

Rosneft Seeks to Borrow \$10Bln from Oil Majors

By [The Moscow Times](#)

December 13, 2012

The  Moscow Times

Rosneft is talking to oil majors and traders, including Shell, Total and Glencore, to raise up to \$10 billion, using future oil exports as collateral, to complete its purchase of TNK-BP and become the world's biggest listed oil producer.

Such trade finance is usually the least preferred option for oil firms, as they like to keep their export flows free from obligations, but the \$55 billion acquisition of TNK-BP, a joint venture between BP and Soviet-born billionaires, will most likely test banks' exposure limits for one borrower.

Five sources close to Rosneft and the potential lender companies said talks between Rosneft and its traditional oil buyers, such as Royal Dutch Shell, Total, Glencore and Vitol, had been going on for several weeks. Rosneft was collecting proposals on the amount of money and terms from the companies.

Sources said the list of lenders could include BP, which may be keen to facilitate an end to its often-fractious TNK-BP partnership.

Rosneft did not immediately respond to requests for comment.

Rosneft, headed by Igor Sechin, a close ally of President Vladimir Putin, needs to borrow up to \$40 billion to complete the TNK-BP acquisition and is already talking to banks to raise more than three-quarters of that, in what would be Europe's ninth-biggest syndicated loan.

Rosneft also needs money to open new fields in the Arctic and finance a \$25 billion refinery modernization program.

The sources said Rosneft wants to raise up to \$10 billion from oil majors and traders. That is one financing option among others it is considering.

"It will easily be one of the biggest ever trade finance deals. It will certainly dwarf anything Rosneft has done to buy Yukos," said a source familiar with the discussions.

Rosneft bought most of the assets of private oil firm Yukos at state-forced auctions in the mid-2000s.

To buy Yukos, Rosneft borrowed heavily via syndicated loans, eurobonds and trade finance deals, but most of those trade finance export-backed deals have already expired or are about to expire.

"Rosneft now has most of its export flows free and ready to be collateralized again," another source said.

Sources said that so far, Rosneft has had very preliminary commitments from some majors and traders ready to contribute between \$500 million and \$3 billion each, with the total still being below \$10 billion.

Talks have so far focused on terms such as maturity and pricing, which include commitments to supply oil.

"Rosneft says deals could last for up to five years," one source involved in talks said. "Pricing proposals are a bit funny. Rosneft says, 'Give us the money and we will sell you crude at prices close to spot tenders that we will continue to hold.' So I'm wondering, where is my upside?"

A source close to Rosneft disagreed.

"[The upside is in] control of the flow. This is a natural hedge, so you can trade around it," the source said.

Rosneft regularly sells crude at spot tenders, and the latest tenders have been dominated by trading houses Vitol and Glencore, which outbid previous winners like Shell by offering very high premiums.

"Europe's oil market will be on edge over this deal and who wins access to crude. People are getting a bit tired of the Vitol/Glencore current dominance," a source at one major said.

To pay back \$10 billion, Rosneft would need to sell 125 average-size Urals crude cargoes, according to Reuters calculations. Split over five years, that would represent only two cargoes a month, a fraction of Rosneft's monthly sales, which total about 30 tankers.

BP will also hold about 20 percent of Rosneft as part of the deal to sell its half of TNK-BP.

"Because BP will be a big stakeholder in Rosneft, it is not so obvious for them to also be on the lender and oil buyer side because of a potential conflict of interest," one source said.

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