9th International Black Sea Symposium Blue Growth as a driver for regional development

E.I.E.A.D.
EUROPEAN INSTITUTE FOR EURASIAN DIALOGUE
POLICIES, STUDIES, RELATIONS

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What is EIEAD?

EIEAD is an Institute aimed at increasing and improving relations between EU and the EurAsian region, through initiatives in the field of economic studies, industrial co-operation on sectorial level, geopolitical events, academic and cultural exchanges.

As for sectorial co-operation we use to realize a workshop, where a dialogue platform between large national companies or clusters of EU (mostly Italy) and industrial EurAsian countries may be issued, as an easier base for partnership among the SMEs of the same supply chain, of both sides.
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ADOPTING A COMMON FDI ATTRACTION POLICY, AS A NEW FRONTIER IN BLACK SEA CO-OPERATION AND DEVELOPMENT: A FOCUS ON THE BLUE ECONOMY
FDI Eurasian Challenge

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Possible goals of FDI

- Presidate commercially or industrially a local/regional market(s);

- Transform locally available raw materials;

- Increase competitiveness of own offer of products or services towards international markets (quality, logistics, customs, etc.)
FDI Challenge is the first comparative study among FDI Incentive Schemes of

- Armenia;
- Azerbaijan;
- Iran;
- Israel;
- Lebanon;
- Turkey

as an orienteering tool for entrepreneurs, who wish to establish their presence (industrial or commercial) in the area, for a first evaluation for the best possible location, before the completion of the indispensable feasibility study and business plan tailored on the specific case.
FDI incentive schemes are compared and ranked with a final ranking as output, on clusters of 21 evaluation factors/incentive tools (i.e. fiscal regimes, status inside Special Economic Zones, incentives to R&D and vocational training),
Because:

-the Black Sea is a common basin, a common resource for many countries;

-BSEC has already set common goals in the various areas of co-operation;

-a high competition among countries facing the same basin is going to exhaust the natural resource.
Investment Zones in Lebanon

Source: [www.investinlebanon.lb](http://www.investinlebanon.lb) 2017

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Regions’ ranking overview in Turkey

Source: ISPAT 2017
<table>
<thead>
<tr>
<th>INCENTIVE MEASURES</th>
<th>REGIONS</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
<th>VI</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT Exemption</td>
<td></td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Customs Duty Exemption</td>
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<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Tax Deduction</td>
<td>Rate of Contribution to Investment (%)</td>
<td>25</td>
<td>30</td>
<td>35</td>
<td>40</td>
<td>50</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Out of OIZ or IZ</td>
<td>30</td>
<td>35</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>65</td>
</tr>
<tr>
<td>Social Security Premium Support (Employer’s Share)</td>
<td>Support Period</td>
<td>2 years</td>
<td>3 years</td>
<td>5 years</td>
<td>6 years</td>
<td>7 years</td>
<td>10 years</td>
</tr>
<tr>
<td></td>
<td>Out of OIZ or IZ</td>
<td>3 years</td>
<td>5 years</td>
<td>6 years</td>
<td>7 years</td>
<td>10 years</td>
<td>12 years</td>
</tr>
<tr>
<td></td>
<td>Within OIZ or IZ</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10 years</td>
<td>10 years</td>
</tr>
<tr>
<td>Land Allocation</td>
<td></td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Social Security Premium (Employee’s Share)</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10 years</td>
</tr>
<tr>
<td>Income Tax Withholding Support</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10 years</td>
</tr>
</tbody>
</table>

OIZ: Organized Industrial Zones
IZ: Manufacturing Investments in Specialized Industrial Zones
- Transparency of the legislative system;

- Quality of infrastructures and related services;

- Quality of services rendered by the Public Administration, to enterprises and citizens (i.e. welfare for workers and families, level of educational system);

- Reliability of the Judicial system;

- Sustainable fiscal system (level of taxation and ease of its structure).
Some of the BSEC goals in areas of co-operation affecting the Blue Economy

**Transport**: Interconnectivity and interoperability, developing road, maritime, aviation and railway infrastructure for multimodal and combined transportation

- Black Sea Ring Highway Project;
- Motorways of the Sea (dev. of multimodal ferry lines etc.);
- Regional Integrated Maritime Policy for Maritime Transport, Ports, Shipbuilding and Ship Repairing.

**Trade&Economy**: Pursue member states to promote business and investment-conductive climate; information exchange on investment & specific projects attracting investment initiatives

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Tourism: Promoting BSEC region as one of the leading tourist destinations of the world; Encouraging cultural tourism/routes projects through development and protection of natural, cultural and historical values.

Joint projects:
- Common Cruise Product to connect all Black Sea ports;
- ”Common Black Sea brand”;
- Joint tourist products of health improvement, culture, festivals, etc.

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Joint projects:
-“Clearing House Mechanism” among BSEC States;
-WG in co-operation with BSEC WGs Emergency Assistance, Protection of the Black Sea against Pollution.
-Investment programs for preservation of region’s environment and development of green technologies;
-Mechanism of integrated mngmnt of the rivers ecosystems.

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Energy: Defining regional policy objectives and developing regional infrastructure, for a sustainable diversification of sources, transport routes and conditions. Exchange info on legislations and national programs, development and improvement of energy infrastructure in the Black Sea Region.

Actions:
- Attract investments for new infrastructures, also through PPPs;
- BSEC electric networks connected with TENs;
- Increase cross-border electric energy trading mechanisms within BSEC community;
- Co-operation in exploration & extraction of hydrocarbon among BSEC countries’ Oil & Gas companies;
- FDI attraction scheme for multinational companies.

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Why a common FDI Attraction Policy for the Black Sea Blue Economy?

……..but we do not start from zero point
YEREVAN, ARMENIA

The capital of Armenia, Yerevan has been recognised with a specialism award for Heritage Tourism. Many opportunities exist in the city for investors in the areas of heritage tourism and leisure facilities. One such opportunity is the restoration of Erebuni, a historical archaeological museum reserve.

The city has also been commended for its International Outreach, in its efforts to put itself on the map for foreign investors. Yerevan co-operates with more than 50 cities globally, and is a member of eight international organisations. Initiatives are in place to expand international ties with sister and partner city agreements.

Source: www.fDIntelligence.com

December 2017/January 2018
### Competitiveness

The Milken Institute Global Opportunity Index (GOI) tracks countries’ performances around five categories:

- Economic Fundamental
- Financial Services
- Business Perception
- Institutional Framework
- International Standard and Policy

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>Business Perception</th>
<th>Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>64</td>
<td>39</td>
<td>99</td>
</tr>
<tr>
<td>Armenia</td>
<td>51</td>
<td>36</td>
<td>72</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>69</td>
<td>14</td>
<td>102</td>
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<tr>
<td>Bulgaria</td>
<td>43</td>
<td>59</td>
<td>47</td>
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<tr>
<td>Georgia</td>
<td>39</td>
<td>22</td>
<td>57</td>
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<tr>
<td>Greece</td>
<td>60</td>
<td>79</td>
<td>26</td>
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<tr>
<td>Moldova</td>
<td>81</td>
<td>51</td>
<td>119</td>
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<td>Romania</td>
<td>52</td>
<td>109</td>
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<td>Russia</td>
<td>50</td>
<td>54</td>
<td>35</td>
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<td>Serbia</td>
<td>76</td>
<td>73</td>
<td>61</td>
</tr>
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<td>Turkey</td>
<td>58</td>
<td>75</td>
<td>36</td>
</tr>
<tr>
<td>Ukraine</td>
<td>83</td>
<td>104</td>
<td>61</td>
</tr>
</tbody>
</table>

Source: www.globalopportunityindex.org
BLACK SEA 300 METERS FROM THE COAST

- License required for fishing
- For the years 2013-2016 total amount of fish to be caught annually in the territorial waters of Georgia (quota) was defined as 90000 tons
- From these 90000 tons 85000 tons is for anchovy fishing; the remaining for other fishes (15 different species)
- New auction for licenses will be held in 2016 (the requirements of auction is not known yet, last time the main requirement was to build fish flour factory in Georgia and process fish there, currently we have 4 factories in Poti)
- Possibility to acquire license from the winner of auction
BLACK SEA WITHIN 300 METERS FROM THE COAST AND CERTAIN AREAS CAPABLE FOR AQUACULTURE

• No license required, no quotas
• Opportunities to build fish cages
• Some areas are already defined as best suitable for fish cages from the Ministry of Environment and Natural Resources of Georgia
• Permit to put cages on a certain area should be obtained from the Ministry of Environment and Natural Resources of Georgia and the Ministry of Economy
• Only 1 company active in this area yet, which started its activities in 2014
**Georgia: Logistics**

**INVESTMENT OPPORTUNITIES**

**TERMINALS AND LOGISTICS CENTERS**
- Most promising locations for logistics and warehousing centers:
  - Sea ports & port operation in Poti, Batumi and upcoming Anaklia deep sea port
  - Khashuri is geographical center of Georgia and is very well connected to other regions
  - Vale is an important location in the emerging railway corridor Baku-Tbilisi-Kars (BTK) between Azerbaijan, Georgia and Turkey. Georgian Railway has launched the terminal development project in Vale
  - Rustavi is one of the main industrial cities and ideally connected to Armenia and Azerbaijan borders
  - Tbilisi is a capital city and financial & economic center of Georgia

**COLD STORAGES**
- Cold chains play an important role in fruit and vegetable processing and handling, however current supply chain is weakly organized in Georgia
- Most of agriculture products are produced on open fields and sold to fresh markets, which causes seasonality supply. Only small portions ends up in cold storages for non-seasonal consumption, which is filled by imports
- Largest share of Georgian households expenditure is allocated to food, beverage and tobacco products. Tbilisi and Rustavi account for 1/3 of all expenditure therefore Tbilisi and Rustavi are major targets for cold storages in Georgia

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### Major Ongoing Projects

#### Development of Deep-Sea Port

- Government of Georgia plans to develop the infrastructure of new deep sea port, which has a 18-20 m natural draft and possibility to receive the fifth-generation vessels such as Panamax.
- Port will be focused on containers and bulk/mixed cargoes.
- The project is considered as strategically important for Georgia and has full support from the state.
- 12 companies have participated in the announced competition on the construction of Anaklia port.
- On February 8, 2016 LTD Anaklia Development Consortium was selected by the Governmental Commission as a winner.

#### Development of Baku-Tbilisi-Kars Railway (BTK)

- The new railway line BTK (USD 775 millions) from the Caspian Sea to Europe via Turkey is expected to be completed by the end of 2016.
- The new corridor will transport both, goods and passengers, between Central Asia and Europe.
- The project is expected to increase cargo transportation capacity by 5 million tons to 15 million tons.
- Georgian Railway has been granted the right to operate the Georgian portion of the new line.
- Trade between China and Turkey amounted to USD 27 billion in 2015, and it is expected to triple by the 2020.

### In About a Decade Deep-Sea Port Will Add Significant Capacity to Current Ports

**Current Port Capacity**

<table>
<thead>
<tr>
<th>Million tons</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

**Anaklia Deep-Sea Port (Phases 1 and 2)**

- **Depth**
  - Container
  - Dry bulk
  - Liquid bulk
  - Ownership

**Main Advantages**

- Economics (able to accept larger vessels)
- Strategic location
- Geology (20 m depth very close to shore)

**Kulevi Oil Terminal**

- 4.0

**Supsa Oil Terminal**

- 6.3

**Batumi**

- 0.9
- 2.0
- 15.0
- 11 m

**Vessel capacity**

- Container Dry bulk Liquid bulk Container Dry bulk

<table>
<thead>
<tr>
<th>Existing capacity</th>
<th>Deep-sea port</th>
<th>Total capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>-28</td>
<td>-14</td>
<td>+60</td>
</tr>
<tr>
<td>-7</td>
<td>-6</td>
<td></td>
</tr>
</tbody>
</table>

**Existing capacity**

-28

**Deep-sea port**

-14

**Total capacity**

+60
Georgia: Fishing

TAXATION AND CUSTOMS – MOST MODERN AND EFFICIENT SYSTEM IN THE NEIGHBORING REGION

TAX AND CUSTOMS DEPARTMENTS UNDER AN UMBRELLA OF STATE REVENUE SERVICE OF THE MINISTRY OF FINANCE OF GEORGIA

ADMINISTRATION
- Transparent
- Fast and Efficient - average time for import clearance 15 minutes
- Up to 15 Days deferred payment of Customs tax/VAT for importers

INFRASTRUCTURE
- Network of modern Customs Clearance Terminals
- Cargo inspection/Cross-Dock modern equipment and facilities

SERVICES
- Preliminary Customs Declaration;
- Self-service for customs clearance of cars;
- Online Services for remote clearance (Including Tax returns)

COUNTRY RANKINGS BY GOODS FLOW REGULATIONS

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>Total Tax Rate, % profits</th>
<th>Prevalence of Trade Barriers</th>
<th>Trade Tariffs</th>
<th>Burden of Customs Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>124</td>
<td>8.5</td>
<td>72</td>
<td>84</td>
<td>122</td>
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<tr>
<td>Kazakhstan</td>
<td>37</td>
<td>6.5</td>
<td>73</td>
<td>65</td>
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<tr>
<td>Bulgaria</td>
<td>28</td>
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Source: The World Economic Forum, GCI 2015-16

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## Ship building and repair

<table>
<thead>
<tr>
<th>Company</th>
<th>Year</th>
<th>Revenues (BGN mil)</th>
<th>Number of employees</th>
<th>Manufacturing Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulyard Ship-building Industry SPJSC - Varna</td>
<td>2011</td>
<td>64.8</td>
<td>687</td>
<td>Building and repairing of ships</td>
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<tr>
<td>Shipyard Rousse JSC - Rousse</td>
<td>2011</td>
<td>13.2</td>
<td>451</td>
<td>Building and repairing of ships</td>
</tr>
<tr>
<td>Odessos Shiprepair Yard JSC - Rousse</td>
<td>2011</td>
<td>23</td>
<td>696</td>
<td>Building and repairing of ships</td>
</tr>
<tr>
<td>Terem KRZ Fleet Arsenal Varna SPLTD - Varna</td>
<td>2011</td>
<td>27</td>
<td>652</td>
<td>Building and repairing of ships</td>
</tr>
<tr>
<td>Bourgas Shipyards JSC - Bourgas</td>
<td>2011</td>
<td>3.1</td>
<td>213</td>
<td>Building and repairing of ships</td>
</tr>
</tbody>
</table>

*Source: Bulgarian Commercial Register*
Bulgaria: Shipyards

16/3/2018

Machine Building
Successful examples

Ruse Shipyard
Founded: 1881, (privatized in 1991)
Location: Ruse

- Within the period 1999 – 2007 the company has built 40 ships
- The geographic location of the Shipyard on the Danube river makes it possible to also carry out additional logistic and port activities
- 100% Bulgarian company, 100% export oriented
- Main markets: Netherlands, Germany, Algeria, England, Greece, Russia and others.
- The focus of the Yard for the next years is to build specialized tankers such as oil-tankers, bunker tankers, chemical tankers and bitumen carriers
- The technological capacities allow the simultaneous new building of 10 ships of up to 5000 tons deadweight annually
- The shipyard is certified by German Lloyd according to the DIN EN ISO 9001:2008 standard
- The shipyard is approved by the company British Petroleum for safe building of tankers, and the company ThyssenKrupp-Germany has recognized the Shipyard as a Bulgarian partner under projects for the building of warships

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Bulgaria: Technical Education

The Technical High Schools and Technical Universities are located all over the country...

Pupils and students by specialties and regions

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Vidin Free Zone

Location: City of Vidin
Total Area: 308 627m²

- In close proximity to the Vidin-Kalafat ferry terminal and Danube Bridge Vidin
- Modern warehousing facilities spreading on 7 300 sq.m. of which 3 000 sq.m. building area
- Cargo port in construction

Transport availability:
- Railway Loading Station
- Vidin River Port
- Highway
- Sofia Airport – 194 km

Sources: InvestBulgaria Agency analysis, catalogue for Industrial Zones
The oldest resort on the Bulgarian Black Sea coast, with a specific microclimate, purifying negative ions, old deciduous forest and mineral springs

- 10 km from the "seaside capital" Varna
- more than 3.5 km of beach
- 7 mineral springs with depth from 1,800 to 2,050 m

**The mineral water**
- calcium & magnesium content, low mineral content
- Temperature T = 40° - 60°; Flow rate: D = 175 l/s

**Methods of treatment**
- The combination of mineral water and climate have a general effect on the body, strengthening immunity and helping reduce stress and fatigue

**Indications for treatment**
- Diseases of the:
  - upper respiratory tract, endocrine system, musculoskeletal and functional nervous system, chronic skin infections, cardiovascular diseases, rehabilitation after myocardial infarction

Historical records show that the monastery in the resort (St. St. Constantine and Elena) was built in honour of Emperor Constantine and his mother Empress Helena who had visited what was then Odessos (now Varna) and treated at the resort with water from the mineral springs.
Ukraine: Logistics

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Ukraine: Logistics

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Ukraine: Marinas

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Which may be the guidelines for a common FD attraction policy?

- To focus financial efforts on strategic infrastructures (new and renewed), also through PPP tools;

- Ensure preservation of natural resources & cultural heritage;

- Support local entrepreneurship and production capacity development;

- Sustain development of skilled human resources;

- Backing R&D programs.
Milestones for FDI attraction

- Strategic infrastructures (new and renewed): ports, railways, roads, airports, with interconnection and intermodal platform for passenger and cargo traffic;

- Sectorial ZES policy;

- Private production capacity (factories, hotels, marinas etc) development with incentive/exemption systems;
  Support local and young entrepreneurship, especially in service oriented sectors;

- Capacity building with dual system (education-work interconnection), sectorial VET, targeted R&D programs;

- Dedicated packages for specific investors’ categories.
The birth of a Black Sea Blue Economy Cluster can be the suitable answer, to pursue an integrated policy, with the necessary political weight, but with a bottom-up strategy, signalling the vitality of civil society and of entrepreneurship attitude of BSEC territories.
Special focus on tools regarding Energy sector: Renewable Energies & Other Networks (IT, Telecommunications, Road&Rail)

Armenia:
- Easy Licensing on PV until 150 kW;
- PPP agreements;
- special focus on network connections with Iran and with EAEU countries.
Armenia has developed infrastructure to export electricity

Transmission capacity
2,000 MW

16 bln kWh

Russia
Georgia

16 bln kWh

Turkmenistan

Iraq
100 bln kWh

Iran
300 bln kWh

Kuwait

Source: Public Services Regulatory Commission

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Direction of internet transit through Armenia by fiber-optic lines

Note: (a) Data for 2018 is projection based on actual figures for Q1-3 2018

Source: Ministry of Transport and Communication of the Republic of Armenia

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FDI Eurasian Challenge

Special focus on tools regarding Energy sector: Oil&Gas & Renewable Energies

Azerbaijan:
- has recognized a dedicated status (also fiscal status) to PSA (Production Sharing Agreement) and HGA (Host Government Agreement);

- within its policy of “sectorially addressed” Industrial Parks, has identified Sumgait as “Chemical Industrial Park”, where Petrochemical activities have been located;
Special focus on tools regarding Energy sector: Oil&Gas & Renewable Energies

Azerbaijan:
- besides the incentive package recognized to those who locate inside Industrial Parks, IPD package (Investment Project Document) has been recently defined, including for investments in Oil&Gas.

- applies a Mining Tax on extracting activities, 3% - 26%, incl. Oil&Gas in Caspian fields.
FDI Eurasian Challenge

FACTSHEET 2016

41.1 MLN TONS GROSS PRODUCTION (OIL)

20901,3 THSD TONS EXPORT

29.3 BILLION M3 GROSS PRODUCTION (GAS)

6754,6 MLN M3 EXPORT

25.0 BILLION KWH GROSS PRODUCTION (ELECTRICITY)

646,8 MILLION KWH EXPORT

2.2 BILLION KWH GENERATION FROM RENEWABLE ENERGY (ALTERNATIVE ENERGIES)

SOURCE: STATE STATISTICAL COMMITTEE OF AZERBAIJAN

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Special focus on tools regarding Energy sector: Oil&Gas, Renewable Energies, Coal

Turkey:
-investments in Energy related sectors are included in General Investment Schemes and Regional Investment Schemes;

-Large Scale Investment Inc.Scheme includes Production of Refined Petroleum Products Production of Chemical Products Transit Pipe Line Transportation Services
## LARGE SCALE INVESTMENTS INCENTIVE SCHEME MEASURES

<table>
<thead>
<tr>
<th>INCENTIVE MEASURES</th>
<th>REGIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
</tr>
<tr>
<td>VAT Exemption</td>
<td>YES</td>
</tr>
<tr>
<td>Customs Duty Exemption</td>
<td>YES</td>
</tr>
<tr>
<td>Tax Deduction</td>
<td></td>
</tr>
<tr>
<td>Rate of Contribution to Investment (%)</td>
<td>25</td>
</tr>
<tr>
<td>Out of OIZ or IZ</td>
<td></td>
</tr>
<tr>
<td>Within OIZ or IZ</td>
<td>30</td>
</tr>
<tr>
<td>Social Security Premium Support</td>
<td></td>
</tr>
<tr>
<td>(Employer’s Share)</td>
<td></td>
</tr>
<tr>
<td>Support Period</td>
<td>2 years</td>
</tr>
<tr>
<td>Out of OIZ or IZ</td>
<td></td>
</tr>
<tr>
<td>Within OIZ or IZ</td>
<td>3 years</td>
</tr>
<tr>
<td>Land Allocation</td>
<td>YES</td>
</tr>
<tr>
<td>Social Security Premium</td>
<td>-</td>
</tr>
<tr>
<td>(Employee’s Share)</td>
<td></td>
</tr>
<tr>
<td>Income Tax Withholding Support</td>
<td>-</td>
</tr>
</tbody>
</table>

OIZ: Organized Industrial Zones  
IZ: Manufacturing Investments in Specialized Industrial Zones
Special focus on tools regarding Energy sector: Oil&Gas, Renewable Energies, Coal

Turkey:
- Priority Investment Incentive Scheme includes Mining investments;
- Invest. for generation of electricity from coal;
- Invest. for generation of electricity from waste heat recovery in a facility;
- Energy efficiency investments made in existing manufacturing facilities;
- Liquefied natural gas (LNG) invest. & underground gas storage with a minimum amount of 50 million TL,
- Invest. of carbon fiber or the composite materials from carbon fiber, provided that along with carbon fiber production.
Special focus on tools regarding Energy sector: Oil&Gas, Renewable Energies, Coal

Turkey:
- clear definition of national goals (where State is going to keep monopoly), price/tariffs mechanism, market structures, typical contracts, modes of operation etc.;

- Electricity Sector: Transmission under State Monopoly, Commercial activities opened to Privatization and Private Sector Operators;

- Oil&Gas: Petroleum Market Law (accounting rules for cost deduction), Natural Gas Transmission System and Storage;
A quick overview of the natural gas value chain.
FDI Eurasian Challenge

BOTAŞ Natural Gas Transmission System

- Existing Gas Pipeline
- Planned Gas Pipeline / Under construction
- Compressor Station (under construction)
- Compressor Station
- Entry Point
- Planned Natural Gas Underground Storage

Source: BOTAŞ

Investment Support and Promotion Agency of Turkey

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Turkey:
- Coal: Transfer of Operating Rights, Long Term Contracts, Power Plant Construction by Public Sector, Privatization.

- Renewable energies: policy of unlicensed generation (till 1 MW) with feed-in tariff;

- Skilled labour force and specialized education paths (technical secondary schools, dedicated vocational training institutes, sectorial universities).
Different energy sales options are available for renewable energy investors.

<table>
<thead>
<tr>
<th>Price Risk</th>
<th>Organized Markets: Day-Ahead Market</th>
<th>Bi-lateral Contracts</th>
<th>Feed-in Tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Seasonal and hourly fluctuations in price. Unpredictable imbalance costs.</td>
<td>Medium: Prices are negotiable. Possible hedging exists for medium/long term price risks. Reference price is the market price.</td>
<td>None: Fixed price indexed to USD.</td>
</tr>
</tbody>
</table>

| Sales Risk       | None: Can sell all of the proposed amount. | Low: Amount is determined according to negotiations. Amount that cannot be sold via bi-lateral contracts can be sold to the day-ahead market. | None: Has to sell all of the generation amount. |

| Revenue Expectation | High volatility: Volatile due to price fluctuations and imbalance costs. | Low/medium volatility: Possible to guarantee a set revenue through medium/long term contracts. | Fixed: Due to fixed prices there are not any surprises in revenue expectations. Investor is not responsible for imbalance costs. |

- Cross-border trading opportunities also exist for renewable energy investors. Turkey was synchronously connected to ENTSO-E in September 2010 and is currently in the trial phase. If Turkey meets all requirements by autumn 2013, Turkey will be a full member of ENTSO-E.

- Turkey has various interconnections with neighboring countries such as Georgia, Iran, Azerbaijan and Syria. Transmission operators of Turkey, Bulgaria and Greece regularly auction interconnection capacities on the Greek and Bulgarian borders of Turkey. Private sector players have shown great interest in these auctions which has resulted in a boost in trade compared to previous years.