PFI ENERGY FINANCE BRIEFING

TOP 15 ENERGY ECM 2012

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	UBS	6	556.86	14.0
2	JP Morgan	4	456.96	11.5
3	Goldman Sachs	2	407.92	10.2
4	Deutsche Bank	3	395.84	9.9
5	BBVA	1	346.80	8.7
6	RBC Capital Markets	5	284.00	7.1
7	BofA Merrill Lynch	4	206.20	5.2
8	Wells Fargo & Co	5	164.63	4.1
9	BMO Capital Markets	1	147.73	3.7
10	Barclays Capital	4	143.95	3.6
11	Credit Suisse	2	119.59	3.0
12	Raymond James Financial	3	116.28	2.9
13	Citigroup	3	115.59	2.9
14	Renaissance Capital	1	83.76	2.1
=14	Mirabaud Securities	1	83.76	2.1
	Total	**18**	**3,989.46**	

TOP 15 ENERGY M&A 2012

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	JP Morgan	4	9,438.48	49.4
2	Barclays Capital	2	6,030.11	31.6
3	Citigroup	2	6,005.79	31.4
4	Credit Suisse	2	3,912.60	20.5
5	Deutsche Bank	2	2,867.45	15.0
6	Goldman Sachs	1	2,008.87	10.5
=6	Danske Markets	1	2,008.87	10.5
8	RBC Capital Markets	4	969.36	5.1
9	ING	1	858.58	4.5
10	Rothschild	2	795.25	4.2
11	Tudor Pickering & Co LLC	2	733.00	3.8
12	Handelsbanken CM	1	506.66	2.7
13	Wilson HTM	1	428.36	2.2
=13	BofA Merrill Lynch	1	428.36	2.2
15	Cenkos Securities	1	288.59	1.5
	Total	**80**	**19,111.65**	

Top story

CHENIERE ENERGY plans to invest US$2.6bn of its Ebitda in the US$10bn, 14mtpa Sabine Pass Liquefaction project, the group said. The LNG-focused oil and gas company said the US$3bn debt portion of the project financing of the first two trains would pay a margin of about Libor plus 300bp.

The first two trains (phase one of the project) are expected to cost US$4.5bn–$5bn, funded by US$3bn debt financing, US$1.2bn Ebitda and equity in the form of common units, subordinated units, and LNG shares. "Issuing subordinated units is most likely," Cheniere said. The third and fourth trains (phase 2 of the project) would be financed by US$1.4bn Ebitda, an undisclosed portion of debt and an optional equity issue, the group said.

In December Cheniere Energy told PFI Energy Finance it was in talks with about seven banks to secure US$5bn in equity and debt financing for the first two trains of the project, with a decision expected by the end of Q1 2012. Indian banks are showing interest in participating, due to GAIL of India's deal to buy 3.5mtpa of LNG from Sabine Pass. The loans were expected to be seven to 10 years.

Cheniere has already contracted out 7.5mtpa capacity on the first two trains, in the form of a 20-year, seven mtpa sale-and-purchase agreement with Gas Natural Fenosa (3.5mtpa) and BG Group (3.5mtpa).

M&A

Belgian transmissions services operator FLUXYS sold a portion of its 46% stake in the Transitgas pipeline to former rival bidder GLOBAL INFRASTRUCTURE PARTNERS. The latter is purchasing a 44.9% stake in FLUXSWISS, Fluxy's 100%-owned Swiss operation, which itself has a 46% stake in Transitgas.

Last year Fluxys and GIP were rival bidders for ENI's gas transmission asset in Germany and Switzerland. Fluxys won with a SFr1.04bn project financing signed by a banking syndicate consisting of *Banca IMI, BayernLB, BNP Paribas, Crédit Agricole, ING, UBS and UniCredit Helaba, LBBW, BTMU, Credit Suisse* and *Zürcher Kantonalbank*. Given the original SFr1.04bn consideration paid by Fluxys, Thursday's stake sale would be worth about SFr250m.

Bonds

Canada's PETROBAKKEN is carrying out around US$1bn of refinancing to repurchase a chunk of its existing convertible bonds. The oil and gas explorer is offering to buy up to US$450m of its US$750m 3.125% senior unsecured convertible bond issue, in an attempt to avoid issuing shares to pay off investors should the 2016 convertible bonds' put option be exercised in 2013.

To this end, Petrobakken is making a US$750m private placement offering of notes due 2020 via *BofA Merrill* and *Credit Suisse* as joint bookrunners. The deal, expected to price next week, will pay for the US$450m bond repurchase, with the remainder paying off a portion of the US$1.2bn borrowings under the group's revolving credit facility.

Moody's has assigned the offering Caa1 due to Petrobakken's high level of debt, and the expectation that the put option will be exercised.

In addition, Petrobakken has requested for its credit facility to be increased by US$150m to US$1.5bn, to provide extra liquidity. It has also entered into an agreement with an unnamed buyer to sell its 2.2% interest in the southeast Saskatchewan Weyburn unit for US$105m. The assets include 580boepd of production, and sit in Petrobakken's portfolio alongside assets in Alberta and in British Colombia.

"If the put is exercised," Moody's said, "the remaining revolver availability would drop to about C$160m without asset sales."

Canada's WESTERN ENERGY SERVICES launched a new issue of C$125m, seven-year senior unsecured notes at a guidance of 8%, to price later this week. *RBC Capital Markets* is lead manager and bookrunner. Co-managers are *HSBC, Altacorp* and *GMP*. The firm operates 43 rigs, 38 in Canada and five in the US and is constructing four fit-for-purpose telescopic EL double drilling rigs. It exited 2011 with a rig utilisation rate of 79%, versus the industry average of 61%.

Equities

NORDIC AMERICAN TANKERS is issuing 5.5m shares to fund vessel acquisitions, after an improvement in its average cargo spot rates between Q3 and Q4 of 2011. Average rates over Q3 2011 were US$8,000 per day but Nordic American Tankers expects this to average out at US$11,000 over Q4. An expectation that this might increase to US$20,000 per day over Q1 2012 has made equity financing possible at a time where the capital markets have been more or less shut to the shipping industry.

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The group's last equity market tap was a US$4.6m share placement in January 2010, when shares were about US$30. The group's closing share price on January 18 was US$15.57, suggesting a capital-raising worth about US$85.5m. *Morgan Stanley* is acting as the bookrunning manager for the offering and *DNB Markets* and *FBR* are acting as co-managers.

The US's RENEWABLE ENERGY GROUP priced its 7.2m share IPO at US$10 per share, somewhat below its expected range of US$13–US$15. The company has also granted the underwriters an option to buy about 1m additional shares. *UBS Securities LLC* and *Piper Jaffray & Co* are the joint bookrunning managers for the offering.

Acquisition-focused US oil and gas company VANGUARD is raising US$106.4m through the sale of 7.1m common units to a group of underwriters. *Wells Fargo Securities, Citigroup, BofA Merrill, BarCap, UBS Investment Bank* and *RBC Capital Markets* will act as joint bookrunning managers for the offering.

Loans

AFRICA RENEWABLES secured a US$5m, two-tranche loan from *StanChart* to finance its biomass export project, and was seeking US$30m debt and equity financing in order to expand, chief operating officer Sonia Medina told PFI Energy Finance. The loan is secured against a five-year supply agreement with Danish utility VERDO for the supply of the project's entire woodchip production.

A US$3m, 42-month tranche will be spent on developing land and storage space for the project, and the remaining US$2m is available under a 364-day revolving credit facility. Medina said that Africa Renewables would consider approaching StanChart to secure US$30m debt-and-equity financing to expand its project, currently in Ghana, to the rest of West Africa.

Projects

Australia's NEXUS ENERGY signed a heads of agreement with SHELL and OSAKA GAS to develop its Crux gas asset and to use some of the gas production to supply Shell's Prelude Floating LNG project. Under the terms of the proposed joint venture agreement, Shell will become operator of the Crux asset, holding an 80% interest, Nexus will take 17% and Osaka Gas will reduce its existing15% stake down to 3%.

Nexus will also have the option to sell 2% of its participating interest to Shell for A$75m. In 2010, Nexus agreed to sell Shell the rights to purchase gas from the asset. The joint venture will allow the asset to be developed as a liquids stripping project and as a gas producing asset.

2011 energy sector M&A up 3% to US$500bn

Announced energy sector M&A activity rose 3% to US$497.1bn between 2010 and 2011, marking the most active year for energy M&A since 2007's US$564.3bn. Of the total, US$392bn worth of energy sector acquisitions reached completion, a 2% increase on the 2010. This activity generated US$4.7bn in advisory fees for the banks involved, according to Thomson Reuters/Freeman Consulting data.

The Americas accounted for US$305.2bn or 61.4% of announced energy acquisitions by value, up 8% on 2010. The largest announced deal was the US$36.2bn acquisition of Houston-based gas transmission pipeline operator EL PASO CORP by KINDER MORGAN. In terms of deals that reached completion, the Americas was home to US$204.9bn (generating fee revenue of US$2.8bn) or 52.3% of 2011's completed transactions, down both in terms of deal value and market share on the US$260.5bn of completed M&A (67.8% of the global total) accounted for in 2010.

The largest completed transaction in the region for 2011 was the US$16.4bn spin off of Houston-based MARATHON OIL's downstream businesses.

EMEA accounted for US$144.4bn or 39.1% of announced deal value, which showed no growth from 2010. However, completed transactions in EMEA were up 70% year on year. The largest announced deal was the US$7bn acquisition of Madrid-based oil company CIA ESPANOLA DE PETROLEOS by Arab Emirates state-owned INTERNATIONAL PETROLEUM INVESTMENT CO (IPIC). The largest completed transaction in EMEA and globally was the merger of INTERNATIONAL POWER and GDF SUEZ, valued at US$25bn.

Announced M&A in the Asia-Pacific including Japan fell 13.7% year on year to US$47.45. 2011 also witnessed US$49.8bn worth of M&A deals reach completion (up 15% on the previous year) with advisers estimated to have pocketed US$468.5m in fees. The largest announced and completed deal involving an Asian target for 2011 was the US$9bn acquisition of a 30% stake in Mumbai-based oil and gas exploration and production company RELIANCE INDUSTRIES by BP.

Yesterday PFI Energy Finance Briefing January 18 stated that "LNG vessels are now being chartered for as much as US$240,000 per day". It should have read "US$140,000 per day". Harry Theochari's name was spellt incorrectly.