



The Oil Sector in Ecuador

FACT PACK

Swedish Trade Council in Argentina

November 2007



THE SWEDISH TRADE COUNCIL MAKES IT EASIER FOR SWEDISH COMPANIES TO GROW INTERNATIONALLY

Sweden:

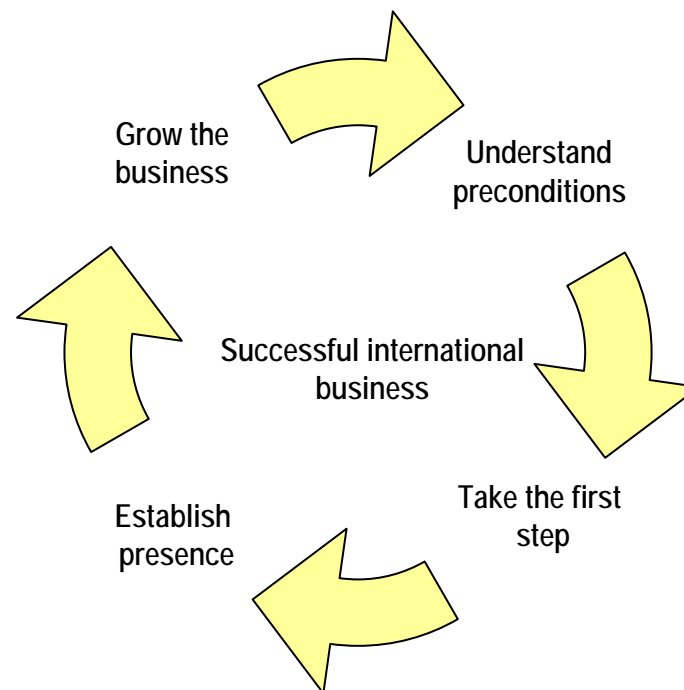
- Headquarters in Stockholm, 80 employees
- 22 regional export advisers
- All Trade Commissioners regularly visit different parts of Sweden

Abroad:

- 60 places, 400 employees in 52 countries
- Through partners and networks we cover more than 100 countries

Argentina:

- Office in Buenos Aires
- 5 employees



Vision of the office:
STC in Buenos Aires is the primary consulting partner for Swedish companies doing business in Ecuador

ECUADOR IN BRIEF

Area: 283.560 km²

Inhabitants: 13.8 million

Constitution: Democratic republic

Head of State: President Rafael Correa

Languages: Spanish, Amerindian languages

Inhabitants per km²: 49/km²

Currency: US Dollar

GDP 2006: 41.4 BUSD

GDP per capita 2006: 3057 USD

Inflation(2006): 3.3 %

Main exports: Oil and Agricultural Goods

Main imports: Capital goods for the industry

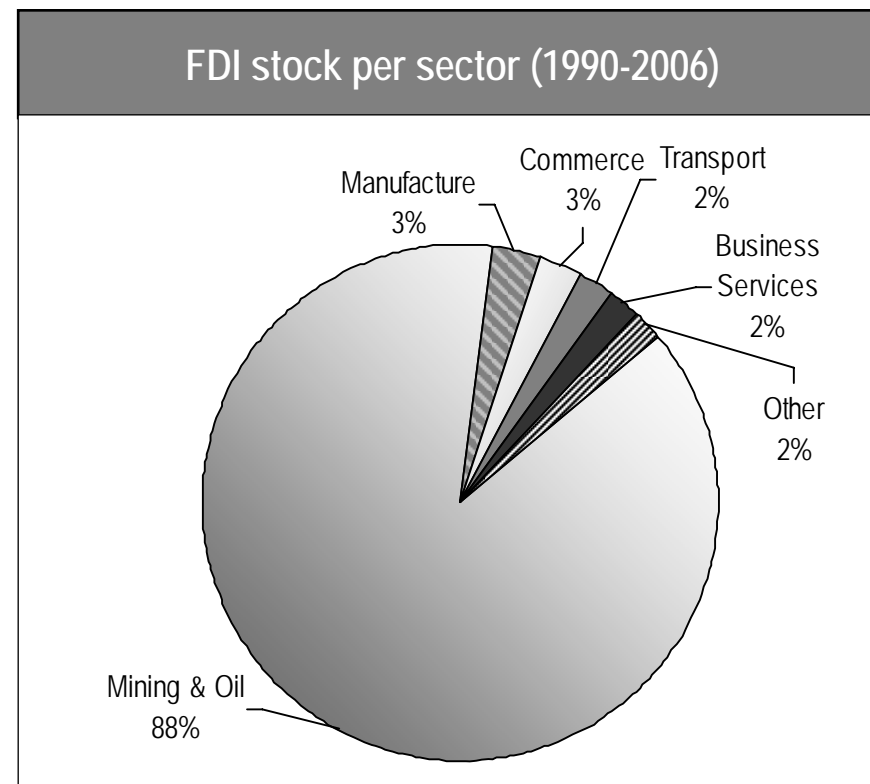
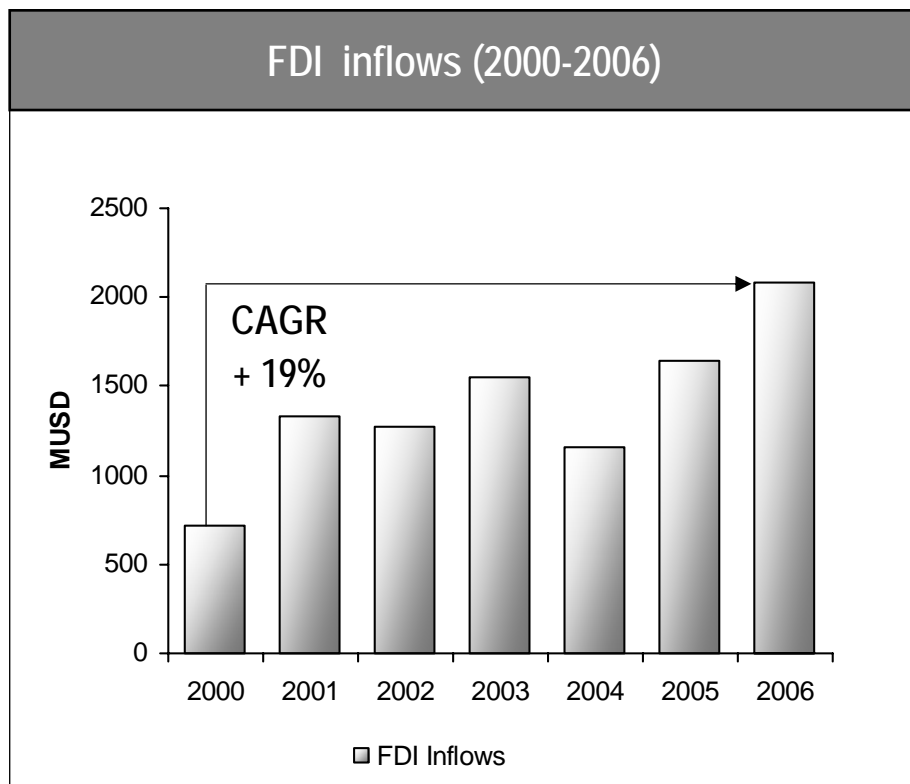
Swedish Exports to Ecuador 2006: 206 MSEK

Swedish imports from Ecuador 2006: 98 MSEK



FDI INFLOWS INCREASING DESPITE POLITICAL INSTABILITY

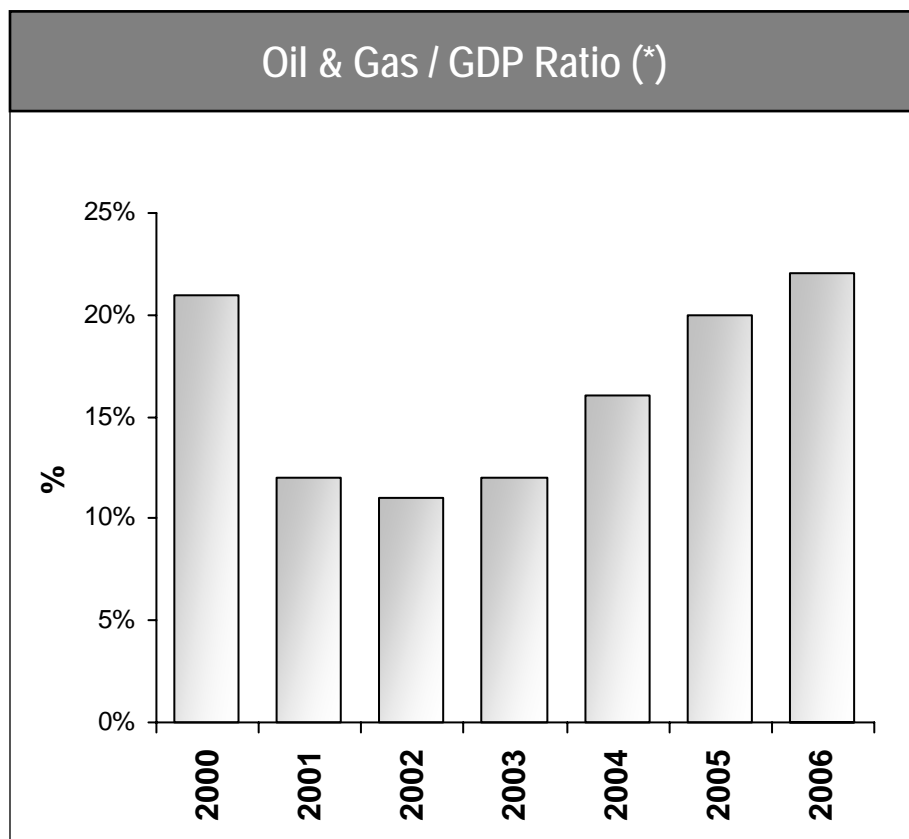
- Oil & Mining activities are the main destination for inflows



FDI inflow to mining activities are currently larger than those to oil

THE OIL & GAS SECTOR IS KEY IN ECUADOR

- But there is lack of investment



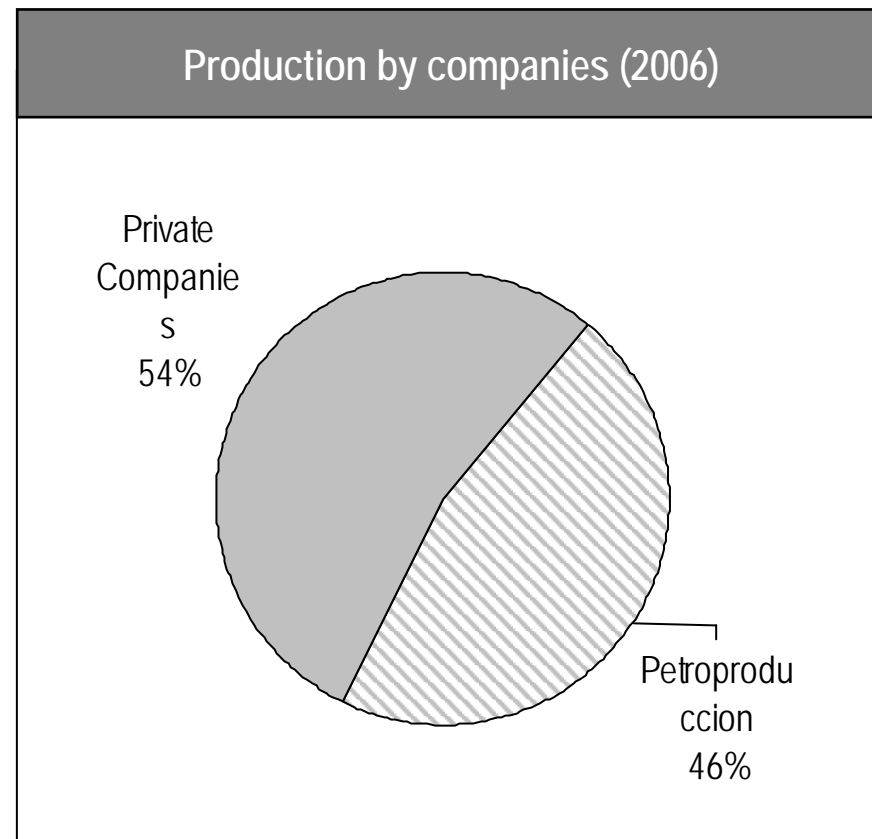
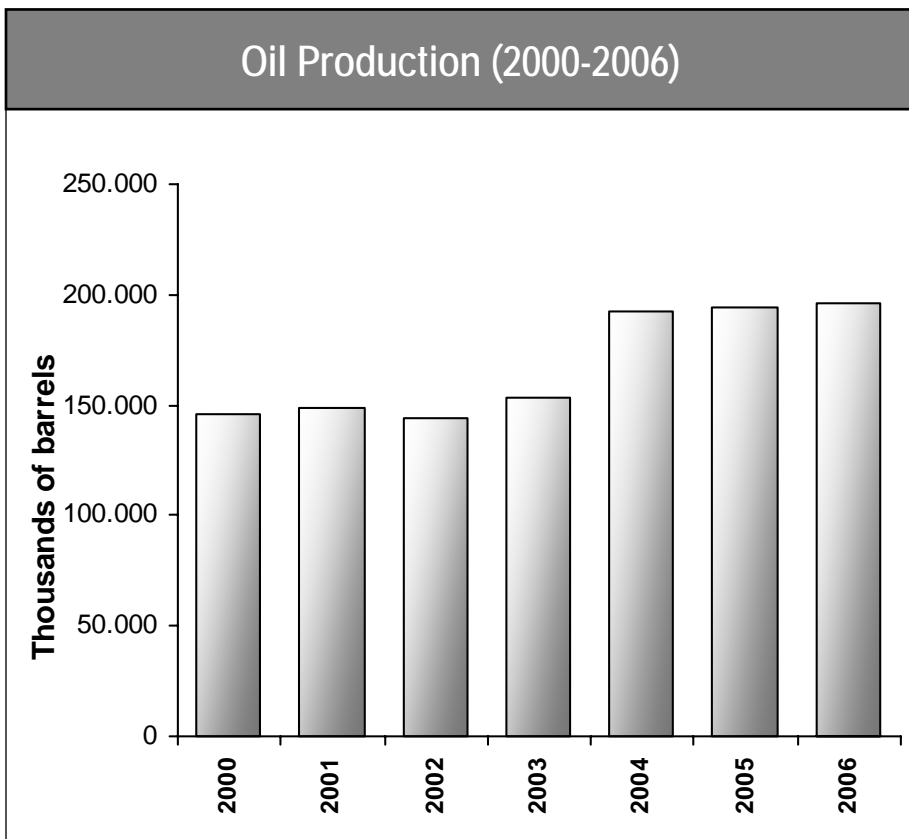
* Current dollars

- Despite record international prices...
- Production in the first semester of 2007 decreased in comparison to 2005 (-5.8%) and 2006 (-8.1%).
 - Lack of investments due to previous and current:
 - Legal uncertainty
 - Tax structure
 - Environmental liability concerns
 - Unfavorable economic terms
 - Lack of a coherent energy policy
 - Legal actions against oil companies

Further investments are mandatory both in the exploration and production phase

OIL PRODUCTION STABLE DESPITE INTERNATIONAL PRICES GROWTH

- Private companies investment is larger than public Petroproduction

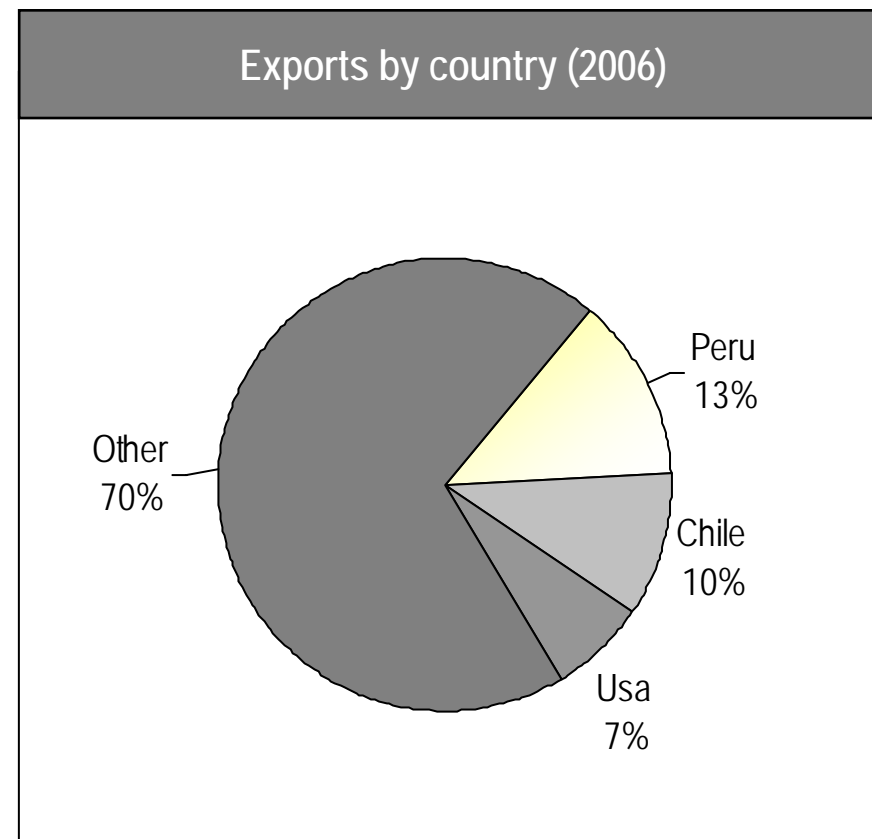
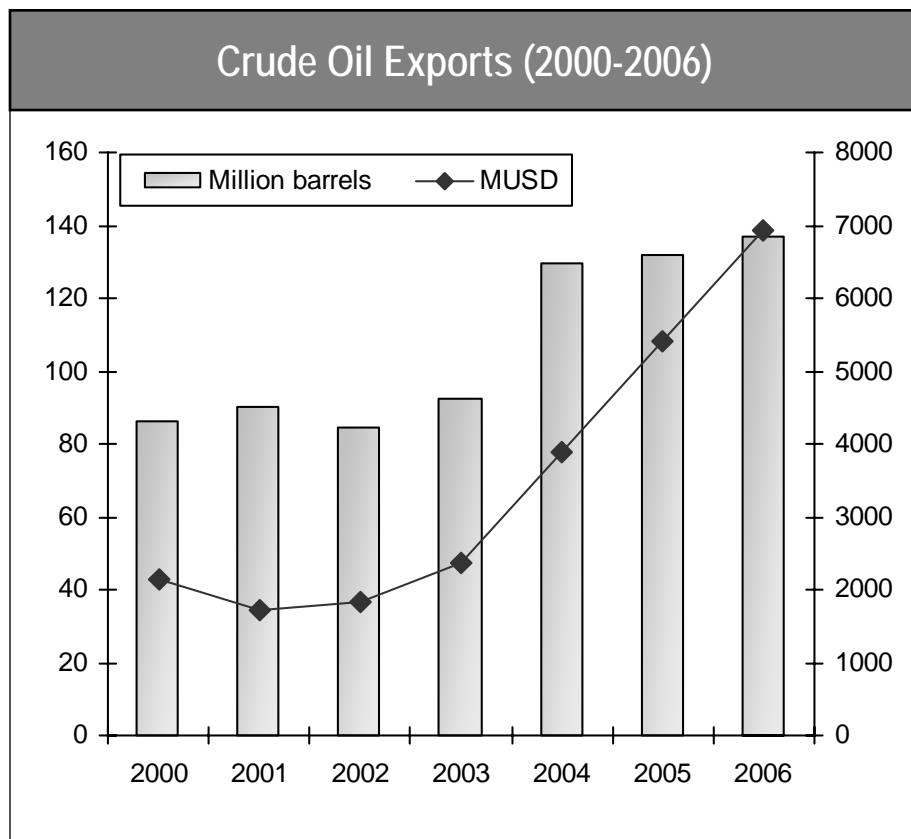


Petroproduction is a sister company of Petroecuador

Government has announced a 2797 MUSD investment in the sector through Petroproduction

EXPORTS STARTED DECREASING IN 2007

- 18.1% in the first semester of 2007 in comparison to 2006

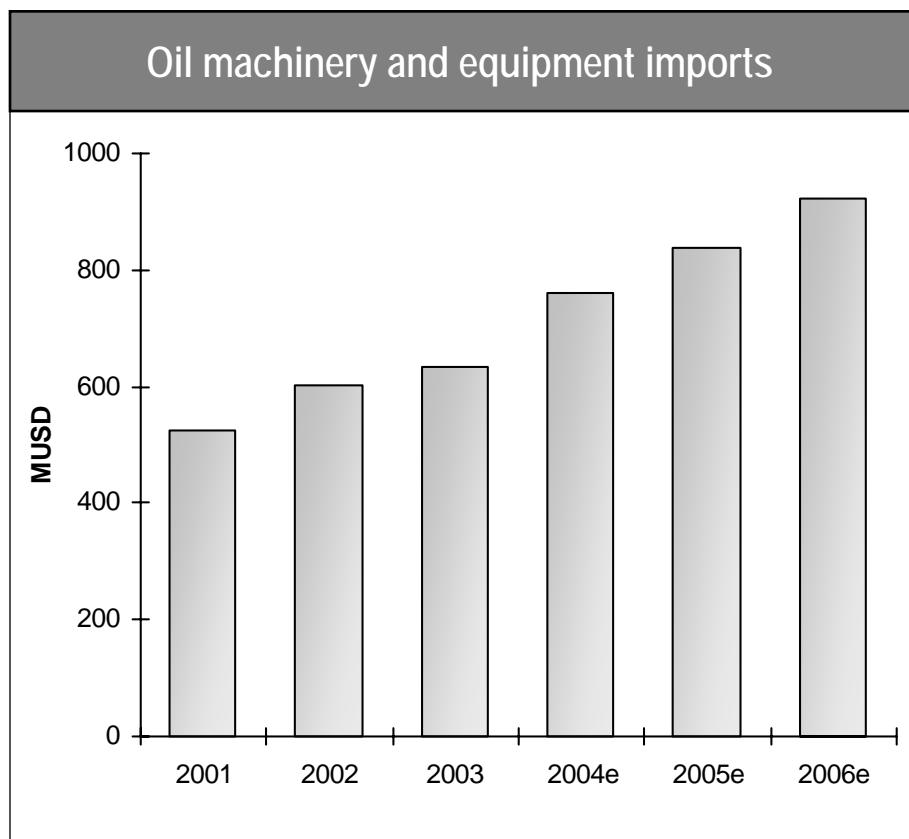


Due to insufficient refining capacity, Ecuador needs to import many oil derivatives



OPPORTUNITIES IN THE OIL SECTOR

- If investments get back on track demand for imported technology will increase



(e) Provisory figures based on 2003 estimates

- The US lead the market. Main competitors besides them are: Mexico, Argentina, Spain and Japan.
- Oil machinery and equipment imports are provided by international divisions with worldwide recognition, and which fulfill international standards.
- The demand from private companies is for state of the art technology and guaranteed services (after sales local support and warranties).

Over 90% of oil machinery and equipment is imported



ECUADOR PROVIDES BUSINESS OPPORTUNITIES

- Ecuador shows positive rates for GDP change over the last years
- Inflation remains low
- FDI is growing
- Manufacture industries are growing and demand increasing volumes of imports
- Trade conducted in US dollar: no currency risk

... which has contributed to...

...the fact that more than **10** Swedish companies are registered in Ecuador and some other are there as sub suppliers or via distributors.

STC Argentina is the natural partner for all Swedish companies who wants to establish or develop their business in Ecuador



USEFUL CONTACTS

- Ministry for Mining and Energy www.menergia.gov.ec
- Hydrocarbon Industry Association www.aihe.org.ec
- Guayaquil Industry Chamber www.cig.org.ec
- Central Bank of Ecuador www.bce.fin.ec
- Petroecuador www.petroecuador.com.ec
- Ecuador Invest www.ecuadorinvest.org

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