International lenders back $9.5bn financing for Russia's Arctic LNG 2

$21bn project expected to be launched in 2023

LONDON: International lenders have lined up about $9.5 billion in financial support for a Russian Arctic liquefied natural gas (LNG) project, a document seen by Reuters showed, even as such projects come under greater scrutiny over climate concerns.

The $21 billion project, which received final investment approval a year ago, is expected to be launched in 2023 and to reach its full capacity of almost 20 million tons per year in 2026. While the energy industry touts natural gas as a cleaner alternative to coal or crude, it is a source of carbon emissions and critics say LNG projects are hard to reconcile with the transition to a low-carbon economy envisaged in the Paris climate agreement and the European Union's Green Deal economic plan.

The interest of international institutions, however, gives a boost for the Arctic LNG 2 development, led by Russian non-state company Novatek as Moscow's plans to raise its share in the global LNG market.

Climate concerns remain

Among them is French state investment bank and credit agency Bpifrance, with a recommended offer of $700 million in credit finance, the China Development Bank, expected to offer a facility worth $5 billion and Germany's Euler Hermes, with a covered facility of $300 million, the document said. However, in a statement issued after the Reuters' story, Bpifrance said "the decision to grant a public guarantee within the framework of the Arctic LNG 2 project has not been taken".

According to the document, a number of other state-backed institutions are also expected to help fund the project including the China Development Bank, which is expected to offer a facility equivalent to $5 billion. The Japan Bank for International Cooperation is also seen providing a facility of $2.5 billion: an unidentified Russian bank $1.5 billion and Italy's SACE a covered facility of $1 billion.

Russia's top lender Sberbank has already said it is ready to provide more than 2.7 billion euros in financing for the project, which aims to process gas from the Gydan Peninsula and ship 80% of LNG to Asia. The line-up described in the document, if backed in full, would cover the need for the external financing, earlier estimated by Novatek at $9-$11 billion.

The project's equity partners include France's Total, China National Petroleum Corp, China's CNOOC and the Japan Arctic LNG consortium made up of Mitsui & Co and state-owned JOGMEC, formally known as Japan Oil, Gas and Metals National Corp. Bpifrance's recommendation, which could yet be rejected by the government, highlights the importance of the project for one of France's industrial champions.

The document said Bpifrance Assurance Export gave a "favorable opinion" to the strategic project guarantee "subject to subsequent examination of the project's risk profile and its economic fundamentals" and with a "strong reserve" waiting for the finalization of the environmental and social analysis.

Total declined to comment and Novatek had no immediate comment. Relations between Europe and Russia, including energy, remain tense after a poisoning attempt of Russian opposition politician Alexei Navalny sparked calls for another key energy project between the two, Nord Stream 2, to be ditched.

Europe's bankrolling of LNG projects is facing increasing criticism. —Reuters

The role of European development institutions in bank-rolling LNG projects around the world has also come under greater scrutiny given the EU's ambitious climate goals. Export credit agencies such as Bpifrance provide government-backed loans, guarantees, credits and insurance to private companies to help make it easier for them to do business abroad.

A spokeswoman for JBIC, which has already announced one loan for up to 125 million euros ($148 million) to help Mitsui & Co and the Japan Oil, Gas and Metals National Corporation take an equity stake in the venture, declined to comment on the Bpifrance document as she could not confirm the figure.

SACE declined to comment. CDB did not immediately reply to a request for comment. Euler Hermes directed the question to the Federal Ministry of Economic Affairs and Energy. The ministry said it was not "not authorized to provide third parties with any information in this respect". —Reuters

India passes farm bills amid protest from oppn parties

NEW DELHI: India's parliament yesterday passed new bills the government says will make it easier for farmers to sell their produce directly to big buyers, despite growing protest from opposition parties and a long-time ally of the ruling party.

Prime Minister Narendra Modi has said the new laws will reform antiquated laws and remove middlemen from agriculture trade, allowing farmers to sell to institutional buyers and large retailers like Walmart. The bills also make contract farming easier by providing a new set of rules.

But Modi's food processing minister from an alliance party resigned on Thursday in protest calling the bills "anti-farmer", and the opposition parties have said farmers' bargaining power will be diminished by allowing retailers to have tighter control over them. On Sunday, some opposition lawmakers raised slogans, tore documents and tried to grab the speaker's microphone in the upper house of India's parliament, before two controversial bills were passed by a voice vote.

"The passage of both the bills in parliament is indeed a landmark day for Indian agriculture," one of Modi's senior cabinet ministers, Rajnath Singh, said on Twitter.

Harsimrat Kaur Badal, Modi's former food processing minister, is from a regional party which has a strong base in the northern state of Punjab and believes the bills will increase farmer suffering in the breadbasket state. Her party believes the laws will destroy wholesale markets which ensure fair and timely payments to farmers, weaken the state's farmers and the overall state economy.


AMRITSAR: Farmers shout slogans against the passing of agriculture bills in the Lok Sabha (lower house) of representatives, on the outskirts of Amritsar yesterday. —AFP

Many farmer organizations have in recent days held street protests in Punjab and the neighboring Haryana state near New Delhi. Yesterday, India's main opposition Congress party criticized the government. "We will make sure that the government will have to step down on its knees before the farming community of this country," said Randeep Surjewala, a party spokesman. "It will be farmers one side and big businesses on the other side, how will they fight?," he added. —Reuters

Hungary extends loan moratorium as economy falters

BUDAPEST: Hungary will extend a moratorium on loan repayments for some households and companies until the middle of 2021, as its finance minister warned the economy could struggle to grow next year unless a coronavirus vaccine is found. Prime Minister Viktor Orban introduced the moratorium for all companies and private borrowers in March as one of his government's key measures to help reduce the economic fallout from the pandemic. It was due to expire at the end of the year.

In a video posted on his official Facebook page on Saturday, Orban said the moratorium would be extended by six months for families with children, the retired, unemployed and those in public works programs. The extension until the middle of 2021 will also apply to companies that have seen revenues drop by at least 25 percent.

Orban also said loan contracts for all households and companies agreed before the pandemic could not be terminated for six months.

The moves come as the government prepares to announce more steps to try to revive growth, after the economy plunged more than expected in the second quarter and prospects for a recovery next year have worsened. The weak economic outlook could represent the biggest threat to nationalist Orban's decade-long rule as he prepares to face parliamentary elections in the first half of 2022.

Finance minister Mihaly Varga said in an interview published earlier on Saturday that if a coronavirus vaccine was not available by the middle of 2021 the economy might struggle to grow next year, based on a pessimistic scenario.

Under an optimistic scenario, the economy could grow by 4-5 percent if a vaccine was available in the second quarter, he told newspaper Magyar Nemzet. A third scenario was for a protracted recovery with 3 percent-4 percent growth, also conditional on a vaccine being available, he added.

Hungary's economy is expected to shrink by 5 percent-6 percent this year.

Varga said the government was working on new stimulus measures that could include targeted tax cuts for crisis-hit sectors. After a spike in new cases in recent weeks, Hungary reported 809 new coronavirus infections on Saturday, bringing the total to 16,920, with 675 deaths. —Reuters

Corporate debt frenzy rolls on amid markets fears

NEW YORK: Investors are gearing up for the year's record-breaking pace of corporate bond issuance to continue in the coming week, even after the US Federal Reserve rattled nerves at its September meeting with a gloomier-than-expected economic outlook. The past week has seen roughly $42 billion of high-grade debt come to market in 39 deals, most of which were small and offered by first-time issuers. "I would expect next week to be similar," said Monica Erickson, portfolio manager, global developed credit, at DoubleLine. The breakneck pace of fresh issuance illustrates how the Fed's late March pledge to backstop credit markets and its policy of holding interest rates near zero have spurred borrowing by corporations this year. Companies had already issued $1.7 trillion in debt through the end of August, according to SIFMA, compared with $944 billion in the same period last year.

Demand is likely to stay elevated in the next few weeks, investors said, as historically low rates continue to drive a hunt for yield despite a cluster of economic and political concerns. Those include the Fed's downbeat economic projections as well as worries over waning fiscal support and potential uncertainty around the US presidential election. "You have low interest rates, you have tight credit spreads: If I'm an issuer, I'm going to issue as much as humanly possible because it's cheap debt," said Nick Maroutsos, head of global bonds at Janus Henderson Investors. "That demand is there because people are craving any sort of return." Just over $18 billion in high-yield debt had priced in the week through mid-morning Friday, with two more deals in the pipeline from Aetheon United and PM General Purchaser, according to IFR Refinitiv. IFR's data showed that Friday's issuance was expected to drive the year-to-date total over $337 billion, past the previous annual record of $332 billion set in 2012. Jason Vlosich, head fixed income trader at Brown Advisory, said he


NEW YORK: Traders work on the floor at the opening bell of the Dow Industrial Average at the New York Stock Exchange in New York. —AFP

expects an additional $40 billion or so in new investment-grade deals through the end of the month. Bank of America in August forecast that this month's investment-grade issuance was likely to be between $120 billion and $140 billion. September issuance stood at about $115 billion on Friday, according to Refinitiv IFR.

In the coming week, investors will be watching earnings reports from Jefferies Financial Group, which is typically seen as a preview of what's to come from Wall Street banks, Nike, cruise line Carnival and retailers including Rite Aid and Costco. The economic data calendar is comparatively light, with Markit's Purchasing Managers' Index on Wednesday and weekly jobless claims on Thursday. In a break with recent trends, about 50 percent of new investment-grade debt in 2020 has been issued to pay off or refinance existing debt, versus the 20 percent or 30 percent that is typical, said Erickson. "Companies will come to market and buy back higher-priced debt just to lower their interest expense." As a result, a slowdown in M&A and share buybacks - expected to continue through the end of the year - is less likely to dent issuance. Several factors could potentially slow the pace of corporate debt offerings, investors said. —Reuters

Libyan oil firm lifts force majeure on 'safe' fields

TRIPOLI: Libya's state oil firm lifted force majeure on what it deemed secure oil ports and facilities on Saturday, a day after strongman Khalifa Haftar said he was lifting a blockade on oilfields and ports.

Pro-Haftar groups had blockaded key oilfields and export terminals from January 17 to demand what they called a fair share of hydrocarbon revenues. The blockade, which has resulted in more than $9.8 billion in lost revenue according to the state-run National Oil Corporation (NOC), has exacerbated electricity and fuel shortages in the country. "The National Oil Corporation announces the lifting of the state of force majeure over safe oil fields and ports," a post on its Facebook page said.

But it said "force majeure continues on the oil fields and ports that confirmed the presence of elements of Wagner gangs and other armed groups that impede the activities and operations of the National Oil Corporation". Force majeure refers to external unforeseen elements that prevent a party from fulfilling a contract. The Wagner group alludes to a shadowy private security firm reportedly close to Moscow.

Libya has been in chaos since a NATO-backed uprising toppled and killed longtime dictator Muammar Gaddafi in 2011. The main military fault-line pits Haftar and an administration in Libya's east against a UN-recognized Government of National Accord (GNA), based in Tripoli.

Haftar's announcement on Friday about lifting the blockade comes after hundreds of Libyans protested last week in the eastern city of Benghazi, one of his strongholds, and other cities over corruption, power cuts and shortages in petrol and cash. —AFP