

ANTALYA 2019



6-8 EKİM / OCTOBER 2019 REGNUM CARYA

ANDREW MOORFIELD

Yatırım Bankacılığı ve Doğal Kaynaklar
Eş Başkanı, Tellimer



Oil & Gas Investments

Global Overview

Turkey Energy Summit

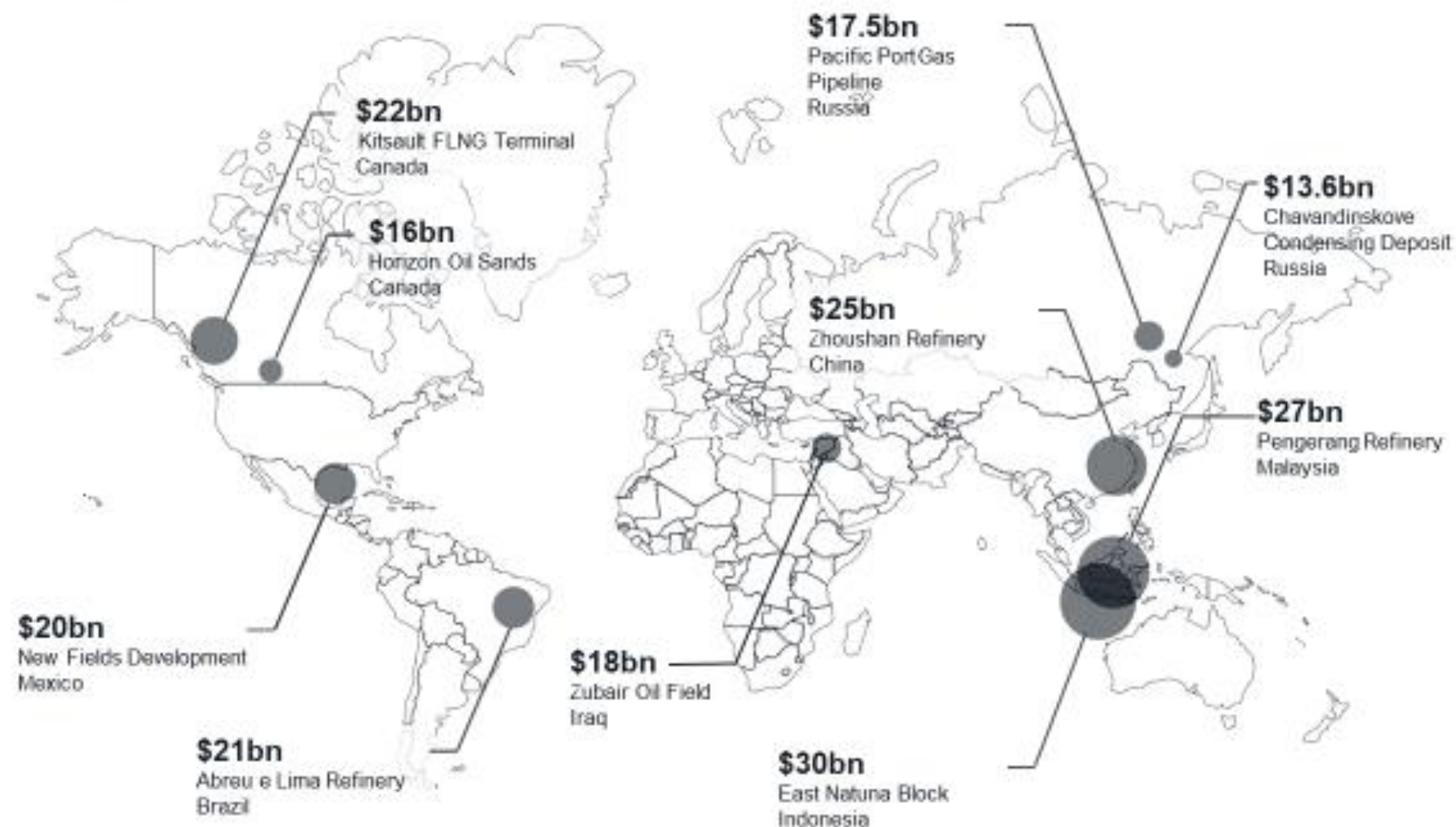
October 6-8, 2019

Antalya Turkey

Global O&G

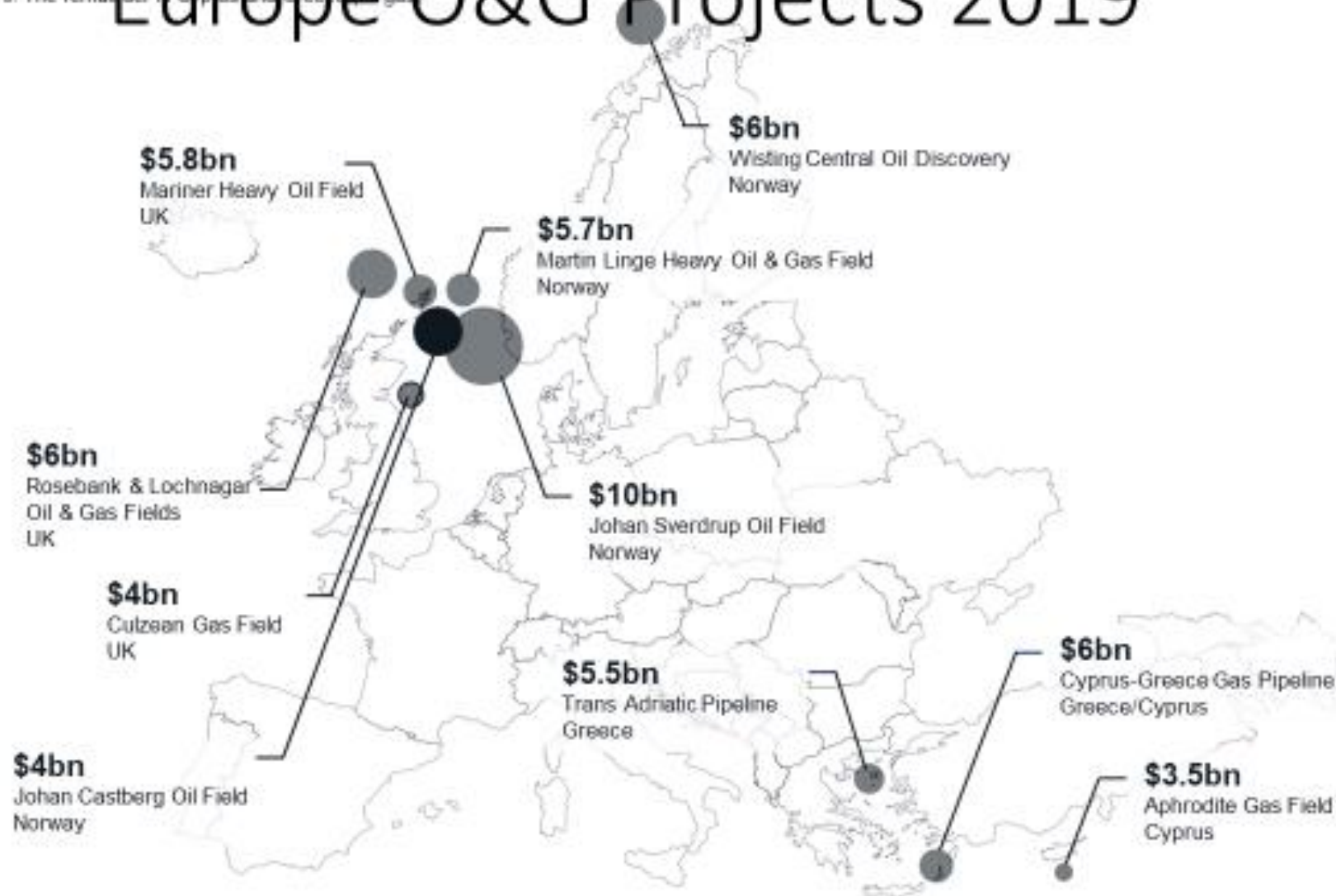
Projects 2019

1. A considerable investment commitment this year (US\$10 billion)
2. Not concentrated on truly global basis
3. Mixture of upstream, midstream and downstream



1. Representing 28 percent of 2019 Capex (US\$59 billion)
2. Mostly concentrated in the North Sea
3. The remainder in Cyprus and Greece (all gas)

Europe O&G Projects 2019



What are Governments doing?

Helpful

Stable and predictable **taxation policies**

Production Sharing Agreements (PSA):

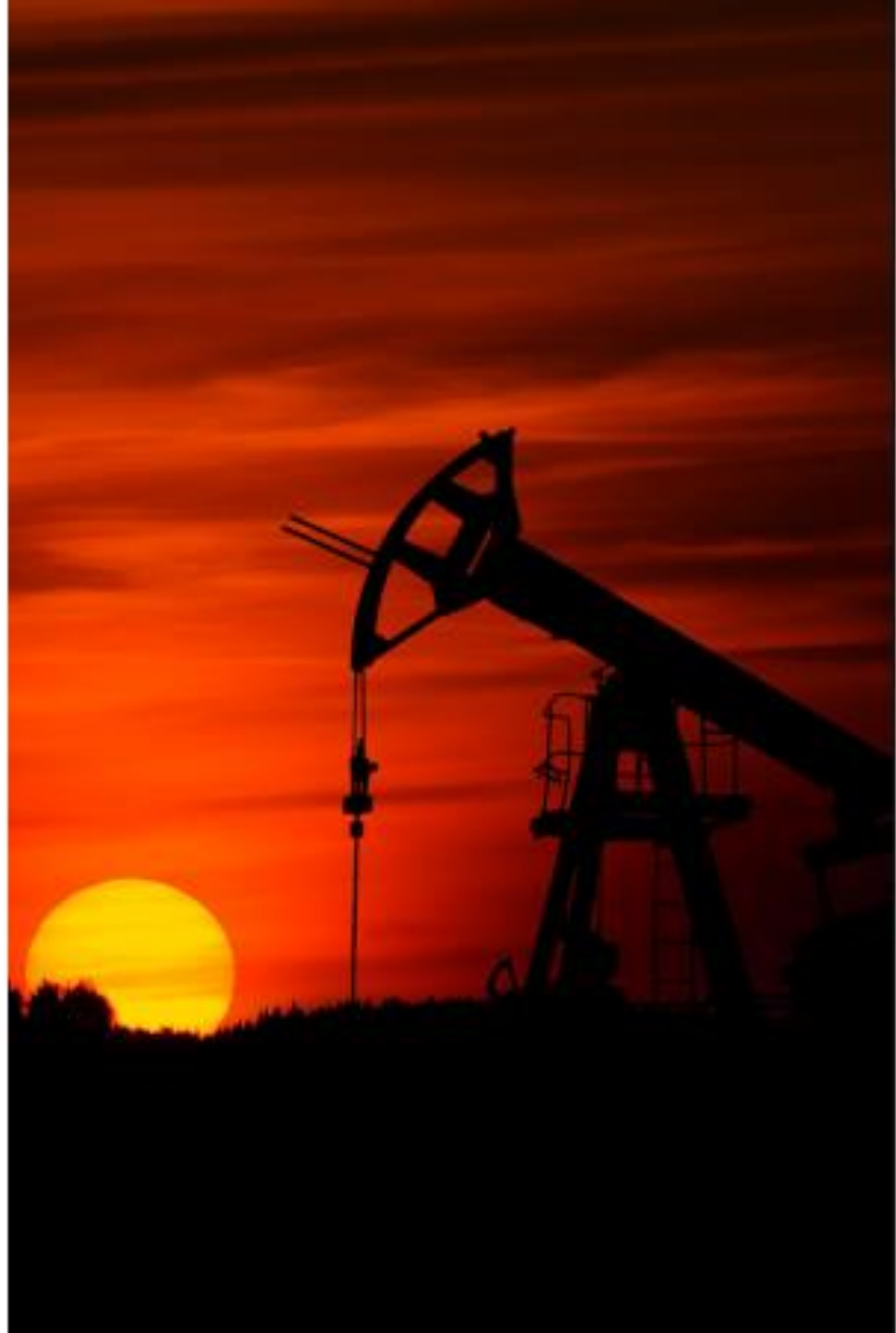
- **Cost recoveries** that capture exploration, infrastructure and financing
- Or risk sharing contracts (RSC) that allow the **monetization** of marginal fields
- **Stability** and predictability

An **agreed framework** and cost sharing formulae for decommissioning

If there is a **sovereign free carry**, structure on an equity basis allowing debt to be 100% applied at the project level

Unhelpful

- Lack of stability and lack of predictability (are we expropriating today?)
- **Overly generous taxation** or PSA environments are suspicious
- **Undefined role** of the sovereign oil and gas company (especially if it is the defacto regulator)
- Lax **environmental standards**, poor commitment for local employment, relaxed view of **local stakeholders**



International Debt & Equity Investor Feedback

- There really is **Middle Eastern** risk
- No longer the “**country of Africa**” but 54 countries within the continent
- Nationalism is not the real risk – look at **poorly defined PSA's** and an expensive sovereign cost of carry
- Country **political stability** is critical (social and infrastructure)
- The economic benefits of exploration are always outweighed by **bad PR**



International Debt & Equity Investor Feedback

Senior debt

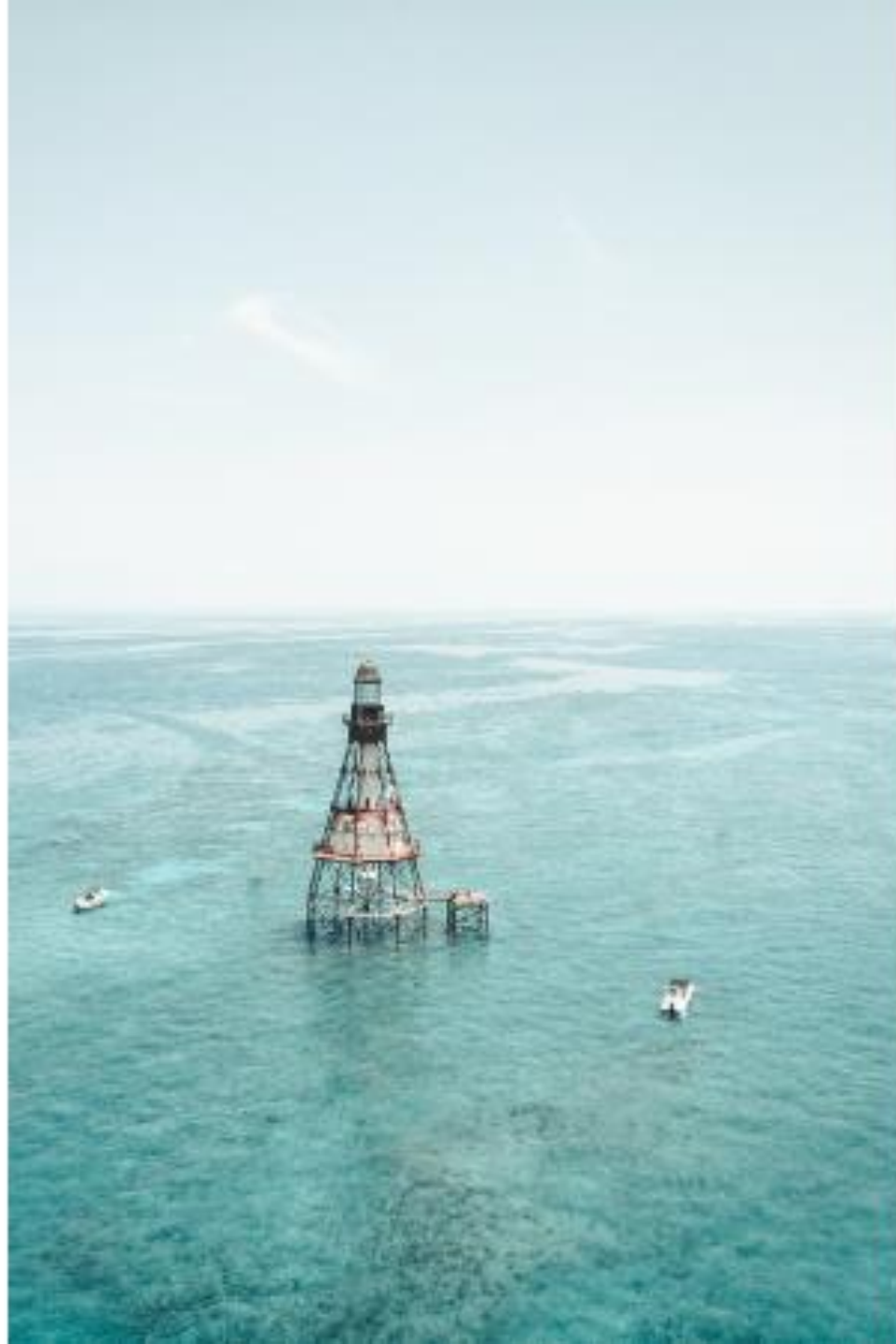
- Senior secured, English/NY law, local security pledge
- Mezzanine – challenging
- Requirement for true equity

Debt Providers

- Significant withdrawal of Reserve Based Lending Banks
- Replaced (somewhat) by credit funds
- Debt profiles are changing – more bond like (eg no amortisation), fixed coupons and less formulaic hedging
- Debt pricing has increased (but so has debt flexibility)

Equity Providers

- Conventional players are moving to London public listings
- Non North American players are moving to London public listings
- North America public markets = unconventional? Sustainable?
- Private equity placements continue but need a route to be monetised
- The 2019 emergence of debt with equity upside or equity with debt seniority





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