



FICIL RULE OF LAW AN ESSENTIAL PREREQUISITE FOR ECONOMIC GROWTH

Robert Kirkup

Agenda

- Vitol Group an overview
- Vitol's Investment Ethos
- Vitol In Latvia
- Vitol an Investors Expectation of the Rule of Law
- Vitol's Latvian Investment Experience
- Rule of Law's impact on Economic Growth / Investors Options



Vitol is an energy and commodities company, with a growing global footprint



The world's largest and most established independent trader of energy – a business built on physical trading, logistics and distribution

50 years

of profitable operations

260+ mn tonnes

of crude oil and products traded p.a.

6,000+

ship journeys undertaken p.a.

200+

ships at sea at any one time

Refining

350,000 bpd

- Refining capacity in Australia, Belgium, Germany, Switzerland and UAE

Terminals

19.9 mn m³

- Terminals located in all strategically important locations worldwide

Marketing & distribution

2,300+ retail outlets

- Shell branded petrol stations across Australia and 16 countries in Africa, additional outlets in NW Europe

Exploration & Production

20 years

- Extensive experience, across diverse geographies



Vitol's investment ethos

Invest in complementary businesses

- Focus on energy infrastructure, which increases performance of core trading business

Invest to improve and build

- Vitol has a proven history of investing in and improving assets:
 - Since 2005, \$1.1 bn invested through VTTI in upgrading European terminals
 - \$300 mn greenfield terminal project in Cyprus

Create flexible assets which adapt to changing market conditions

- Improve asset viability by increasing flexibility through;
 - Upgrading infrastructure
 - Investing in training and development
- Requires broad range of regulatory approvals

Require the highest standards of HSE

- Assets expected to perform to market leading standards



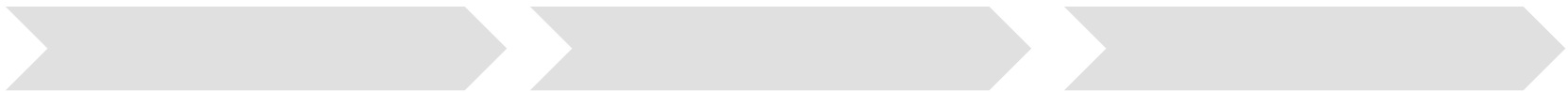


Vitol in Latvia

- 300 million Euro direct investment 2006 – 2016
- 110 million euros in 2015/2016 on completing buyout of Ventspils Nafta
- Complimentary energy infrastructure asset in a key logistics hub
- Review of assets in Latvia

VN Group: An integrated energy transportation company in Latvia

- Comprising three core businesses, VN Group has an **integrated energy transportation offering**
- Transporting oil products from the largest refineries in Russia, to global markets in Europe and beyond



A Latvian/ Russian venture with 340km of petroleum products pipeline making it one of the largest oil product transportation companies in the region



105 tanks and 1.2mm³ of storage make VNT the largest petroleum terminal in the Baltics



A major player in the handy-size and medium range tanker market with 16 modern vessels, owned, manned and operated by the company



Rule of Law an Investors Expectation

The Law should govern a nation as opposed to being governed by arbitrary decisions of individual government officials

- Safe, Predictable and Clear Environment
- Proper and uniform application of law
- Equal Treatment



A Foreign Investors Experience

- Commercial Law
 - Shareholders Meetings
- Latvian Capital Markets
 - Valuation

- Insolvency Administration
 - Engineered Creditors Claim
- Latvian Courts
 - Speed
- Construction and Product Permits
 - Ventspils



The Dilemma:

VNT

Willing to invest significantly in the future.
Investments contribute to securing product flows to Ventspils
Investments into environmental protection (1 of 2 terminals in entire country) benefit residents



State / Regional / Municipal Authorities

There are no environmental laws / rules in LV that mandate the use of vapor recovery systems
Municipality issues no permits for 3 years as VNT has no vapor recovery system, i.e. no company development
Freeport has no valid Technical Regulations needed for development
Freeport, as land owner, takes passive approach to resolve land plot issues in land under its care
Laws / rules (environmental) are inconsistent – no rule of equality
Development of laws / rules (environmental) are of poor quality

- ⇒ There are clear signs of unwillingness / obstruction;
- ⇒ Damage not only done to VNT but to Ventspils Freeport performance
- ⇒ Lack of development / growth perspectives affects all cooperation partners (i.e. Railways companies)
- ⇒ Lack of development / growth perspectives caps / limits tax contribution by VNT

#	Permit Application / Legal Matter	Field	Permit	Purpose	Last Date	Duration	Status
1	Construction of Rail Unloading Rack #1 <i>"Building of new Unloading Rack"</i>	Construction	Construction Permit	Increase Flexibility of Operations	27.03.2013	8 Weeks	Rejected
2	Expansion of Waste Water Treatment Plant <i>"Capacity Increase & Improvement of Output Quality"</i>	Construction	Construction Permit	Increase Efficiency of Treatment Plant	21.03.2013	2 Weeks	Rejected
3	Additive Handling - Inclusion in Permit <i>"Performing of Additive Injection inside Terminal"</i>	Environmental	Env. CAT B Permit	Diversification of Services	01.02.2016	78 Weeks +	In Appeal
4	GO Loading into RTC - Inclusion in Permit <i>"Raise Amount of Gasoil loaded into Rail Tank Cars"</i>	Environmental	Env. CAT B Permit	Diversification of Services	22.02.2016	63 Weeks +	In Appeal
5	Bunkering - Inclusion in Permit <i>"Performing of Bunkering Operations"</i>	Freeport	Freeport Permit	Increase of Transshipment Volumes	27.01.2016	24 Weeks +	Issued
6	Permanent Vapor Recovery System - Issuing of Technical Regulations <i>"Required as part of Permitting Process"</i>	Freeport	Freeport Permit	Environmental Good Practice	04.04.2016	19 Weeks +	Pending
7	Real Estate Property Tax - Tax Discount <i>"Non granting of Tax Discount in 2014"</i>	Municipality / Freeport	General	Tax	09.02.2016	117 Weeks +	Pending

- ⇒ Rejections are tied to conditions the company has no control over;
- ⇒ Lack of Speed / Urgency
- ⇒ Lack of legal Clarity / Transparency / Predictability.

Foreign Investors Options

- Remain but not invest
- Leave
- Responsibility





Q and A