African Sponsor of the Year 2013: Total

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Most global oil majors are stepping back from renewable power development. Shell and BP, early enthusiasts for wind, are no longer active sponsors, while ExxonMobil has always preferred to stick to hydrocarbons. But French major Total spent 2013 funding on the largest project financing ever, for an LNG project offshore Australia, closing on a reserves-based financing for its Gabonese upstream assets and developing new solar photovoltaic capacity in Chile and South Africa.

Total agreed in April 2011 to make an investment in US-listed solar photovoltaic panel manufacturer SunPower, and now owns a 66% stake. SunPower took an early lead in developing projects that would feature its panels, and has sold projects to MidAmerican Energy, DE Shaw, and Enlight Corporation.

As is typical for oil majors, the outlay on these ventures is a fraction of the capital it directs towards its core business. The Enlight sale, of Israeli PV assets, brought in around $43 million in proceeds, while the Ichthys LNG project, which funded on its $20 billion debt financing early in 2013, and of which Total owns 30%, has a cost of $34 billion.

Total is especially prominent in Africa, which hosts several promising deposits for operators with enough tolerance for emerging markets risk. It owns a 58% stake in Total Gabon, one of Gabons largest oil producers, while the Republic of Gabon has 25% stake, and the balance is listed on Euronext Paris. In 2013 Total Gabon closed a $350 million revolver to help strengthen its liquidity position. In Uganda, Total has been active upstream since 2012, when it acquired a third of four licences from Tullow, and operates the EA-1 and EA-1A license. It has been a petrol retailer in Uganda since 1955.

Total Gabon represents 23% of Gabons existing oil production in the country, and 80% of oil discoveries to date. Its portfolio consists of 23 producing oil fields (12 offshore and 11 onshore), with overall reserves estimated at 210 million barrels and an average gross daily production of 56,000 barrels per day.

In June 2013, Total Gabon closed a three-year revolver that built on its experience in 2008 of closing a $600 million eight-year financing in the country. The new deal provides the borrower with additional liquidity in the event that low oil prices reduce the availability of operating revenues to fund capital expenditure. This expenditure includes the redevelopment of the mature Anguille oil field, located 20km off of Port Gentil, and the refurbishment of existing facilities.

The deals covenant package has features in common with project finance deal, including a long draw-down schedule and detailed due diligence, and also features a pledge of receivables under the borrowers offtake agreement. It even features a covenant linked to reserves, though with its limited restrictions on distributions and focus on financial covenants, it most closely resembles a corporate deal.

French banks figured prominently in the US-dollar denominated deal, though local banks also features. Mandated lead arrangers Societe Generale (SG), Natixis, Crédit Agricole, BNP Paribas, Standard Chartered, SMBC, BGFI and Union Gabonaise de Banque closed the oversubscribed deal four months after Total Gabon went out to lenders for proposals. The oversubscription allowed Total Gabon to tighten the deals (undisclosed) pricing, which was already favourable. SG was financial adviser to the sponsor, Natixis the agent on the deal, Crédit Agricole the security agent. Allen & Overy was legal adviser to Total Gabon.

The 2008 deal for its Anguille field was also structured as a hybrid corporate financing, and is, after Addax Petroleums $1.5 billion revolver, the second-largest energy financing ever in Gabon. But Total Gabons eight-year tenor was longer than the Addax deal, and was longer than most upstream financings in emerging markets.

SunPowers recent success in South Africa highlights the benefits that developers with deep-pocketed parents can reap in competitive. Total was one of the only existing sponsors in South Africas Renewable Energy Independent Power Producer Programme (REIPPP) to win contracts in the countrys highly competitive third round. Total, Mainstream Renewables and Enel were among the winners in the third round, which rolled out in 2013. Most of the preferred bids were structured with on-balance sheet financing rather than using non-recourse debt, which enabled those sponsors to submit lower tariffs.

Outside of Africa in 2013, Total pushed forward with renewables in Chile. In December 2013, Total and Etrion closed financing for the $200 million 70MW Salvador solar PV project in Chiles Atacama region. The Overseas Private Investment Corporation (Opic) provided about $140 million in debt as a 19.5-year fully amortising non-recourse loan. Total owns 20% of the project.

In the US, SunPower developed the 579MW Solar Star projects, which it sold to MidAmerican Solar, a subsidiary of Berkshire Hathaway, in December 2012. SunPower is still Solar Stars builder and operator, and is supplying the plant with its mono-crystalline silicon PV modules. The Solar Star projects were also the subject of the largest ever bond financing for a plant using SunPower technology.

Total has also been adept in exploiting bank and sponsor interest in slower growing but stable infrastructure assets. In late July it sold transmission and storage operator Transport et Infrastructures Gaz France to a consortium of Snam, EDF and Singapores GIC. Total brought in Eu2.4 billion ($3.2 billion) from the sale, which closed in late July 2013.

Total has also agreed to buy a 10% stake in the Trans-Adriatic Pipeline, alongside BP, Socar and Fluxys. The 870km pipeline runs from the Greece-Turkey border, through Greece and Albania and across the Adriatic, to Italy. SG is advising the sponsors on the financing of the 1.5 billion pipeline, which may land on lenders desks in 2014.