



POTEN LNG OPINION

Poten 2015 Ranking – Top LNG Project Finance Lenders

Japanese banks topped the list of Poten's 2015 LNG project finance lenders, with MUFG, Mizuho and Sumitomo Mitsui Banking Corp taking first, second and third place respectively. Japanese lenders occupied five of the top ten slots, with the other places going to European banks. The Netherlands' ING came in at number four, and French banks were well represented: Societe Generale was at five; Credit Agricole at seven; and Natixis at nine. The UK's HSBC rounded out the European group in sixth place. A total of 48 lenders from 15 countries provided most of the LNG project finance funds in 2014 (see Poten Top LNG Lenders table).

Japanese banks provided over \$5 billion to LNG projects or 43% of the \$12 billion of total lending in 2014. This amount, which came from 11 Japanese lenders, jumps by a significant \$6 billion once direct lending from the country's export credit agency (ECA), the Japanese Bank for International Cooperation (JBIC) is included (see Trade Finance, ECAs and Insurance section for the ECA and multilateral lender ranking). The strong support for the US projects from Japanese financiers is due to the considerable presence of the country's companies as equity partners and offtakers/tolling capacity holders and construction contractors on the US schemes.

European banks were close behind Japanese banks with a total contribution to 2014 LNG project financing of \$4.8 billion, but this was provided by a larger group of lenders – they numbered 20. Non-Japanese Asian banks, which included lenders from Australia, Singapore, South Korea and China, provided \$880 million. Despite the US hosting the two biggest project financings of 2014, only \$780 million came from US lenders and \$510 million from Canadian lenders.

Some non-bank lenders made it into the ranking, including GE Capital, which is the financial services unit of US conglomerate GE, and also institutional lenders, including insurance companies Metropolitan Life from the US and QBE Insurance from Australia. These investors supplied funds to US liquefaction projects as they were driven to seek yield in transactions outside their usual sectors as a result of the currently low interest rate environment.

Some larger lenders appeared lower down the list than expected. French bank BNP Paribas remained a large project finance lender last year, globally, and in the US despite having to pay a fine for contravening US sanctions, but it did not supply particularly large amounts of funding to LNG projects. However, as one of the 20-plus banks that have signed up to participate in the financing for Cheniere's Corpus Christi LNG, BNP Paribas will move up the ranking in 2015. Meanwhile, the presence of a handful of US investment banks in the rankings is an indication that they are expecting projects to issue bonds and are eager to act as book runners if the paper goes to market.

Poten Top LNG Lenders

Rank	Financier	Financier's Main Location	Amount \$ millions
1	The Bank of Tokyo-Mitsubishi UFJ, Ltd	Japan	1,583
2	Mizuho	Japan	1,203
3	Sumitomo Mitsui Banking Corp	Japan	1,072
4	ING	Netherlands	789
5	Societe Generale	France	547
6	HSBC	UK	475
7	Credit Agricole	France	460
8	Sumitomo Mitsui Trust Bank, Ltd	Japan	361
9	Natixis	France	342
10	Mitsubishi UFJ Trust and Banking Corp	Japan	311
Subtotal			7,143
11	Standard Chartered	UK	275
11	Lloyds	UK	275
13	Commonwealth Bank of Australia	Australia	237
14	BBVA	Spain	229
14	Deutsche Bank	Germany	229
16	Citi	US	222
17	Goldman Sachs	US	203
17	RBS	UK	203
17	Shinsei Bank	Japan	203
20	Credit Suisse	Switzerland	189
20	Bank of Nova Scotia	Canada	189
22	Norinchukin Bank	Japan	176
23	Oversea Chinese Banking Corp	Singapore	172
23	DBS Bank	Singapore	172
25	Santander	Spain	160
26	Royal Bank of Canada	Canada	153
26	Intesa Sanpaolo	Italy	153
28	GE Capital	US	150
29	Met Life	US	134
30	Aozora Bank	Japan	100
30	Shinkin Central Bank	Japan	100
32	Korea Exchange Bank	South Korea	95
32	Nonghyup Bank	South Korea	95
32	Unicredit	Italy	95
35	Barclays	UK	85
35	Canadian Imperial Bank of Commerce	Canada	85
35	Industrial & Commercial Bank Of China	China	85
35	Bank of Montreal	Canada	85
39	Bayerische Landesbank	Germany	75
39	Credit Industriel et Commercial	France	75
39	DNB Capital	Norway	75
39	Helaba	Germany	75
39	JP Morgan Chase	US	75
44	ANZ	Australia	60
45	Chiba Bank	Japan	50
45	Shizuoka Bank	Japan	50
47	BNP Paribas	France	27
48	QBE Insurance	Australia	25
TOTAL			12,279

Footnotes

Includes participation in LNG project financings that closed in 2014 on projects with a total value of \$50 million or more.

Rankings include liquefaction projects and ship or FSRU financings that are structured as non- and limited-recourse financings.

Includes loans that are both uncovered and covered by export credit agencies.

Does not include amounts taken by participants in the secondary market.

Best efforts are made to provide accurate information. Some figures are Poten estimates.

Rankings are for comparative purposes and are not intended to be comprehensive.

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The 2015 ranking does not tell the whole story and could have looked very different if banks had seen their funding proposals fully implemented for each project. On the US deals many of the larger project finance banks wanted to supply a greater chunk of the funding. Some requested “tickets” of as much as \$1 billion. But the financings came in heavily oversubscribed and most of the lenders saw their proposed levels scaled back.

A large chunk of the total funds provided to 2014 LNG project financings came in at low pricing ranging from around 110 basis points (bps) over the London interbank offered rate (Libor) to around 225 bps over Libor. The lower end of the spectrum reflects pricing for funds provided by banks but insured by ECAs. The large line up of financiers and the lean pricing shows that lender appetite remains strong. The main appeal of LNG projects to lenders are long-term take-or-pay contracts or tolling contracts with investment grade counterparties, which allow for payback across the long loan tenors that characterize project finance.

From the way the US deals are shaping up, this appetite appears to have spilled over into 2015 (see US story below). Many banks had been expecting higher lending to LNG projects in 2014, with some of the bigger European lenders especially eager to supply funds to Russia’s \$27-billion Yamal LNG project. But Yamal LNG’s project financing was slowed by US and EU sanctions against Russia and Yamal’s sponsors failed to make an official approach to banks for funds in 2014. The sponsors want to wrap it up this year with larger tranches of Chinese and Russian money, and also possibly euros from international lenders. Other oil and gas schemes also felt the impact of restrictive measures, with the financing for the South Stream pipeline intended to carry Russian gas to Europe held up by sanctions. European banks had also expected to provide a big slice of funding to this project.

US transactions determine the outcome

Participation on the US LNG project financings largely determined the 2015 rankings because the bulk of the funds supplied by banks in 2014 primarily went to support two large US liquefaction projects. These comprise \$4.9 billion of bank debt for the Sempra-led 13.5 MMT/y Cameron LNG project which was agreed in August and around \$5 billion in bank debt agreed in November for Freeport LNG trains one and two, which will produce 4.4 MMT/y apiece. Louisiana-based Sabine Pass Liquefaction (SPL) also obtained a \$325 million letter of credit from banks in April last year, which will be used for working capital requirements across the four trains currently under construction. The Donggi-Senoro LNG project in Indonesia signed agreements in November to receive \$764 million from banks for its \$2.8 billion 2MMT/y liquefaction train on the eastern coast of Sulawesi, although draw down of the funds did not start until early 2015.

Singapore LNG’s 6MMT/y import terminal on Jurong Island received \$850 million in December last year, which refinances its original \$1.7 billion loan. Funds were also provided to vessels, including for two LNG newbuilds, the SCF Melampus and SCF Mitre, for Russia’s

Sovcomflot and for a Hoegh floating storage and regasification unit (FSRU). India’s Petronet also received funding from banks in 2014 for the expansion of its Dahej receiving terminal from 10 MMT/y to 15 MMT/y. This came in on top of the \$150 million that the Asian Development Bank agreed to provide at the end of 2013. The ADB sold its 5.2% stake in Petronet on the Bombay Stock Exchange in October last year. Gate also secured funds for its LNG break bulk terminal in the Netherlands (see LNGFWM, Dec ’14).

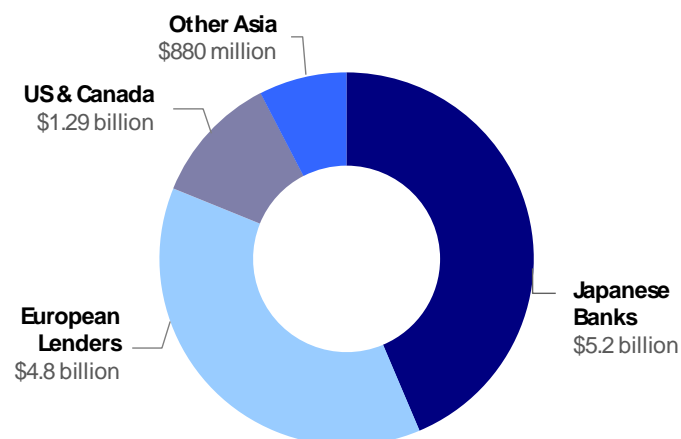
Last year eclipsed 2013 but 2012 still stands out

2014 was one of the best years ever for bank participation on LNG project financings. Banks provided more funding for the sector than 2013’s level of around \$9 billion. In 2013 SPL’s trains three and four raised about \$5.5 billion from banks. Banks also provided \$600 million for the cost overrun at Papua New Guinea LNG.

But 2012 is still a standout year, when LNG project funding by banks climbed to over \$17 billion. Figures were boosted by Australia’s Ichthys LNG, which is the largest ever project financing across any sector. Ichthys LNG, which is costing \$34 billion, signed agreements to receive \$10.2 billion from banks at the end of 2012. Added to this, \$5.8 billion was provided by ECAs in direct loans and \$4 billion came from loans provided by the project sponsors, giving a total \$20 billion of debt. Of the \$10.2 billion provided by banks, \$5.4 billion was covered by ECAs and \$4.8 billion was uncovered.

In 2012 other LNG mega projects raising non- and limited recourse funding from banks included Australia Pacific LNG (APLNG) where banks provided \$2.875 billion of the total debt, and SPL trains one and two, where banks provided \$3.6 billion. Adding together Ichthys LNG, APLNG and SPL gives almost \$17 billion of bank funding for liquefaction projects and that is before smaller transactions, such as those for ship financing, etc, are included. However, if Yamal LNG had managed to complete its financing last year, 2014 could have eclipsed 2012’s figures.

Top LNG Financing



Source: Poten & Partners

2015 is shaping up as a busy year for LNG project finance, with the US again set to dominate the scene as Corpus Christi LNG, Freeport train three and SPL train five sponsors look to raise almost \$20 billion of debt between them. If Anadarko from the US and Italy's ENI can secure funding for their Mozambique LNG projects – they haven't yet approached the market but plan to do so – 2015 could be a record year. A final investment decision (FID) by Malaysia's Petronas on Pacific Northwest LNG in British Columbia could bring more Canadian lenders into the ranking. But the clock is ticking and achieving final close by year end, even if the project achieves FID in June as planned, would be a tall order.

In the event that Yamal LNG manages to tie up its financing, despite the sanctions, Chinese and Russian banks will also be jostling for position in the 2015 ranking. And shuffling of the deck will start this year. Japanese banks will be well represented on the US transactions that are currently in play, but with Japanese companies taking fewer cargoes from subsequent projects, they are unlikely to collectively dominate the lineup to the same extent that they did in 2014. Many European banks remain liquid and barring any further instability related to countries in the Eurozone that are still struggling to make a full economic recovery, they are likely to continue to step up as LNG project lenders. Also, if interest rates remain low, more institutional lenders could be tempted by the long term stable returns that characterize LNG projects.