

GNL Quintero LNG import plant

Leigh Elston

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The US\$1.3 billion GNL Quintero LNG project in central Chile reached financial close in June 2008. The project, which was financed exclusively by commercial banks, will be the first LNG receiving terminal of its kind in the southern hemisphere.

The 2.5mpta plant, which should have the capacity to supply up to 40 per cent of Chile's gas demand, forms part of the government's plan to become less energy-dependent on Argentina following the 2004 gas crisis. Over the last four years Argentina, Chile's only gas supplier, has dramatically cut exports to its neighbour, leading to energy shortages and higher electricity prices across the country.

The Quintero project [[Projects Database](#)] involves the development of an LNG receiving terminal, located at Quintero Bay in Chile's Valparaiso Region, two large 160,000m³ LNG storage tanks and one smaller tank. It should have an initial send-out capacity of 240mmscfd on a sustainable basis, and 510mmscfd on a peak basis.

The terminal is scheduled to start operations in Q2 of 2009, when the first LNG storage tank will come online. The two additional tanks should be ready in 2010.

Chicago Bridge & Iron (CB&I) started construction at the terminal in March 2007 under a lump-sum turnkey contract valued at around US\$775 million.

Interest in GNL Quintero is divided:

- BG Group - 40 per cent
- Enap - 20 per cent
- Endesa - 20 per cent
- Metrogas - 20 per cent

Financing

The US\$1.3 billion Quintero LNG project reached financial close in June 2008 with a 85:15 debt-equity ratio.

In March GNL Quintero consortium mandated nine banks to arrange the US\$1.1 billion 15-year project finance debt.

The club, which fully underwrote the transaction with no market flex, included:

- Calyon - syndication agent
- WestLB - syndication agent
- BBVA - documentation bank
- ING - documentation bank
- Fortis - administrative agent
- Banesto - syndication agent
- Intesa SanPaolo - syndication agent

- Mizuho - technical agent
- Santander - security agent

A total of 40 per cent of the US\$1.1 billion loan is given as senior debt by two companies affiliated to the BG Group.

The deal has a step-up in pricing which starts as of year 5 after the end of the availability period. A total of 85 per cent of the Libor risk was hedged on the loan and the fixed rate, including margin, is slightly over 6 per cent.

The project's average DSCR is 1.9.

HSBC acted as financial adviser to the sponsor on the financing while Linklaters acted as legal adviser. Shearman & Sterling provided legal counsel to the lenders and their technical advisor was Stone & Webster.

Vinson & Elkins represented BG in connection with the structuring of the project, the commercial contracts and in BG's role as senior lender on the debt financing.

The project's US\$666 million syndication, which was originally offered in tickets sizes of US\$30, US\$40 and US\$50 million, opened on 24 June and closed a month later.

The Bank of Tokyo Mitsubishi - the first bank to sign up to the syndication - and the nine original MLA's each took a US\$58.6 million ticket. DekaBank bought a US\$50 million ticket, while DnB NOR signed up to the remaining US\$30 million.

Conclusion

The Quintero LNG project was one of the last major international project financings to close as the first affects of the credit crisis began to reverberate across the globe.

The terms under which financing was secured are testament to the international financial community's confidence in the economic strength and robustness of the GNL Quintero Project and its sponsors.

Noortje Magis, chief financial officer for GNL Quintero, said: "The financing was original and innovative considering market circumstances: the project achieved an attractive debt to capital ratio for the shareholders, a long tenor and an aggressive repayment schedule - the deal has a large balloon at maturity of almost 40 per cent, which is particularly innovative."

She adds: " This is the first deal that specifically addresses the issue of Libor as base rate during the current crisis. We negotiated a fairly complex but transparent mechanism in case Libor ceases to represent banks’ real cost of funds."

The project, as one of the first deals to use a club structure and a pari passu sponsor tranche, offered a possible solution to the challenges of raising large debt financings in the new, illiquid markets and has set a precedent for major project financings across Latin America.

The project at a glance

Project Name	GNL Quintero LNG
Location	Quintero Bay, Chile
Description	The Quintero project involves the development of an LNG receiving terminal, located at Quintero Bay in Chile's Valparaiso Region, two large 160,000m³ LNG storage tanks and one smaller tank. It should have an initial send-out capacity of 240mmscfd on a sustainable basis, and 510mmscfd on a peak basis.
Sponsors	BG Group - 40 per cent Enap - 20 per cent Endesa - 20 per cent Metrogas -20 per cent
EPC Contractor	Chicago Bridge & Iron
Total Project Value	US\$,1300 million
Total equity	US\$195 million

Total senior debt	US\$1,105 million
Debt:equity ratio	85:15
Mandated lead arrangers	Calyon - syndication agent WestLB - syndication agent BBVA - documentation bank ING - documentation bank Fortis - administrative agent Banesto - syndication agent Intesa SanPaolo - syndication agent Mizuho - technical agent Santander - security agent
Participant banks	Bank of Tokyo Mitsubishi
Legal Adviser to sponsor	Linklaters
Financial Adviser to sponsor	HSBC
Legal adviser to banks	Shearman & Sterling
Legal adviser to BG	Vinson & Elkins
Technical adviser to banks	Stone & Webster
Date of financial close	June 2008

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