

# Chad oil pipeline: finally flowing

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Exim's first project finance venture in sub-Saharan Africa has finally closed syndication. The \$3.5 billion Chad-Cameroon oil pipeline system has been the subject of controversy since its inception. The main source of delays was a complete overhaul of the shareholder base. Initially the project companies comprised Exxon Mobil (40%), Shell (35%) and Elf (25%). The governments of Chad and Cameroon also hold minority stakes.

In 2000 however, with the financing structure largely in place, Shell and Elf pulled out simultaneously. This was allegedly due to their corporate profiles and investment interests being incompatible with the pipeline venture. In any event their places were filled fairly rapidly, with Petronas taking 35% and Chevron 25%.

The financing structure is reported to have remained largely the same with the new sponsors in place, although debt size was reduced somewhat. In the final analysis, the \$600 million raised only accounts for 15% of the entire project costs. It is solely to be used on the pipeline section, for which it makes up 30%. In fact, as stated by all involved, the decision to finance the project was largely driven by the desire to attract multi-laterals and secure export cover than a need to raise funds.

The \$600 million breaks down into £100 million IFC A and B loans, and two tranches of \$200, one 100% covered by Exim and the other 95% covered by Coface. The A loan is solely provided by IFC and they are the lender of record on the B tranche, although it is not fully recourse to them. Banks joining at syndication signed up pro rata on the commercial tranches covered by IFC, Exim and Coface. It is believed that these are priced at 250bp to 300bp, 50bp to 60bp and 90bp to 100bp respectively.

Lead arrangers ABN Amro and Credit Agricole offered take-and-hold tickets of \$50 million and \$35 million for a fee of 100bp. A spokesperson stated that it has come in 50% oversubscribed, illustrating an appetite for well structured deals in the region. It is due to be signed within the next couple of weeks and drawdown is scheduled shortly after that. The project company is made up of two special purpose vehicles, Totco (Cameroon) and Cotco (Chad). The loans to the two are separate but cross-guaranteed.

The World Bank and EIB have provided further international support for the project. This has come in the form of loans to the two governments for their equity. Their involvement has been the cause of further delays, with the World Bank wanting to ensure that funds accrued by the pipeline's operation is transparently and beneficially allocated. Environmental concerns have also been addressed in some detail.

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