

**Bangladesh Power Cell**  
**Ministry of Power, Energy & Mineral Resources**

**Terms of Reference**

**Financial Advisory Services for LNG Regasification Terminal  
BANGLADESH.**

**POWER CELL**  
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# 1. Section-1: Background

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## 1.1 Country Context

With a population of 159 million and land mass the size of Greece, Bangladesh is one of the most densely populated countries in the world. In the past decade, the economy has grown at nearly 6% annually and poverty dropped by nearly a third, coupled with increased life expectancy, literacy, and per capita food intake. The country's economic outlook remains positive, with GDP growth rate expected to average 6% through 2019 and average expected inflation of 6%. Sound macroeconomic fundamentals have resulted in a relatively strong and stable the currency (taka) in recent years. However, despite these achievements, 47 million people (26% of the population) still live below the poverty line and 40% still do not have electricity access. The country faces major energy and infrastructure deficits, particularly in the energy, water and transport sectors.

## 1.2 Gas Sector

Bangladesh is a heavily natural gas dependent country where demand for natural gas is growing rapidly while existing reserves are depleting. The country faces severe gas shortages of around 500-650 MMcfd that are forecasted to increase. Its recoverable gas reserves of 16.36 trillion cubic feet is set to be exhausted within the next decade if no new gas fields are discovered. Lack of reliable gas supply has imposed a major constraint on economic development. Gas sales to the power sector have declined and the ensuing power shortage has caused disruption in industrial production, particularly in the clothing, ceramics, fabrics, and steel industries. Although large factories have their own power generation units, gas shortages have made them less useful. The World Bank estimates that most industrial facilities in Bangladesh are operating at half of their installed capacity due to a lack of reliable power and gas. Reliable long-term availability of natural gas is critical to the development of competitive industry in the country. GoB faces significant challenges in attracting international oil companies to engage in exploration activities in Bangladesh due to, among others, (i) low gas prices, (ii) market access constraints (no local marketing rights and export barriers), (iii) weak financial strength of the state counterparties, and (iv) slow legal and sector reform, especially regarding pricing of natural gas and petroleum products.

## 1.3 Project Context

The severe gas deficit has especially affected gas-fired power plants. These are either running below capacity or have been shut down due to non-availability of gas. To address this gas crisis, the Government of Bangladesh ("GoB") is undertaking two import Liquefied Natural Gas (LNG) projects, located in close proximity, on a Build Own Operate ("BOO") basis:

- i) an offshore floating storage and regasification unit (the "FSRU"; IFC InfraVentures Project #34983), sponsored by Excelerate Energy of the U.S., which will help close the existing gas supply deficit in power plants, fertilizer plants, CNG-based transport and residential supply; and
- ii) an onshore LNG import terminal ("the Project"), which will supply gas to 3,000 MW of new/refurbished IPPs and existing or future power plants in Bangladesh to meet the country's growing electricity demand.

## 1.4 Project Description

The Project is expected to comprise of:

- (i) Design, engineering, procurement, construction and commissioning of an on-shore LNG import terminal of 500mmcfd for the receiving, unloading, storage and regasification of LNG,

including all receiving, unloading, storage and regasification facilities and all marine facilities, gas pipelines, infrastructure and interconnection facilities (together, the “LNG Import Terminal”);

- (ii) Owning, operating and maintaining the LNG Import Terminal on a build, own and operate (BOO) basis. The Project will operate as a tolling entity and earn a regasification margin, with GoB responsible for procuring imported LNG and selling RLNG output to 3,000 MW of planned gas-fired IPPs and existing or future power plants in Bangladesh;
- (iii) Receipt and storage of LNG at the LNG Import Terminal;
- (iv) Regasification of the LNG (“RLNG”);
- (v) Delivery of the RLNG to a designated GoB entity.

## **1.5 Supply of LNG and Sale of RLNG**

GoB will procure the imported LNG through a separate competitive tender process, which the Financial Advisor would advise GOB on. The Project will be undertaken in tandem with GoB’s tender process for LNG procurement, to ensure availability of supply for the Project.

The Project will sell RLNG on a long term, take or pay basis to a designated GOB entity, which will have back-to-back gas sales agreements with power plant owners/ operators and other customers (supply permitting). The associated 3,000 MW of existing and/or planned power projects that will consume the Project’s gas will ultimately be part of an integrated development effort. However the tender for these IPPs will be a separate process run by GoB/BPDB that is not part of the proposed investment in the Project.

## **1.6 Lead Sponsor Selection**

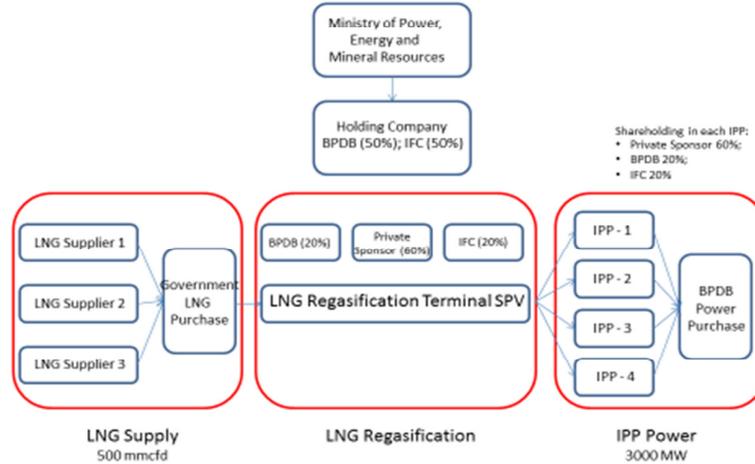
Given the difficulty faced by GoB over the past 7-8 years in attracting good private sector sponsors into these strategic energy assets, MPEMR requested IFC’s help in co-developing the Project through IFC InfraVentures and bringing in a lead sponsor. Under the proposed arrangement, a Joint Development Agreement (JDA) is expected to be signed between BPDB or any of its subsidiary company , IFC and the lead sponsor (once selected) setting out the terms under which the Project will be developed. The Project will initially be owned 50% each by BPDB or any of its subsidiary company and IFC InfraVentures, with the lead sponsor subsequently taking 60% shareholding from BPBD or any of its subsidiary company and IFC after it is selected by GoB based on a competitive tendering process.

IFC InfraVentures is expected to play the role of a co-developer and surrogate sponsor until the lead private sponsor is selected and will co-invest alongside the lead sponsor selected by GOB at least until financial close. The development process includes initial work to be undertaken to define the Project technically, conducting detailed feasibility, assessing Environmental and Social impacts and developing management plans, developing commercial arrangements and legal contracts. In parallel with the development process, GOB (BPDB and the Power Cell of the MPEMR) will organize the competitive selection process to select the lead sponsor.

IFC’s role, in addition to being a co-developer, is to be the Lead Arranger of the debt financing for the Project.

The diagram below presents a possible structure for the Project in which BPDB and IFC could hold a series of special purpose vehicles including the Project and 3-5 IPPs totalling 3000 MW. Alternatively, IFC and BPDB could hold the Project directly, and IFC could have the option to selectively participate in the associated IPP SPVs.

## Bangladesh Structure for Onshore LNG Terminal and IPPs



### 1.7 Expected Timelines

It is expected that the Project will take about 18 months to achieve financial close and another 33 months to commissioning.

Key Steps	Parties Involved		Approx. Time (months)
	Government	Developer	
Expression of Interest (EoI)	✓		Completed
Basis of Design (BoD) a.k.a Feasibility Study	✓		9-12
Request for Proposal (RFP)*	✓		
Project Award	✓		3-6
Front-End Engineering & Design (FEED)	✓	✓	
Financial Close	✓	✓	
Engineering Procurement Construction (EPC)		✓	33 - 36

### 1.8 Progress so far

GoB published a request for expression of interest from potential lead sponsors, to which fifteen companies responded and four companies were shortlisted. These are Mitsui (Japan), Shell (Netherlands), Petronet (India) and Huanqui Contracting & Engineering (“HQC”) (China).

The next stage is the preparation of the RfP package for selection by the GOB of the lead sponsor from among the shortlisted bidders. The RfP package will include the Feasibility Study; Environmental & Social assessment; as well as the basic legal and commercial documents to underpin the concession.

### 1.9 Advisors

Power Cell has initiated a process for selection of the needed advisors to prepare the RfP package and help the selection of the Lead Sponsor. These advisors include: (a) Financial Advisor & Lead Transaction Advisor; (b) Technical Advisor; (c) Environment and Social Advisor (E & S Advisor);

and (d) Legal Advisor. It is envisaged that the Technical Advisor will prepare an Outline Study that will help GOB decide on the Project site and then will develop the Concept Feasibility Study for the Project. After the lead sponsor is selected, the sponsor group may choose to continue with the same Technical Advisor or will engage its own Technical Advisor to develop the Detailed Project Report, in accordance with their business plan and within the broad requirements of the RfP package.

It is envisaged that a separate study will determine the siting and capacities of the new power plants, identify the existing units that need gas from the Project and determine the quantum of gas to be delivered to them. Results of this study will be available during the course of the LNG terminal feasibility.

### **1.10 Financial/ Commercial Advisor & Lead Transaction Advisor**

In this context, GOB wishes to engage the services of a reputed consulting firm to advise it on the commercial and financial structuring of an on-shore LNG storage and regasification import terminal at Moheshkhali, Bangladesh (the “Project”). GOB will separately hire reputed legal counsels/adviser, engineering/technical advisers, and others as required, to complement the work of the Financial/ Commercial Advisor. The Financial/ Commercial Advisor will act as the Lead Transaction Advisor for the Project and will help the Client select and manage the other Advisors as needed.

## **2. Section-2: Broad Scope of Work**

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The Financial/ Commercial Advisor & Lead Transaction Advisor's role includes the following three tasks,;

- (i) Task 1: Project Structuring and Selection of a Private Sponsor
- (ii) Task 2: Financing Related Support
- (iii) Task 3: Strategy and Implementation of LNG Procurement

The broad scope of work for the Financial/ Commercial Advisor and Transaction Advisor under each of these tasks, as detailed in the next section, includes the following:

- (i) Task 1: Overseeing and managing all matters necessary for the competitive selection of the lead sponsor, including the development of a bankable project structure and Project Agreements that safeguard the interest of the GOB and address key concerns of the sponsors, with a view to ensuring that the resulting arrangements can be taken forward by the selected lead sponsor to financial closure, with the least possible post-tender negotiations. For this Task 1, MPENR's Power Cell as well as BPDB and its partners will be the Client for the Financial/Commercial Adviser. The task will be complete when extend up to the signing of the Shareholder's Agreement and the Project Agreements by the selected lead sponsor.
- (ii) Task 2: Financing Related Support: The sponsor group will be primarily responsible to achieve Financial Closure. The Financial/ Commercial Advisor will provide support to the sponsors for this purpose, as detailed in the next section.
- (iii) Task 3: Strategy and Implementation of LNG Procurement: The Financial/ Commercial Adviser will advise GOB on assessing the market, developing a procurement strategy, preparing tender documents and helping manage the procurement process.

The above scope shall be limited to aspects related to a standard scope of a financial advisor and a lead transaction advisor. The Financial Consultant will provide any other financial advisory services as may be required for the successful delivery of the tasks and services under this TOR.

### **3. Section-3: Detailed Terms of Reference**

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The Scope of Work can be further elaborated as follows:

#### **3.1 Task 1: Project Structuring and Selection of a Private Sponsor**

1. Review the proposed structure of the entire LNG to power scheme (see Background section) and advise on an optimal structure for the entire scheme which will, among other things, enable adequate returns to the investors as well as risk mitigation (i.e., ensuring that risks are borne by the party best situated to bear them). In this regard, due consideration is to be given to: (a) the structure of the IPPs in Bangladesh and the risk mitigation elements included in them; and (b) the structure of the FSRU LNG import project and the risk mitigation elements included therein; and adopt the measures embedded in these schemes as regards risk mitigation
2. Prepare a financial model for the Project, with the objective of developing a commercially viable project structure, considering the risk return trade-off for a project of this nature in Bangladesh.
3. Optimize the financing structure (the “Base Financial Plan”) with the view point of developing a competitive tariff structure. In preparing the Base Financial Plan, the Financial/Commercial Advisor will advise on different financing sources (including ECAs, International & Local commercial banks finance and Islamic finance) and assist in comparing the benefits of alternative financial structures such as ‘mini-perm’ financing structures and bond structures, and compare with traditional long term debt structure based on risks and economic benefits. The Financial/Commercial Advisor will analyse various options including among others, different repayment structures, subordinate or mezzanine loan structure and various ways of structuring equity contribution to the project including Equity Bridge Loans (EBL). The Financial Plan shall also include: (a) detailed list of actions, responsibilities of parties involved, deliverables and metrics to evaluate outcomes; (b) timelines, schedule for the scope of work (c) roadmaps for achieving outcomes defined previously and other relevant factors.
4. Structure the commercial arrangements under which the SPV will develop the Project.
5. Advise GOB on the terms and conditions under which the lead sponsor will be granted majority ownership in the SPC.
6. Highlight the risks impacting bankability (financing) of the Project and suggest suitable mitigation measures in consultation with relevant key stakeholders including potential investors and IFC.
7. Prepare the detailed term sheet required by legal consultants to draft the related agreements, including the Facility Use Agreement (FUA), Fuel Supply Agreement (FSA) and other agreements as needed for the proposed commercial and legal structure.
8. Co-ordinate with GOB’s Advisors (including technical, legal, insurance and tax advisors) in the optimization of the Project's financial structure including the finance-ability of the project agreements. This includes supporting GOB in engaging (if required), and then managing various advisors for the lenders including tax, insurance and technical advisors. This shall also include review of scope of the engagement of these advisors as well as obtaining required approvals / signoffs from the lenders on such engagements.
9. Assist GOB in discussing and negotiating the Project Agreements prior to selection of the lead sponsor.
10. Prepare a Request for Proposal (RfP) package to be used by the Client for competitive

selection of a private sponsor to take majority ownership of the SPV.

11. Develop financial equilibrium mechanisms that provide a transparent basis for modifications in the price (tolling charges etc.) after the tender, based on additional information being available after the tender on issues (such as geological investigations etc.) that impact revenues, costs or bankability of the Project,
12. Lead the advisory team in helping the Client manage the competitive bidding process for selection of the private sponsor, including setting up a data room, preparing responses and clarifications to bidder queries. .

### **3.2 Task 2: Financing Related Support**

1. Review, in-house audit and optimize the Financial Model taking inputs where necessary from the selected Lead Sponsor, and prepare the assumptions book including sensitivity analysis in co-ordination with the Client and its advisors.
2. Recommend possible risk mitigation mechanisms for the Sponsors and lenders such as EPC/O&M contractor guarantees, insurance, interest fluctuation and currency exchange risk hedging schemes, etc., calculation of liquidated damages to be acceptable to Sponsors.
3. Prepare the Project's Information Memorandum, a detailed terms sheet, a description of the Project contracts, and the financial model for discussion with potential lead arrangers.
4. Provide inputs to bid documents: Assist in developing, reviewing and negotiating bid documents including term sheet (and associated contracts) for which the template to be prepared by GOB's legal counsel and then the first draft to be prepared by the Consultant with the reflection of Client's strategy.
5. Prepare draft overall time schedule for activities related to finance during the period of pre-bid, post-bid and post concession signature, monitoring such schedule and coordination with parties concerned in order to avoid delay in the key milestones in the schedule.
6. Assist in meetings and discussions with various providers of financing for the Project, including multilateral and bilateral institutions and commercial banks.
7. Assist in preparing responses for any clarification requested by bidders and/or its advisors in relation to the financing and related aspects of the bid.
8. Assist GOB in the contractual negotiations with the lead sponsor or its advisors with respect to financing related issues, if required by the Client.
9. Assist GOB in facilitating the due diligence process by the lead sponsor and its lenders.
10. Refine and optimize the Financial Model according to financing status, the Client's requests, and inputs from other advisors.

### **3.3 Task 3: Advise to GOB on Procurement of LNG**

1. This task is to be done in parallel to Task 1 and 2.
2. Review the global and regional (Asia and South Asia in particular) markets for LNG including LNG supply sources and terms of such supply; and prepare an advisory note on the various sources and contract mechanisms (spot, short, medium or long term) that GOB could and should consider for LNG procurement.
3. Help GoB to come up with a LNG procurement Strategy;
4. Advise GoB on any credit enhancement needs to attract credible suppliers to supply LNG at competitive prices;
5. Prepare the LNG procurement documents;

6. Help initiate the LNG procurement process;
7. Advise GoB in the evaluation of the offers and reaching contractual agreement.

## **4. Section-4: Deliverables & Time Schedule**

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### **4.1 Draft Terms of Reference**

The Financial/ Commercial Advisor will review the TOR of the Advisors already hired or proposed to be hired by GOB, as requested and submit marked up copies of the TOR or recommend hiring of Advisors that are needed but not already proposed to be hired. The draft TOR will be developed in discussions with the Client and will be submitted within 1 week of the kick off meeting.

### **4.2 Report on the Structure of the Scheme**

The Financial/ Commercial Advisor will provide a Report that brings out its analysis and recommendations on the optimal structure of the entire scheme as outlined in the background section, covering the entire value chain from LNG to the Power Plants that will eventually use the RLNG. The Report will present broad assessments of returns and suggest high level risk mitigation to be built into the concept and implementation of the scheme. The draft Report will be submitted within 3 weeks of the kick off meeting and the final Report will be submitted within 1 week after comments are received from the Client.

### **4.3 Transaction Structure Report**

The Financial/ Commercial Advisor will develop a Transaction Structure Report (TSR) that highlights the key design issues of the Project, including technical concept, commercial arrangements, risk mitigation, financial analysis, and environmental and social management requirements. The TSR will also have a section on Due Diligence that includes commercial, technical, legal and regulatory due diligence; and a Term Sheet that the Legal Advisor can use to draft the Project Agreements. The draft TSR will be submitted by the Financial/ Commercial Advisor within 3 months of the kick off meeting.

A fully functional and working financial model will be shared with the Client at this stage in soft form.

### **4.4 RfP Package**

The Financial/ Commercial Advisor will co-ordinate the Legal and other Advisors to ensure that the draft RFP Package including all Project Agreements are submitted in draft form within 5 months of the kick off meeting. The RfP package will be a complete set of documents that GOB could use without any substantial additions for organizing the competitive selection of the Lead Sponsor.

### **4.5 Inputs for evaluation**

Upon receipt of the bids from the shortlisted bidders, the Financial Advisor will co-ordinate with the other Advisors to submit its detailed assessment of responsiveness and evaluation of the technical and financial proposals received from the bidders. This input may be used by the evaluation committee for the purpose of evaluation of the bids to decide the winning bidder. The Financial/ Commercial Advisor is expected to submit its inputs for evaluation within 1 week of the bids being shared with it.

### **4.6 Procurement Strategy for LNG**

The Financial/ Commercial Advisor will submit the LNG Procurement Strategy Report within 1 month of the kick off meeting. The report will present the Advisor's in-depth analysis of the LNG

market, highlight key aspects of procurement contracts, suggest credit enhancements and make key recommendations on the procurement strategy that GOB should follow.

#### **4.7 LNG Procurement Documents**

The Financial/ Commercial Advisor will submit the LNG Procurement Documents, within 3 months of the kick off meeting.

**NOTE:** The kick-off meeting to be held within fifteen days of LOI. Financial Advisor will be required to make a presentation during kick-off meeting outlining Advisory Execution Plan.

- i. The Consultant shall submit soft copies of the Draft and Final Reports, 4 copies of Draft Report and 6 copies of Final Report in printed form.
- ii. The back-up information created by Financial Advisor during various evaluations/surveys/studies shall also be submitted to Bangladesh Power Cell separately.
- iii. Presentation: After submission of final report, the Financial/ Commercial Advisor would be required to make a presentation on the findings and recommendations.
- iv. All data/ reports/ presentations /deliverables generated as part of the study shall be the property of Bangladesh Power Cell and will not be shared by the Financial/ Commercial Advisor, with any other party, in any form or manner.

## 5. Section-5: Proposals

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Financial and Commercial Advisory firms wishing to apply for the role as the Financial/ Commercial & Transaction Advisor are required to present its proposals in two parts, which will include the following details:

### a) Technical proposal

- Firm's experience with energy and infrastructure Public Private Partnership (PPP) projects in Asia, LNG projects in developing countries and LNG procurement (**maximum 8 pages**)
  - List of large projects in the energy sector (specially LNG projects) and infrastructure PPPs in Asia, including client name, dates, specific role (**15 marks**)
  - List of the most recent LNG supply contracts that the firm advised on (**10 marks**)
- Project team: the team that will be made available for this project and their individual experience in similar transactions. (**maximum 20 pages** of CVs)
  - Team Leader: A senior professional with at least 10 years of multi-country experience in energy, infrastructure and gas projects. The team leader is expected to: (a) be fluent in English; (b) be the main point of contact with BPDB; (c) dedicate sufficient time to the Project and maintain a significant participation throughout the mandate; and attend in person all the key meetings with BPDB. Highest preference will be given to individual experience with LNG terminals. (**15 marks**)
  - Financing Expert: An associate with at least 8 years of experience in financing of energy and infrastructure PPP projects, with preference for experience with LNG terminals. (**10 marks**)
  - LNG Procurement Expert: A senior professional with at least 10 years of experience in advising on LNG supply contracts. (**10 marks**)
  - Support Staff: A list of support staff not more than 5 in number, with key roles. (**5 marks**)
- Approach and Methodology, bringing out in detail a robust understanding of the key issues and tasks along the lines of the outline in this document and potential manner in which they can be addressed. The Methodology will also assess the adequacy of staff time for each counsel and other support staff.
  - Coverage and depth of understanding of issues (**15 marks**)
  - Adequacy of staff time planned for each key team member and the support staff (**20 marks**)

The financial proposal of only those firms will be opened that get a minimum of 60 marks in the evaluation of the technical proposal.

### b) Financial proposal in a separate sealed envelope

The financial proposal should be structured into two components:

Fixed budget: This will be the lump sum payment for the delivery of the entire advisory services in accordance with the Terms of Reference, consistent with the level of efforts indicated in the Approach and Methodology section of the Technical Proposal. As long as there is no specific addition/ variation over and above the Terms of Reference by GOB, the Consultants will not be compensated for any increase in actual number of hours/ days of staff time beyond that planned by them in the Approach and Methodology.

The financial proposal will have additional information showing the split of the fixed budget across different Tasks and showing the Staff time, daily/ hourly staff rates, travel costs and other expenses.

The score on the technical proposal will have a 30% weightage and the score on the financial proposal will have a 70% weightage. The firm with the maximum score will be selected as the Financial/Commercial Advisor.