

Middle Eastern Oil & Gas Deal of the year 2013: Fujairah Oil Terminal

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The financing for the \$360 million Fujairah oil terminal project was not an easy deal to execute, given its political and commercial risks. But closing the terminals long-dated debt package was testament to the sponsors capabilities and the projects importance in improving regional energy supply and security.

The terminal will have a total storage capacity of 1,155,000 cubic metres, and consist of eight tanks with a total capacity of 569,000m³ for crude oil and fuel oil, four tanks with a total capacity of 164,000m³ for fuel only, six tanks with a total capacity of 152,000m³ for diesel and 14 tanks with a total storage capacity of 270,000m³ for petrol and naphtha.

The facility is located next to Fujairah Port and is part of a much larger series of oil & gas infrastructure developments that will allow cargoes to bypass the Strait of Hormuz and improve security of energy supply in the region. The state-owned port is the second largest bunkering port anywhere in the world and the new terminal will provide loading and offloading services to partially laden very large crude carriers.

The project is located close to several onshore bunkering activities, including several refineries, and at one end of the new Abu Dhabi crude oil pipeline, being Abu Dhabis government-owned International Petroleum Investment Company is developing.

Singapore-based commodity trader Concord Energy was originally the sole sponsor of the project and had already issued a preliminary information notice to potential lenders before selling down some of the projects equity equity. But the financing process only really started in earnest after Sinomart, a subsidiary of China Petrochemical Corporation, paid \$25 million for a 50% stake in the terminal project in January 2012.

The lenders are understood to have been wary about Concord Energys credit, not to mention the backdrop of negotiations between the UN and Iran over Irans nuclear programme. Sinomarts involvement in the project perked up lenders appreciably, because it promised a higher quality credit on the offtake, storage and operations & maintenance contracts.

The sponsors are sharing capacity at the terminal equally and have signed 10-year fully contracted take-or-pay agreements that include a floor price to limit price volatility. The offtake agreements recognise that while the project might be able to operate profitably under a more varied mix of shorter-term contracts, the sponsors do not have a track record of operating and marketing such a facility in the Middle East.

The offtake contracts still give Sinomart and Concord the flexibility to sell part of the capacity to market as long as the buyers meet lenders minimum credit rating requirements, and purchase capacity at a minimum price. If the sponsors can attract interest from oil majors in the

Fujairah Oil Terminal FZC
STATUS
Signed 28 December 2012,
closed 13 February 2013
SIZE
\$360 million
DESCRIPTION
New 1.155 million m³ oil
storage facilities in Fujairah,
UAE
SPONSORS
Concord Energy (50%),
Sinomart (50%)
MANDATED LEAD
ARRANGERS
BTMU (modeling bank,
market analysis bank), Credit
Agricole (documentation
agent, offshore account bank,
offshore security trustee),
First Gulf Bank (onshore
account bank, onshore
security agent), Maybank,
National Bank of Fujairah,
Natixis (insurance bank,
technical bank, hedging
coordinator)
SPONSORS FINANCIAL
ADVISER
PwC
SPONSORS LEGAL ADVISERS
Ashurst, Hadeef & Partners
(local)
LENDERS LEGAL ADVISER
Hogan Lovells Lee & Lee
EPC CONTRACTORS LEGAL
ADVISER
Trowers & Hamlins
LENDERS INSURANCE
ADVISER
Jardine Lloyd Thompson
LENDERS TECHNICAL
CONSULTANT

terminal, then any refinancing is likely to be a much more straightforward affair.

Mott MacDonald

The sponsors signed the deal in December 2012 and closed the financing in February 2013.

LENDERS MARKET
CONSULTANT

The \$252 million in 10-year project debt came from a club of six banks: BTMU, Credit Agricole, First Gulf Bank, Maybank, National Bank of Fujairah and Natixis. The sponsors put up \$108 million in equity and contingent equity.

Wood Mackenzie
LENDERS ENVIRONMENTAL
CONSULTANT

Credit Agricole led the transaction as documentation agent, and was also offshore account bank and offshore security trustee. BTMU was modeling bank and market analysis bank, First Gulf Bank was onshore account bank and onshore security agent, and Natixis acted as insurance bank, technical bank and hedging bank.

MUC Oil & Gas Engineering
MODEL AUDITOR
Ernst & Young
EPC CONTRACTOR
Rotary Engineering

The pricing on the debt is rumoured to start at 300bp over Libor, and includes step-ups to encourage an early refinancing. The sponsors are likely to refinance once the project has established an operational track record.

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