



# Freeport LNG Liquefaction Project

## Macquarie Capital



Macquarie applied its depth and breadth of project finance and industry experience as Financial Advisor to close the \$11 billion Freeport LNG financing, **the largest ever fully non-recourse construction project financing.**

### Overview

- Freeport LNG is constructing a liquefied natural gas export terminal at its pre-existing LNG import terminal site located on Quintana Island, near Freeport, Texas.
- 20-year Liquefaction Tolling Agreements for each of the three trains:
  - Osaka Gas and Chubu Electric are the off-takers for Train 1
  - BP Energy, a subsidiary of BP North America, is the off-taker for Train 2
  - SK E&S and Toshiba are the off-takers for Train 3
- Freeport LNG successfully reached financial close on the equity and debt financings for the construction of the first two trains on November 25th, 2014.
- The two trains were financed separately, allowing for a simultaneous commercial bank financing and ECA financing with Japanese ECAs.
- Combined, this is the largest financing of 2014 and the largest ever fully non-recourse construction project financing globally.

“Macquarie Capital was integral to the success of this Project. They worked with us from the early days until the end, providing advice across all aspects of the project, not just the financing. They’ve helped us create tremendous value for our shareholders and never once wavered in their creativity, intensity and dedication. We sincerely appreciate their efforts over the last four years.”

Michael Smith,  
Freeport LNG CEO

	Train 1	Train 2
Annual Capacity	5.0 MTPA	5.0 MTPA
Expected COD	August 2018	January 2019
Off-Takers	Chubu Electric (2.2 MTPA) and Osaka Gas (2.2 MTPA)	BP Energy (4.4 MTPA)
Capital Raised	\$5.65bn	\$5.3bn
Equity Financing	Osaka Gas (\$0.6bn), Chubu Electric (\$0.6bn)	IFM Investors (\$1.3bn)
Debt Financing	JBIC (\$2.7bn), NEXI Covered Banks (\$1.2bn), (\$0.45bn) commercial bank SBLC	25 Bank Club TLA (\$4.0bn)
Operator	Freeport LNG	
EPC Contractor	CB&I and Zachry	

Dedicated four years of support to Freeport LNG, bringing a sponsor's mindset and acting on behalf of the company **across every facet of the transaction**

### Dedication

- Supported all aspects of the development of the project with a fully embedded, dedicated team
- Involved from the earliest stages, demonstrating an unwavering long-term commitment

### Project Development

- Worked with the sponsor and the offtakers to craft the liquefaction tolling agreements from scratch, ensuring contracts were financeable and provided maximum operational flexibility and equity value
- Worked from whiteboard to a sophisticated, all-encompassing suite of project documents that enabled separate project financings across a mutualized operation
- Provided advice and support to the regulatory process based on our experiences as a project developer

### Project Structuring

- Developed an innovative financing plan separating the project financings for the two trains; this enabled maximum flexibility over a long and complicated project development
- Worked to develop a first-in-kind credit support mechanism to mitigate the project on project risk of the two concurrent project financings
- Worked with the sponsor to ensure that all financing and project documents pre-wired the sponsor's intended near-term facility expansion

### Capital Structure

- Led the arrangement of equity across Train 1 and Train 2, facilitating attractively priced, long-term capital with investment partners that matched FLNG's objectives
- Structured the project to ensure its attractiveness to infrastructure investors, helping bring lower cost capital to the LNG business for the Train 2 cash equity financing
- Arranged \$3.9 billion in Export Credit Agency financing from JBIC and NEXI for Train 1, representing JBIC and NEXI's first-ever LNG project financing without a completion guarantee from the sponsors
- Structured and advised the sponsor on their negotiation of a 3-times + over-subscribed commercial loan financing that included multiple reverse-flexes
- Advised Freeport on the structuring and execution of nearly \$3 billion of first-in-kind deal contingent hedges for the Train 2 financing, locking in interest rates for Freeport with no recourse to the sponsors months before financial close

“Macquarie Capital was commercial, cooperative and responsive. This is a very exciting and attractive investment opportunity for us and with Macquarie Capital running the capital raise, we knew that the transaction would be well structured and the process well managed. They were instrumental to us getting to close on the Train 2 equity in a very complex transaction.”

IFM Investors, Train 2 Investor