

 Early Warning System

MIGA-5912

Mehr Petrochemical Company (JV)



## Quick Facts

<b>Countries</b>	Iran
<b>Specific Location</b>	South Pars
<b>Financial Institutions</b>	Multilateral Investment Guarantee Agency (MIGA)
<b>Status</b>	Closed
<b>Bank Risk Rating</b>	A
<b>Voting Date</b>	2006-01-01
<b>Borrower</b>	Cementhal Chemicals Co., Ltd.
<b>Sectors</b>	Energy, Industry and Trade
<b>Investment Type(s)</b>	Guarantee
<b>Investment Amount (USD)</b>	\$ 122.20 million



## Project Description

In December 2015, MIGA issued \$122.2 million in guarantee coverage for a joint venture petrochemical project, its first coverage ever for a project in Iran. The guarantees cover investments by Cemen Thai Chemicals Co., Ltd and National Petrochemical Public Company Limited, both of Thailand, and Itochu Corporation of Japan, totaling \$27.1 million, \$7.1 million, and \$8.6 million, respectively. The guarantees also cover a \$96 million shareholder loan from Itochu to the project enterprise, Mehr Petrochemical Company (JV)<sup>1</sup>. Coverage is for 15 years against the risk of breach of contract for both the equity and the shareholder loan investments. MIGA is also covering Cemen Thai Chemicals and NPCT against the risk of war and civil disturbance. MIGA's guarantee to Itochu complements a political risk guarantee provided by Japan's national insurer, NEXI.

Iran holds the second largest natural gas reserve in the world, at roughly 15 percent. In an effort to diversify the country's exports away from oil, the Iranian government is developing the South Pars gas field, a giant offshore gas reserve in the Persian Gulf. The gas will be processed at a nearby gas separation complex located in the Pars Special Economic/Energy Zone--established to develop gas, petrochemicals, and other related industries--which will provide a cost-effective supply for the production of polyolefins.

Polyolefins, including high-density polyethylene (HDPE), are low-cost, versatile polymers used in a broad range of applications, from automotive parts to carpets, and from packaging of milk, juice, and laundry detergent to trash bags. Demand for HDPE is on the rise in most parts of the world, particularly in Northeast Asia, where demand is expected to grow by an average of 7 percent a year through 2009. Meanwhile, the Middle East is fast becoming the world's largest exporter, due to the comparatively low cost of producing polyolefins.

The MIGA-guaranteed petrochemical project involves the construction and operation of a high-density polyethylene plant with a capacity of up to 300,000 metric tons per year. The project plans to export the HDPE primarily to China. The plant will occupy 13.1 hectares in the petrochemical development area of the special economic zone. The project will contribute to government revenues through the use of natural gas from the South Pars gas field as the primary source for the feedstock. The project also supports development of the free zone, and ultimately job creation. In addition, the cross-border lending and role of the project sponsors will subject the joint venture to high standards of corporate governance, which is expected to have a strong demonstration effect.

This project is aligned with MIGA's priority of supporting investments among developing countries.

<sup>1</sup>As of August 7, 2018, MIGA is no longer covering Itochu's equity and shareholder loans to the project enterprise.



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## Investment Description

- Multilateral Investment Guarantee Agency (MIGA)



Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
Cementhai Holding Co Ltd	Client	Industry and Trade	contracts with	Itochu Corporation	Client	Industry and Trade
Cementhai Holding Co Ltd	Client	Industry and Trade	invests in	Mehr Petrochemical Company JV	Subsidiary	Industry and Trade
Itochu Corporation	Client	Industry and Trade	invests in	Mehr Petrochemical Company JV	Subsidiary	Industry and Trade
National Petrochemical Public Company Limited	Client	Industry and Trade	contracts with	Cementhai Holding Co Ltd	Client	Industry and Trade



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## Contact Information

### ACCOUNTABILITY MECHANISM OF MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at [CAO@worldbankgroup.org](mailto:CAO@worldbankgroup.org). You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org/>



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## Media

- [Iran Court Tries 13 in \\$7 Billion Petrochemical Fraud Case: Mehr](#)