



# Ecuador: A country of opportunities



MINISTERIO DE COMERCIO EXTERIOR E INVERSIONES

# Why Ecuador?

- 90% Renewable Energy
- Road Infrastructure (13,000 km of first-class roads)
- Diverse climate / biodiversity
- Strategic geographic position
- Clean water sources – Pacific Ocean entrance
- Hardworking People – 17 M inhabitants
- Dollarized Economy



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# Investment in Ecuador

21

AUGUST 2018

**Organic Law for the Promotion of Production, Attraction of Investment, Job Creation and Fiscal Equilibrium and Stability** is published in the Official Register

- Investment attraction is a State Policy by Executive Decree No. 252
- Strategic Committee for the Promotion and Attraction of Investments Promotion and Attraction is created



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# Investment Incentives

01

## Income Tax Exemption

- *New industries*
- *Basic Industries*
- *Investment in industries near bordering countries*

12 – 8 years

15 years

+5 years

02

## Foreign Exchange Outflow Tax Exemption

- Imported goods and commodities
- Dividends
- External financing

03

## 10 point Income Tax reduction

- *ZEDE - Special Areas for Economic Development*
- *Tourism ZEDE- Special Areas for Economic Development for Tourism*

04

## 0% VAT in goods and services

- Machinery for agriculture & fishery
- Solar panels, water treatment plants, new ships
- Building services for social housing
- Insurance and reinsurance for prepaid healthcare



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# INVESTOR BENEFITS FOR ROADS AND INFRASTRUCTURE PROJECTS

- Exemption on Income Tax for 10 years
- Exemption on the foreign exchange outflow tax for imported goods, services acquisition, financing, dividends or profits, and payments for shares, rights, or participations acquisition.
- Foreign Trade taxes: exemption on customs duties and VAT for imported goods and services
- Legal Stability: within the entire concession period



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# 1. SANTO DOMINGO – QUEVEDO ROAD PROJECT

**TOTAL INVESTMENT :** USD 525.57M

**CAPEX:** USD 258.61 M

**OPEX:** USD 266.96 M

## **LOCATION**

- Santo Domingo and Los Ríos Provinces

## **FINANCIAL INDICATORS**

- IRR: 16.29%
- ROI time: 12 years



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## PROJECT OVERVIEW

- PPP for construction and adequate service level on the Santo Domingo–Quevedo road (93.11 km length):
  - 4-lane expansion (includes burying cables)
  - implementation of complementary services
  - improvement of road infrastructure throughout the 30-year delegation period.
  - Total length : 93,11 km

## MARKET

- Average Daily Traffic Flow:
  - Sto Domingo - Luz de América: 17.303 units
  - Buena Fé - Quevedo: 20.530 units

\* The investment is recovered by the delegated manager through a direct toll collection



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## 2. SOUTH OF GUAYAQUIL – VIADUCT PROJECT

**TOTAL INVESTMENT :** USD 1041.24 M

**CAPEX:** USD 780.68 M

**OPEX:** USD 260.56 M

### LOCATION

- Guayas, in the area bordered by the Puerto Inca – Naranjal road, the Duran – Boliche Highway, and the Guayaquil Sea Port.



### FINANCIAL INDICATORS

- IRR: 15.24%
- ROI time: 22 years



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# PROJECT OVERVIEW

- To develop a project under a PPP model to build a new crossing over the Guayas River and its access roads, allowing fast access to the city of Guayaquil, facilitating the traffic that comes from the south of the country and connecting it with the city of Duran.
  - Total length : 44.20 km, divided in 4 sections

## MARKET

- Average Daily Traffic Flow: 21,046 units
- Average Annual Traffic Flow: 7.6 million

\* The investment is recovered by the delegated manager through a direct toll collection



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# 3. NARANJAL – CAMILO PONCE ENRÍQUEZ ROAD PROJECT

**TOTAL INVESTMENT :** USD 255.24M

**CAPEX:** USD 145.86 M

**OPEX:** USD 109.38 M

## **LOCATION**

- Guayas, Azuay, and El Oro Provinces

## **FINANCIAL INDICATORS**

- IRR: 14.34%
- ROI time: 20 years



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# PROJECT OVERVIEW

- To develop a project under the PPP model to restore the current road, build tolls and lateral exits, make a 4-lane expansion, and road maintenance for 30 years.
  - Total length : 47 km

## MARKET

- Average Daily Traffic Flow: 8,424 units
- Average Annual Traffic Flow: 3 million

\* The investment is recovered by the delegated manager through a direct toll collection



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## 4. QUEVEDO-BABAHOYO-JUAN CORRIDOR

**TOTAL INVESTMENT :** USD 585.78M

**CAPEX:** USD 304.81 M

**OPEX:** USD 280.97 M

### **LOCATION**

- Los Rios and Guayas Provinces

### **FINANCIAL INDICATORS**

- IRR: 16.29%
- ROI time: 11 years



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# PROJECT OVERVIEW

- To design, restore and enlarge the current road under a PPP model, as well as give road maintenance for a total of 30 years.
  - Total length : 103.17 km

## MARKET

- Average Daily Traffic Flow:
  - Quevedo - Ventanas: 11,895 units
  - San Juan - Babahoyo: 18.379 units

\* The investment is recovered by the delegated manager through a direct toll collection



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# INVESTOR BENEFITS FOR NEW INVESTMENTS IN BASIC INDUSTRIES

15-year exemption period on Income Tax and its advanced payment  
+ 5 additional years for projects in border regions

## SECTORS:

1. Melting and refining of copper and/or aluminum
2. Metallurgy and flat Steel production
3. Hidrocarbons refining
4. Petrochemical industry
5. Cellulose industry
6. Construction and repair of maritime vessels



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# ***Executive Summary of Feasibility Study for Aluminum Smelter Project***

# Overview of Feasibility Study

## KEY CONDITIONS

- ✓ Following up Hatch's Pre-feasibility Study
- ✓ Based on SY500 technology
- ✓ Chinese investors oriented mainly
- ✓ Annual production of 560 Ktpa
- ✓ Part of ZEDE in Posorja (benefits considered)
- ✓ Hydro-power potentially available

## CONTENT OF FEASIBILITY STUDY

### Technical

- Initial Assessment and Structure of Project
- Micro-localization of Plant
- Industrial Aspect
- Description of Social Baseline & Requirements
- Description of Environmental Baseline & Requirements
- Update of Raw Material & Product Study
- Power Supply Study

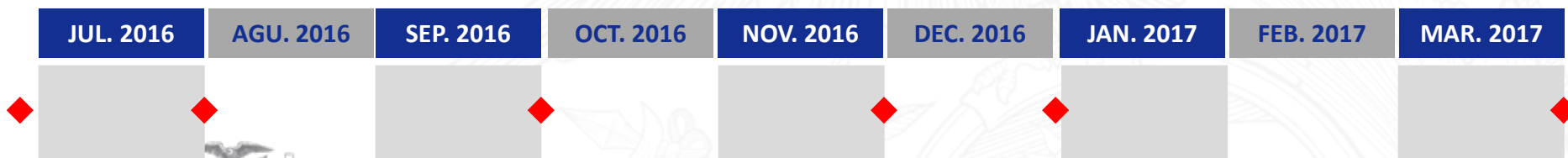
### Commercial

- Market Analysis
- Stakeholder Management Plan
- Value Chain
- Marketing & Sales
- Risk Analysis & Mitigation

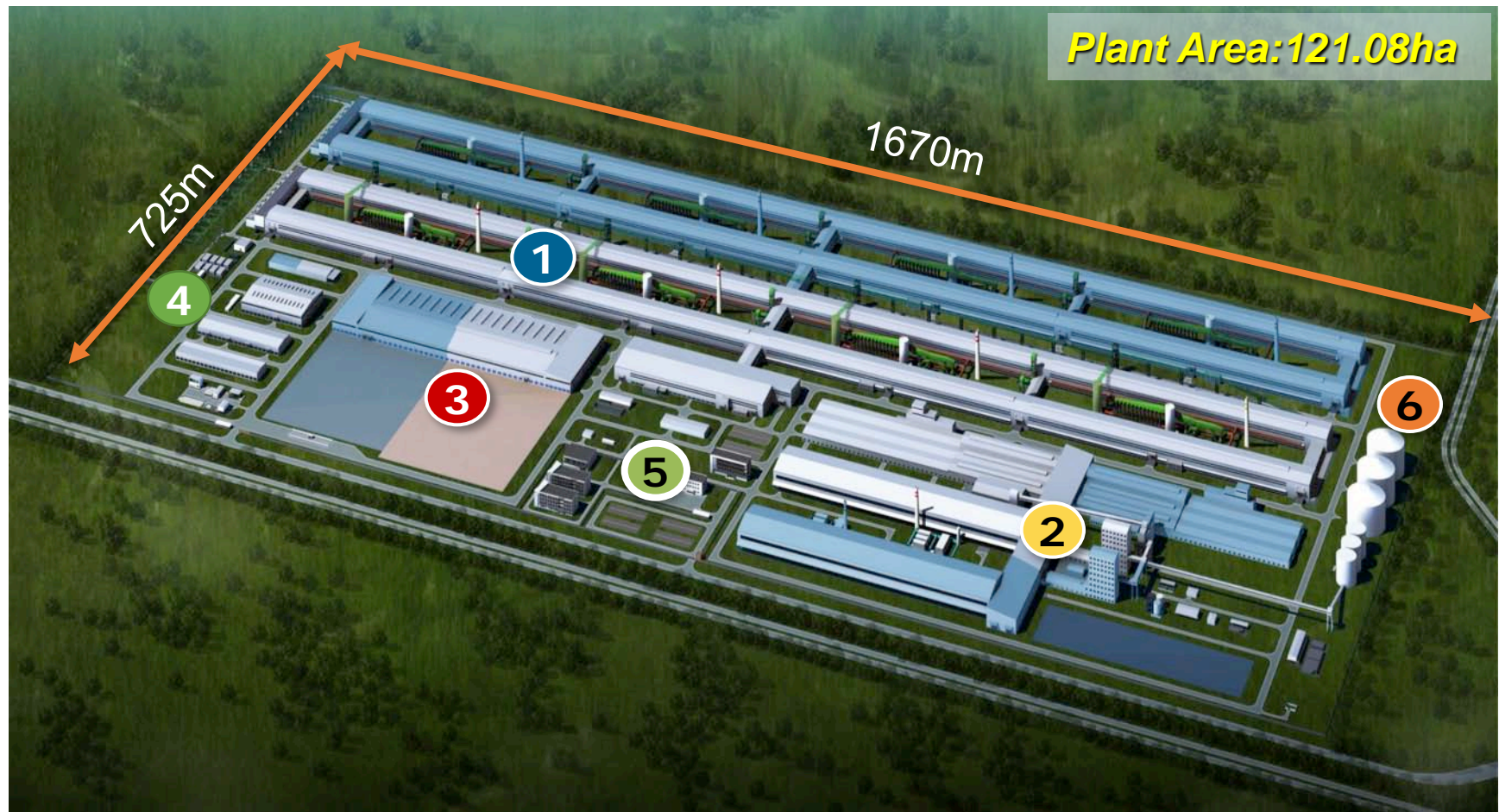
### Financial

- Análisis financiero
- Análisis socioeconómico
- Financiación y presupuesto

## TIME SCHEDULE



# Micro-Localization



1

Pot Room

3

Product Storage Area

5

Administration Area

2

Anode Production Area

4

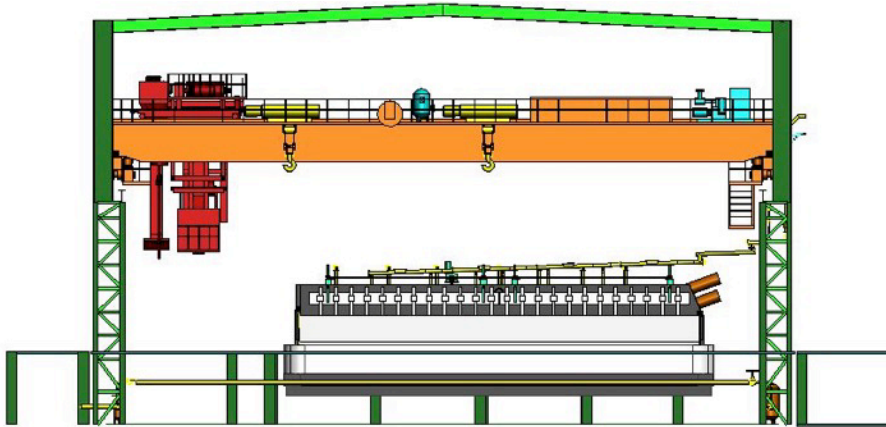
Recitifier Area

6

Raw Material Storage Area

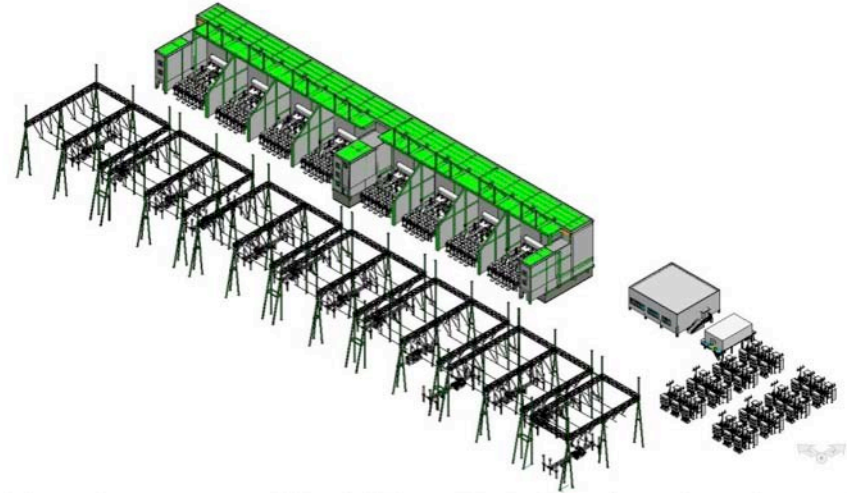
# Aspectos industriales - Basic Design

## Potroom



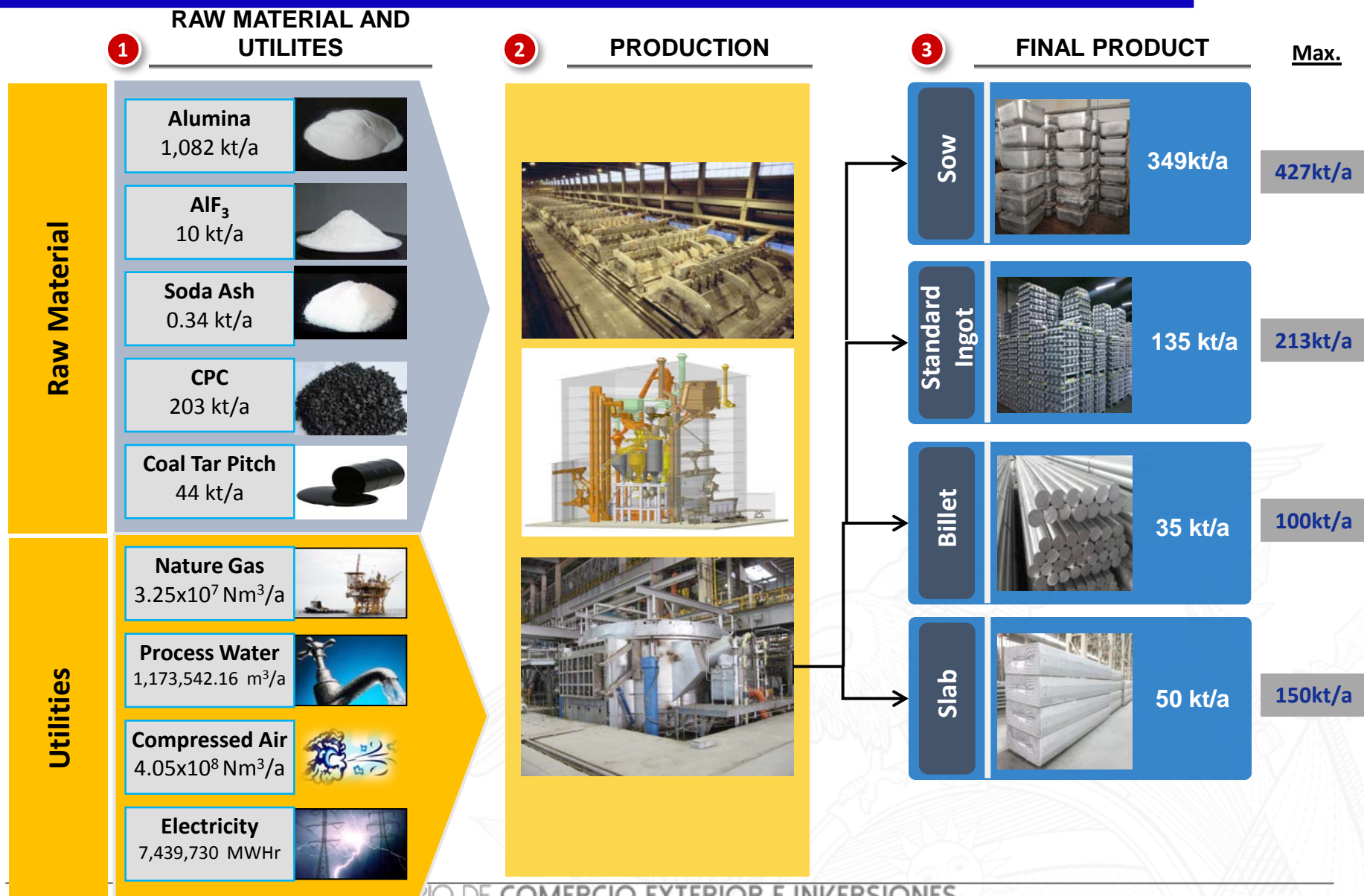
Item	Basic Data
Number of Pots	408
Liquid Metal Production	564 kMTpa
Potline Amperage	500 kA
Alumina Distribution	HDPS
Number of PTMs	16+1
Number of Transfer Gantry	1

## Main Substation

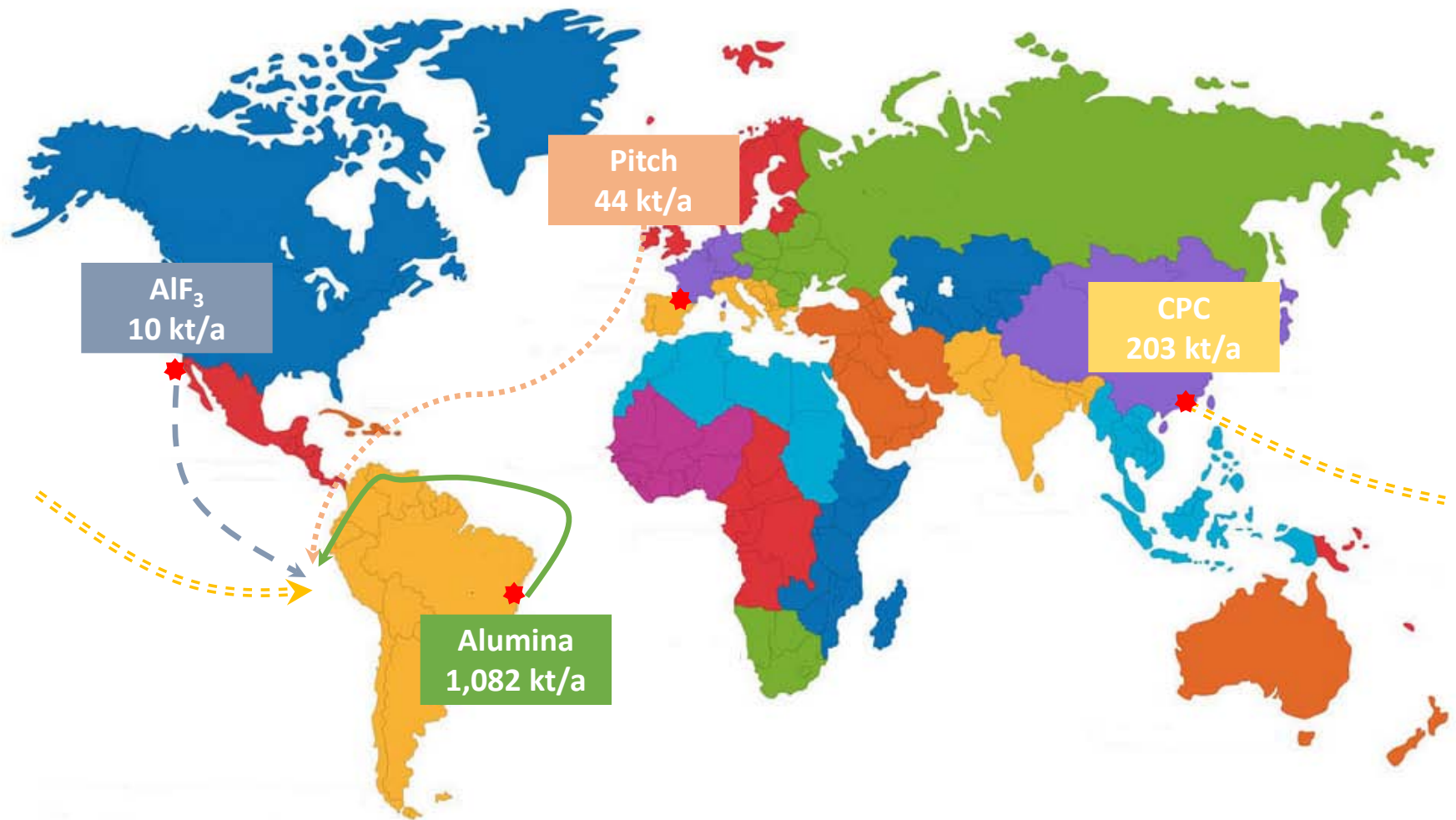


Item	Basic Data
Electrical Power	849 MW
Supply Lines	2
Supply Voltage	230 kV
Frequency	60 Hz
Harmonic Protection	Yes
HV Switching	Gas Insulated
DC Voltage (max)	1,750 V
Rectifiers	8 × 88 kA

# Raw Materials & Products



# Raw Materials Sourcing

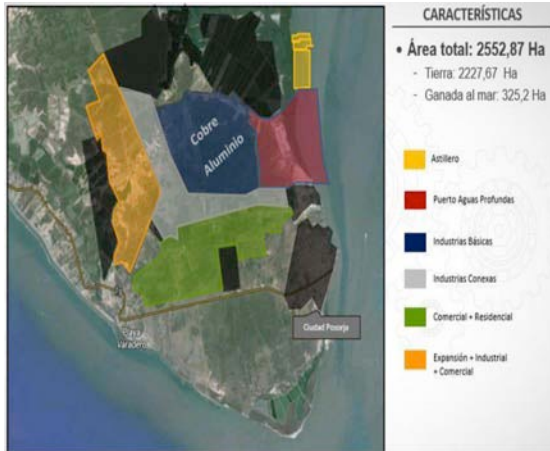


# Power Supply

**Demanda de energía del Polo Industrial Posorja: ~1000MW**

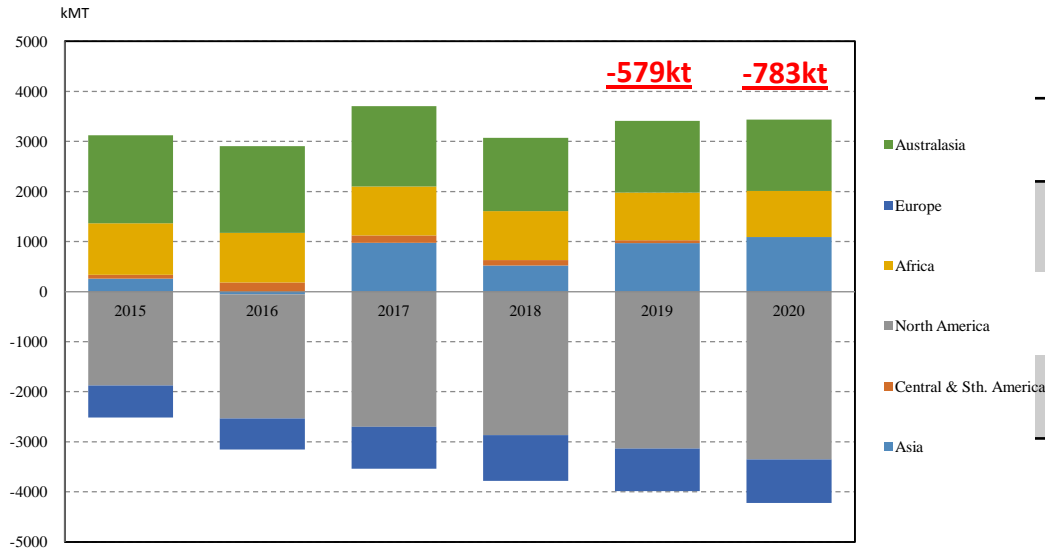
**Líneas de Transmisión: 500 kV**

**Estación hidroelectrica Santiago, energía mínima generada: 1420MW**



# Market Analysis

## 1 Forecast of aluminum balance indicates deficit in long-run (globally and regionally)



### CRU forecasts: balance of C&S America

Year	2020	2025	2030
Consumption (kt)	1,355	1,663	2,014
Production (kt)	1,352	<u>1,912</u>	<u>1,912</u>
Balance (kt)	-3	249	-102

### CHALIECO Opinion:

-300+

-600+

## 2 Ecuador Project Competitive: CAPEX, electricity power (if hydropower project happens)

## 3 Promising market prospect: starting regionally (initially aiming Brazil), and expand globally

# Manabi Refinery

The Government of Ecuador is promoting a concession for the construction (BOT) of a new deep conversion refinery.

This refinery will :

- Produce less polluting fuels in accordance with international standards
- Supply the domestic market (70%) and export surplus (30%) mainly to Latin American markets

Objectives of this presentation:

- To outline current information to the companies interested in participating in this venture
- To present the requirements for this project and the means available for its execution
- To summarize the advantages for investors and present the selection method



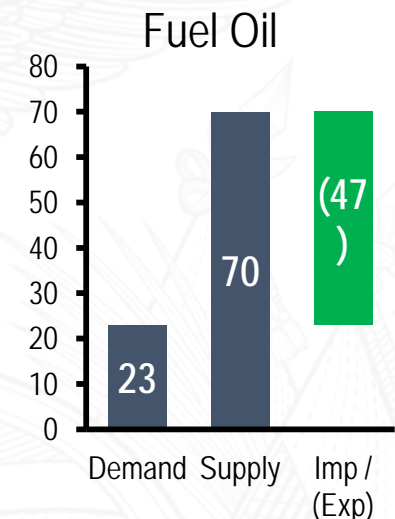
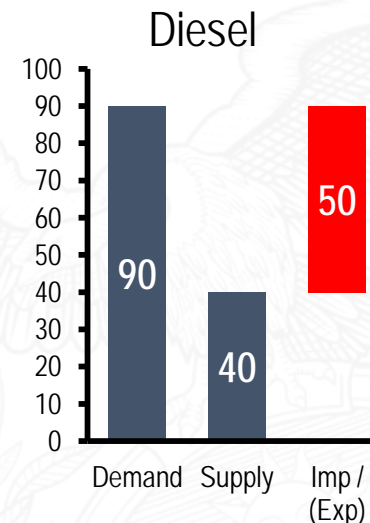
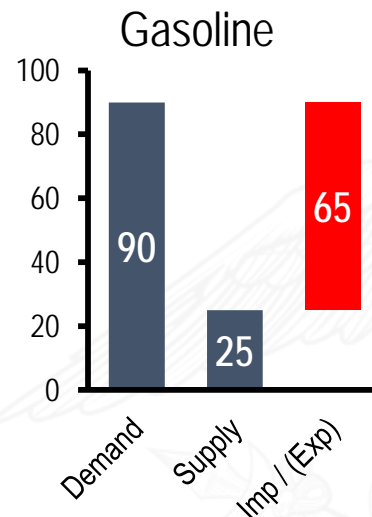
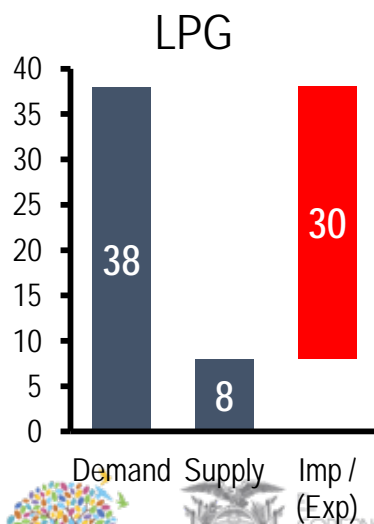
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## Refining Scheme

Ecuador refineries (total distillation capacity of crude oil is 175,000 BOPD. )

- Esmeraldas - Medium conversion refinery. Capacity: 110,000 BOPD (17,000 m3)
- La Libertad and Shushufindi - Crude oil distillation units
- Ecuador has a deficit of light fuels (LPG, Gasoline and Diesel)
- Ecuador exports a significant amount of fuel oil.



## Refineries Location

Production Units		Location	Capacity	Products
Shushufindi	Refinery	Sucumbios Province	20,000 BOPD 26 °API	LPG, Gasoline, Jet Fuel, Diesel,
	Gas Plant		25 MMcfd 180 Tons	
La Libertad refinery		Santa Elena Province	45,000 BOPD 26 °API	LPG, Gasoline, Jet Fuel, Diesel, Fuel Oil, Solvents
Esmeraldas refinery		Esmeraldas Province	110,000 BOPD 25 °API	LPG, Gasoline, Jet Fuel, Diesel, Fuel Oil, Asphalt, Sulfur pelletized

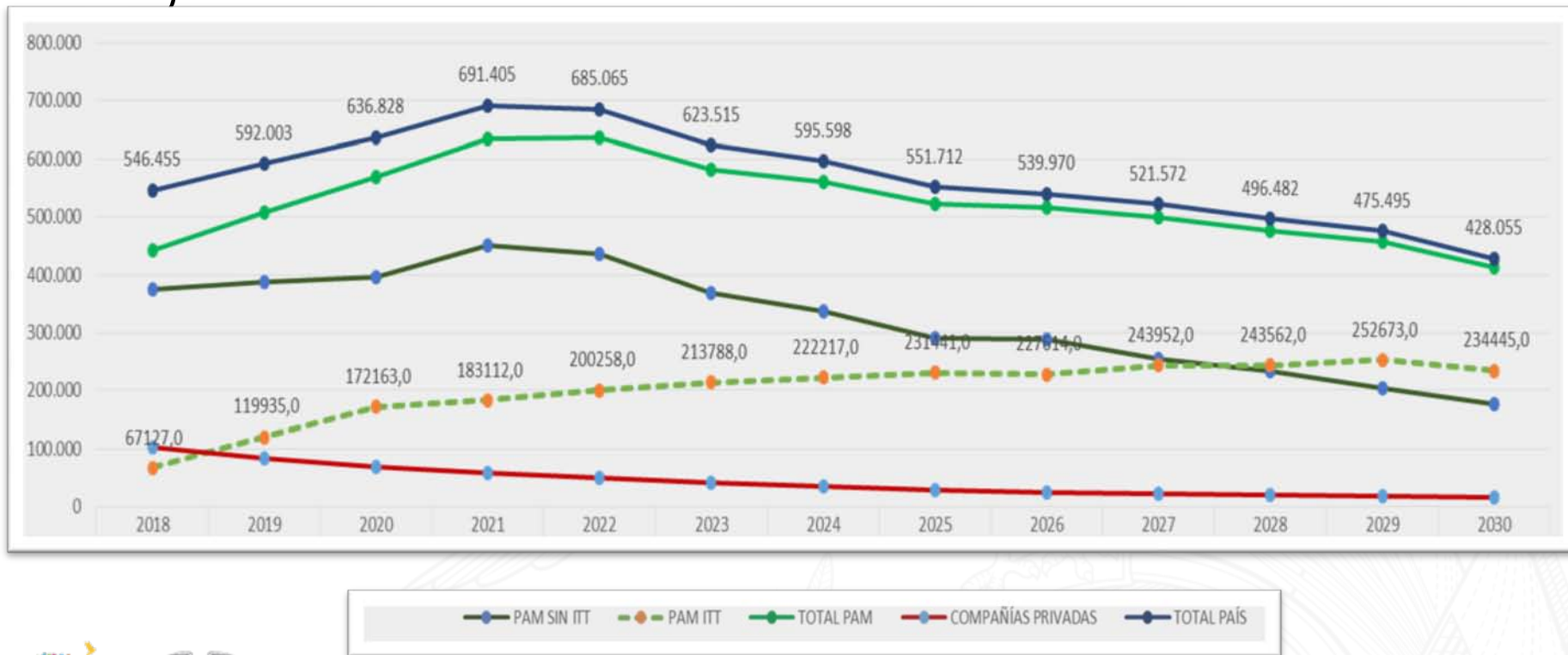


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## Oil production forecast

Ecuador started production of ITT (Ishpingo, Tambococha and Tiputini) fields, which should be used as main supply for the new refinery.



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# **AGROINDUSTRIA**

## **1.2 Industrialization of Cocoa into chocolate**

### **Investment:**

- CAPEX: USD 21 MM
- OPEX: USD 68 MM
- Total: USD 89 MM

### **Management Model:**

Private investment, the investor builds the plants

### **Project details:**

Creation of 4 chocolate factories of differentiated products to manufacture:

- Chocolate tablets
- Premium chocolate in 4 varieties per solid cocoa content
- Fine chocolate making



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# Thank You