

United States Position

Proposed MIGA Reinsurance to OPIC re Apache Investment in Oil and Gas Project

September 27, 2012

The United States supports the proposed reinsurance to Overseas Private Investment Corporation (OPIC) for its insurance to Apache Corporation and Subsidiaries for their investment into the Apache oil and gas project.

The United States welcomes the initiative of MIGA in proposing the guarantee as it is consistent with MIGA's Middle East and North Africa (MENA) Initiative which targets increased support to investments in the region and supports MIGA's mandate of keeping businesses in the region.

The proposed guarantee is also consistent with the Interim Strategy Note for Egypt approved by the Board, particularly in relation to the need to reduce energy and infrastructure bottlenecks. MENA additionality is strong – helping to preserve investment by business in a key sector in Egypt.

The United States also welcomes the important development benefits for Egypt arising over the period of the guarantee in relation to the expected expansion of foreign direct investment, the signaling effect which this insurance will have on the wider international business community and the impetus this gives to the application of MIGA performance standards across all Apache's operations in Egypt under coverage issued by OPIC.

In relation to environmental standards the United States notes that in the Apache facilities associated gas is flared where it is considered not economically viable to capture and transport to a processing plant. However, the United States is reassured that reporting on flaring and venting reduction initiatives will be required in the annual monitoring report. The United States urges management to ensure progress is maintained towards better pollution control and abatement.

The United States appreciates the open discussion of risk and mitigants in respect of the project and, in this regard, we note that a waiver has been sought by MIGA because no audited financial statements of the Egyptian General Petroleum Corporation (EGPC) have been made available to MIGA for inspection. The lack of transparency by EGPC outlined in the guarantee proposal is a cause for concern, both in assessing risk and as a precedent. However, given the unique facts and circumstances of this case, the United States agrees the overall risks should be deemed acceptable, when accounting for the mitigants shared by staff. In this context the United States encourages EGPC and the GoE to move towards increased transparency and the adoption of internationally accepted transparency practices (e.g. EITI).

The United States hopes to see additional guarantees from MIGA in the region and with these remarks the United States wishes MIGA and the Egyptian authorities well in the project.