

Mega plastics deal amid low oil prices

Despite the low oil price environment, Liwa Plastics Industries Complex (LPIC), a fully-integrated olefin petrochemical complex in Oman, was able to attract six major European and Asian ECAs and 19 international, regional and local lenders in what is the largest project financing ever signed in the country.

The facility will support a landmark US\$6.4bn project, which includes a natural gas processing plant in central Oman, a 300km gas pipeline to the complex site, a mixed-feed ethylene stream cracker unit and downstream polymer plants.

Total project costs are split into four different EPC contracts and involve US\$3.8bn of debt provided by ECA-covered facilities, ECA direct lending and commercial facilities. ECA funding accounts for US\$2.38bn, while commercial banks are contributing US\$1.42bn.

The submissions for this deal highlight the facility's strong risk profile, with significant sovereign support from the Omani government and ECAs, its strong economic rationale and a solid financing structure supported by significant equity investments, which enabled

LPIC to draw international and local support despite facing complex macro-economic and structural challenges in view of fluctuating commodity prices.

"Despite a challenging environment when the deal was launched, the Orpic-LPIC project succeeded in raising the largest-ever project financing attempted in the sultanate. Indeed, polymer products are highly correlated with oil prices and hence the risk profile of the transaction was extremely sensitive to such rapid declines in oil prices," says Emmanuel Gillet-Lagarde, global head of infrastructure and projects at Natixis.

LPIC is the largest of three strategic growth projects undertaken by Orpic Plastics, the country's largest integrated refinery and petrochemical company (owned by the Sultanate of Oman and Oman Oil Company).

The project will enable Oman for the first time to produce polyethylene and increase the production of polypropylene, thus supporting the government's plans to diversify its economy away from the production and export of crude oil towards higher-value downstream industries.

Borrower: Orpic Plastics

Amount: US\$3.8bn

MLAs: Bank ABC, Bank Dhofar, Bank Muscat, BNP Paribas, BTMU, Cassa Depositi e Prestiti, CIC, Crédit Agricole, Export Development Canada, HSBC, ING, JP Morgan, KfW-Ipex Bank, Korea Development Bank, National Commercial Bank, Natixis, SMBC, Société Générale, UniCredit

ECAs/insurers: Atradius, Euler Hermes, Kexim, K-Sure, Sace, UKEF

Law firms: Allen & Overy; White & Case

Tenor: Commercial facility: 4 years availability + 11 years repayment. ECA facilities: 4 years availability + 12 years repayment

Date signed: March 3