HOUSE OF COMMONS

Environmental Audit Committee

Oral evidence: UK Export Finance, HC 1804

Tuesday 26 March 2019

Ordered by the House of Commons to be published on 26 March 2019.

Watch the meeting

Members present: Mary Creagh (Chair); Alex Cunningham; Mr Philip Dunne; Kerry McCarthy; Alex Sobel.

Questions 327 - 395

Witnesses

I: Yavuz Akturk, Director, ENKA UK Construction Limited, and Kagan Yalcin, Commercial Manager, ENKA Insaat ve Sanayi A.S.

Written evidence from witnesses:

– ENKA UK

HOUSE OF COMMONS

Examination of witnesses

Yavuz Akturk and Kagan Yalcin

Q327 **Chair:** I call the Committee to order and ask our guests to introduce themselves, starting with Mr Akturk, please.

Yavuz Akturk: I am Yavuz Akturk. I am the Financial Director of ENKA Insaat, which is located in Turkey, as well as the Director of ENKA UK Construction Limited.

Kagan Yalcin: I am Kagan Yalcin, Commercial Manager for Dhi Qar and some other projects. I basically deal with the contract administration, construction relations, project controls, and the finance and accounting of the project.

Q328 **Chair:** Great. Thank you both very much for making the journey from Turkey to be with us this morning. We have been looking into the UK's export finance process, and we want to talk to you about ENKA UK, the subsidiary of the Turkish construction company that you both work for. Can you tell us what activities ENKA UK conducts here in the UK?

Yavuz Akturk: I should start with ENKA Insaat, the Turkish part. We are an engineering and construction company active in different countries doing construction activities. These projects, the Samawa and Dhi Qar power plant projects, are big projects. When this arose, we were looking for financing alternatives, how we could find the finance for the job owner, which is in this case the Ministry of Electricity in Iraq. With that we came across UKEF, and with this financing or the coverage that UKEF brought, we have decided to establish ENKA UK in the UK.

Q329 **Chair:** What activities do you currently do in the UK?

Yavuz Akturk: Currently, we do not have a physical office, but with the financial closure of the project, which took place last week, we are starting to open a physical office here. We started that activity at the beginning of February; therefore, there will be a procurement office in Birmingham that will consist of 12 people.

Q330 **Chair:** That will be your footprint in the UK?

Yavuz Akturk: Yes. So far the procurement managers from Turkey have done some procurement activities in connection with UK companies. At the beginning of the project we signed an agreement with ENKA Insaat as ENKA UK, and ENKA Insaat provided some procurement services to ENKA UK.

Q331 **Chair:** How long will that office in Birmingham be open for?

Yavuz Akturk: It will be as long as this project is active, until the construction phase is completed.

Q332 **Chair:** Which is when; what year?

Yavuz Akturk: It will be about three years.

Q333 **Chair:** Three years, okay. We note from your listings that you are registered at a legal firm, Redfern Legal. Have you got your site in Birmingham now or not?

Yavuz Akturk: We have signed the lease agreement, but nobody is there at the moment. We have applied for the visas and other things. The process is ongoing.

Q334 **Chair:** Are you going to be bringing in Turkish workers? You say you have signed for the visas. Will they be 12 Turkish nationals?

Yavuz Akturk: Seven people out of the 12 will be Turkish, which will be the procurement engineers.

Q335 **Chair:** And the other five?

Yavuz Akturk: We will be looking for locals.

Q336 **Alex Cunningham:** What will be the role of the five people here? Tell us the roles of all these people. You have seven people coming from Turkey. What will their role be and what will the role of the others be?

Kagan Yalcin: The 12 people will be basically procurement, finance and accounting people. We have been working on this project for the last two years, so our procurement managers will be coming with intracompany transfers to the UK, and also other procurement engineers who are currently working with us on the project will be coming here. However, as the financial closure is achieved we need to increase the number of our procurement team, so we will be looking for procurement engineers, one accountant, and one logistics adviser.

Q337 **Chair:** Do you have a UK board? You have a board in Turkey; is there a board in the UK?

Yavuz Akturk: No. I am the sole director of the company.

Q338 **Chair:** There is £100 share capital?

Yavuz Akturk: Yes.

Q339 **Chair:** That is right, okay. Can you tell me the total amount that you expect to receive for this project from UKEF? What is the total guarantee? The first phase was $117 million, something like that. Is that correct?

Yavuz Akturk: Yes, that is the first—

Q340 **Chair:** What is the total amount with closure?

Yavuz Akturk: The second part is—

Kagan Yalcin: 620 million.

Q341 **Chair:** Does that include the 117 million?

Kagan Yalcin: In addition.

Q342 **Chair:** Oh, so plus 600 and—

Kagan Yalcin: 737.

Q343 **Chair:** 737. You are going to be getting about $854 million in total?

Yavuz Akturk: I should explain something here. The loan is not being provided to us. We are the EPC contractor, which stands for engineering, procurement and construction; therefore, we do that activity. The owner is the Ministry of Electricity of Iraq; they will own the plant. The borrower here is the Ministry of Finance of Iraq.

Q344 **Chair:** This is a loan from UKEF to the Ministry of Finance, so why does it say on their website that it has gone to you and to General Electric?

Yavuz Akturk: Because we have applied for these facilities, and eventually UKEF has carried out the due diligence. Most probably that is the reason. Eventually, it is supporting us, GE and ENKA, but when you look behind it—maybe I should explain how we act in ordinary projects.

In the last several years, most of the construction came with EPC plus F, which requires the financing with it. Therefore, job owners are tendering their projects with a financing aspect as well to be brought by the contractors. When you start work for tendering a project, you look for where you can procure your goods and services for that project and which ECA would be the best solution for giving a longer duration and cheaper financing. In this sense, the ECAs do provide guarantees, or sometimes direct lending, but eventually the credibility of the ECA would be helping reduce the funding costs.

Q345 **Chair:** Were you approached directly by the Ministry of Finance in Iraq or by GE Capital, which is based here in the UK? Or did you approach them?

Yavuz Akturk: No. Iraq is in great need of electricity. Maybe 75% of Iraqis are not getting full electricity. They have about seven or eight hours a day of electricity. Energy is a big issue in Iraq, especially in the summertime. Therefore, it is critical to conclude these projects, and they are looking for ways to do these projects. There is not much renewable capacity there for those kinds of projects to be done to solve their problems because either there is no capacity, or it is not a reliable source. These projects are long-lasting projects that they try to complete. They tried to tender, and no final solution could be reached. Eventually, when we found this financing solution we were able to undertake these projects.

Q346 **Chair:** Did the Ministry of Finance of Iraq approach you for this project?

Yavuz Akturk: The turbines were GE turbines, which were sold about nine or 10 years ago in the mega deal. GE was in place; therefore, yes, GE approached us, I guess.

Kagan Yalcin: Yes. These turbines were waiting for installation for the last five or six years. The Iraqi Government purchased 56 turbines from GE in 2008. All the others are installed, so these eight gas turbines are the last ones that have not been installed to date. For the previous ones, the Iraqi Government have a different arrangement with GE. For these ones, they are looking for the EPC contractors. They are looking for GE to be part of an EPC contractor. They approached GE, and ENKA is a very successful EPC contractor in Iraq for public projects.

Q347 **Chair:** Just explain EPC.

Kagan Yalcin: Engineering, procurement and construction. Other than this project, ENKA completed 3,500 megawatts of power plants in Iraq. Some of these are only add-on projects, so just to convert simple cycles to a combined cycle, so without any additional fuel producing more power.

Q348 **Chair:** These gas turbines are 11 years old. Do you think they still represent best in class or have they been superseded by different, better technologies in the last 10 years?

Kagan Yalcin: That is possible. However, in the context of this project and with the involvement of UKEF, for example, NOx emissions of these turbines do not meet the IFC requirements.

Q349 **Chair:** Which requirements?

Kagan Yalcin: IFC, International Financial Corporation under the World Bank.

Q350 **Chair:** Okay. The turbines do not meet the International Financial Corporation's NOx requirements?

Kagan Yalcin: Yes.

Q351 **Chair:** Any other issues with them?

Kagan Yalcin: With the UKEF's involvement, and the other financial institutions' involvement, during ESIA studies UKEF requested the Iraqi Government to upgrade these turbines. So, as part of this, the NOx emissions of the turbines will be upgraded as well.

Q352 **Chair:** To meet IFC standards?

Kagan Yalcin: Yes.

Q353 **Chair:** Okay. That is very helpful. Thank you very much indeed for that. Just a final question from me, which is about when you set up your company. You set up your company just eight months before you were awarded the first $117 million. Is that normal for an EPC company?

Yavuz Akturk: Being in the UK was not a must. We could have done this through Turkey and ENKA Insaat. It is more that in order to increase UK procurement, we also accepted to be in the UK; therefore, we formed this company.

Q354 **Chair:** How much UK equipment will you procure from the UK?

Kagan Yalcin: For these two projects $230 million to $250 million. Also, I need to add that these negotiations for these contracts were ongoing in the second half of 2017. As they were progressing, and as there will be UKEF finance in the picture, ENKA UK was specifically established for these two projects. At the moment this company deals only with these two projects. Of course, if there are other projects with UKEF support in the future, they can be added to the activities of this ENKA UK company.

Q355 **Kerry McCarthy:** Can I ask you how you heard about the support that UK Export Finance would provide, and if you could tell us a little bit about how you went about making the application?

Yavuz Akturk: As I have mentioned, in recent years export credit agencies have become more important in financing such projects. Every country's ECA is trying to support their local procurement activities in industries. When it comes to Iraq, there are not many ECAs active in Iraq in providing guarantees to Iraq. I personally believe that it is because of the agreement signed between Iraq and the UK, which is to support the Iraqi infrastructure in the coming 10 years. A £10 billion MOU was signed. I believe it is a part of that.

Q356 **Kerry McCarthy:** Yes. That does not really explain the origins of the UK involvement. Presumably, you had this project proposed for Iraq. You were looking for support, and because at that stage you did not have a UK connection, you could have shopped around. The UK Export Finance link came first—before the decision that you were going to do the procurement in the UK, is that right?

Yavuz Akturk: Yes.

Q357 **Kerry McCarthy:** You were doing the procurement in the UK so you can get the UK Export Finance money. Why did you end up looking to the UK for support rather than any other country?

Yavuz Akturk: First, we went to different ECAs and got letters of intent, stating whether they would be willing to fund that project or not. That is the starting point.

Q358 **Kerry McCarthy:** Did you approach other countries?

Yavuz Akturk: For these specific projects, most probably, yes— Hermes; other countries as well.

Q359 **Kerry McCarthy:** Did they turn you down?

Kagan Yalcin: I think the other ECAs are not very interested in Iraq, in providing finance for Iraq, whereas the UK Government do, I believe, have an interest in supporting Iraqis. In the power plant sector, it is quite normal. I mean that it is easier to procure from Germany and Italy and France as they have a wider product range to support a power plant construction. However, in this case, as we were not able to conclude with other ECAs and UKEF has an interest in supporting Iraq, we searched for what we could purchase from the UK.

Q360 **Kerry McCarthy:** Sorry to interrupt, but you say that those countries would be a better fit in terms of the procurement side. Does that mean that you approached them, and they were not interested, or did you just know they would not be interested?

Kagan Yalcin: For the power plant construction, their production range is much more complete.

Q361 **Kerry McCarthy:** Yes. Do they have a policy of not supporting projects like yours? Did you look to them for export finance and did they say no, or did you just not look to them because you knew they would not invest?

Yavuz Akturk: I cannot recall specifically on these projects whether we received an LOI or not, but for other projects we have received LOIs from other countries' ECAs.

Q362 **Kerry McCarthy:** Okay. But you cannot tell us whether you approached other countries for support for these projects?

Yavuz Akturk: For these two projects, I cannot recall.

Q363 **Kerry McCarthy:** You do not remember, okay. When you started talking to the UK about support, what sort of information did they ask you for? What sort of conversations did you have?

Yavuz Akturk: All the details about the project. On the application, there is different information: how much procurement we will be doing from the UK and from other countries and how much would be spent in the local Iraqi market, as well as other aspects like corruption and other things—whether we have been involved in any acquisitions and so forth.

Q364 **Kerry McCarthy:** Okay. Did they then assist you in registering as a UK company?

Yavuz Akturk: In the discussions, it was put that it would be better to open a UK entity in order to facilitate the procurement activities.

Q365 **Kerry McCarthy:** Were they insisting that you did it or was that just advisory?

Yavuz Akturk: It has been some time since there was a huge delay in the project at the beginning. Therefore, I cannot quite recall that, but I think it was a joint decision eventually. However, as I said, it was not a must to set up here.

Q366 **Kerry McCarthy:** You say you do not have to, it is where the procurement happens?

Yavuz Akturk: Yes.

Kagan Yalcin: Also, for our procurement activities, it is better for us to be present in the UK as we are dealing with the UK suppliers. However, now there is a delay of two years already, and within those two years until achieving the financial closure there were several uncertainties about the future of the project. We continued in those two years with a slow phase of doing these procurement activities, but now we will move to a faster phase, so it is better for us as well to have our procurement team in the UK and to interact with UK suppliers face to face rather than by telephone, email and so on.

Q367 **Chair:** What were those uncertainties over the last two years? You said there were a lot of uncertainties with the project. What were they?

Kagan Yalcin: They were with the financing of the project. The contract was signed in January 2017, and then the target for the financial conclusion was September 2017. Together with UKEF, OPIC was involved as well.

Q368 **Chair:** What is OPIC?

Kagan Yalcin: OPIC is the Overseas Private Investment Corporation from the United States. Later, OPIC was dismissed somehow. We assume that was because of the political relations between Iraq and the USA. Then also during the ESIA process, as I mentioned, we faced some problems like the NOx emissions and sulphur content in the liquid fuels, so the MOE has to fulfil all these conditions as per UKEF requirements and IFC requirements. These all took time in Iraq.

Last year in May there were also general elections in Iraq, and the results of elections could be announced only months after the election. All those changes took too much time. After OPIC was dismissed from the project, we again needed to find a financial solution. This all took time. By the end of 2018, the loan agreements had been signed between the Ministry of Finance, UKEF and other financial institutions.

Q369 **Chair:** Who are the other financial institutions in this deal?

Kagan Yalcin: They are the arranger banks that the Ministry of Finance engaged with, namely JP Morgan and Standard Chartered.

Q370 **Chair:** Okay, great. They are the other partners?

Kagan Yalcin: Yes.

Q371 **Alex Cunningham:** I would like to explore a little more about the benefits to the UK economy and UK manufacturers as far as the project is concerned. What proportion of the goods and equipment for use in the gas-fired power plant construction will be sourced from the UK?

Kagan Yalcin: I can say it is not comparable to this project. I believe if there is no UKEF support on this project, of course, we would buy certain things from the UK, but it would be very limited, maybe 2% of this amount.

Alex Cunningham: Sorry, how much?

Kagan Yalcin: Around 2% of this amount for these projects if there was no UKEF support.

Q372 **Chair:** In general it would have been?

Kagan Yalcin: Yes.

Q373 **Chair:** The question is how much on this project. I thought there was a translation moment there.

Kagan Yalcin: I understand. Sorry, excuse me, it is the last five projects. In these projects the UK content will be around $230 million to $250 million.

Alex Cunningham: Yes, you mentioned that figure before.

Kagan Yalcin: Yes.

Q374 **Alex Cunningham:** You talked earlier about the need to upgrade the turbines for them to conform with emissions and things like that. Is that going to be British-based work?

Kagan Yalcin: Turbines are readily available in Iraq. The Iraqi Government purchased gas turbines 10 years ago.

Q375 **Alex Cunningham:** Yes. You said they had to be upgraded. Who is doing the upgrade?

Kagan Yalcin: GE is doing the upgrade as the original manufacturer of the turbines. For the upgrades, they are now awarding small purchase orders to other suppliers, but I do not have the details yet about who is specifically providing which part.

Q376 **Alex Cunningham:** Okay, I understand that. Have you made a specific commitment to UKEF about support for UK suppliers? Have you made a commitment to a certain level?

Yavuz Akturk: Yes, we have committed ourselves to procure $230 million to $250 million of goods and services from the UK.

Q377 **Alex Cunningham:** Yes, and that figure of $230 million to $250 million is the figure we are talking about?

Yavuz Akturk: Yes. It is in the application, yes. We have organised a share fair event together with UKEF, and we have reached out to certain suppliers. Because nobody knew ENKA in this sense and beforehand we were having difficulties obtaining quotes from UK producers. That has helped us to reach more suppliers and that increased the connections.

Q378 **Alex Cunningham:** You are now confident that the UK will get its £230 million to £250 million-worth of business as a direct result of the project?

Yavuz Akturk: Yes.

Q379 **Alex Cunningham:** Okay, thank you. How much of the funding that you have received as a result of UKEF support will be spent—sorry, that is the 230 million to 250 million figure, isn't it? Yes, I am just repeating myself, so forgive me for that. I would be really interested to know—and we have talked about the possibility of talking to other countries while you were planning the project, but without UKEF support what proportion of the goods and equipment for the two Iraqi power plant projects would you have expected to source from the UK?

Yavuz Akturk: It would be 1% or 2% of that amount, which would be at most $4 million or $5 million.

Q380 **Alex Cunningham:** Yes, so the fact that you had the finance has grown that considerably?

Yavuz Akturk: Yes, definitely.

Q381 **Chair:** Was the proportion written into the contract? Is it contractual for UK purchase?

Kagan Yalcin: "In the contract" means our contract with MOE?

Chair: With UKEF, it is contractual?

Kagan Yalcin: Yes. Other than the loan agreement between the Ministry of Finance and UKEF, we have an exporter agreement with UKEF. In that exporter agreement, yes, this is a contractual commitment.

Q382 **Chair:** Export agreement?

Kagan Yalcin: Exporter agreement between UKEF, GE and ENKA. As part of this finance that we have to sign, on that exporter agreement this is a commitment.

Chair: It is in there, brilliant. Thanks for clarifying.

Q383 **Alex Sobel:** My question relates to Scope-3 emissions, which are the indirect emissions that occur in a company's value chain; for instance, from transport and distribution, purchase of capital goods, fuel and engine-related services, employee commuting and business travel, and waste generated in operations. Guto Davies told us that UKEF's environmental teams provided ongoing advice to GE, yourselves and 2U1K about calculating emissions on the Iraqi power plant projects. What advice have they given you about calculating these Scope-3 emissions? What support did you get from UKEF?

Kagan Yalcin: I could not get the question.

Alex Sobel: What support did you get from UKEF on calculating the Scope-3 emissions, the indirect emissions?

Kagan Yalcin: Okay. You mean the emissions, environmental and social assessment, and so on?

Alex Sobel: The indirect ones, yes.

Kagan Yalcin: Yes. At the beginning of the project, normally on these types of financing agreements, the owners engage the environmental and social assessment consultant. However, in this case this is the first time the Ministry of Electricity has executed a project with ECA financing, so they are not very familiar with what actions they have to take. With the UKEF's support, we played a kind of technical advisory role, advising them what to do to realise the project.

Of course, as these are category A projects there are significant environmental and social impacts, and ESIA reports should be prepared to understand the risks and impacts and to do mitigation plans and so on. As the Ministry of Electricity, the owner, was reluctant to do this study, with the permission and consent of UKEF and other lenders, we engaged 2U1K as an environmental and social consultant to prepare the report.

From the beginning of this process, we discussed the requirements with UKEF. UKEF was heavily involved in the process by reviewing the scope, giving comments, and directing our consultant how to work, even though the consultant is an experienced consultant for such international projects, and they have experience in Iraq. UKEF was involved in all steps and we had several conference calls and meetings, so we completed the report as per UKEF's directions.

Finally, in this process, as I mentioned, we concluded the NOx upgrade and also the sulphur content. We changed the primary fuel from heavy fuel and crude oil to natural gas, with UKEF's involvement. Then the draft report was finalised and there was an extensive review period by UKEF, JPM and Standard Chartered. Then, with all those comments and additional studies, the report was completed, and the final report has been issued.

Q384 **Alex Sobel:** You went through a process with UKEF and the other lenders to come to the final report?

Kagan Yalcin: Yes.

Q385 **Alex Sobel:** What information were you required to provide to UKEF in respect of the projected emissions of the project? What was the emissions data that you had to provide to them?

Kagan Yalcin: It is as per IFC. I cannot remember all the figures, but we can provide you with the specific tables later from the ESIA report. The emissions were as per IFC EHS—environmental, health and safety—guidelines for thermal power plant projects.

Alex Sobel: Yes, that would be very helpful for our report.

Kagan Yalcin: Sure, we can provide those tables. Those are the guidelines that ECAs have to follow as per OECD requirements.

Q386 **Alex Sobel:** As the project develops, do you need to give updated information to UKEF or not?

Kagan Yalcin: Yes, we have to give them updated information.

Q387 **Alex Sobel:** Are there any particular benchmarks or points where you do that?

Kagan Yalcin: An independent environmental and social monitoring consultant will be hired. We are in that process now. The Ministry of Electricity will hire that consultant and after doing the tender they will provide their assessment to UKEF and with the consent of UKEF they will award that consultant. That consultant will be monitoring both the owner and the EPC contractor to see if we are doing our actions. With this environmental and social impact assessment, there is an action item list: if there is any risk to be mitigated or different performance standards of IFC.

We will monitor ourselves during construction, of course. All those requirements have been incorporated into our procedures for the project. The people on the ground will be executing the project as per those procedures when all debt requirements have been locked down. We will be doing self-assessment and a monitoring consultant will be auditing the EPC contractor and the owners to see that we are complying with those requirements and they will report to UKEF and other lenders.

Q388 **Mr Philip Dunne:** Thank you very much for taking the trouble to come and speak to us today. It is fairly unusual for UK parliamentary committees to invite subcontractors from another country to come here and I really appreciate your making the effort.

You have explained that the original intent of the customer, the Iraqi Government, was to fuel both of the plants, one with heavy fuel oil and one with crude oil, and the process of turning that into a gas fuel source was stimulated by the lending community, I think is what you said. But there will be a diesel backup provided to the plants. Can you give us a sense of the cost to the client if they were to use the diesel backup as opposed to the gas source once they have installed the pipeline?

Kagan Yalcin: Diesel is expensive for Iraq. They are not producing any diesel oil, so they are importing diesel oil at the moment. Diesel is an expensive fuel in Iraq because all others—natural gas, heavy fuel oil and crude oil—are their own resources, but they do not have enough refinery capacity, so they have to import diesel oil. Generally, in all natural gas-fired power plants there is diesel oil as a backup fuel. It is available. That is mainly used to start up the plant if there is a shutdown and also as a backup, but natural gas-fired power plants do not operate on diesel fuel generally, only in case of emergency and if there are shutdowns, and it is expensive to operate.

Q389 **Mr Philip Dunne:** The gas resource is readily available to the Iraqis and located quite near the plant, so is it relatively accessible and cost effective to use gas as opposed to fuel oil, heavy fuels?

Kagan Yalcin: Yes. Both projects are fed by the gas national grid. The Ministry of Oil in this case installed gas pipelines to the project's termination point and at the moment they have sufficient gas available to run the power plants.

Q390 **Mr Philip Dunne:** Do you have a working assumption as to how frequently the diesel backup will be required following a start-up in an event of maintenance and so on? Is there an assumption of a certain proportion of the time you would be on diesel?

Kagan Yalcin: Normally, these power plants will be baseload power plants, so they will be operating under the full load 24 hours. Unless there is a problem in the gas pipeline or gas supply, there will be no need to run on diesel fuel. At the moment, the Iraqi Government have an urgent power requirement because, as my colleague mentioned, in the regions the people can only have seven or eight hours' electricity in a day and in the summertime it drops to three or four hours a day because the consumption increases. They have an urgent power requirement from us and for that the diesel fuel oil and the other liquid fuel storage and treatments and systems will not be available for that urgent power. They can only fire with gas at the moment, so when we complete the contract those will be available.

Q391 **Mr Philip Dunne:** The storage capacity for the diesel backup that you are putting in place, how many days would that take to be exhausted?

Kagan Yalcin: It should be five days. Off the top of my head, it is five days, but I will check and if it is different I will inform you.

Q392 **Mr Philip Dunne:** Thank you. What kind of monitoring equipment or arrangements are there imposed by the lenders on calculating how much of the fuel sources, gas versus the diesel or other fuel sources? If a customer were to start trying to use readily available heavy fuel oil or crude, is it possible for that to be used in the plant without major adaptation?

Kagan Yalcin: In our normal contract scope, we have continuous emission monitoring at the stacks. That is part of the contract, so the monitoring will be available at all times at the stack. Now UKEF and lenders are requesting MOE to install a ground air quality measurement station. It will be installed as well, and that station will monitor the ground-level concentration.

Q393 **Mr Philip Dunne:** Do you have a requirement to report back on the emission levels to the lenders periodically?

Kagan Yalcin: It is part of operations. It is the MOE's responsibility in this case as per our ESIA report, so as the EPC contractor we do not have a role in that. As per the ESIA report and the environmental and social action plan, which is part of the loan agreement, the Government have to monitor and inform UKEF.

Q394 **Mr Philip Dunne:** On the role of ENKA in this project, am I right that you are effectively the construction subcontractor to GE? That is what my understanding is, if that is correct.

Kagan Yalcin: Yes.

Q395 **Mr Philip Dunne:** Do you have any continuing operational role in the plant? Do you expect to have maintenance contracts to continue to operate the plant or will that be done by the customer?

Kagan Yalcin: In this contract, we are in consortium with GE, so major equipment is supplied by GE and we are doing all the construction plus the balance of plant procurement. Other than major equipment, we are purchasing the rest of the equipment. That is part of our UK contract, but we do not have a role in operations and under our contract, GE does not have a role in operations as well. The Ministry of Electricity is supposed to operate it, but of course later, it may have a contract with GE for the operation. Currently, we are not in the operation and maintenance business in Iraq.

Chair: Thank you both very much indeed for taking the trouble to travel all this way to be with us today. You have certainly brought the sunshine with you. We did not ask you about the effect of Brexit on the contract, but I think we are aware that that is in our hands rather than in yours, so we will leave it there. Thank you very much indeed for coming and have a safe journey home.