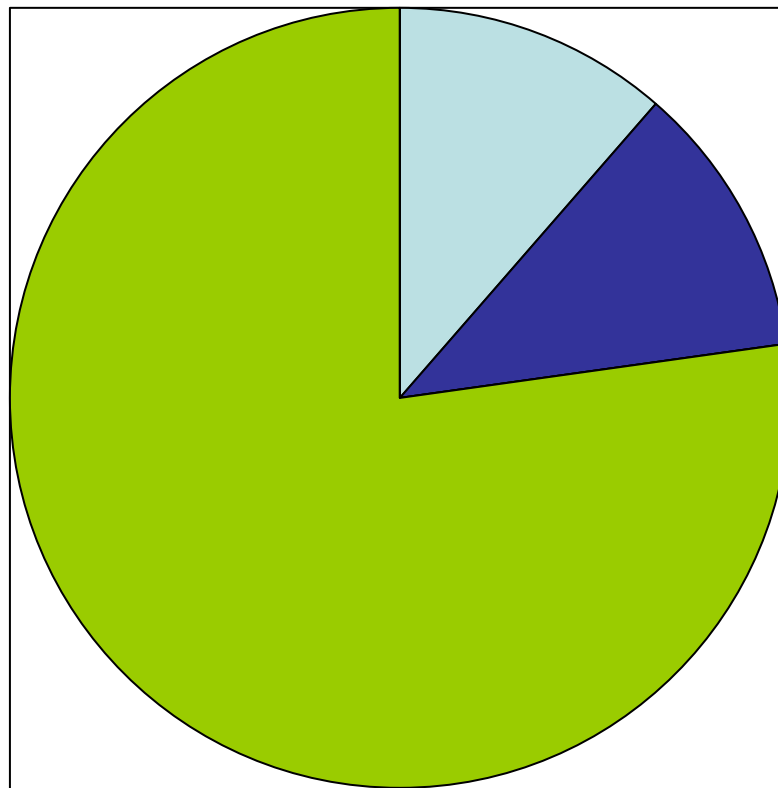
Project Financing Value by Sector: Total Project Amount

US\$ millions



Source: PFI

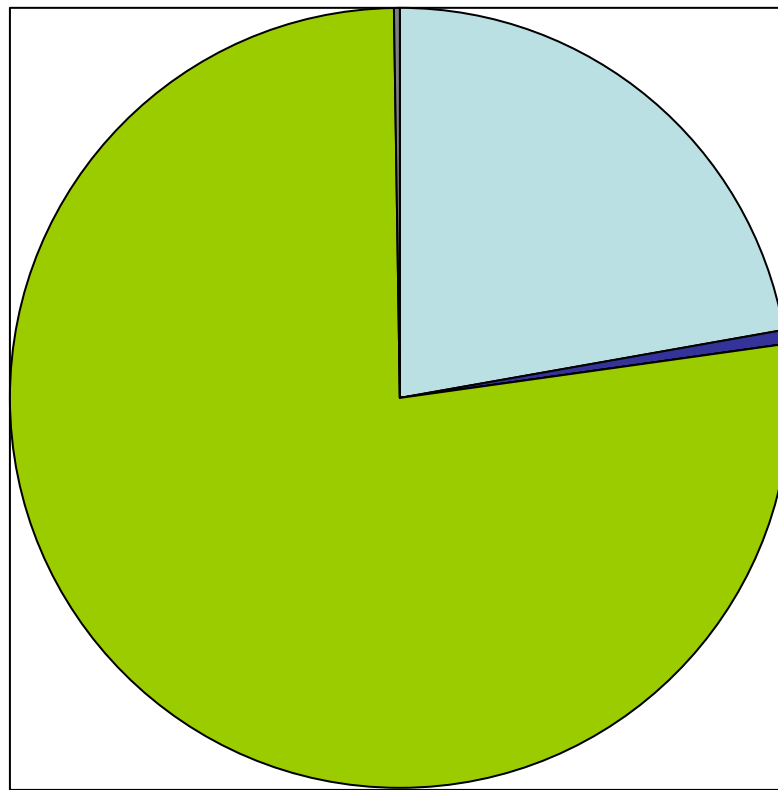
2007 Share by US\$ Value



- Conven. Power
- Hydro
- Renewable & Cogeneration
- Oil & Gas
- Biofuels

Source: PFI

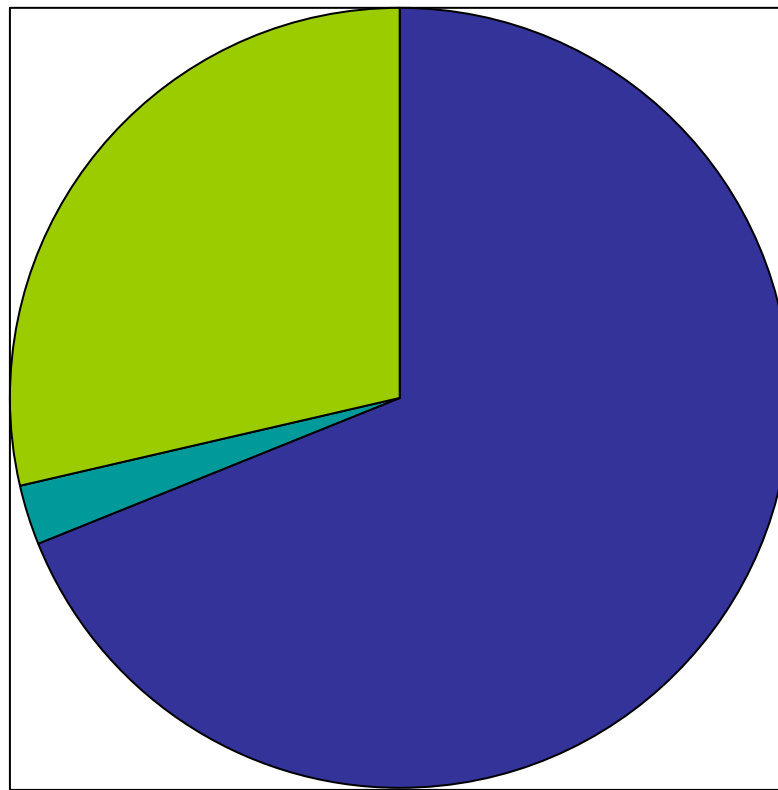
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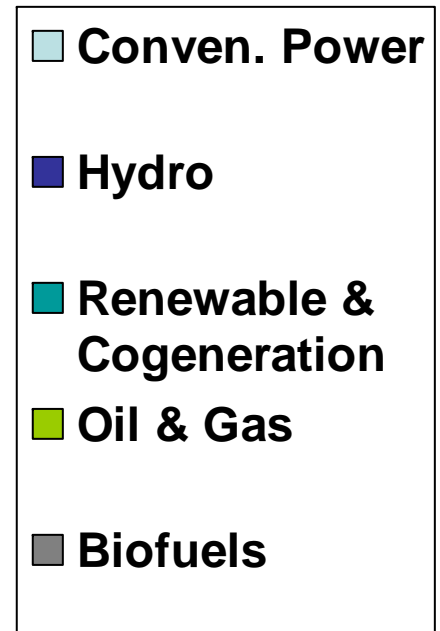
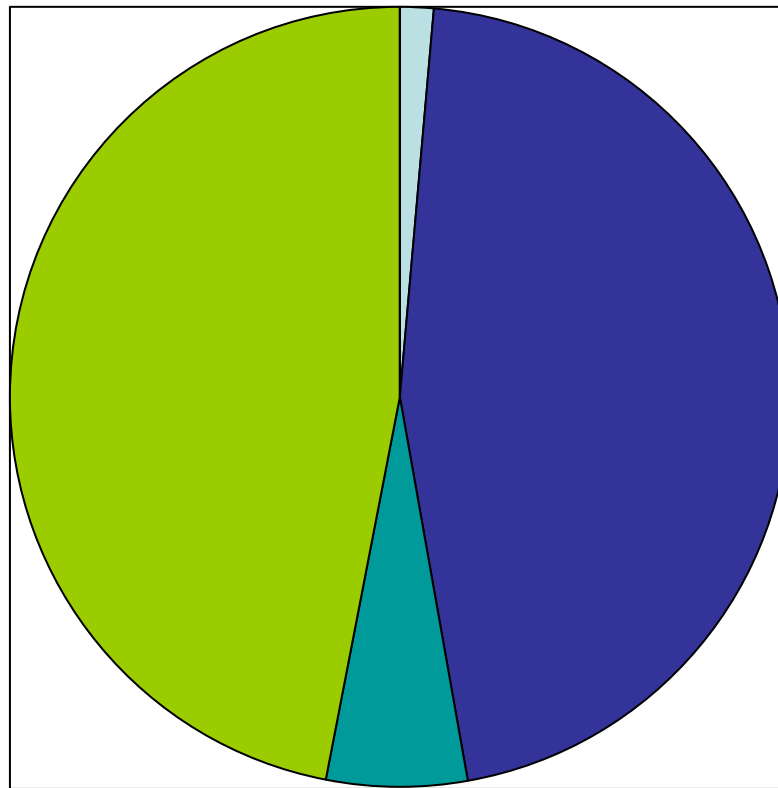
2009 Share by US\$ Value



- Conven. Power
- Hydro
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- Oil & Gas
- Biofuels

Source: PFI

2010 Share by US\$ Value



Source: PFI

Geography



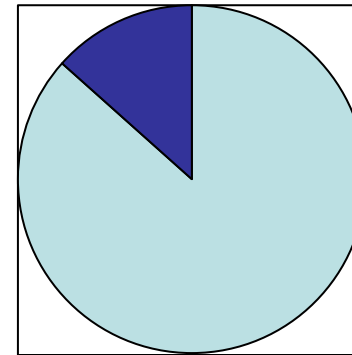
Three Groups:

- Group 1: Strong Growth
 - Brazil
 - Colombia
 - Peru
- Group 2: Moderate Growth
 - Mexico
- Group 3: Challenging Outlook
 - Ecuador
 - Venezuela



Brazil

- Increasing share of foreign investment (86% of 2010 project financing deal value as of April 30)
- Strong growth in Oil & Gas and Biofuels
- 378 ethanol plants in service in 2008 produced 6.4 billion gallons
- World's first sugarcane-based ethanol power this year



Colombia

- Surplus power capacity
- \$300 million joint venture to build and operate the Colombia-Panama underwater transmission line (ETESA and ISA)

Peru

- Pampa Melchorita liquefaction plant (\$1.5 billion and total \$3.8 billion in related marine and pipeline facilities)
- Part of long chain to export surplus LNG, including to LNG regasification plant in Manzanillo, Mexico
- 4.4 million m³ tons a year

Mexico

- Manzanillo LNG regasification plant (\$691 million)
- Capacity to deliver up to 14.16 million m³ of natural gas per day
- Part of complicated link delivering natural gas from Peru LNG liquefaction facility
- Challenges to future investment remain

Ecuador

- Some investment opportunities:
 - SK Engineering to upgrade Esmeraldas refinery to increase productivity (\$200 million)
- Significant oil production, but limited refining capability
- Government-owned share of oil production has decreased over time

Venezuela

- Tight governmental grip on energy sector has caused investors to be cautious
- Investment opportunities remain:
 - 2008 Carabobo Bid Round awarded two projects to consortiums headed by Repsol YPF and Chevron, each requiring at least \$20 billion
 - 2009 Boyaca 3 block and other Orinoco area blocks have been financed through private bilateral deals

Sources of Capital

- Banks
- Capital Markets
- Corporate
- Funds
- Sovereigns
- Multilaterals/ECAs

Multilateral Bank's Response

- 2007-2009 Commitments by:
 - Inter-American Development Bank
 - Corporación Andina de Fomento
 - World Bank

Inter-American Development Bank

	ICC (private-sector)	IDB (sovereign-guaranteed)
2007	\$470.2 million	\$7.7 billion
2008	\$300.5 million	\$11.1 billion
2009	\$299.8 million	\$15.3 billion

Inter-American Development Bank

- Going Forward:
 - IDB Board of Governors expanded the Bank's capital on March 22, 2010
 - Capital increase of \$70 billion
 - Bank expects to double its pre-crisis annual lending

Lessons

- When things go well:
 - domestic capital and governments invest heavily
- When financial crisis hit:
 - multilateral institutions directed their funds to towards sovereigns
 - countries with weak domestic capital sources were subject to government capital allocation
 - countries with strong domestic capitals sources remained flexible

Questions?