

Case Study: Brunei Gas Carriers Sdn Bhd financing of LNG vessel

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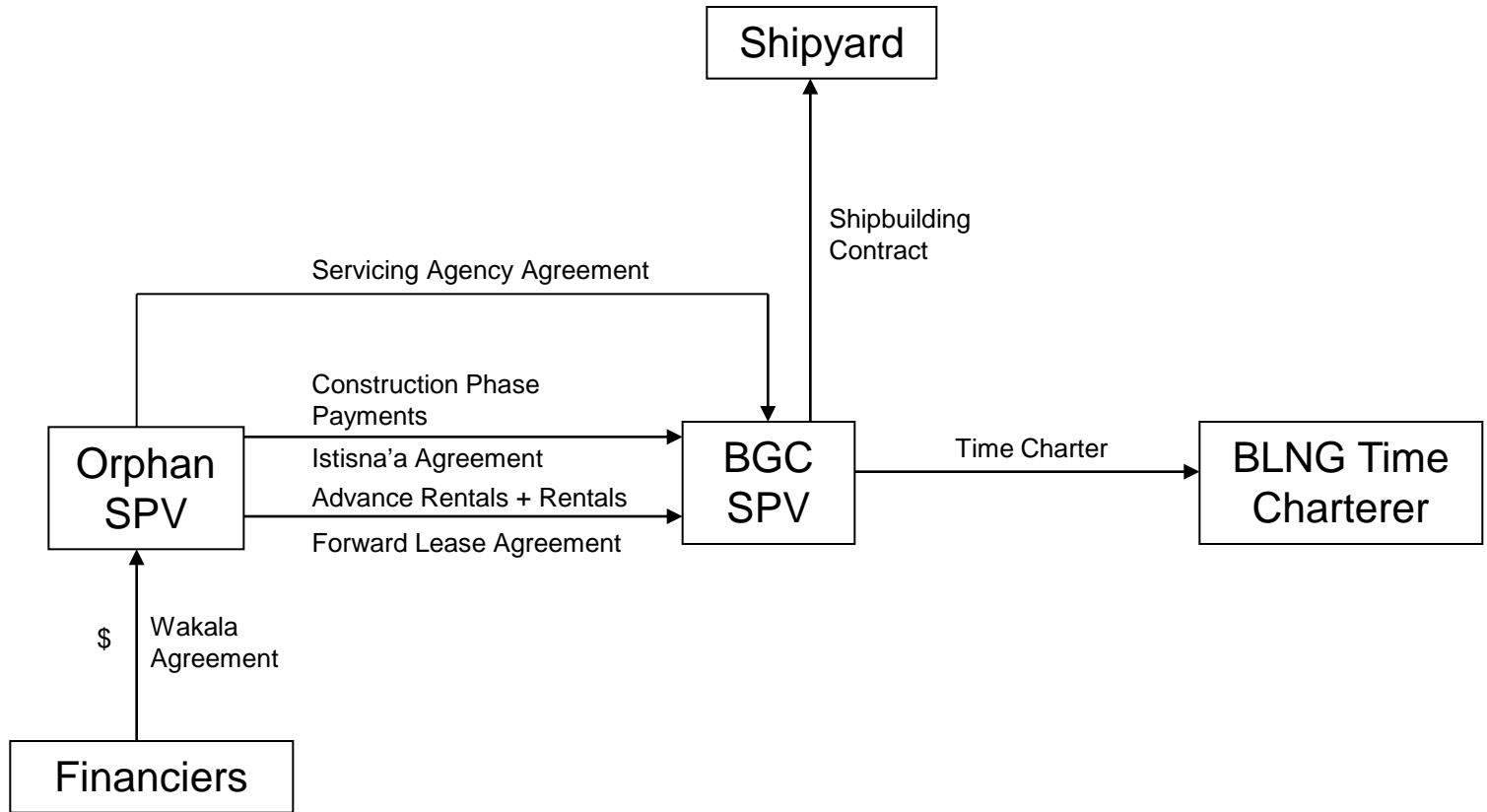


- Islamic project financing for the construction of newbuild LNG carrier by a wholly owned subsidiary of Brunei Gas Carriers
- Excellent example of how Islamic finance is a viable alternative method of finance
- Islamic finance is very well suited to project financing
- Natural match between Islamic finance and the construction and development of assets
- Flexible tool

- Funding was provided by way of a facility of up to US\$170m
- Construction and onward lease to Brunei LNG Sendirian Berhad (BLNG) under a time charter
- Norton Rose acted for the Financiers (Bank Islam Brunei Darussalam, Bank of Tokyo Mitsubishi, The HongKong and Shanghai Banking Corporation and Sumitomo Mitsui Banking Corporation)
- BIBD was facility agent and security agent
- HSBC was the structuring bank
- Watson, Farley & Williams represented BGC
- Norton Rose worked with the banks to come up with the appropriate structure and documentation

Underlying structure comprised:

- Construction phase: istisna'a (procurement agreement) to provide phased financing
- Pre - delivery phase: forward lease to allow for advance payment of rentals
- Post - delivery phase: lease to allow for payment of rentals
- Wakala - the financiers appointed an orphan special purpose vehicle as wakeel to act as their agent and "invest" their contributions by making phase payments under the istisna'a agreement
- Wakeel will hold beneficial interest in the vessel on behalf of financiers
- BGC SPV appointed as servicing agent



Structural innovations

- Use of Wakala arrangement – mirrors syndication
- Transfer of beneficial rather than legal title
- Put and call options – repurchase beneficial interest

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- Ferzana Haq is a capital markets lawyer based in Singapore with expertise in conventional and Islamic capital markets.

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