



# Russian Oil and Gas: Surviving the Credit Crunch

*Baker Institute Moscow, 20 March 2009*

Rubin Weston  
rubin.weston@bakerbotts.com  
00 44 207 726 3493

# INTRODUCTION

---

- **The "Old World"**
- **The "New World"**
- **Strategies for surviving in the New World**

# THE OLD WORLD

---

- **March 2007 \$22 billion loan facilities to Rosneft and a subsidiary**
  - Lenders: ABN Amro, Barclays, BNP Paribas, Calyon, Citibank, Goldman Sachs, JP Morgan and Morgan Stanley
- **April 2007 - \$250 million loan facility to Lukoil**
  - Arranged by: ABN AMRO and Calyon
  - Five year term
  - 0.40% margin
  - Used to refinance existing debt

# BANKS ACTIVE IN EASTERN EUROPE IN 2008

Rank	Company	Total US\$ m	Transactions
1	BNP Paribas	1,203.26	8
2	Garanti Bank	1,180.14	6
3	SMBC	945.96	5
4	UniCredit Group	778.90	7
5	Royal Bank of Scotland	666.97	3
6	Yapi Credit	645.61	2
7	Dexia	609.98	5
8	KfW	599.88	4
9	Bank of Tokyo-Mitsubishi UFJ	573.34	3
10	Banca Infraestructure Innovazione e Sviluppo	531.20	3
11	Citigroup	505.43	2
12	WestLB	498.66	3
13	Mizuho Financial Group	497.70	2

Rank	Company	Total US\$ m	Transactions
14	Fortis Bank	467.45	3
15	Is Bank	447.50	1
16	HSH Nordbank	417.81	4
17	TSKB	387.61	1
18	SG	333.71	4
19	Akbank	316.78	1
=	National Bank of Greece	316.78	1
21	Standard Chartered Bank	300.00	1
22	Commerzbank	293.70	3
23	Calyon	265.04	3
24	Goldman Sachs	246.81	1
25	BBVA	215.04	2
=	ING Bank	215.04	2

Source: Infrastructure Journal

# BANKS ACTIVE IN OIL AND GAS IN 2008

Rank	Company	Total US\$ m	Transactions
1	Bank of China	6,225.00	2
2	BNP Paribas	3,992.33	28
3	Royal Bank of Scotland	3,677.06	17
4	Calyon	2,835.78	18
5	Bank of Tokyo-Mitsubishi UFJ	2,290.40	18
6	SMBC	2,189.90	16
7	SG	2,152.47	15
8	Credit Suisse	1,937.10	7
9	ING Bank	1,667.90	17
10	BBVA	1,589.60	13
11	WestLB	1,274.37	12
12	Mizuho Financial Group	1,157.04	10
13	Fortis Bank	1,031.03	14

Rank	Company	Total US\$m	Transactions
14	Saudi British Bank	1,022.33	4
15	Bank of America	950.82	3
16	Dexia Group	954.40	4
17	Citigroup	902.77	5
18	UniCredit Group	814.80	8
19	Al Rajhi Bank	760.59	2
20	Century Right Investment	725.00	1
21	Standard Chartered Bank	678.98	7
22	HSBC	643.64	9
23	Grupo Santander	578.94	3
24	Deutsche Bank	560.50	1
25	State Bank of India	507.07	3

Source: Infrastructure Journal

# THE OLD ASSUMPTIONS

---

- **Banks will only call a payment default**
- **Lenders behave reasonably and correctly**
- **Difficult lenders can be refinanced**
- **Documentation is standardised**
- **"Relationship banking is dead"**

# BANKS ACTIVE IN EASTERN EUROPE IN 2008

Rank	Company	Total US\$ m	Transactions
1	BNP Paribas	1,203.26	8
2	Garanti Bank	1,180.14	6
3	SMBC	945.96	5
4	UniCredit Group	778.90	7
5	Royal Bank of Scotland	666.97	3
6	Yapi Credit	645.61	2
7	Dexia	609.98	5
8	KfW	599.88	4
9	Bank of Tokyo-Mitsubishi UFJ	573.34	3
10	Banca Infraestructure Innovazione e Sviluppo	531.20	3
11	Citigroup	505.43	2
12	WestLB	498.66	3
13	Mizuho Financial Group	497.70	2

Rank	Company	Total US\$ m	Transactions
14	Fortis Bank	467.45	3
15	Is Bank	447.50	1
16	HSH Nordbank	417.81	4
17	TSKB	387.61	1
18	SG	333.71	4
19	Akbank	316.78	1
=	National Bank of Greece	316.78	1
21	Standard Chartered Bank	300.00	1
22	Commerzbank	293.70	3
23	Calyon	265.04	3
24	Goldman Sachs	246.81	1
25	BBVA	215.04	2
=	ING Bank	215.04	2

Source: Infrastructure Journal

# BANKS ACTIVE IN EASTERN EUROPE IN 2008

Rank	Company	Total US\$ m	Transactions
1	BNP Paribas	1,203.26	8
2	Garanti Bank	1,180.14	6
3	SMBC	945.96	5
4	UniCredit Group	778.90	7
5	Royal Bank of Scotland	666.97	3
6	Yapi Credit	645.61	2
7	Dexia	609.98	5
8	KfW	599.88	4
9	Bank of Tokyo-Mitsubishi UFJ	573.34	3
10	Banca Infraestructure Innovazione e Sviluppo	531.20	3
11	Citigroup	505.43	2
12	WestLB	498.66	3
13	Mizuho Financial Group	497.70	2

Rank	Company	Total US\$ m	Transactions
14	Fortis Bank	467.45	3
15	Is Bank	447.50	1
16	HSH Nordbank	417.81	4
17	TSKB	387.61	1
18	SG	333.71	4
19	Akbank	316.78	1
=	National Bank of Greece	316.78	1
21	Standard Chartered Bank	300.00	1
22	Commerzbank	293.70	3
23	Calyon	265.04	3
24	Goldman Sachs	246.81	1
25	BBVA	215.04	2
=	ING Bank	215.04	2

Source: Infrastructure Journal



# BANKS ACTIVE IN EASTERN EUROPE IN 2008

Rank	Company	Total US\$ m	Transactions
1	BNP Paribas	1,203.26	8
2	Garanti Bank	1,180.14	6
3	SMBC	945.96	5
4	UniCredit Group	778.90	7
5	Royal Bank of Scotland	666.97	3
6	Yapi Credit	645.61	2
7	Dexia	609.98	5
8	KfW	599.88	4
9	Bank of Tokyo-Mitsubishi UFJ	573.34	3
10	Banca Infraestructure Innovazione e Sviluppo	531.20	3
11	Citigroup	505.43	2
12	WestLB	498.66	3
13	Mizuho Financial Group	497.70	2

Rank	Company	Total US\$ m	Transactions
14	Fortis Bank	467.45	3
15	Is Bank	447.50	1
16	HSH Nordbank	417.81	4
17	TSKB	387.61	1
18	SG	333.71	4
19	Akbank	316.78	1
=	National Bank of Greece	316.78	1
21	Standard Chartered Bank	300.00	1
22	Commerzbank	293.70	3
23	Calyon	265.04	3
24	Goldman Sachs	246.81	1
25	BBVA	215.04	2
=	ING Bank	215.04	2

Source: Infrastructure Journal

# BANKS ACTIVE IN EASTERN EUROPE IN 2008

Rank	Company	Total US\$ m	Transactions
1	BNP Paribas	1,203.26	8
2	Garanti Bank	1,180.14	6
3	SMBC	945.96	5
4	UniCredit Group	778.90	7
5	Royal Bank of Scotland	666.97	3
6	Yapi Credit	645.61	2
7	Dexia	609.98	5
8	KfW	599.88	4
9	Bank of Tokyo-Mitsubishi UFJ	573.34	3
10	Banca Infraestructure Innovazione e Sviluppo	531.20	3
11	Citigroup	505.43	2
12	WestLB	498.66	3
13	Mizuho Financial Group	497.70	2

Rank	Company	Total US\$ m	Transactions
14	Fortis Bank	467.45	3
15	Is Bank	447.50	1
16	HSH Nordbank	417.81	4
17	TSKB	387.61	1
18	SG	333.71	4
19	Akbank	316.78	1
=	National Bank of Greece	316.78	1
21	Standard Chartered Bank	300.00	1
22	Commerzbank	293.70	3
23	Calyon	265.04	3
24	Goldman Sachs	246.81	1
25	BBVA	215.04	2
=	ING Bank	215.04	2

Source: Infrastructure Journal

# BANKS ACTIVE IN OIL AND GAS IN 2008

Rank	Company	Total US\$ m	Transactions
1	Bank of China	6,225.00	2
2	BNP Paribas	3,992.33	28
3	Royal Bank of Scotland	3,677.06	17
4	Calyon	2,835.78	18
5	Bank of Tokyo-Mitsubishi UFJ	2,290.40	18
6	SMBC	2,189.90	16
7	SG	2,152.47	15
8	Credit Suisse	1,937.10	7
9	ING Bank	1,667.90	17
10	BBVA	1,589.60	13
11	WestLB	1,274.37	12
12	Mizuho Financial Group	1,157.04	10
13	Fortis Bank	1,031.03	14

Rank	Company	Total US\$m	Transactions
14	Saudi British Bank	1,022.33	4
15	Bank of America	950.82	3
16	Dexia Group	954.40	4
17	Citigroup	902.77	5
18	UniCredit Group	814.80	8
19	Al Rajhi Bank	760.59	2
20	Century Right Investment	725.00	1
21	Standard Chartered Bank	678.98	7
22	HSBC	643.64	9
23	Grupo Santander	578.94	3
24	Deutsche Bank	560.50	1
25	State Bank of India	507.07	3

Source: Infrastructure Journal

# BANKS ACTIVE IN OIL AND GAS IN 2008

Rank	Company	Total US\$ m	Transactions
1	Bank of China	6,225.00	2
2	BNP Paribas	3,992.33	28
3	Royal Bank of Scotland	3,677.06	17
4	Calyon	2,835.78	18
5	Bank of Tokyo-Mitsubishi UFJ	2,290.40	18
6	SMBC	2,189.90	16
7	SG	2,152.47	15
8	Credit Suisse	1,937.10	7
9	ING Bank	1,667.90	17
10	BBVA	1,589.60	13
11	WestLB	1,274.37	12
12	Mizuho Financial Group	1,157.04	10
13	Fortis Bank	1,031.03	14

Rank	Company	Total US\$m	Transactions
14	Saudi British Bank	1,022.33	4
15	Bank of America	950.82	3
16	Dexia Group	954.40	4
17	Citigroup	902.77	5
18	UniCredit Group	814.80	8
19	Al Rajhi Bank	760.59	2
20	Century Right Investment	725.00	1
21	Standard Chartered Bank	678.98	7
22	HSBC	643.64	9
23	Grupo Santander	578.94	3
24	Deutsche Bank	560.50	1
25	State Bank of India	507.07	3

Source: Infrastructure Journal

# BANKS ACTIVE IN OIL AND GAS IN 2008

Rank	Company	Total US\$ m	Transactions
1	Bank of China	6,225.00	2
2	BNP Paribas	3,992.33	28
3	Royal Bank of Scotland	3,677.06	17
4	Calyon	2,835.78	18
5	Bank of Tokyo-Mitsubishi UFJ	2,290.40	18
6	SMBC	2,189.90	16
7	SG	2,152.47	15
8	Credit Suisse	1,937.10	7
9	ING Bank	1,667.90	17
10	BBVA	1,589.60	13
11	WestLB	1,274.37	12
12	Mizuho Financial Group	1,157.04	10
13	Fortis Bank	1,031.03	14

Rank	Company	Total US\$m	Transactions
14	Saudi British Bank	1,022.33	4
15	Bank of America	950.82	3
16	Dexia Group	954.40	4
17	Citigroup	902.77	5
18	UniCredit Group	814.80	8
19	Al Rajhi Bank	760.59	2
20	Century Right Investment	725.00	1
21	Standard Chartered Bank	678.98	7
22	HSBC	643.64	9
23	Grupo Santander	578.94	3
24	Deutsche Bank	560.50	1
25	State Bank of India	507.07	3

Source: Infrastructure Journal

# BANKS ACTIVE IN OIL AND GAS IN 2008

Rank	Company	Total US\$ m	Transactions
1	Bank of China	6,225.00	2
2	BNP Paribas	3,992.33	28
3	Royal Bank of Scotland	3,677.06	17
4	Calyon	2,835.78	18
5	Bank of Tokyo-Mitsubishi UFJ	2,290.40	18
6	SMBC	2,189.90	16
7	SG	2,152.47	15
8	Credit Suisse	1,937.10	7
9	ING Bank	1,667.90	17
10	BBVA	1,589.60	13
11	WestLB	1,274.37	12
12	Mizuho Financial Group	1,157.04	10
13	Fortis Bank	1,031.03	14

Rank	Company	Total US\$m	Transactions
14	Saudi British Bank	1,022.33	4
15	Bank of America	950.82	3
16	Dexia Group	954.40	4
17	Citigroup	902.77	5
18	UniCredit Group	814.80	8
19	Al Rajhi Bank	760.59	2
20	Century Right Investment	725.00	1
21	Standard Chartered Bank	678.98	7
22	HSBC	643.64	9
23	Grupo Santander	578.94	3
24	Deutsche Bank	560.50	1
25	State Bank of India	507.07	3

Source: Infrastructure Journal

# BANKS ACTIVE IN OIL AND GAS IN 2008

Rank	Company	Total US\$ m	Transactions
1	Bank of China	6,225.00	2
2	BNP Paribas	3,992.33	28
3	Royal Bank of Scotland	3,677.06	17
4	Calyon	2,835.78	18
5	Bank of Tokyo-Mitsubishi UFJ	2,290.40	18
6	SMBC	2,189.90	16
7	SG	2,152.47	15
8	Credit Suisse	1,937.10	7
9	ING Bank	1,667.90	17
10	BBVA	1,589.60	13
11	WestLB	1,274.37	12
12	Mizuho Financial Group	1,157.04	10
13	Fortis Bank	1,031.03	14

Rank	Company	Total US\$m	Transactions
14	Saudi British Bank	1,022.33	4
15	Bank of America	950.82	3
16	Dexia Group	954.40	4
17	Citigroup	902.77	5
18	UniCredit Group	814.80	8
19	Al Rajhi Bank	760.59	2
20	Century Right Investment	725.00	1
21	Standard Chartered Bank	678.98	7
22	HSBC	643.64	9
23	Grupo Santander	578.94	3
24	Deutsche Bank	560.50	1
25	State Bank of India	507.07	3

Source: Infrastructure Journal

# BANKS ACTIVE IN OIL AND GAS IN 2008

Rank	Company	Total US\$ m	Transactions
1	Bank of China	6,225.00	2
2	BNP Paribas	3,992.33	28
3	Royal Bank of Scotland	3,677.06	17
4	Calyon	2,835.78	18
5	Bank of Tokyo-Mitsubishi UFJ	2,290.40	18
6	SMBC	2,189.90	16
7	SG	2,152.47	15
8	Credit Suisse	1,937.10	7
9	ING Bank	1,667.90	17
10	BBVA	1,589.60	13
11	WestLB	1,274.37	12
12	Mizuho Financial Group	1,157.04	10
13	Fortis Bank	1,031.03	14

Rank	Company	Total US\$m	Transactions
15	Bank of America	950.82	3
16	Dexia Group	954.40	4
17	Citigroup	902.77	5
18	UniCredit Group	814.80	8
21	Standard Chartered Bank	678.98	7
22	HSBC	643.64	9
23	Grupo Santander	578.94	3
24	Deutsche Bank	560.50	1
25	State Bank of India	507.07	3

Source: Infrastructure Journal



# THE NEW ASSUMPTIONS

---

- **Banks will only call a payment default**

Banks might call any default

- **Lenders behave reasonably and correctly**

Desperate times call for desperate measures

- **Difficult lenders can be refinanced**

It is virtually impossible to refinance a problem loan

- **Documentation is standardised**

All provisions are subject to reinterpretation and adjustment

- **"Relationship banking is dead"**

Relationship banking has never been more important

# LENDERS IN THE NEW WORLD

---

- **Commercial Banks**
- **International Financial Institutions**
- **Export Credit Agencies**

# EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT - THE GOOD NEWS

---

- **€7 billion available to lend in 2009**
- **1/3 designated for Russia**
- **Real and long standing expertise in natural resources and in Russia**
- **Prepared to proceed without commercial bank involvement**
- **Flexible as to products on offer**

# EBRD - COMPLICATIONS

---

- **Transition Impact**
  - Towards a market economy
- **Additionality**

# OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

---

- **European Investment Bank (EIB)**
  - Memorandum of Understanding signed between EIB and EBRD on 15 December 2006
- **International Finance Corporation (IFC)**
  - Total committed portfolio of \$2.4 billion in Russia
  - Invested over \$760 million in Russia in 2008

# EXPORT CREDIT AGENCIES

---

- **ECGD (United Kingdom)**
- **Hermes (Germany)**
- **SACE (Italy)**
- **COFACE (France)**
- **JEXIMBANK (Japan)**

# ECA PRODUCTS

---

- **Buyer Credits**
- **Project Financing**
- **Commercial Bank involvement normally essential**
- **20% rule**

# ECA COMPLICATIONS

---

- **OECD Rules dictate terms**
  - 15% of contract value must be paid up front
  - \$5 million minimum value of contract
  - No more than 30% of local costs
  - Credit must be repaid in equal instalments (usually six monthly)
  - Limitations on fixed rates
  
- **Instruments of Government Policy**

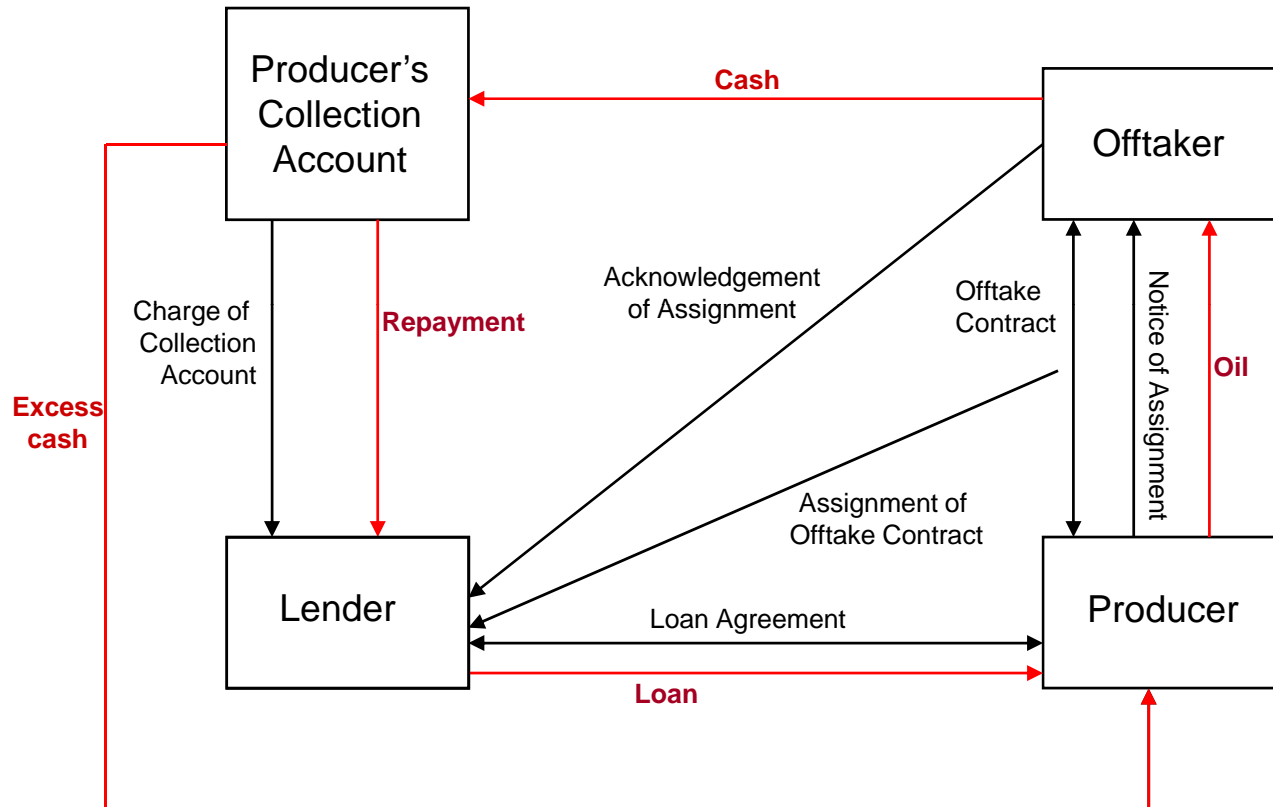


# STRATEGIES FOR NEW BORROWINGS

---

- **Pressure to refinance**
- **Know your bank, know your banker**
- **Short term**
- **Pre-export finance**

# PRE-EXPORT FINANCING STRUCTURE



# STRATEGIES FOR DEBT RESTRUCTURINGS

---

- **Don't panic - M.A.D. (Mutually Assured Destruction)**
- **Treat all lenders equally**
- **A wider process might be the safest strategy**



▪ PALO ALTO  
▪ AUSTIN  
▪ DALLAS  
▪ HOUSTON  
▪ WASHINGTON  
▪ NEW YORK

LONDON ▪ MOSCOW

RIYADH ▪ DUBAI

▪ BEIJING  
▪ HONG KONG

