



SOCAR

ELECTROGAS

FINANCING



ELECTRICITY

Socar, the State Oil Company of Azerbaijan, has a 10-year agreement to sell gas to Electrogas, in which it has 33.3% shareholding, along with Siemens and GEM Ltd (Gasan/Fenech).

Electrogas has an 18-year agreement to supply Enemalta with gas, needed for both Electrogas's own plant, Delimara IV, and the BWSC one, Delimara III.

Is there a gas supply backup plan for Delimara III if the Electrogas agreement were to default for any reason?

Delimara IV will cost €450 million to be financed by banks (four banks originally, extended to eight in 2017).

Banks insisted on a security of supply agreement as collateral, as without income from electricity, Electrogas would not be able to repay the loan.

Pending EU approval of this security of supply agreement, the banks required €360 million to be covered by a guarantee, which the government provided, with €8.8m in fees to be borne by Electrogas. This had to be extended in May 2017 and again in September 2017.

The banks agree on financing and the bank guarantee can now be cancelled.

Electrogas has an 18-year agreement to provide Enemalta with electricity at €95.99 per megawatt hour.

How much electricity does Enemalta need to buy for Electrogas to get an acceptable return on its investment? Is Enemalta bound to buy a minimum amount? What if Enemalta does not buy enough to make Electrogas's investment feasible?

A security of supply agreement will ensure that Enemalta buys enough to justify Electrogas's investment and that the government will buy if Enemalta does not.

In January, the EU agrees that this does not constitute state aid.