

Odebrecht Drilling Norbe VIII & Norbes IX

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Odebrecht's financing of two drill ships for use in Brazil's offshore pre-salt oil region reached financial close last year.

The NORBE VIII & IX drillships, to be chartered by Brazilian oil and gas giant Petrobras, reached its US\$1.68 billion close [last October](#).

As sole sponsor Odebrecht raised a total of US\$1.344 billion in debt: US\$905 million in commercial debt and US\$439 million supplied by multilateral and government investment.

This funded the construction of two drilling platforms that will be used to extract oil off the east coast of Brazil.

It follows on from the Etesco Drill Ship deal that [closed in June 2009](#) and reflects the overall demand for exploration infrastructure in Brazil.

This further illustrates the project finance market post-Lehman Brothers with a total of 12 banks coming in on reduced tickets.

Brazil's discovery of "pre-salt" oil reserves, so called because they are located under a thick layer of salt, was first announced in late 2007.

It is estimated that these reserves in the Atlantic seabed could eventually lead to a near six-fold increase in Brazil's current proven reserves of 14 billion barrels and transform the BRIC member into a major resource exporter. Oil & gas exploration is subsequently seen as the main driver for economic growth in Brazil [\[Americas Outlook 2009\]](#).

Brazilian national oil company Petrobras awarded 12 drilling contracts for the pre-salt layer in May 2008 and of those the first to come to the debt market was oil and gas contractor Etesco's Etesco VIII drillship.

The Odebrecht drillships were next in the deal flow. With an ability to operate at up to 10,000ft water depth and further capacity to drill down to 40,000ft the platforms began construction in South Korea during 2008. Daewoo Shipbuilding & Marine Engineering Co. Ltd secured the EPC contract under a fixed price turn key deal.

The financing

The project was delayed slightly by the credit crisis postponing the financing from January to May 2009. IJ reported a debt package of US\$900 million would be sought but the sponsor instead initially took out a US\$120 million bridge loan to give it time to restructure the deal with MLAs Societe Generale, Banco Santander and BNP Paribas.

The financing was split into a total of four chunks with a US\$700 million 10-year commercial tranche, a second US\$135 million 12-year ECA GIEK guaranteed tranche and two smaller export credit tranches taken by Korean bank K-exim and Norwegian fund Eksportfinans.

In accordance with the Norwegian ECA financing National Oilwell Norway is supplying the drilling and subsea equipment. The Korean investment ensured the EPC contract went to Daewoo.

On the commercial side, The 12 MLAs were:

- Grupo Santander
- BNP Paribas
- Société Générale
- Calyon
- Espirito Santo Investment
- HSBC
- Caixa Geral de Depósitos
- NIBC Bank
- ING Bank
- WestLB
- CIC Bank
- Banco do Brasil

Debt to equity ratio on the deal was 73:27, with US\$336 million supplied by the project sponsors as equity.

In this case the sole sponsor was Norberto Odebrecht, whose SPV Odebrecht Drilling Norbe VIII LLC and Odebrecht Drilling Norbe IX managed the projects' financing.

Mayer Brown was legal adviser to the sponsors. Société Générale and Banco Santander provided financial advice.

The future

Of the total financing 26 per cent was supplied through direct ECAs, in this case Eksportfinans and K-exim, leading on from earlier investment in the Etesco project.

Moving forward this trend is unlikely to change for drill ship deals, particularly in Latin America.

The next drill ship project financing anticipated to reach financial close in the region is the Schahin deal [\[Projects Database\]](#). This deal would fund a further two drill ships to operate off Brazil's coast, built by Samsung Heavy Industries.

The conclusion of this deal has been postponed into 2010 due to the increasing role of ECA's on the project. State project sponsors are increasingly eager to gain a foothold in the Brazilian offshore market.

GIEK is once again involved, as is South Korea's K-Exim and KEIC, while it is likely there will be five MLAs.

Brazil's development bank BNDES is currently driving much of the infrastructure spend in the country. With commercial banks having to compete with it on pricing and tenor it is likely that ECA-heavy club deals will dominate the financing of Brazil's exploration of pre-salt oil reserves for the foreseeable future.

The project at a glance

Project Name	Odebrecht (NORBE VIII & IX)
Location	Brazil
Description	Financing of construction of US\$814 million oil drill ship
Sponsors	Norberto Odebrecht
Operator	PetroBras
EPC Contractor	Daewoo Shipbuilding & Marine Engineering Co. Ltd. (DSME)
EPC Sub Contract 1	National Oilwell Norway
Project Duration (Including construction)	Three years construction, ten years charter with Petrobras
Total Project Value	US\$1.68 billion
Total equity	US\$336 million

Debt breakdown	Commercial bank debt US\$905m, guaranteed tranche US\$274m
Debt:equity ratio	77:23
Export credit agency support	GIEK, Eksportfinans
Mandated lead arrangers	Grupo Santander (US\$102.2m), Calyon (US\$102.2m), Société Générale (US\$102.2m), Banco do Brasil (US\$102.2m), Banco Espirito Santo (US\$86m), HSBC (US\$86m), Caixa Geral de Depositos (US\$64.5m), NIBC (US\$50m), ING (US\$43m), WestLB (US\$43m), CIC (US\$21.5m), GIEK (US\$274m), Ke-xim (US\$165m)
Legal Adviser to sponsor	Mayer Brown
Legal adviser to banks	Souza Cescon Barrieu Flesch, White & Case
Date of financial close	09 October 2009

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