

Refinery Term Sheet 15th September 2015

Call for Expression of Interest

Ministry of Natural Resources, Kurdistan Regional Government

The Ministry of Natural Resources, Kurdistan Regional Government (the Government) has issued this Call for Expression of Interest on this day, 15th September 2015.

This term sheet outlines the general principles and bidding process to Build, Own and Operate up to three refineries in the Kurdistan Region.

No term of this Term Sheet is binding, and no term (individually or collectively with any other term) creates, evidences or implies any duty, obligation or right on the part of any Party, whether contractual or extra-contractual, including any duty, obligation or right to continue discussions or to enter into any agreement or commitment.

Build Own Operate – Refinery in the Kurdistan Region

No		
1	Notice Inviting Expression of Interest	<p>Expression of Interest for Selection of Private Company to Build, Own and Operate between 50,000 -100,000 bbl per day petroleum Refinery In Kurdistan Region of Iraq.</p> <p>Interested Parties are invited to bid for one (or more) refineries.</p>
Minimum Eligibility Criteria		
2	Minimum Eligibility Criteria	<p>Expression of Interest is invited from reputed companies, who are well versed in Oil, Gas & Refining Sector and Project funding related with Energy & Power (E&P), Refinery & Petrochemical Complex having :</p> <ol style="list-style-type: none">1. Experience – performed at least 3 other projects similar in nature to this project in the last seven years in the above referred Sector and allied areas. Necessary evidence of such experience to be provided, with potential opportunity for the Government to visit such projects if candidate company is short listed.2. Evidence of the necessary financial capabilities to perform the project.3. Provide necessary background details for the Government to be able to conduct its due diligence on the company and its senior executives, and any associated persons or companies. Companies who do not pass the due diligence process will not be invited to tender.4. \$10,000 payment to the Government an application fee. (non-refundable). <p>Those parties passing Minimum Eligibility Criteria and having paid the \$10,000 application fee shall be invited to tender for project.</p> <p>Applicants not meeting the Minimum Eligibility Criteria will be</p>

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		<p>deemed to be disqualified and will be excluded from further evaluation of their bid.</p> <p>No correspondence or representation will be entertained and the Government's decision will be final in this regard.</p>
3	Deadline for submission of EOI	<p>Expression of Interest shall be sent, in pdf format, to the Government via the following email address no later than 1st of December 2015 :</p> <p>Email Address: refinery@mnr.krg.org</p>
		Bidding Process
4	Proposal Evaluation	<p>Parties meeting the Minimum Eligibility Criteria shall be invited to submit Technical and Financial Proposals in two separate sealed envelopes.</p> <p>The Technical Proposal shall be evaluated based on the qualification criteria to be set forth.</p> <p>Financial Proposals of only those firms, whose Technical Proposal qualify, will be opened and evaluated.</p> <p>Closing dates for submission of Technical and Financial Proposals will be advised.</p>
5	Non-refundable Deposit	<p>All parties submitting Technical and Financial Proposal shall pay a \$100,000 non-refundable deposit to the Government with their submission– this fee is to pay for third party consultants to aid the government in its review and assessment of tenders for the refining project and will not be refundable.</p>
6	Refundable Deposit	<p>For the successful bidders – 5% performance bond on award will be applicable.</p>
7	Joint Ventures (JV)	<p>JV's between local companies and international companies are encouraged, however any JV should be based upon genuine investment from all participating parties and any such JV relationship shall be fully transparent and adhere to the Kurdistan Oil and Gas Law 2007.</p>
		Technical Tender
8	Tender	<p>The Kurdistan Regional Government would like to increase the domestic capacity of local refineries in the Kurdistan Region to ensure self-sufficiency in producing petroleum products.</p> <p>Tenders are requested from reputable companies to build own and operate such refineries in the Kurdistan Region for next twenty years plus.</p>

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9	Refinery	<p>The “Refinery” or “Refinery Premises” shall mean the new oil refinery and land, located in one of the governorates of the Kurdistan Region.</p>
10	Minimum Refinery processing volume	<p>The Refinery guarantees to process a minimum volume of 50,000 BBLs per day of crude oil feedstock after completion of the Start-Up Preparation Period for the duration of the Contract Period.</p> <p>It requires the refinery to have an advanced technical level and the proportion of heavy oil derivatives to be kept at minimum level.</p> <p>Refinery products are subject to the regulations governing the quality, standardisation and quality control Conditions.</p>
11	Land Allocation	<p>Land Allocation in accordance with the Kurdistan Region investment law – the Government shall allocate land to the processor. Location is to be in a suitable place, and not in areas with ground water (potable) locations, residential places and places of environmental, cultural or historical importance – such as cities, towns, rivers, dams, national parks etc.</p> <p>The Processor is not entitled to exploit the land for other purposes than that of the refinery project and its related services.</p> <p>The Processor is entitled to establish crude oil refineries and processes, operate and manage the facilities and market their products, but is not entitled to possess the land.</p>
12	Timing	<p>From contract award, Start Up of the refinery is expected within a 24-36 months timeframe “Start Up”.</p> <p>Processee to provide proposed development work program to achieve Start-Up.</p>
Contract Terms		
13	Contract Period	<p>The contract period shall continue for (20) years (extendable) after the Start Up. However, term is subject to early termination provisions.</p>
14	Feedstock	<p>“Feedstock” shall mean crude oil or any of its derivatives or any mixture of crude oil and derivatives of crude oil. It means also any additive, chemical, reagent, catalyst, solvent, etc. procured by the “Processed” or by the “Processor” on behalf and for account of Processee as the case may be. It shall include, among other types of crude oil, Kurdistan Blend- Kurdistan Heavy Oil Blend.</p> <p>The feedstock brought by the Processee shall include the crude oil</p>

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		types referred to above, or other types of crude oil. The Processee will fully utilize the Refinery Facilities on an ongoing and regular basis for the duration of the agreement.
15	Blend	<p>Kurdistan Blend Shall mean combination of Crude oil which on average has an API of between 30-33API and shall include from time to time crude oil from the Tawke, Taq Taq, Khurmala, Sarsang, Sheikan, Hawler, Ain Sifni fields or as amended by the Government.</p> <p>Kurdistan Heavy oil Blend – means Crude Oil supply of between 11-24API.</p>
16	Feedstock Supply by Government	Government guarantees to make available, at the agreed price, to the refinery on average 80% of the Feedstock requirements for the Refinery.
17	Oil Price	<p>Processor will purchase the Feedstock from the Government at international prices net backed to the refinery – with an agreed pricing formula.</p> <p>The export price of Kurdistan Crude Oil minus tanker FOB for local markets minus (1%) in addition to the cost of transportation of crude oil from the nearest delivery point to the refinery)</p>
18	Product Prices	International prices as quoted in Platt’s (parties to agree suitable quote - i.e. Med or Gulf quote)
19	Licence to Sell product	<p>Government will provide licence to Processor to sell products within Iraq and agree a minimum allowable volume for export.</p> <p>The Processor may determine the prices of refined oil products and sell them inside Iraq or export them to foreign markets. According to the controls in the free trade zones. The Ministry has first priority to purchase, or enter into a swap arrangement against the feed stock, any of the refine products for its own needs.</p>
		Plant Requirements
20	Facilities	Processor shall present the Design, engineering, construction, testing, commissioning, operation, maintenance of a Refining facility which is capable of processing the Minimum Refinery processing volume and associated storage and loading facilities in accordance with design, engineering, and construction standards (the “DECS”). The DECS, construction plan, supply and construction subcontracts, and construction and completion, schedule for the Refinery, expected capital budget to be detailed in the proposal.

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EPC contractor and all subcontractors to be nominated in the proposal and are subject to approval of Government. All contracts subject to Government approval and localization criteria.

For the purpose of this Agreement, the Refinery shall be considered to be divided into the following Refinery Facilities:

- (a) PRIMARY DISTILLATION: Atmospheric and Vacuum Distillation Facility
- (b) GASOLINE PRODUCTION: Motor Gasoline Facility including Catalytic Reformer, Mogas blending, storage etc
- (c) MIDDLE DISTILLATES: Automotive Diesel Oil, Heating Gasoil, blending, storage etc
- (d) BLACK OILS: Fuel Oil and Bitumen Facility incl. blending and storage
- (e) BASE LUBOIL / SPECIALITY PRODUCTS:
 - Propane De-asphalting Facility
 - Solvent Extraction Facility
 - De-waxing Facility
 - Deep De-waxing Facility
 - Vacuum Concentration Facility
 - Hydro-treating Facility
 - Clay Treating Facility
- (f) LUBRICANT BLENDING AND PACKAGING: including storage, warehousing...
- (g) THERMO POWER PLANT
- (h) REFINERY STORAGE
- (i) LOADING AND UNLOADING STATIONS
- (j) OTHER SUPPORTING UNITS: Such as Nitrogen / Oxygen Plant
- (k) Sulphur

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Storage

Processor shall ensure the following storage capacity is maintained at all times :

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		<ol style="list-style-type: none"> 1. Feedstock – 7 days capacity 2. Products – 10 days capacity
22	Power	Refinery should describe power requirements, and bidders who provide turbines that can run on natural gas as well as other fuel sources will be favoured. Govt intends to make natural gas available for all such projects in the future.
23	Risk and Insurance	Processor shall be responsible for any damage to the Refinery Facilities. Processor shall procure an acceptable insurance cover of all risks affecting the Fixed Assets, third party liability, and environmental damages during construction and operation phases.
24	Operational	<p style="text-align: center;">Maintenance of Technical Data Book</p> <ul style="list-style-type: none"> ▪ facilities min/max limits and general production characteristics ▪ feedstock quality data ▪ product specification data ▪ variable cost estimates <p>Maintain adequate management and reporting procedures (stocks, technical, commercial)</p> <p>Maintain adequate planning, schedules and their execution</p> <p>Maintain adequate management of release procedures</p> <p>Measurement and controlling station shall be the subject of periodic inspection with international standards by a third party proposed by the investing company with the approval of the Ministry of Natural Resources;</p>
25	Pipeline	If feasible, the processor shall construct a pipeline to transport crude oil between the delivery point and the refinery, at its own expense, and is responsible for operation and maintenance;
26	Violations	The special Committee for investment in the activities of refining crude oil shall impose the appropriate penalties in case of contract terms violations by the investing companies;
27	Localization Program / Scholarship Program	All bids should include a localization program that ensures that within 3-5yrs that 100% of managerial and operational staff are locals. Unskilled labour / semi-skilled labour from other countries will not be allowable to work in the refinery.

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		<p>During the construction phase, at least 75% of the workers to be locals.</p> <p>From the outset, the investing company is committed to run the refinery with local employees comprising not less than 75% of the total workers.</p> <p>Present Scholarship program to develop future plant managers / engineers / etc</p>
28	Community Relations	All bids should include a community support program that address the impact of the refinery on the local community and environment and the programs the Processor shall engage when in begins its project. And bidder should present long term engagement regarding local community relations, and percentage of profits/operational costs it shall reinvest in the area.
29	Environmental Guidelines	Project shall meet minimum World bank Guidelines on Refineries regarding emissions, product qualities, waste disposal etc. – bid should fully address these matters.
30	Waste Management	Clear waste management system and policy to be presented that is in accordance with international guidelines (for example: World Bank standards on emissions).
	Abandonment	Abandonment fund and plan to be presented for end of life.
31	Applicable Law	Contractual – English Law But operations in Iraq governed by Iraqi Law
		Financial Tender
32	License Fee	<p>The bidders shall pay a license fee to the government composed of two parts</p> <ul style="list-style-type: none"> i. license fee to be paid on award for an amount of X ii. license fee to be paid on Start Up for an amount of Y <p>Where X & Y are US Dollar amounts to be proposed by the bidders.</p>
33	Holding Structure	The bidders holding structure (whether JV or a single entity) should be fully detailed in the financial tender. In case of partnership, the JV shall be based upon genuine investment from all participating parties in the percentage share they hold, with a minimum of 20% holding. All such relationships should be presented and evidence that all parties shall contribute towards such investment.
34	Source of Finance	The bidders shall provide evidence on the source of finance of the project. In case of borrowing whole or part of the project fund, the loan equity ratio shall be detailed.

Expression of Interest