

ENERGY ROUTE TO EUROPE & U.S.A. THROUGH THE BALKANS



ALBANIAN MACEDONIAN BULGARIAN
OIL PIPELINE CORPORATION

28 10-3

THE ENERGY CHARTER SECRETARIAT
GROUP ON TRADE AND TRANSIT
BRUSSELS OCTOBER 26/27th 2006

- **AMBO** WAS FOUNDED UPON THE NECESSITY OF A BYPASS TO THE TURKISH STRAITS.
- THE TURKISH STRAITS WITH ITS INCREASED SHIPPING TRAFFIC IS A BOTTLENECK FOR TANKERS AND HAS A SIZE LIMITATION.
- INCREASED OIL PRODUCTION FROM THE CASPIAN AND RUSSIA CALLS FOR MULTIPLE EXPORT ROUTES TO THE WEST.
- ONLY BTC PROVIDES A DIRECT ROUTE FROM THE CASPIAN TO A LOAD PORT IN THE MEDITERRANEAN.
- ALL BYPASS PROPOSALS TO DATE REQUIRE TRANS SHIPMENT IN THE BLACK SEA.
- ONLY **AMBO** PROVIDES THE WESTERNMOST LOAD PORT IN A GENUINE ALL YEAR ROUND SAFE HARBOUR FOR VLCC's.
- OIL SHIPPERS NEED NOT INVEST IN **AMBO**. OIL TRANSIT CONTRACTS WILL SECURE FUNDING BY PRIVATE INVESTORS.
- **AMBO** PRESENTS THE BEST ENVIRONMENTAL AND ECONOMIC LONG TERM SOLUTION TO BLACK SEA CRUDE OIL EXPORTS.

AMBO is an acronym for:

ALBANIAN MACEDONIAN BULGARIAN OIL PIPELINE CORPORATION.

- **AMBO** IS THE PROJECT DEVELOPER OF THIS TRANS BALKAN CRUDE OIL PIPELINE.
- **AMBO** IS OWNED BY PRIVATE INVESTORS AND IS A US REGISTERED COMPANY. A NEWCO WILL BE FORMED TO OWN AND OPERATE THE PIPELINE.
- **AMBO** HAS ESTABLISHED A TEAM OF EXPERTS TO ACHIEVE ITS OBJECTIVES. THE TEAM INCLUDES:

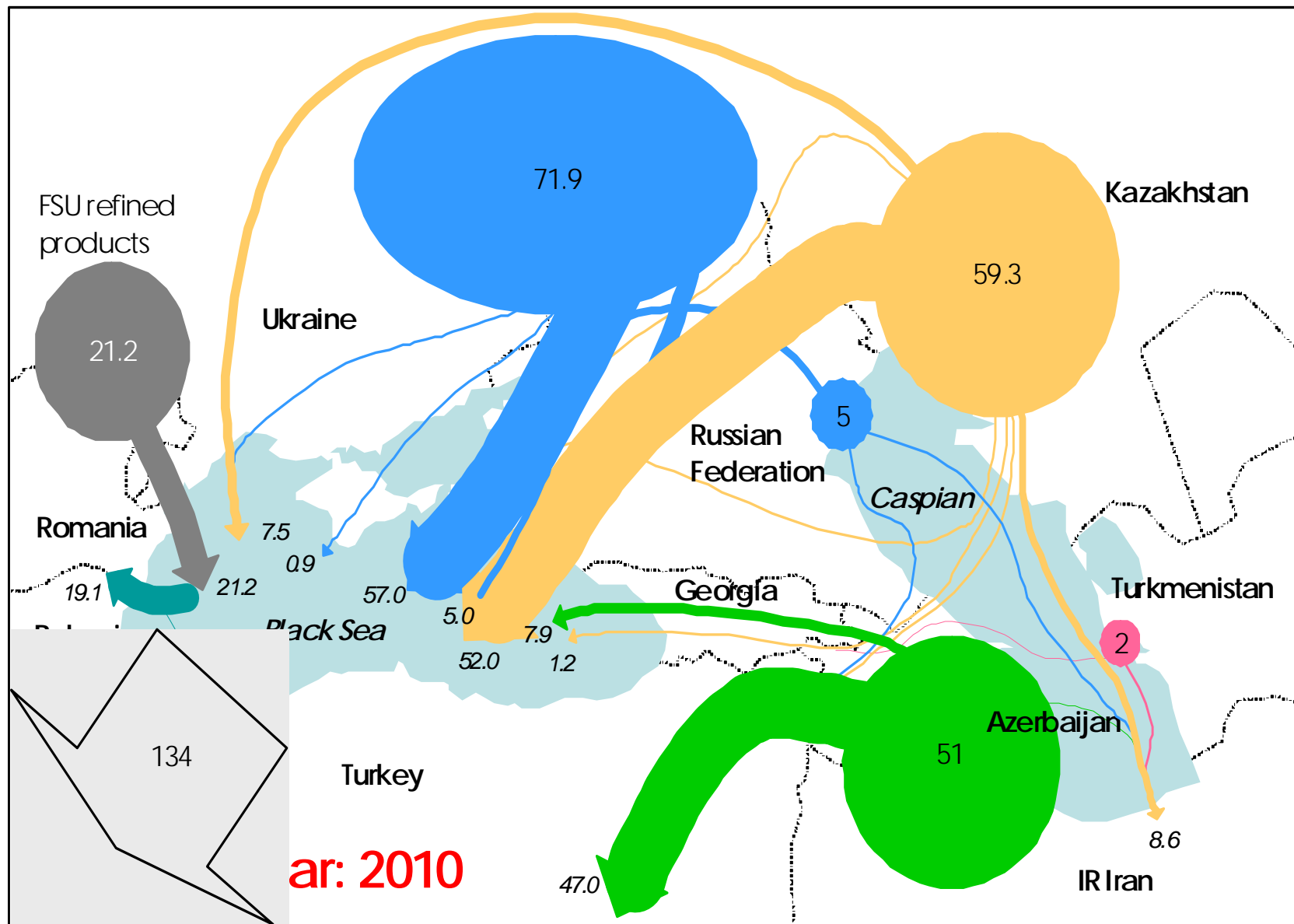
OILTANKING GmbH – International oil storage & transportation.

TECHINT – International pipeline constructor.

WHITE & CASE LLC – Legal representatives.

WALSH Inc. – Environmental & Social Impact Studies.

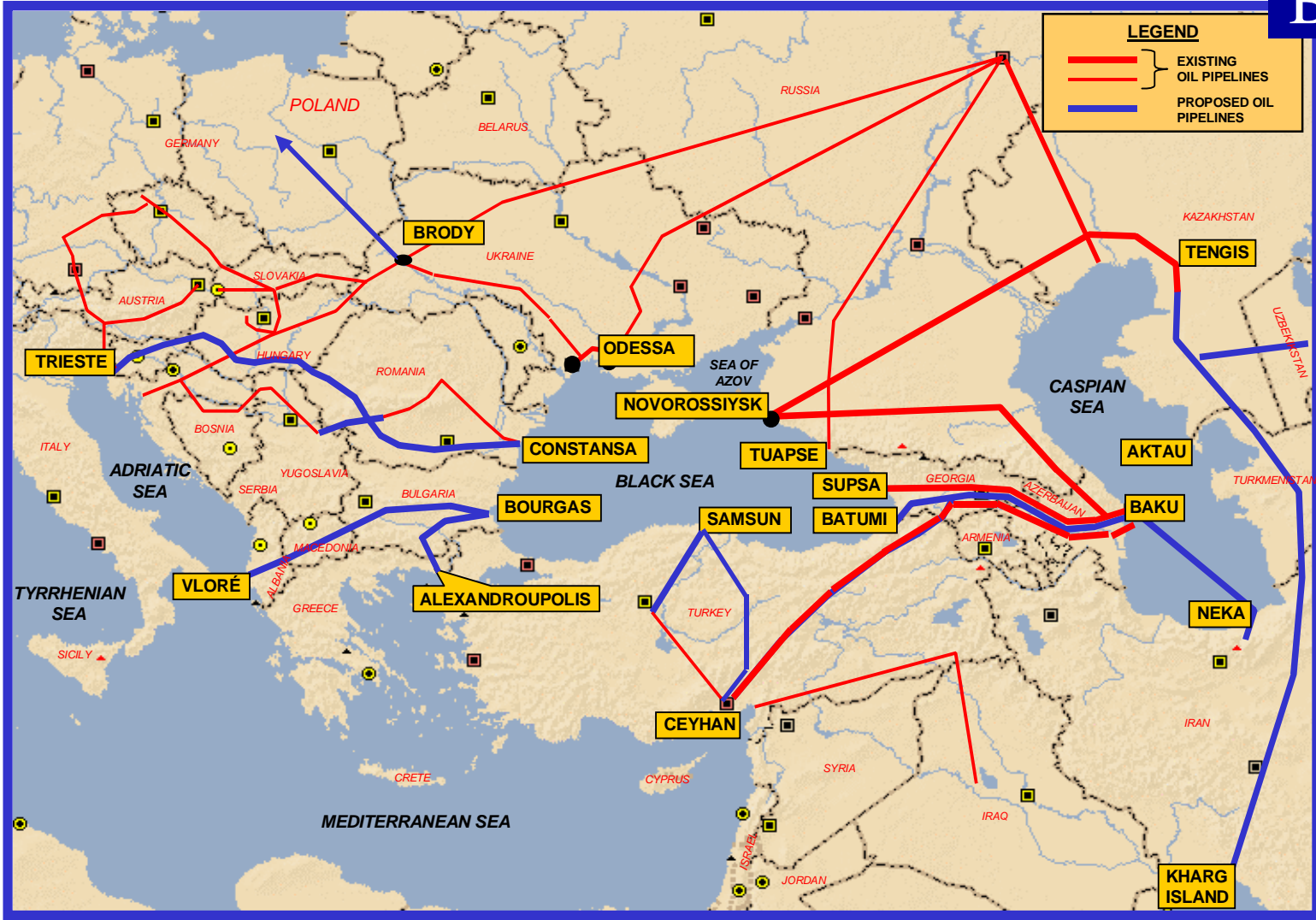
AALC – US Government/USG Agency & Multilateral/International Financial Institution Relations.



Source: CERA

THE COST OF SHIPPING

- BLACK SEA CRUDE OIL EXPORTS ARE NEARING 100MTA – FUTURE INCREASES ARE PLANNED.
- CURRENT FORECASTS OF BLACK SEA EXPORTS DO NOT INCLUDE KASHAGAN VOLUMES.
- SHIPPERS HAVE ESTIMATED THAT DELAYS IN THE TURKISH STRAITS ARE NOW COSTING AN ADDITIONAL \$400MILLION/YEAR.
- BTC VOLUMES AND OTHER FUTURE VOLUMES CANNOT BE ABSORBED IN THE MEDITERRANEAN.
- NW EUROPE & USA ARE THE MARKETS FOR THIS OIL.
- INCREASED TANKER TRAFFIC AND THE DEMAND FOR VLCC LOADING IS INEVITABLE.



OIL EXPORT ROUTES AND PORTS

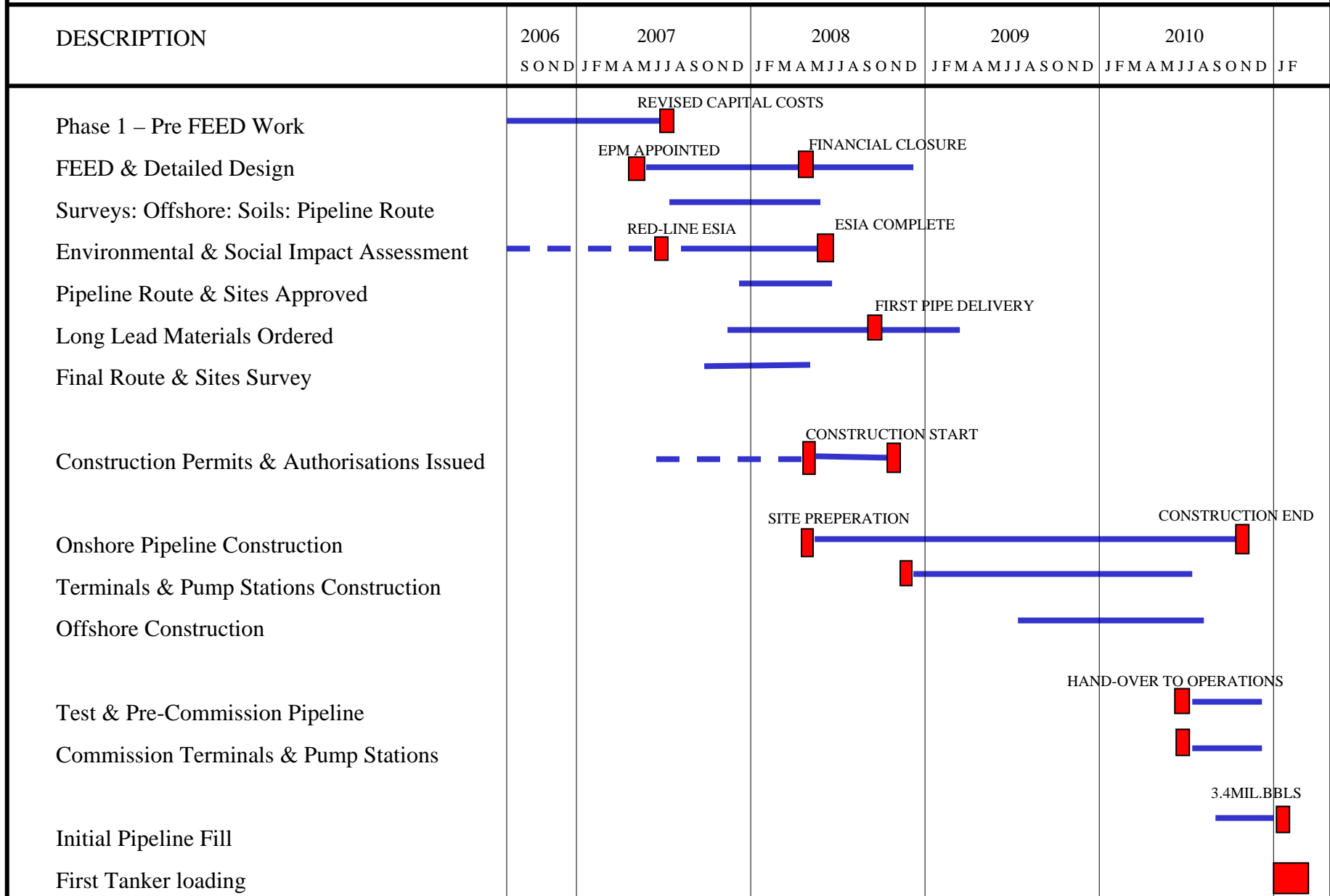


AMBO - Overall Pipeline Route

SUMMARY OF ASSETS

- **36” DIA PIPELINE 900km LONG.**
- **CAPACITY OF 35MTA – QUALITY BANK PRINCIPALS.**
- **RECEIVING TERMINAL – BOURGAS.**
- **EXPORT TERMINAL – VLORE.**
- **POTENTIAL OFFTAKES IN THREE COUNTRIES.**
- **FOUR PUMP STATIONS ONE PRESSURE REDUCTION STATION.**
- **OFFSHORE ‘CALM’ BUOYS AT EACH TERMINAL.**
- **TARIFFS AND COSTS IMPROVE ON ALL OTHER TRANSIT ROUTE COSTS FROM THE BLACK SEA.**

AMBO - PRELIMINARY PROJECT SCHEDULE – OCTOBER 2006



FINANCIAL GUIDELINES

- AMBO'S TRANS BALKAN PIPELINE WILL SERVE MULTIPLE PRODUCERS AND SHIPPERS
- THE AMBO SOLUTION ALSO BENEFITS REFINERS AND TRADERS
- SHIPPERS PLEDGE A RANGE OF VOLUMES: MINIMUM AND MAXIMUM
- SHIPPERS PAY FOR MINIMUM PLEDGED VOLUMES OF OIL PLUS ANY ADDITIONAL VOLUMES SHIPPED
- SHIPPERS WILL RETAIN THE OPTION TO USE THE STRAITS
- TARIFFS CAN BE HIGHER IN WINTER THAN SUMMER
- TARIFFS CAN BE PREFERENTIAL: LOWER TO THOSE WHO ADD GREATER VALUE
- THE TARIFF STRUCTURE WILL BE OPEN AND TRANSPARENT TO ALL
- EQUITY COMES FROM PRIVATE INVESTORS AND WILL BE IN THE RANGE 25%/30% OF CAPITAL COSTS
- DEBT WILL BE SECURED ON THE BACK OF OIL CONTRACTS

PIPELINE ECONOMICS



1. ASSUMPTIONS:

- **DAILY THROUGHPUT:**

1 st Six Months	250,000bbls/day
2 nd Six Months	500,000bbls/day
Years 2 – 10	750,000bbls/day

- **OPERATING COSTS:**

\$46,556,000/year @	750,000bbls/day
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- **CAPITAL COSTS:**

Project Costs (\$millions)	1.243,101,655
Commercial bank Debt (%)	7.6%
Debt Finance (\$millions)	932,316,930
Debt Interest Rate (%)	7.6%
Equity Investment (%)	25.0%
Equity Finance (\$millions)	310,784,726

PIPELINE ECONOMICS

2. RESULTS

- **THROUGHPUT TARIFF:** **\$1.33/bbl.**
- **PROJECT IRR** **19.6%**
- **PROJECT IRR LEVERAGED** **28.5%**
- **DEBT PAY BACK PERIOD** **10 YRS.**
- **RETURNS TO HOST COUNTRIES:**
 - BULGARIA** **\$60-80million**
 - MACEDONIA** **\$25-35million**
 - ALBANIA** **\$35-40million**

LEGAL AGREEMENTS - 1

TRIPARTITE CONVENTION

- INTER GOVERNMENTAL AGREEMENT (IGA) OR TRIPARTITE CONVENTION BETWEEN THE REPUBLICS OF ALBANIA BULGARIA AND MACEDONIA WAS AGREED AT EXPERT LEVEL ON SEPTEMBER 26th 2006
- ENTRY INTO FORCE WILL FOLLOW RATIFICATION OF THE CONVENTION BY EACH STATE AS REPORTED TO THE REPUBLIC OF MACEDONIA AS THE DEPOSITARY STATE.
- THE TRIPARTITE CONVENTION IS BASED ON THE NATIONAL LAWS OF EACH COUNTRY AND ON THE RELEVANT DIRECTIVES AND REGULATIONS OF THE EUROPEAN UNION.
- THE ENERGY CHARTER TREATY CONVENTIONS SPECIFICALLY SERVE AS GUIDELINES.

LEGAL AGREEMENTS - 2

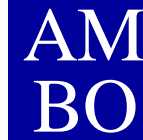
BILATERAL AGREEMENTS

- BILATERAL PROTOCOLS BETWEEN THE TRANSIT COUNTRIES DETERMINING ENTRY/EXIT LOCATIONS ARE AGREED.
- BILATERAL AGREEMENTS OR HOST GOVERNMENT AGREEMENTS (HGA) SHALL BE CONCLUDED BETWEEN AMBO OR A SPECIAL PURPOSE COMPANY ESTABLISHED BY AMBO AND EACH OF THE THREE STATES.
- THESE AGREEMENTS SHALL BE BASED ON THE TRIPARTITE CONVENTION AND INTERNATIONAL PRACTICES INCLUDING THE ENERGY CHARTER TREATY (THE CONVENTIONS IN THE EUROPEAN UNION IN THE ENERGY SECTOR SERVING AS GUIDELINES).
- BILATERAL AGREEMENTS ENTERED INTO BETWEEN A STATE ON THE ONE HAND AND AMBO ON THE OTHER HAND ESTABLISH RIGHTS AND OBLIGATIONS OF SUCH PARTIES IN RESPECT TO THE TRANS BALKAN PIPELINE.

AMBO STATUS TO DATE :

- A COMPREHENSIVE FEASIBILITY STUDY WAS COMPLETED BY Kellog Brown & Root (KBR) IN SEPTEMBER 2000.
- A PIPELINE ROW HAS BEEN AGREED AND MAPPED IN ALL THREE COUNTRIES.
- A TRIPARTITE CONVENTION IS AGREED AT EXPERT LEVEL. RATIFICATION BY MACEDONIA IS COMPLETE - ALBANIA AND BULGARIA ARE IN PROCESS.
- PRIVATE INVESTORS HAVE PROVIDED FUNDS FOR THE ESIA AND EARLY ENGINEERING WORK TO COMMENCE.
- OPIC & US EXIM BANK HAVE GIVEN SUPPORT AND GUIDANCE THROUGHOUT – EBRD ARE WILLING TO INVEST.
- SHIPPERS HAVE EXPRESSED INTEREST - CONTINGENT UPON SPECIFIC CRITERIA.

THE VALUE TO OIL COMPANIES



THE AMBO SOLUTION SEEKS TO PROVIDE SEVERAL ADVANTAGES TO SHIPPERS:

- **IT IS A DEEP WATER – VLCC SOLUTION ALLOWING LARGE TANKER DELIVERY STRATEGIES.**
- **IT PROVIDES 750,000BBL/DAY FOR DELIVERY TO MAJOR MARKETS.**
- **IT RELIES UPON OIL ARRIVING IN THE BLACK SEA AND IS NOT A COMPETITOR NOR AN ALTERNATIVE TO BTC.**
- **IT IS COST EFFECTIVE WHEN COMPARED WITH THE TURKISH STRAITS FOR DELIVERY TO EUROPE OR USA.**
- **AVOIDS THE ENVIRONMENTAL DANGERS OF TRYING TO PUSH TOO MUCH OIL THROUGH THE STRAITS.**
- **TANKER TURN AROUND TIME IS REDUCED BY A MINIMUM OF FOUR TO FIVE DAYS – AVAILABILITY OF VESSELS FROM NEARBY ROUTES REDUCES TANKER CHARTER COSTS.**
- **PURCHASE PRICE RISK ON DELIVERY IS ELIMINATED OR AT LEAST MUCH REDUCED.**

THE VALUE TO EUROPE & THE BALKANS

- AMBO PROVIDES A ROUTE TO EUROPE AND WESTWARDS AVOIDING THE TURKISH STRAITS.
- SHIPPING COSTS ARE LESS THAN ALL OTHER OPTIONS.
- VLORE PRESENTS THE ONLY ALL WEATHER ALL YEAR ROUND SAFE HARBOUR FOR VLCC LOADING.
- AMBO OPERATES IN EXISTING TANKER ROUTES.
- AMBO COMPLIMENTS CORRIDOR VIII AND ITS OBJECTIVES.
- THE AMBO ROW COULD PROVIDE A CORRIDOR FOR GAS TO EUROPE.
- AN IMPORTANT ENERGY INFRASTRUCTURE IS CREATED FOR THE BALKANS SUPPLYING OIL AND PERHAPS GAS IN THE FUTURE WESTWARD.

NEXT STEPS – DECEMBER 2006 TO JUNE 2007

PHASE 1.

- RATIFICATION OF TRIPARTITE CONVENTION.
- BASELINE ENVIRONMENTAL & SOCIAL IMPACT STUDY (ESIA).
- 500Mtr PREFERRED ROUTE CORRIDOR.
- IMPROVED CAPITAL COST & SCHEDULE.
- CONTRACTING STRATEGY.
- REVISED ECONOMICS & FINANCE PLAN.
- AMBO OWNERS AGREEMENTS.
- BILATERAL HOST GOVERNMENT AGREEMENTS.
- TRANSPORTATION CONTRACTS & TARIFF MECHANISM.
- CONDITIONAL OIL TRANSIT COMMITMENTS.