

Berezan International Intermodal Industrial Cluster

Ukrainian port infrastructure Investment teaser

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IIIC Berezan: a project to develop the largest in Ukraine post-independence port complex

IRR: 16%

Payback: 10.1 years

CapEx: USD792.5 million

International intermodal industrial cluster on adjacent land plots that will be reclaimed (2,147 ha) and allotted (2,000 ha)

After reaching the maximum loading rate (90% of the port capacity), cargo traffic will amount 28.3 million tonnes per year in the first two stages of the Project, and up to 100 million tonnes per year in the third stage

The main cargos are grain, containers, ore and metals

Proximity to river canals: the cheapest means of cargo transportation

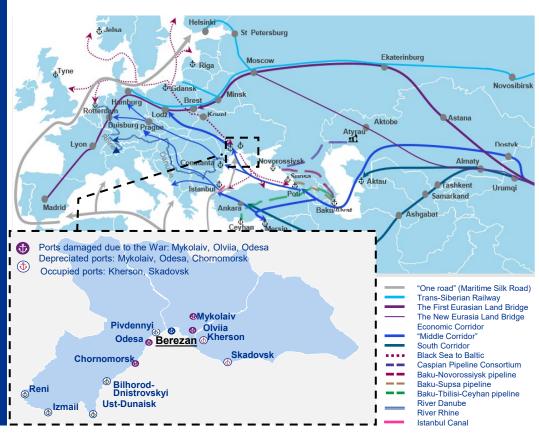
The Project concerns the construction of a port in the Berezan estuary, involving dredging, constructing berths and the minimum necessary transport and engineering infrastructure. Berezan port will be one of the deepest Ukrainian ports (20 m operational depth), allowing it to serve ships with a draft of up to 19 m (including capesize). This means the port will become a key player in the multimodal transportation market by linking through the Trans-European Transport Network (TEN-T).

The port's favourable location, modern infrastructure, and effective management by private investors with international experience make Berezan industrial hub the best choice for situating production and logistics facilities in Ukraine's post-war reconstruction period.

The Project team has experience in managing the port construction and operation, as well as necessary relationships with local authorities.

The Complex provides shorter logistics leverage to centers generating cargo flows in central and eastern Ukraine compared to other Odesa group ports. The competitive advantage of the logistics route through Berezan is ~ USD1/t.

The location of the port away from cities offers environmental and safety advantages, enabling the port to serve cargoes of any safety level.





Project implementation prerequisites

Modern

Completely private

Deep-water port with favourable location

Completing strategic goals for developing Ukrainian seaports

Need to increase the flow of goods

Need for competition, effective tariff setting, and service improvements

Attractive project KPI indicators

Platform / hub with the potential to develop related logistics projects and achieve synergy

General needs

The post-War prospects of Mariupol and Berdiansk ports are unclear. More than half of the capacities of existing ports in Odesa oblast (processing more than 80% of Ukrainian cargo turnover), are physically and technologically obsolete and partially damaged by shelling. State ownership of port water areas creates obstacles to developing and modernising existing port infrastructure. As the average fleet transportation tonnage increases, the need for deep-water Ukrainian seaports also rises.

Government needs

Strategic goals of developing Ukrainian seaports: Ukraine needs new deep-water berths with modern terminals to remain contemporary, as well as better service and management approaches.

Reducing the environmental burden on cities: Unlike the ports of Odesa and the port of Mykolaiv, the port of Berezan is located at a distance of >50 km from large cities which reduces their potential environmental and transport burden.

Economic context

The quality of service in most of Ukrainian seaports owned by the government is currently low compared to other European countries, while tariffs in Ukraine remain fairly high (According to the "Audit of the Economy of Ukraine" report authored by the Cabinet of Ministers of Ukraine). These factors encourage the construction of transit routes that bypass Ukraine entirely. A modern and completely private port would encourage competition, driving logistical and infrastructural improvements and strengthening Ukraine's role in the world trade market.

Investors needs

Berezan port will be located far away from the front-line on the territory controlled by the Ukrainian Government. The port will act as a logistics hub on the basis of which accompanying infrastructure will develop: starting from warehouses and ending with industrial parks. Such a project will be of most interest to exporters and logistics companies who would be interested in transferring their capacities from state ports to a modern private port with transparent and finetuned cargo processing facilities and high quality of service.



Favourable location close to BDLC

Berezan estuary is connected to the sea through a 400-metre-wide strait with a cross-sectional area of 2,060 m²

Estuary of 20– 25 km in length, with a width of 2–3 km

Average depth is 3.3 m (approximately 15 m at the estuary's deepest point)

After dredging, the depth will be 20 m, which will be able to accommodate ships with a draft of up to 19 m IIIC Berezan will be in a favourable position to extend the Trans-European Transport Network (TEN-T) and will become a crucial junction for the "Black Sea to Baltic" Route; connecting Baltic and Black Sea ports and providing further access to the Adriatic Sea.

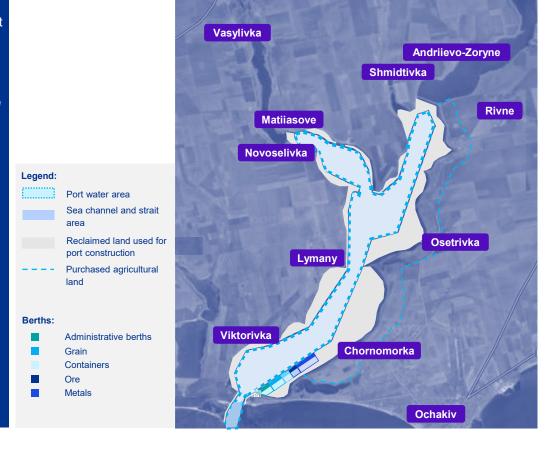
IIIC Berezan will be located in the Berezan estuary in Mykolaiv region.

The Berezan estuary is located on the eastern edge of the Odesa plateau and is a continuation of the Sasyk and Berezan river valleys.

The estuary's waters are separated from the sea by the Berezanska sand spit on the western side and Laherna sand spit on the eastern side, the edges of which form a strait.

The water area of the future port, located in the Berezan estuary, is enclosed from sea waves, water flows, and wind. Bottom flows are almost absent, so sediment formation is insignificant. Silt extracted while deepening the water area and approach channel can be used to reclaim additional territory.

Considering the gentle slope of the bottom of the estuary and the geological conditions, caissons can be used to construct berths: reducing costs and shortening the construction period for berth fronts.





Project implementation schedule

0 stage – required CAPEX of USD53.4m Project implementation will commence with the development of project documentation.

0 stage: 2023-2024

- · Negotiations with investors and relevant authorities.
- Completion of approval procedures. Development of feasibility study and construction design documentation.
- Government permission to allot land and start port construction.
- Purchase of land from farmers

I stage – required CAPEX of USD589.2m I stage: 2025-2026

- · Start of Project construction works.
- · Works on dredging, reclamation, and construction of berths.
- Construction of general infrastructure: (a) railway line; (b) highway; (c) power grid connection; (d) gas pipeline connection, etc.
- Start of operations.

II stage: 2027-2031

- · Leasing out land for constructing industrial parks.
- Total area available for lease for industrial parks: 4,090 hectares.
- Fee for leasing land: USD27,418 per ha (at 2022 prices).
- Construction of a gueue of berths, focus on metal product transhipment.

IIIC Berezan will become an attractive place to locate production facilities. Land plots will be leased out for the purpose of constructing industrial parks.

III stage: from 2032

- Growing transhipment volumes at Berezan port berths (with the potential up to 100 million tonnes) due to its technical, technological, and economic competitive advantages.
- After industrial parks are developed, opening additional berths will become feasible.
 The number and commodity specialisation of these berths will depend on the
 Ukrainian and regional economy's development vector. As such, the Stage III is not
 reflected in the calculations.
- · Payback (project Payback Period: 10.1 years).

In 2032, the second phase of berths will be launched which will specialise in metal product transhipment as a part of developing the industrial parks. Expanding industrial parks will contribute to growing transhipment volumes at Berezan berths and the launch of additional berths in the future.

II stage – required CAPEX of USD149.9m

Reaching the target loading rate of capacity (90%) should take 4 years

Port's competitive advantages (competitive rates, technological superiority, and good location) will encourage the transfer of capacities from existing ports to Berezan port

Project Financing and Regulation

Private investors

Most effective use of funds and introducing appropriately advanced technologies

Exclusively involves construction of port infrastructure

Target investors include stevedoring, logistics, agroand metallurgical companies

Governmental permission required for design and research work received no later than 2024

Compliance with all necessary and relevant environmental standards The Project will be implemented at the expense of private investors without attracting government financing. As the Project will be implemented via private investor funding, key port fees (i.e. ship, berthing and canal fees) will belong to them in full.

Developing Berezan port solely via private funds makes this project unique and attractive to potential investors, including stevedoring companies, as it minimises the involvement of Ukrainian state authorities in both the port's development and the distribution of income received. As such, all project participants will have an interest in the most effective use of funds and the introducing appropriately advanced technologies.

The project exclusively involves the construction of port infrastructure (i.e. sea bottom, berths, road and railway lines, network infrastructure). Stevedoring activities, as well as related services (such as tugboat services, pilotage, etc.) will be performed under contract by third-party organisations that will be located in the port.

Major target investors include interested parties such as stevedoring and logistics companies, as well as agro- and metallurgical companies / holdings interested in creating, modernising, and expanding the logistics segment in their chain of production and sale of final products.

Given that most of the existing port infrastructure in Ukraine has aged significantly and is technically obsolete and/or is owned by the state (creating certain restrictions to the development of new projects), the construction of a new modern port and related new transhipment facilities present an attractive alternative to modernising existing port infrastructure facilities, especially given the Project's high KPIs.

Governmental permission will be required for design and research work from the relevant regulatory institutions in order to alienate the estuary area. The Company expects this permission will be received no later than 2024. After work constructing the minimum necessary infrastructure for the functioning of the port is completed, reclaimed land plots will be transferred from water fund lands to industrial lands owned by the port, with the rest of the water area registered as a related seaport water area.

The construction of the berth line will be carried out in compliance with all necessary and relevant environmental standards. Measures and technologies needed to prevent environmental disasters will be determined in the feasibility study and as part of the design and research work. The construction and development of the port will create new jobs which will positively affect the local and regional economy, improving the socio-economic situation of local residents.















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