

## Sines refinery's conversion project reaches important phase with agreement between Galp Energia and Tecnicas Reunidas

Galp Energia and Tecnicas Reunidas have signed today a Lump Sum Turn Key (LSTK) contract for the Sines refinery's conversion project. The agreement now reached corresponds to the conversion to a LSTK of the previous Engineering, Procurement, Construction and Management (EPCM) contract under which Tecnicas Reunidas has been working since the third quarter of 2007.

The contract worth €1,080 million includes, in addition to the conversion project, several other projects in energy efficiency, reliability and environmental areas. The expected start up of the new units is scheduled for the third quarter of 2011.

The foremost objective of Sines refinery's conversion project is to adjust the production profile to the needs of the Iberian market, where diesel is currently in short supply, by maximising the annual production of diesel from 2011 onwards. The project will also allow the increased use of heavy crude oil, which is available on the market at lower prices, reducing raw material costs. The conversion of fuel oil to diesel is imperative as fuel oil demand is expected to shift lastingly from gasoline towards diesel (as the market becomes increasingly diesel-driven) and diesel prices exceed fuel oil prices in international markets.

The project for conversion of the Sines refinery consists of the construction of a new hydrocracker, i.e. a unit for hydrocracking heavy gasoil, for the production of diesel and aviation fuel. This unit will enable the production of diesel through deep conversion of the heavier fractions of crude oil. This technology will make more flexible the selection of crude oil to be processed, which will allow the purchase of heavier crude oil for processing in the distillation column. In addition to the main plant, it will be built a steam reformer for producing hydrogen and a unit for recovering sulphur from produced gases, both of which will be necessary for operating the hydrocracker.

Tecnicas Reunidas, the company that since 2007 has been developing the engineering of Sines' conversion project, is one of the leading international engineering and construction companies in oil and gas production, refining and petrochemicals and power generation projects.

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