INTERVIEW

Andras Mesics – Altaaqa Global Energy Services

Andras Mesics, Sales Director for Latin America at Altaaqa Global Energy Services has more than 20 years of experience in the Latin America energy markets, largely gained in Brazil and in the Spanish-speaking countries. He was responsible for starting and developing the Brazilian operations of Aggreko in 2003. He has a proven track record of developing energy solutions for a range of industries, including mining, oil & gas, utilities and manufacturing.

What was the beginning of the BOOT transition? What planted that idea in the first place?

When we relaunched our company in 2019, our primary objective was to evolve with the rapidly changing landscape of the power industry. Our extensive experience in working with clients from various industries allowed us to gain a deeper understanding of the current market requirements, and to keenly evaluate the opportunities to introduce innovative technologies and solutions.

Therefore, from being an exclusively multi-megawatt power rental company, we ventured into providing flexible short- and medium-term contracts with tailored financing arrangements. These flexible provisions include Build-Own-Operate-Transfer or BOOT, which involves Altaaqa Global assuming the financial and technical risks associated with power projects for myriad industries, including mining, manufacturing, cement, oil & gas, petrochemicals and utilities, to name a few.

How has been the usual development from start to finish?

The BOOT model has existed for many years in the IPP space. Its most salient feature is that at the end of the contract, the customer would own the power plant assets. For shorter-term projects, the option has traditionally been that of rental, where at the end of the contract, the power plant would be demobilized, and the equipment would be taken back.

However, there is a strong possibility that the same temporary power plant would be needed by the same client soon after the end of the contract. The client would then need to sign a new contract, often at a higher price. Therefore, to give our clients a better and more cost-efficient option, we introduced the traditional IPP BOOT model to shorter-term projects.

What are the main advantages?

The main advantage of BOOT is that we, the power plant provider, will assume the financial and technical risks associated with the power plant project. Our customers can capitalise on our financial stability and technical expertise in all phases of the projects, especially as an operations and maintenance (O&M) contract is bolted in.

We are able to confidently offer this because we are a company with a strong financial performance and support from our parent company Zahid Group, and because our in-house team of plant engineers and technicians are highly trained and qualified to run multi-megawatt power plants running on a variety of fuels. Therefore, the BOOT model is an ideal solution for both public and private off-takers that do not have the internal expertise in planning and managing power projects.

At the end of the contract, we will transfer the ownership of the well-managed asset to the client requiring no upfront nor balloon payment. The customer could then either keep the power plant as back-up to maintenance, for

peaking requirements, future growth or redistribute it to other areas of their network to reduce transmission losses.

Does this mean there's more movement now in the private sector?

Our clients have increasing been looking for alternative solutions - different from what usually is available in the market. Based on the dynamics of businesses today, clients are looking for more flexibility. They are interested in having one partner capable of providing power services of the highest standards both from a technical and financial perspective.

Private and public companies will find the perfect partner in Altaaqa Global Energy Services, especially as the power requirements of these off-takers have strict specifications and lead times. To cater to their specialized power needs, they need a partner that has the capability to combine technical and financial services, and that's exactly what our BOOT solutions will offer them. We understand the needs of our client, we design the turn-key solution and implement it in a short period of time, ensuring that our clients have reliable energy services when and where they need them.

How does this interacts with the regulatory bodies and governments?

We are a global company working in multiple countries in Africa, Latin America, Middle East and Asia. We design our solutions taking in consideration the regulations and legislation of each country. Our team of specialists are experienced in working with clients, both private and public entities, to understand their requirements and challenges, then design a solution tailored to their needs.

What are the main areas of interest in LATAM?

We are receiving encouraging responses from our clients in market sectors such as Mining, Oil & Gas and Process Industries. Their initial reaction to our offering is promising, because we are able to support them in solving real "pains" with the BOOT solution. We cover the technical and financial aspects of power generation, in addition to operation and maintenance. It is indeed an integrated solution.

In a standard process, clients would have to raise capital, then place orders to purchase the equipment. Then they will have to go for various approvals from the government and other interested parties. All of these may take time, and it may take a year or more to have the power plant running at site. On the other hand, with our BOOT solutions, precisely because we assume the financial and technical responsibilities associated with the project, our clients may have all the processes rapidly completed and have the power plant installed, commissioned and running in a considerably shorter time.

What are the differences between the different countries when it comes to adapting to this model?

Power plants on BOOT model can be replicated and implemented in most countries. By working in accordance with the local regulation and legislation, we mitigate the challenges in rolling out this solution in various territories.

From the technical perspective, our equipment is flexible and adaptable, and may be installed for a wide range of applications. They are able to run on various fuels (diesel, gas, HFO) and can work in tandem with renewables and other power technologies. Our power plants can be utilized for LV, MV and HV applications. Our latest generation of generators can work in different conditions, while maintaining their efficiency and reliability.

Our next LGC will take place in Rio de Janeiro, what are your comments on Brazil, specifically?

The Government of President Bolsonaro is implementing reforms, such as the one on pensions, and these have boosted credibility in financial markets, allowing economic recovery, albeit gradually. A faster economic growth will likely depend on further fiscal healing and reforms. The inflation is in a broad downward trend since 2016, being currently near 3,3% year on year. With the inflation low, the central bank has been focusing instead on reviving the economy. The current policy interest rate is 4,25%, the lowest on record. The political and economic scenarios are stable and this helps to increase investors confidence. The energy sector has already received millions of investments, in transmission, distribution and power generation over the last years. And there are more opportunities of investments in infrastructure, including the gas market.

In mid-2019, the Brazil Ministry of Energy launched the "New Gas Market". One of the government's priority policies aims to improve the use of pre-salt gas, expand investments in natural gas flow, processing, transportation and distribution infrastructure, increase gas-fired thermoelectric generation and also resume the industry's competitiveness in pulp, ceramics, petrochemical fertilisers, steel and glass segments, among others. The natural gas impacts the industrial segment and may represent more than 30% of the final cost. Today, price of gas in country, is one of the most expensive among the top G20 references. With the implementation of "New Gas Market" policy, the expectation is to have price more competitive than is today.

Next LGC taking place in Brazil, Rio de Janeiro, is the perfect location to discuss new opportunities in the gas market in Latin America.