

Legal Update

News in the Infrastructure Area

October 1st of 2018

Investment Opportunities in Colombia: Regasification Plant in Buenaventura and Gas duct Buenaventura – Yumbo

The Energetic and Mining Planning National Entity (Unidad de Planeación Minero Energética, “UPME”) has initiated a tender process with the purpose of selecting an investor to, under its own account and risk, design, construct, operate and maintain (a) the regasification plant of the Colombian pacific and (b) the gas duct crossing the municipalities of Buenaventura – Yumbo (the “Project”). The tender process is currently in the socializing stage of bidding documents and is receiving comments and questions from interested parties.

The bidder that results as the awardee selected by UPME will become the eventual beneficiary of the right to obtain the Annual Expected Income (“AEI”) granted by CREG. The value of the AEI corresponds to the monthly payments carried out by transportation agents defined by UPME as the beneficiaries of the Project (art. 17, Res. CREG 107/2017). Additional to the AEI, the investor will obtain income for the rendered services associated with the import infrastructure directly collected by the awardee (short term income).

No contractual relationship will arise between the investor and the State, which is why all project risks will have to be borne by the private party. Given its nature, the investor will be in charge of obtaining all necessary authorizations, permits and licenses including environmental license, negotiations with communities and port concession. UPME has stated that the total estimated amount of the investment is of US \$700 M and the return of investment for these type of projects is of 20 years.

With purpose of evaluating market behavior and attract investors, recent UPME studies have shown that the increase in gas demand within residential, commercial, industrial, petrochemical and vehicular sectors is determined by growth of the economy, population, fuel substitution and expansion in service coverage, which is why growth rates are expected to be stable for the next 20 years. Based on the previous and according to UPME, the Project is designed for the investor to bear a low risk on demand and at the same time obtain a high net profit.

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