

# **OCI N.V. (OCINF) Q1 2024 Earnings Call Transcript**

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**Body**

OCI N.V. (OCINF)

Q1 2024 Earnings Conference Call

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Company Participants

Sarah Rajani - VP, Investor Relations and Communications

Ahmed El Hoshy - Chief Executive Officer

Hassan Badrawi - Chief Financial Officer

Conference Call Participants

Lisa De Neve - Morgan Stanley

Aron Ceccarelli - Berenberg

Arun Konkoth - Verition

Angelina Glazova - JP Morgan

Andrew Keches - Barclays

Sashank Lanka - Bank of America

Stijn Demeester - ING

Presentation

Operator

Hello, everyone, welcome to today's OCI Global First Quarter 2024 Results. My name is Drew and I'll be your operator today. During today's call there will be a Q&A session. [Operator Instructions].

I will now turn the call over to Sarah Rajani, Vice President, Investor Relations and Communications. Please go ahead.

Sarah Rajani

Thank you. Good afternoon and good morning to our audience in the Americas. Thank you for joining the OCI Global First Quarter 2024 Conference Call. With me today are Ahmed El Hoshy, our Chief Executive Officer; and Hassan Badrawi, our Chief Financial Officer. On this call, we will review OCI's key operational events and financial highlights for the quarter followed by a discussion of OCI's outlook and an update on the strategic review. As usual, at the end of the call, we will wrap with Q&A.

The results, press release and presentation and financial statements are available on our website at oci-global.com. We will be referring to slides in the results presentation throughout this call. I would like to remind you that any forward looking statements made on this call involve risks and the actual results could differ materially from those statements.

With that, let me hand over to Ahmed.

Ahmed El Hoshy

Thank you, Sarah and thank you all, for joining us today. We'll start by providing an update on the recently announced divestitures of Iowa Fertilizer Company and Fertiglobe to Koch and ADNOC, respectively, as well as the ongoing Strategic Review at OCI. We will give a brief recap of OCI's first quarter performance before providing a progress report on our Texas Blue Clean Ammonia project. Finally, we'll run through our perspectives on the business and market outlook.

As for every call, we start with reaffirming our strong commitment to safety, which remains our top priority. Our 12-month rolling recordable incident rate was 0.24 incidents per 200,000 work hours at the end of March, significantly below industry averages. Notwithstanding this, we reaffirm our focus on operational process safety throughout the organization as part of our manufacturing improvement journey, which we'll get into a little bit later today.

Q1 experienced a mix of both market and operational headwinds, which we've set out to explain in the slides. Compared to results in the same period in 2023, global nitrogen prices were lower, driven by falling gas prices and supply fluctuations, as well as some demand deferral in European fertilizer markets on account of adverse weather patterns. Notwithstanding this, first quarter earnings benefited from lower gas cost tailwinds and improved operational performance compared to Q1 2023.

Our U.S. operations experienced some unplanned outages related to the winter freeze, although the impact on production and the associated EBITDA opportunity loss was lower than Q1 2023, reflecting investment in reliability improvement initiatives. Since undertaking repairs and restarting the production, our plants have been operating in almost all cases, above historical average utilization rates and on-stream times. As you will note, we have started to see improvements on the operational side and expect continued progress in our manufacturing improvement journey in both reliability and efficiency metrics over time.

In terms of operational highlights, our 1.1 million ton Clean Ammonia project Texas Blue remains on track for production in the first half of 2025. Our recent expansions into AdBlue and CAN+S within the European Nitrogen portfolio further increases our exposure to attractive non-agricultural markets with significant pricing premiums over urea. As the European nitrogen business recovers from a trough year last year in 2023, these additional diversified products position us well to improve the profitability and free cash flow generation on a run rate basis for the facilities.

Finally, we are in the process of applying for permitting to increase our throughput capacity at our Rotterdam Import Terminal to up to 2 million tons in a two-phase approach to capture growing demand for ammonia to replace smaller inefficient plants in Europe and for the decarbonization of those plants as well as other industries with the adoption of Clean Ammonia to various end markets.

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I will now hand over to Hassan to provide an update on the Strategic Review and our first quarter performance. Hassan?

Hassan Badrawi

Thanks, Ahmed and welcome to everyone. Starting with Slide 6, to recap, in December of '23, we announced agreements to divest our stakes in Fertiglobe and Iowa Fertilizer Company, ADNOC and Koch Industries respectively. These transactions were the results of a global strategic review initiated in 2023 and it will crystallize $7.2 billion of tax-free gross cash proceeds or $6.2 billion on a net basis.

I would like to reiterate guidance on a few important parameters in this regard. First, subject to completion of the announced transactions, we expect to significantly de-lever and to be in a net cash position at year end 2024. This deleveraging will result in a robust financial position with ample capacity to complete line one of the Texas Blue project. Beyond this transition period, we expect to assume normalized leverage levels onwards.

Secondly, while we have paused our regular dividend policy pending the outcome of the strategic review, we have previously announced an extraordinary shareholder return of at least $3 billion during 2024, following completion of the transactions and receipts of proceeds. Note that the financial resources afforded to the company provide us with the flexibility to potentially deliver a higher dividend quantum over time.

Thirdly, we received unanimous shareholder approval at our EGM that was held in April for both the Fertiglobe transaction and an initial extraordinary interim cash distribution of around €4.5 per share, or the equivalent of approximately $1 billion. The distribution will take place through a repayment of capital or at the election of the shareholder as a regular cash dividend. The distribution will take place following the completion of the Fertiglobe transaction, which is stated to take place in the second half of 2024.

Lastly, there will be further extraordinary distributions of capital through shareholders subject to the completion of the IFCo transaction, of course. Furthermore, following significant inbound interest in the continuing business of the company, OCI continues to assess various options and opportunities to maximize value for all its stakeholders. OCI expects to update the market on the ongoing strategic review at the time of the Q2 2024 results announcement, which is currently planned to take place in August.

Turning to Slide 8 for a summary of our Q1 financial results. On a total basis, including discontinued assets, we reported Q1 2024 revenue of $1.2 billion, adjusted EBITDA of $297 million, and an adjusted net profit of $36 million. All this year-on-year declines in revenue and adjusted EBITDA reflected lower nitrogen prices globally, which were partially offset by a reduction in natural gas prices in Europe and the U.S.

Notwithstanding the impact of our existing gas hedges and notably reflected improved operational performance, which you can see in the form of increased own-produced sales volumes and which Ahmed will comment further on later. On a continuing basis, excluding discontinued assets, adjusted for the realized gas hedge losses, continuing adjusted EBITDA would have shown a profit of $54 million compared to $1 million in the Q1, the first quarter of 2023.

The future value of hedge losses within the continuing business is circa $135 million, including Natgasoline. Of this, approximately $60 million is expected to be realized over the remainder of 2024 based on the current gas future curve. Due to OCI's hedge structuring, the actual cash impact on a net debt basis is expected to be circa $60 million or just under half of the future value of the unrealized hedge losses.

Turning to Slide 9, this shows our net debt bridge on a continuing basis. The $2.2 billion as of 31st March 2024 includes outstanding bonds at OCI N.V., or the corporate level, and drawn back bank facilities. Including discontinued operations, our total net debt position on a consolidated basis as at quarter end was $3.8 billion.

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Please note, continuing net debt will reflect cash flows from IFCo until due closing. All of IFCo's cash flows until then are attributable to OCI, as per the signed agreements. OCI is also expected to receive its share of Fertiglobe's announced second half 2023 dividend, which is scheduled for the distribution during the second quarter of 2024. No further dividends will be received by OCI from Fertiglobe following this distribution as per the signed agreements.

Turning to Slide 10, this slide shows the year-on-year bridge for adjusted EBITDA on a continuing basis for both the European Nitrogen and Methanol segments. The increase year-on-year was driven by a confluence of factors, but most notably operational improvements reflecting investment in facilities and the leadership's focus on rewarding manufacturing excellence. These self-help measures largely offset the weaker pricing environment and the impact from the U.S. winter freeze.

Turning to Slide 11, this slide shows the underlying performance of the continuing business segments adjusted for certain items that would not ordinarily be included in EBITDA adjustments. Absent these items, you can see that the continuing business on an annualized basis is progressing towards our previously shared mid-cycle scenario.

Of note within the European Nitrogen, our first quarter EBITDA was impacted by lower [CEA] production due to a commercial decision to undertake routine maintenance during that period, taking advantage of a higher inventory position at the start of the year following slower sales in Q4 of 2023. This had a subsequent impact on CEA production during the quarter.

Turning to Slide 12, this slide highlights the value accretion to the business from continued investment in reliability, improvement initiatives, and the positive trajectory in asset utilization rates, where our most recent average utilization rates have approached if not exceeded historical levels, as Ahmed mentioned earlier.

Excluding the impact of the winter freeze, average utilization rates at OCI Beaumont, Methanol, Ammonia, and at Natgasoline would have been 90%, 96%, and 78% respectively for the first quarter. Of note, we expect significant further improvement at Natgasoline upon completion of the turnaround that's taking place in the second quarter and are confident that we can achieve 90% plus asset utilization rates in line or above the industry average.

Finally, turning to Slide 13, here you will find a recap of the guidance that we have provided for 2024, which remains largely unchanged. We expect to return at least $3 billion of capital to shareholders in the form of extraordinary dividends over the course of the year, subject of course to the completion of both transactions, and the first billion dollars, or €4.5 per share, which was approved by shareholders at last month's EGM and is expected to be paid in the second half of 2024.

We continue to target a corporate cost-based run rate of around $30 million to $40 million, which we expect to reach sometime during 2025 as we continue to restructure and execute the current strategic review. We continue to expect Texas Blue Clean Ammonia to start production in the first half of 2025. From a balance sheet perspective, we expect to be net cash by the end of 2024, but then expect a more normalized leverage profile to be adopted going forward.

Growth and maintenance CapEx estimate of $600 million and $125 million respectively remain unchanged on a continuing basis. And note, of course, that the bulk of the $600 million growth CapEx in 2024 is attributable to our investment in Texas Blue Clean Ammonia, as we ramp up our activities on site. Note that Texas Blue will initially be producing on agreed basis only until it transitions into blue.

With that, I will hand back to Ahmed for discussion of OCI's continuing business status and market outlook. Ahmed?

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Ahmed El Hoshy

Thanks, Hassan. So, if we go to Slide 15, this slide and the subsequent Slides 16 to 20, provide an overview of OCI's continuing asset profile. I don't propose to talk through these in detail, but welcome questions at the end of the call to the extent there are.

With that, I'd like to move to Slide 21 and our investment in Texas Blue Clean Ammonia. As you know, this will be a 3,000 ton per day, 1.1 million ton per year blue ammonia plant with optionality to double capacity through an identical second line that a lot of the off-sites and utilities have already been sized for in the first line. We remain the only blue with greenfield blue ammonia plant to reach FID to-date globally.

Unlike green ammonia, being a first mover in blue is hugely compelling, not only because the technology is proven, but critically because costs are only going up. As such, we have notably been first movers benefiting from favorable equipment costs, construction terms, and mitigated that construction against inflationary pressures over the last two and a half years.

Slide 22 provides a snapshot of the project milestones reached today. As you can see, project execution is well advanced with $561 million spent as of the end of the last quarter in March 31st, 2024, and $609 million spent as of today. Engineering work is also largely complete. Construction has significantly progressed, piling is complete, civil work is almost complete, and activities are focused on steel erection, mechanical work, and equipment arrival and installation.

Importantly, we remain on track for the first half 2025 startup.

Note that, as Hassan mentioned, production will be grey initially, pivoting to blue in 2026, when Exxon is expected to begin CO2 sequestration, aligning with the commencement of CBAM in that same year.

Moving on to Slide 23. I want to spend a little bit of time on this slide. This chart on the left highlights the plant's competitive positioning due to the product's extremely low carbon intensity, and this is what we're going to go through in some of the charts. Compared to a grey plant, Texas Blue's cash cost will benefit from this carbon tariff advantage over time as Carbon Border Adjustment Mechanism is implemented in Europe.

It also shares a portion of the 45Q benefit with partners Linde and Exxon in the form of a lower blue hydrogen feedstock price over the fence to OCI. From a carbon intensity perspective, all aspects of the plant's design incorporate reaching the lowest blue ammonia carbon footprint. There is no other ammonia plant operational or under construction today that meets these standards.

Over 95% of the CO2 will be captured at the Linde hydrogen producing autothermal reformer plants and will be sequestered by Exxon without any mass balancing or enhanced oil recovery. We are using an electric-driven syngas compressor on our site and have sought to go electric where possible and practicable.

We are additionally sourcing renewable power and recently signed the VPPA or Virtual PPA to cover most of our needs at the ammonia plant. Outside of the feedstock cost, we also incur lower fixed costs versus a typical grey producer because the Texas Blue plant is a back-end site only and therefore excludes the autothermal reforming section or the air separation unit from its fixed cost structure. Grey ammonia producers will typically own and operate an SMR or steam methane reformer on-site.

Under Carbon Border Adjustment Mechanism or CBAM, our greenfield ammonia plant will capture effectively the same economic benefit as green ammonia but at materially lower costs, making this greenfield blue ammonia the most cost-competitive product for low-carbon ammonia today. OCI's green ammonia will have a carbon intensity profile of less than half a kilogram of CO2 per kilogram of ammonia, a reduction of over 80% versus current grey ammonia industry standards. But this is Cradle to Gate CO2 and includes Linde Scope and a Scope 1, 2, and 3 emissions.

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CBAM is only focused on Scope 1 and Scope 2 emissions, not Scope 3. And Scope 3 is where the bulk of blue ammonia's emissions come due to the upstream methane slip for the natural gas that's being consumed. Therefore, if OCI's Blue ammonia were to be made with renewable electricity, as is currently contemplated, the CO2 footprint focusing on just Scope 1 and Scope 2 would give it a CBAM threshold almost equivalent to green ammonia.

On the right-hand side, we give an indication of the implied price and premium for blue ammonia versus grey, according to end-use demand and willingness to pay. A few points for consideration. Firstly, as the only market to have a currently defined regulatory framework that incentivizes low-carbon ammonia, Europe will be a key market to place blue ammonia. As CBAM was enacted from 2026 and as allowances are phased out over the next several years, consultants expect that European ammonia prices will begin to incorporate increases to accommodate expected CO2 cost increases.

Secondly, before other low-carbon ammonia sources fully come online, the local U.S. market will serve as a pool of demand to achieve good netbacks with shorter and lower freight costs for this blue ammonia plant.

Thirdly, Asian demand is expected to ramp up from 2027 onwards as regulatory incentives come into effect, stimulating ammonia demand for power generation from local players requiring coal-firing or coal plants or hydrogen coal-firing with natural gas plants. We're in advanced conversations with interested off-takers in East Asia for long-term contracts with revenue streams structured in a way that minimizes OCI's exposure to commodity price volatility and inflation, creating more predictability of cash flows.

Finally, marine market demand for blue ammonia is expected to come online in 2027 as the first dual-fuel ammonia engines are commercialized. Today, 28 ammonia dual-fuel ships are on order, but a further 260 ships are being built to be ammonia-ready, requiring only engine retrofits. Some conservative estimates based on actual ship orders point to demand for marine ammonia in 2027 of approximately of 2 million tons per annum potentially and rising rapidly, with industry consultants forecasting outside of 30 million tons by 2035.

Pricing is expected to be based on the regulatory value using blue ammonia compared to the current pricing of the lowest-cost fossil fuel comparator, HFO, VLSFO, or MGO, in Europe with the FuelEU Maritime penalties coming into effect from 2025. Demand for blue ammonia as a hydrogen carrier also presents new application sources of demand growth in the future for cracking into hydrogen.

Finally, I just wanted to add that the IRS recently published its Guidance for Sustainable Aviation fuel tax credits. For the first time in any federal and state biofuel program, climate-smart agricultural practices including the use of sustainable fertilizers, are now included as a lever to lower the carbon intensity of sustainable aviation fuel and create a value. This is very encouraging news for the upcoming 45Z Clean Fuel Production Tax Credit Guidance, which covers a wide range of fuels, including ethanol. This guidance to properly include low-carbon fertilizers will potentially provide significant regulatory value for low-carbon ammonia and materially benefit OCI on domestic low-carbon sales, over time.

Turning to the markets in which we operated, starting with methanol on Slide 26, this slide provides an overview of the global methanol demand by end use, as we all know. As stated, we expect demand growth for methanol as a fuel to rise rapidly as both a low-carbon marine fuel and potentially a sustainable aviation fuel via MTJ pathway, as regulatory targets such as the 45Z Clean Production Fuel Tax Credit come into effect.

Note that OCI's high-fuel business is well-positioned to capitalize on this emerging demand, a first-mover and market leader in green methanol supply with a low-cost scalable platform to serve increasing needs.

Turning to Slide 27, although Q1 realized prices were lower year-over-year sequentially, the market has been improving as it benefits from the accelerating demand and tightening supply. Near term, we expect demand to improve from Q1 levels as gas restrictions ease and seasonal construction and mobility demand improves. Positive economic indicators supporting moderate growth for traditional chemical applications, with favorable energy pricing and support from oil and coal prices.

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In China, the methanol market is improving across all sectors and we see pricing supported by methanol-to-olefins or MTO economics that justify operating rates above the last three-year average.

In Iran, the Minister of Oil recently outlined plans to address escalating domestic gasoline shortages by utilizing methanol to produce gasoline through methanol-to-gasoline, a proposal that would significantly reduce global availability of methanol and cause prices to increase. This also can be done via methanol blending into gasoline or via methanol into MTBE to go into gasoline, all of which can result in potentially more of a deficit in terms of demand in Iran and less exports reaching the Far East Asian markets.

Some industry consultants, including Argus, estimate significant reductions or stoppage of imports from Iran could cause global methanol prices to increase by over $100 a ton from today's prices to the $400 per ton range. We expect the confluence of these factors to support price momentum back towards mid-cycle levels as you can see in the chart on the right-hand side of the slide.

Longer term, as new sources of demand emerge, we see an increasing structural gap between demand and new capacity. We expect this gap to be further exacerbated by the rationalization of less efficient capacity and gas supply related curtailments.

This is further highlighted on Slide 28 where we see demand growth outstripping supply by 8 million tons over the 2025-2028 period, excluding any growth from methanol as a marine fuel. Including the potential demand growth for methanol as a marine fuel, this gap could be as large as 16 million tons per year based on current projections from new supplies.

Slide 29 highlights the key role that both methanol and ammonia plays in the emerging hydrogen transition with clean fuels offering significant reductions in emissions versus conventional fuels.

Slide 30 provides more details on regulatory demand drivers for green methanol and associated rapid growth in both road and marine fuels with other potential upside from the aviation industry.

And finally, Slide 31 gives a snapshot of the methanol marine order book today which we've discussed before where the incremental expected methanol demand for marine fuels is expected to increase materially over the next decade.

Moving to ammonia markets and Slide 33, ammonia started off on a soft note this year due to the reduced European gas costs and the return of supply following widespread disruptions in Q4 '23.

Ammonia prices stabilized in the latter half of the quarter driven mainly by improving demand from an early U.S. spring application season combined with various outages in the United States, Middle East, and Indonesia.

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In the near term, merchant supply is expected to increase with the arrival of new capacity in the U.S. Gulf Coast and an increase in Russian exports through a new Black Sea terminal which are both expected later this year. Notwithstanding this, several key ammonia markets are showing signs of improved import demand and we expect this to support the global trade recovery in merchant ammonia following two years of contraction.

Slide 34 shows tightness in the grey merchant ammonia market with the demand growth set to outpace supply growth in the medium term pushing global utilization rates higher and in turn providing potential pricing support. We also see further risk of plant closures in the EU and Trinidad not currently reflected in these numbers.

Longer term, whilst we expect an increase in low carbon projects from 2028 onwards, over 60% of these projects are still in the early phase of development with long lead times of over five years. It is also worth noting that historical performance suggests that only about 25% of announced projects will reach commissioning based on historical experience, which you can refer to in more detail on Slide 36.

Moving to slide 35, as previously stated, increased visibility on regulatory demand from 2026 onwards provides support for accelerating demand for emerging new applications as shown in the chart. Maritime, power generation of ammonia as a hydrogen carrier combined could generate as much as 24 million tons of incremental ammonia demand by 2030, which is significant in a global traded market of currently approximately 17 million tons.

Finally, on Slide 36, demand for ammonia bunkering is becoming increasingly exciting development as you can see. Actually sorry, on Slide 37, with projected consultant demand expected to kick off as early as '27, as I mentioned earlier, for more vessels adopting ammonia.

With that, in closing, I wish to extend my thanks to the entire Global OCI team for their valued contribution and my colleague's ongoing commitment to safety and manufacturing excellence and improvement.

With that, we conclude our prepared remarks and we'll open the line for questions.

Question-and-Answer Session

Operator

Thank you. We will now start today's live Q&A. [Operator Instructions] Our first question today comes from Lisa De Neve from Morgan Stanley. Your line is now open, please go ahead.

Lisa De Neve

Good afternoon, both. I have two quick questions. First of all, can you provide us with an update on where the IFCo divestment sits in the antitrust process? Any details on that would be very helpful. And then secondly, on Page 23 of your presentation, you're referencing the sharing of the 45Q credit at the OCI Blue Ammonia plant. Can you provide some details on how we should think about your implied share of that credit? Thank you.

Ahmed El Hoshy

So, Lisa, I think your first question was regarding the IFCo antitrust review process. Is that your first question?

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Lisa De Neve

Correct. Yes.

Ahmed El Hoshy

Yes. So, obviously there's the regular FTC process that we've been going through. Can't provide too much in terms of details, but we've been kind of obviously sharing documents alongside Koch with the government, and we continue to believe that it's on track with a completion in 2024 as we've guided through before. So it's just a matter of time.

With regards to the second question, with regards to the sharing of the 45Q, we're not disclosing publicly how much of the 45Q credit, the $85 a ton of CO2, which is approximately around like 140 or so dollars per ton of ammonia. We're not sharing how much of that is going to OCI specifically versus Linde and Exxon, because it's not a public number. But to give you a sense, obviously we could do a competitive process for our hydrogen supply and nitrogen supply with Linde, and Linde also did a competitive process for their carbon sequestration when they ultimately chose Exxon.

So I think it's safe to say that a decent portion of that is being used to help reduce our blue hydrogen price once the 45Q credits are generated in 2026, but that is all being administered and done upstream from us. So we're just receiving a lower blue hydrogen price under this structure.

Operator

Our next question comes from Aaron Ceccarelli from Berenberg. Your line is now open. Please proceed.

Aron Ceccarelli

Hello, thank you. Good afternoon, thanks for the presentation. I have three questions. The first one is about blue ammonia. Your competitor in the U.S. has announced a joint development agreement for around 500,000 tons of blue ammonia. And I'm just wondering what is impacting, if anything is impacting your ability at this stage? Why haven't we seen any off-take agreement yet, considering that you are expecting to ramp up capacity in the first half in 2025, even if at the beginning it would be grey ammonia, my understanding? The second question is about, again, blue ammonia. Just wondering about --

Ahmed El Hoshy

Can I interrupt you for a second? Can you repeat who you're referring to? I couldn't hear that. Maybe we'll just try to answer this question first. What were you saying? Our competitor what?

Aron Ceccarelli

Your competitor is CF Industries in the U.S.

Ahmed El Hoshy

CF, what about them?

Aron Ceccarelli

So basically, yeah, they announced a joint development agreement with JERA, talking about 500 kilotons of blue ammonia, potentially, as an off-take agreement.

Ahmed El Hoshy

Okay. So the question is, why have we not seen any off-take agreement signed for blue ammonia? Is that your question?

Aron Ceccarelli

Yes. Basically, yes.

Ahmed El Hoshy

Okay. So, yeah, I think that you're right to point out there have been no global binding blue off-take agreements -- blue ammonia off-take agreements, globally, whether it's into East Asia or into Europe. And so there have been significant announcements and MOUs, there's been early stage development work, like I said in prepared remarks, on multiple plants. But we're the only one that's under FID and under construction right now. It's hard to venture against as to why they haven't been signed in terms of off-takes.

But I do think in a market like this, where there's significant announced projects, a lot of discussions happening, it's about getting comfortable with taking the long-term risk with an off-take. We are having very deep discussions with potential off-takers in various markets, whether it's European or Asian markets. Part of it has been a delay in Asia. So in Japan and Korea, the anticipated incentive program was supposed to happen last year, but it's been delayed until this year. And so we anticipate seeing kind of a bit more activity in the space over the next year, as both the Japanese greens as well as the Singaporeans are looking to secure blue ammonia demand in the kind of the 2027 period and onwards and wrapping up quite swiftly.

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Into Europe, as we mentioned, and in the past, we do anticipate shutdowns of less efficient ammonia plants. And they've been buying on and off to run downstream production. And we've seen some permanent shutdowns in Germany and the UK and France. So we do anticipate potential off-takes into the European markets supported by the incentive that is in place, which is the Carbon Border Adjustment Mechanism that will become a reality in 2026 and start increasing significantly onwards from there.

And as I mentioned earlier, there are a few other incentives, like this new potential 45Z and others that we're focused on for that low carbon event.

Aron Ceccarelli

Is it fair to assume that most of the capacity will be targeting the European market? Is that a fair assumption?

Ahmed El Hoshy

So we don't go into detail into where we sell our various products. The beauty of this Texas plant is that we have the ability to sell domestically in the United States, and we intend to do so as well as into Europe, as well as into potentially Asian markets and other demand sources. So just like any other potential export and domestic selling plant, we have the optionality to do those and we can adjust it based on where we see the most value.

Aron Ceccarelli

Thank you. Let me just final one on the permitting for the second line. When would you expect to get the permitting?

Ahmed El Hoshy

Yeah, we expect, we started the second line permitting, expect to receive that during the course of this year, so kind of probably in the second half of this year, and we'll have that available to us for, yes, we'll have that available to us for 18 months after we receive that permit.

Aron Ceccarelli

Thank you very much.

Ahmed El Hoshy

We obviously don't anticipate any surprise there because it's a backend only plant and it's a good option for us to the second line.

Aron Ceccarelli

Thank you.

Operator

Our next question comes from Arun Konkoth from Verition. Your line is now open, please proceed.

Arun Konkoth

Hi, thank you guys for taking the question. I was just wondering, you had mentioned this on the call and you put in the slides in terms of your net cash position by the end of the year and then the possibility to take up the leverage as it goes on. I mean, can you maybe talk through, considering those comments, how you think about investment grade ratings and just your go-forward balance sheet, any kind of color you can give on that?

Hassan Badrawi

Yes, no, as we mentioned in our previous earnings call, we wanted to share with the market our thinking around the short-term target during the transition period where we have had a significant strategic review ongoing and now a current strategic review as well as a result of inbound interest, as we mentioned in our prepared statement. I think part of the message is that on a normalized basis going forward, this continued business would not operate with a lazy balance sheet. We would ought to return to a healthy leverage situation. As insofar as it relates to rating, we have a prudent financial policy that we have exercised for the past several years and will continue to approach our balance sheet in the same way.

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Obviously, all we can do is set a prudent financial policy, however, it's up to the rating agencies how they evaluate the changes that have resulted out of the strategic review and that may result in a future.

Arun Konkoth

Got it. If I could just follow up really quickly, do you anticipate maybe the push and pull between obviously debt coming down and the de-levering but also a lack of diversity maybe historically versus your product offering? How you may think about that playing into the ratings?

Hassan Badrawi

We lost you there for a few seconds. Do you want to repeat that?

Arun Konkoth

Oh, sorry. I was just checking how you thought maybe in terms of your conversations with the rating agencies, the de-leveraging would balance out the lack of diversity versus historical product offering. So just trying to see how in tune with the ratings you guys are and just the conversations there on that front.

Hassan Badrawi

Obviously, our modus operandi is to have quite a robust and active relationship with the rating agencies, always updating them on the progress of all our initiatives and our thinking regarding the balance sheet. You're right, there is a calibration that will take place in due course as we complete our strategic review and see where we land, that will have an impact on the parameters

of the business and it will be up to the rating agencies to make a determination based on that outcome and based on our announced policy how they see our balance sheet going forward. But at this point, I can't really share anymore around the discussion that we're having with the rating agencies.

Arun Konkoth

Okay, got it. Thank you very much.

Operator

Our next question comes from Angelina Glazova from JP Morgan. Your line is now open. Please go ahead.

Angelina Glazova

Good afternoon. Thank you for taking my question. I only have one on your U.S. methanol assets. You have provided quite a useful bridge on Slide 11 where you explain the progress towards the mid-cycle levels. And one of the points that you're pointing out that's effectively removing the impact from winter freeze would also allow for additional upside. And I just wanted to ask if you could clarify to what extent this is effectively in your control because we can also see that it obviously affects other companies, also your peers, just because of the weather conditions in general. And I just wanted maybe if you could give a bit more color to what extent you can actually minimize that and to what extent it will actually remain subject to external conditions? Thank you.

Ahmed El Hoshy

Yeah, thanks for that question. So as Hassam walked through kind of thinking about what happened during that first quarter, the winter freeze was just shown on an illustrated basis to add back to I think it was $15 million of EBITDA hit in Q1. Now the reason we're focusing on that is because at our sites we've been focused on winterization. These sites historically have been rated for weather conditions that are a bit warmer, but we've seen some very cold winters and this one was no exception in Q1 of this year. So we've actually started making investments and put in part of our CapEx plan winterization, which are basically providing excess heat in certain areas to get colds, prevent high freezing, etc., so that we can be able to run during these lower temperatures, which are often experienced with other plants in northern parts of the U.S., Canada, elsewhere.

So for us on a go forward basis, we do think it was out of our control in terms of the winter and it affected a lot of the U.S. Gulf Coast, but particularly for our OCI Beaumont plant, for example, which is a very small, compact site, we do see a path with being sent against the next few winters with kind of addressing some of those problem areas. And similarly, we're looking at the same with our Natgasoline plant. I think it's important to know that, and I think I mentioned it earlier, we are happy to see some of the initial fruits of our focus on manufacturing improvement. We still think there's work to be done, but without this winter freeze, our on-stream efficiency in OCI Beaumont Methanol would have been 95% for the quarter, for Ammonia would have been 98% for the quarter, and for Natgasoline, as I mentioned, would have been 99% for the quarter. If you were to exclude those outages related to the winter freeze, then our focus is to take them from out of our control to in our control with some of these investments.

Angelina Glazova

Thank you.

Operator

Our next question comes from Andrew Keches from Barclays. Your line is now open. Please proceed.

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Andrew Keches

Morning, thanks for taking the question. Just two clarification items in terms of how you plan to apply the proceeds. You mentioned you're marking a portion for fully funding the remaining Texas Blue CapEx. I know you spent, I think its $600 million, give or take thus far. Can you just give us an update and remind us how much is remaining on that project specifically?

Hassan Badrawi

I mean, what we've shared with the market so far is that the project is expected to be north of $1 billion. We haven't given any explicit guidance on the number yet for commercial reasons. It is true that at this point, as we stand today, it's close to $600 million have been spent on the project and progress is progressing quite well. We share pictures on the site of the site, every opportunity we get, as we're very proud of the progress that's being made there.

In terms of the allocation of proceeds, we've already committed to return capital to shareholders of at least $3 billion. We do believe there will be able to beat this number over time. Obviously, there will be a significant deleveraging of our balance sheets that will take place. But I think as we approach the close of the transactions, we will be able to give more explicit guidance on the exact allocation. But for now, we've given some directional guidance, which we think we hope is helpful.

Andrew Keches

Okay. Yeah, no, it's absolutely helpful. Just to follow up on that, with respect to, you've talked about significant deleveraging in a balance sheet, that much is clear, particularly on a net debt basis. You've also, I think, indicated there would be actual gross debt repayment, not just holding of cash. But maybe if I could frame this more philosophically, for what the RemainCo is, do you expect and intend to keep a level of debt outstanding on that entity?

Hassan Badrawi

For the transition queue, yeah, I mean, for the continuing basis on a sort of medium to long term, we do expect to maintain a healthy level of leverage. It is obviously a smaller business and with less diversity than our starting point pre the strategic review and the divestitures. So that will be also taken into consideration.

Andrew Keches

Okay, very helpful. I appreciate it.

Operator

Our next question comes from Sashank Lanka from Bank of America. Your line is now open, please go ahead.

Sashank Lanka

Thank you. I have two questions from my side. When I look at your CapEx guidance, you talk about maintenance CapEx of around $125 million. I'm just wondering, firstly, that's for continuing business and with the Blue Ammonia plant coming online next year, how should we be looking at that CapEx on a more normalized basis given the growth CapEx is going to obviously be zero next year, at least as of now for the Blue Ammonia project? That's the first question.

The second question is, you did see a significant improvement in volumes across all of your assets in Q1, notwithstanding all of the production outages due to the winter. So I'm just wondering, going forward on a normalized basis, how should we expect sequential pickup in volumes over the next three quarters? Thank you.

Hassan Badrawi

Yeah, in terms of guidance, I mean, the guidance is limited to 2024. So that figure of $125 million of maintenance relates to the current year. We don't really give forward, but I think that number, given Texas Blue is a 2025 start, we'll be able to give more guidance on the spending required on maintenance CapEx for the plant in a future period when we get to the commission. But as you know, brand new plants require significantly less maintenance CapEx than our existing portfolio or all those plants.

So I didn't catch the second part of your question.

Sashank Lanka

No, I just wanted to understand the potential for volume recovery sequentially over the next three quarters this year from your continuing business?

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Ahmed El Hoshy

Yeah, the volume recoveries are, okay, so I mean, we don't give guidance in terms of volumes. I think, as you know, we do have a turnaround happening in the second quarter for net gasoline, which will obviously affect volumes. But just stepping back as far as manufacturing is concerned, we do feel like we've turned a corner in terms of a lot of the equipment issues that have been addressed, including with this turnaround of net gasoline, we're addressing a few specific issues as well.

We've really revamped leadership across all our continuing sites, as well as even Iowa Fertilizer sites, because we do continue to benefit from those cash flows. We're encouraged with, for example, Iowa Fertilizer has been running since the extended turnaround last year in November, it's been running at a very healthy on stream rate. And we anticipate the same for Natgasoline when it comes out of this turnout.

When it comes from OCI Beaumont and OCI Nitrogen, similarly, there's been a big focus on bad actors, really prioritizing the right items at site on process safety and operational safety. So we're looking to target higher and higher output and utilization and better and better efficiencies. We've seen a lot of firsts here in the first half of this year in terms of some of the efficiency levels we've reached globally. And we want to continue to invest those over the coming quarters and years to come.

Sashank Lanka

Thank you. That was helpful.

Operator

[Operator Instructions] Our next question is a follow up from Aron Ceccarelli from Berenberg. Your line is now open. Please go ahead.

Aron Ceccarelli

Hi, thanks for taking a follow up. Just one on the BioMCN. Maybe can you provide an update on what, on BioMCN, what kind of gas price should we see, in order to see the plan with respect to the market? Thank you.

Ahmed El Hoshy

Yeah. So the gas price, I mean, as we were mentioning the last call, we were kind of approaching kind of levels that we can consider it, but all obviously you saw, TTF go up a bit in the last few months. So we're continuing to monitor and refine our kind of CapEx expectations in terms of what a restart can look like. We've also been looking and are encouraged by potential to run more and more on kind of a green feedstock basis, as the EU is awarding more projects for green hydrogen. So we continue to really like the bulk of the attractiveness of the optionality there.

We've seen some interesting numbers on the CapEx side to be able to kind of grow on a green feedstock where we have the advantage with all the infrastructure in place now to move that product. And we're having good discussions. So, you know, provide an update to the market as those continue. But we'd like to see a bit of a lower gas price than kind of that $9 an MMBtu level we're at today. Obviously, we do see Iran, as I was mentioning during the prepared remarks, start drawing a lot of methanol domestically for gasoline purposes and tighten the methanol market. That's something we could react quite quickly to and be able to generate in some, a bit amount of EBITDA in both grey and green basis initially, and then go to green over time and longer term, obviously well positioned for the Marine, [indiscernible] basis, because we're connected to Rotterdam Unibarge.

Aron Ceccarelli

Thank you.

Operator

Our next question comes from Stijn Demeester from ING. Your line is now open. Please proceed.

Stijn Demeester

Yes. Hi, good afternoon. Thank you for taking my questions. Two, if I may. First one is a clarification. Can you clarify your comments on the NPV of the gas hedging losses that you mentioned, that $135 million? And then specifically on the actual cash cost of $60 million you mentioned, is this the cost over the remaining period or simply for 2024? Then the second question is, you mentioned in the past that the IFCo sale was a competitive process with multiple bidders. I would like to know how important the factor potential antitrust issues were in selecting Koch as the final bidder. Yeah, that's it for me.

Hassan Badrawi

Maybe in the first on the, on the future value of the hedged losses, I can confirm that we were referring to the perimeter of the continuing business, which is circa $135 million, which does include Natgasoline. I believe in the last quarter we referred to a number that excluded Natgasoline. So for completeness, we've included it here. And as I mentioned during the prepared remarks of this, approximately $60 million is expected to be realized during the remainder of 2024, applying the current forward curve. So about just under half of that portfolio would basically run out in 2024. We also added, I also mentioned during the prepared remarks that overall of the $135 million due to the structure of these hedges, that the actual cash out or the cash impact on net debt in the future will be around under half of that, that number going forward. I hope that's clear.

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Stijn Demeester

Okay, understood.

Hassan Badrawi

Ahmed, on the evaluation?

Ahmed El Hoshy

Sure. Good question on the evaluation process. Obviously we can't go into detail on what the process entails. We took a number of considerations in terms of, you look at not just the price that is paid by the other party, but also the various terms associated with the sale and purchase agreement. So it is one of many considerations to go in there. We see that Koch as a counterparty made a very good one. It's a third player behind CF and Nutrien, so smaller than those players in the nitrogen market, which also includes players like CVR, LSB, Simplot, Advantech, Dyno Nobel, Dakota Gas, Yara, others.

So that coupled with the fact that it's a globally traded commodity and there's developed infrastructure for imports, meaning that we have to always compare and look at import parity where some of the factors there. But it's definitely, when you think about it from a totality of offer perspective, we're all in, it's an important consideration and not the only consideration, but it's an important consideration. And we felt, and Koch felt strongly about this being an adequate union with regards to the merger.

And one last thing I'd say is that Koch, you know, Iowa Fertilizers is mainly a UAN and DEF plant. It produces very little net ammonia and very little net urea in the local markets. And Koch is not a major player in either the UAN or the DEF space, particularly in the Midwest but throughout the United States.

Operator

[Operator Instructions] Our next question comes from Lisa De Neve from Morgan Stanley. Your line is now open. Please proceed.

Lisa De Neve

Hi again, and thank you for taking my question. Just a small one. On your strategic review, can you share whether you've received interest for the whole company on the continued basis or more interest for the separate assets, and so for methanol or for say nitrogen or for the blue ammonia plants? Thank you.

Ahmed El Hoshy

Lisa, even though I understand your question, all I can, all we can say at this point is what you've seen in the remarks that are prepared in the press release, that there's inbound interest on the continuing business. I can't really delve into the details of that at this time.

Lisa De Neve

Okay, thank you very much.

Operator

We have no further questions in the live Q&A call. I will hand back over to Sarah to go through the webcast questions. Thank you.

Sarah Rajani

Thank you. The majority of the questions on the webcast have actually been answered and we have one outstanding question from [Rutger Büchner], which is, how do you anticipate the pricing of blue ammonia once Texas becomes operational and how does this anticipated pricing compare to that of grey ammonia?

Ahmed El Hoshy

So, Rutger, I appreciate your question and, at OCI we don't provide pricing guidance even in the near term, let alone, a year out, and I think that what we can say kind of directionally is that, as we mentioned, we are a grey plant expected to start production next year and then it becomes blue in 2026 when the Exxon sequester the CO2 and the 45Q credits are generated. We see that from a grey perspective, you have to have a view on where the grey ammonia markets are at and how they look. And we've talked through, how much additional supply is coming over the next few years versus the demand and the demand recovery.

Starting '26, when Carbon Border Adjustment Mechanism is in place, I think that's a good one where you can kind of take a forward curve look at CO2 as that's implemented over time and over the course of the subsequent few years that will have more and more effect on passing through that higher CO2 price for importers and domestic European producers that are going to have less free allowances and that's something that we look to take advantage of as a blue ammonia producer into the European markets.

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I think the incentives in the East Asian markets will also be a telltale sign as well as what the supply and demand suggests. Currently, from a supply and demand perspective, as I mentioned, we are the only one under construction globally that is blue by all global standards and so we hope that that kind of scarcity value will incentivize not just a good and adequate pricing and returns to the product we're selling, but also it can incentivize more supply and demand over time as we develop this market for new uses.

Sarah Rajani

There are no further questions on the webcast.

Operator

There are still no further questions on the live Q&A, so I'll hand back over to Ahmed El Hoshy to close the call.

Ahmed El Hoshy

Thank you. Thanks everyone for joining the call. Good questions and looking forward to our next discussion.

Operator

That concludes today's call. You may now disconnect your line.

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