

Khabarovsk Refinery: VEB in the middle

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Alliance Oil subsidiary OJSC Khabarovsk Refinery signed a \$770 million 12.5-year project financing with Vnesheconombank (VEB) on 9 August 2010. The deal employs the same structure as VEBs Tobolsk Polymer transaction and backs the refinery's modernisation programme.

VEB is borrowing and on-lending the debt from a club of commercial banks comprising BBVA, BNP Paribas, Credit Agricole, La Caixa, Societe Generale and Banesto under two Cesce-backed facilities and a commercial loan.

The three-tranche deal comprises a \$239 million and a Eu218 million tranche, both backed by Cesce, and a \$233.2 million commercial loan. The first two tranches are repaid over 10 years in equal semi-annual instalments with a two-year grace period. The third tranche is repaid over nine years with a grace period until January 2014.

The modernisation project launched in November 2007 when Khabarovsk signed a number of contracts with Spanish companies for the implementation of the programme, with Tecnicas Reunidas taking the leading role.

The project includes the construction of a hydro fining and hydro cracking unit, the reconstruction of a catalytic reforming unit, the upgrade of the existing facilities to be integrated with the new installations and construction of a visbreaking unit.

The specific capacities are: hydrocracker 10,560 bpsd; Diesel hydrotreater 26,500 bpsd; hydrogen production unit 30,140 Nm³/h; amine regeneration unit 74 Nm³/h; sour water stripper 14,5 Nm³/h; sulphur recovery unit 2 x 20 tpd.

The modernisation will enable the refinery to capture higher margins on sales of oil products and to preserve its position in domestic and international markets by complying with international standards. The project is also expected to benefit from the proposed construction of the Eastern Siberia Pacific Ocean pipeline (ESPO Pipeline) that would link Khabarovsk to Transnefts pipeline, resulting in decreased costs.

At completion Alliance expects Khabarovsk to have a nameplate capacity close to 90,000 bpd and a Nelson complexity index of 9.9, up from 3.4, with an improvement in the depth of refining from 61% to 93%. The programme is scheduled to be completed in 2012.

Status: Signed 9 August 2010

Description: Refinery modernization programme

Sponsor: Alliance Oil

ECA: Cesce

On-lending bank: Vnesheconombank

Commercial lenders: BBVA, BNP Paribas, Credit Agricole, La Caixa, Societe Generale, Banesto

Management and engineering services: Foster Wheeler

EPC: Tecnicas Reunidas

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