



LNG Project Financing

The APGAS FORUM

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TAYLOR-DEJONGH

Taylor-DeJongh Competitive Position

Global By Value

Rank	Firm
1	Taylor-DeJongh
2	PWC
3	KPMG
4	Macquarie Bank
5	UBS Investment Bank

Oil and Gas By Value

Rank	Firm
1	SG
2	Taylor-DeJongh
3	ABN AMRO
4	Macquarie Bank
5	Investec

Middle East & Africa by Number

Rank	Firm
1	Taylor-DeJongh
2	SG
3	ING Bank
4	BNP Paribas
5	Investec

Power by Value

Rank	Firm
1	Taylor-DeJongh
2	Macquarie Bank
3	Citigroup
4	BNP Paribas
5	ABN AMRO

Source: *Infrastructure Journal* League Tables, Mid Year 2004

Taylor-DeJongh LNG Experience

Atlantic Basin

Qatargas II LNG Qatar




FA to Lenders
US\$5 bn

Equatorial Guinea LNG



FA to Sponsors
US\$1.7 bn

Sonatrach, Skika Trains 4,5,6 Algeria



FA for Sponsors
US\$250 mm

Atlantic LNG Train 1 Trinidad



FA to Sponsor
US\$1 bn

Pacific Basin

Alaska LNG and Pipeline USA




FA to State
US\$12 bn

RasGas LNG Train 3 Qatar



FA to Sponsors
US\$1.4 bn

Jamaica LNG Jamaica



FA to Sponsor
US\$600 mm

Tambeyneftegaz Russia



FA to Sponsor
Confidential

Angola LNG Angola



Acting for Project Company
US\$1.5 bn

Qatargas Upstream LNG Qatar



FA to Lenders
US\$600 mm

\$25 billion in total LNG advisory experience

LNG Project Financing

- LNG is a capital intensive business:

	Capex Range
Exploration and Production	\$1 – \$3 bn
Liquefaction	\$1.5 – \$4 bn
Shipping	\$2 - \$4 bn
Regasification and Storage	\$0.4 - \$0.8 bn
Total	~\$5 - \$12 bn

- Balance sheet constraints and capital considerations create demand for project financing

Traditional Project Structure

- Upstream and downstream segments historically financed by separate investment groups
- Upstream:
 - NOCs concentrate on upstream development and transport
 - IOCs focus on liquefaction
 - PSA versus Sale of Gas to plant
- Downstream:
 - Dedicated supply source
 - Creditworthy utilities (high investment grade)
- Nature of the Offtake Contract:
 - FOB plant
 - Take-or-pay
 - Oil-indexed pricing
 - Floor price
 - Back-to-back liability clauses minimize residual risk at terminal
 - Long-term (20 years)

Evolving Project Structures

- Integration of value chain
 - Upstream sponsors are moving down the value chain and offtakers are investing upstream.
 - Netback structures.
 - But, still, separate financing of liquefaction, shipping, and regasification.
- Nature of Offtake Contracts
 - Project lenders willing to take market price risk.
 - Volume commitment by creditworthy buyer is still required. No credit for spot sales.
 - Financing process begun on the basis of LOI/HOAs instead of “termed” GSPAs.

Lenders' Perspectives

- Lenders primary concern will be:
 - Level of **upstream risk** borne by the project (reserve and field development)
 - Level of **completion risk** on the LNG liquefaction plant
 - Level of project **operating risk**
 - LNG **transportation** arrangements
 - Degree of **market risk** carried by project company
 - **Security package**
- Despite evolving market, lenders still require:
 - Completion undertakings.
 - Security package – strong, enforceable.
 - Offshore accounts
 - Debt service reserve accounts
 - Low “breakeven” LNG price
 - Long-term offtake commitments and market access

Borrowers' Perspectives

- Integration of the value chain
- Sellers
 - Reserve uncontracted portion of train production.
- Shipping
 - Project sponsors seek control over shipping to maximise marketing flexibility.
- Buyer Flexibility
 - Destination flex; seasonal swaps.
 - Quantity flexibility
 - Emergence of Aggregator buyers

Conclusion

- We are in the midst of the evolution of LNG from minor niche, point-to-point energy trade, to a globalized business.
- Suppliers have multiple liquefaction plants with considerable optionality:
 - Within Atlantic Basin
 - Within Pacific Basin
 - And even, from Qatar and Oman, between Atlantic and Pacific Basins.
- The evolving commercial realities and flexibilities are driving new flexibilities in lender risk profiles.



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