

Solar power in Oman

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Background and Challenges

Background

1. Oil sector – majority of export revenues/gov spend
2. Largest non-OPEC oil producer and natural gas exporter in ME
3. Hydrocarbons make up 50% of Oman's GDP
4. Third of Oman's current energy needs met using oil

Challenges

1. – accessibility and lifespan

Opportunities for solar

1. Huge demand increase: 8% year on year until 2022
2. Increase in population/tourism/increase in income
3. Economic diversification/expansion of heavy industries
4. Sever strain on power infrastructure historically
5. 44% of the gas is exported under long term contracts
6. Enhanced Oil Recovery (EOR): increased production

Opportunities for solar

1. National Energy Strategy 2040 – 10% of Oman's generation mix from renewables by 2025 (2.6 GW)
2. Best radiation in ME
3. Appetite for solar power projects is very strong
4. Falling price of solar frees up the crude, relied on to fuel the power plants, for exports
5. Subsidies supporting domestic consumption are being disbanded causing costs to soar
6. Cheaper energy sources

Existing position

Wind

1. Some wind projects already

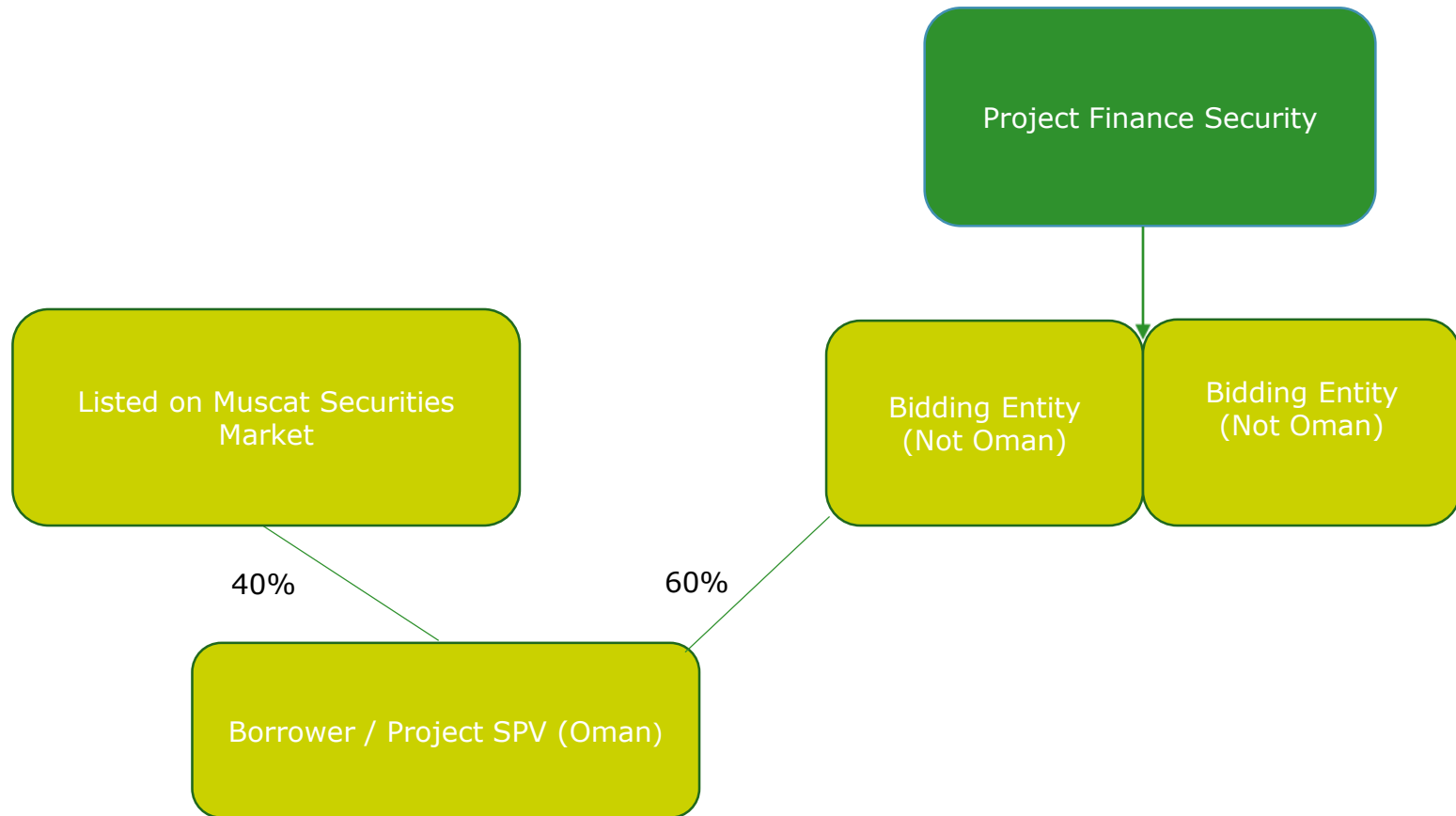
Solar 1: Petroleum Development Oman

1. 1 GW Miraah project – solar powered thermal power plant - EOR
2. Large mirrors used to boil oil field water to create steam
3. Instead of using steam from gas
4. Largest solar project in the world – produces steam to displace deposits/natural gas for use in EOR

Existing position

1. 500 mw **Ibri II project** 300 km west of Muscat – 2021 COD. 12 developers qualified
2. **Solar 2022** – second 500 MW to 1 GW announced by OPWP
3. Third solar IPP and two wind projects procured in 2019

Ibri II – structure diagram



Key issues Ibri II

1. The Omani Rial (OMR) is pegged to the US dollar (US\$) and there are no exchange controls however if the peg is removed in the future then there could be associated risk
2. Omani law recognizes the concept of security trusts and trustees, direct agreements, mortgages, share pledges and fixed security over assets but not floating charges (which should not be an issue)
3. From a jurisdiction point of view, Oman is a signatory to the New York Convention on the Enforcement of Foreign Arbitral Awards and therefore an appropriate arbitration clause will need to be used in the finance documents

Key issues Ibri II

1. Two drafts of project documents for Ibri
2. No change expected to project documents
3. 15y PPA – 12 y + 3y/spot market
4. 40% of the shares listed on the Muscat Securities Market within 15 months of SCOD
5. 40% of shares outside security
6. Dispute resolution in Oman
7. Enforcement of security in Oman

Questions?





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