

# Acquisition of North Sea Midstream Partners, UK

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The acquisition of North Sea Midstream Partners (NSMP) was a major win for Kuwait sovereign international investor Wren House Infrastructure Management, and followed a competitive auction process in which bidders leapt to pre-empt the binding offer deadline by around a week. The final four bidders were a mix of US-based heavyweight infrastructure fund managers and international sovereign wealth funds.

## NSMP portfolio

US-based energy infrastructure fund manager ArcLight Capital Partners built up the NSMP portfolio in two transactions.

Firstly, ArcLight bought the [Teeside gas processing plant](#) (TGPP) and its management team in 2015. Located at Seal Sands in the north east of England, the TGPP comprises two natural gas processing trains with capacity of up to 675 million cubic feet of gas per day.

Then in 2015, NSMP acquired [three North Sea midstream projects](#) from Total E&P UK for £585 million (\$765 million). The assets comprised:

- St Fergus gas reception and processing facilities in north east Scotland
- 362km Frigg UK pipeline (FUKA) delivering gas to the St Fergus terminal
- 67% operated interest in the 234km Shetland Islands Regional Gas Export System (SIRGES)

TGPP receives gas from the Central North Sea via the Wood-operated CATS midstream system, and from the INEOS-operated Breagh field in the Southern North Sea. The FUKA system serves fields in the Northern North Sea, West of Shetlands and Outer Moray Firth and Norwegian North Sea, while the SIRGE pipeline runs from the Total-operated Shetland gas plant to a sub-sea tie-in on the FUKA Pipeline.

Day-to-day operations of NSMP's pipelines and terminals are managed by px Group.

The portfolio of assets is of great national significance as it processes around 25% of the UK's natural gas.

Dan Revers, ArcLight's founder, said at the time of the sale to Wren House: "NSMP was the first platform to bring the independent midstream model developed in the US to the UK North Sea."

## The auction

Sources have said that ArcLight received four final binding bids for NSMP – a competitive result. The eagerness of the field of bidders was higher than usual in the lead-up to the submission deadline – with one bidder putting in their final offer roughly one week ahead of the deadline, and the others racing to pre-empt it by a few days.

The deal had signed by 23 July (2018), the deadline.

Final bidders comprised:

- Government of Singapore Investment Corporation (GIC)
- JP Morgan Asset Management
- KKR and BlackRock consortium
- Wren House

GIC was alone at submission, *IJGlobal* has learnt. There had been rumours that Partners Group was in a team with the sovereign wealth fund.

### Debt financing

The rumoured enterprise valuation paid for NSMP was around £1.2-1.3 billion, though Wren House has declined to comment.

The acquisition completed on 24 September, with debt syndication wrapping up a few days later.

The debt financing breaks down as:

- roughly £700 million acquisition loan
- £50 million revolving facility
- £20 million revolving facility

Loan tenor is seven years.

*IJGlobal* reported in July that the debt was heavily [oversubscribed](#) with some 23 banks looking to be involved in the deal.

Underwriters on the deal, supporting Wren House's bid in the auction, included:

- ABN Amro
- Crédit Agricole
- HSBC
- MUFG
- Santander – agent
- Société Générale
- SMBC

An additional five lenders joined through the syndication process:

- CIBC
- Lloyds
- Mediobanca
- RBS
- Wells Fargo

*IJGlobal* data records a [refinancing](#) of NSMP debt in February 2017. NSMP raised £552 million with a five-year tenor from a syndicate of 18 lenders.

### Good news

In some excellent post-acquisition news for Wren House, Total announced a "major" North Sea gas discovery on the same day as the transaction closed (24 September).

Total revealed that it had made the discovery on the Total-operated Glendronach prospect located offshore UK West of

Shetland.

The company said: "Preliminary tests confirm good reservoir quality, permeability and well production deliverability, with recoverable resources estimated at about one trillion cubic feet." Total also said the discovery could be commercialised quickly and at low cost by utilising the existing Laggan-Tomore infrastructure.

A Total-operated pipeline transports from Laggan-Tomore to the Shetland gas plant, from where gas is transported using NSMP pipelines to NSMP's St Fergus gas terminal.

Then in more positive news for NSMP, on 4 October the Teesside gas processing plant won the contract to process gas from BP and Ithaca Energy's Vorlich field when it starts up in 2020.

Meanwhile, *IJGlobal* reported in July (2018) that Wren House's parent – [Kuwait Investment Authority](#) (KIA) – had indicated that it would hand "billions" more to the manager. KIA committed \$5 billion capital for Wren House to invest at its launch in 2013, and Wren House is understood to have deployed more than \$4 billion even before its purchase of NSMP.

## Advisers

Advisers to Wren House on the NSMP acquisition were:

- Slaughter & May – legal
- Jefferies – financial, M&A
- Macquarie Capital – financial, debt
- Xodus – technical
- IHS Markit – commercial
- Marsh – insurance
- PwC – accounting/tax and management incentive package

Advisers to ArLight were:

- Bank of America Merrill Lynch – financial
- Freshfields Bruckhaus Deringer – legal
- DNV GL – technical and environmental

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