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Dow Jones Resources Coverage

EXCLUSIVE ANALYSIS AND NEWS BEATS

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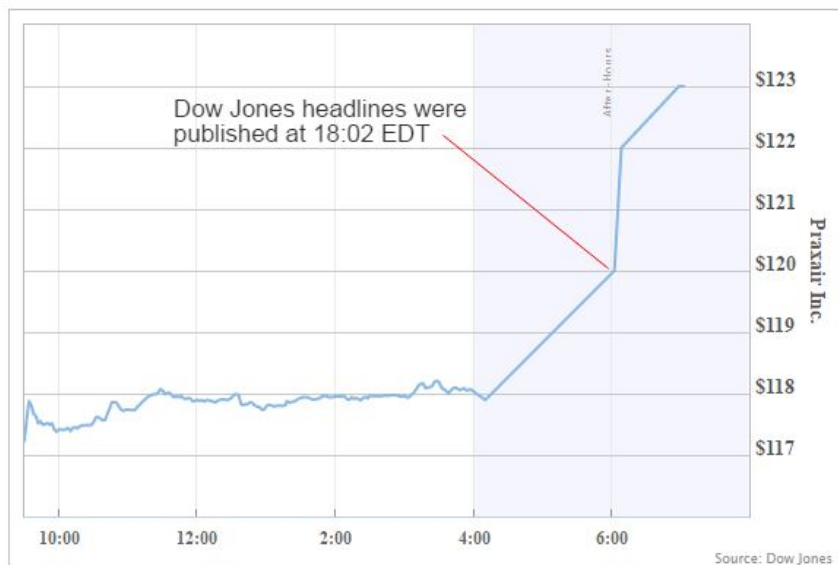
- Market-moving news: **Praxair** and **Linde** consider a merger that would create the world's largest industrial-gas supplier
- Exclusive news: **OPEC** members mull new freeze talks; **NRG** bids for **SunEdison's** wind and solar projects; **Cargill** looks to offload **metals** and **energy** businesses while **Chevron** may sell \$5 billion in Asian assets; and more
- Unique analysis on a **crude-oil storage** conundrum and **miners** like **BHP** and **Rio Tinto** digging themselves out of **debt**

Market-Moving News

Praxair Holds Merger Discussions With Germany's Linde

On Aug. 15, we broke the news that two industrial-gas suppliers, each worth around \$30 billion, were in discussions to merge. Linde AG confirmed the next day that it was in preliminary talks with Praxair.

- The deal, if finalized would create the world's largest industrial-gas supplier.
- The news came less than three months after two major rivals of the companies combined, setting off another possible wave of consolidation in an industry hit by declining energy prices and sluggish economic growth. Air Liquide SA in May bought Airgas Inc. for about \$10 billion.
- Praxair's share price rose by as much as 3.4% in U.S. after-hours trading following the scoop. Linde rose by 11% in the following day's trade in Germany.



Exclusive News

OPEC Members Mull Plan to Revive Freeze Talks

Our reporters were first to report on Aug. 5 that several OPEC members were planning to reopen discussions about setting new limits on oil production this fall.

- Under the freeze, countries would agree to limit their production to certain levels in a bid to raise oil prices by constricting the amount of crude on the market.
- Leading the effort were Venezuela, Ecuador and Kuwait. Some OPEC members said they believed they could seal a freeze deal as early as the week of Sept. 26 at the International Energy Forum in Algeria.
- The production freeze was an idea that had helped send prices rallying more than 50% from 12-year lows last winter. A revival of the plan would come as Iran regains much of the energy-industry might it lost during the years of Western sanctions.

NRG Bids for SunEdison Wind and Solar Projects

We were first to report on Aug. 9 that NRG has made a bid of \$144 million for a number of wind and solar projects owned by bankrupt developer SunEdison.

- SunEdison sought Chapter 11 protection in April in the hopes of restructuring and in the meantime has been selling off parts of its portfolio.
- The value of NRG's \$144 million bid could ultimately climb to \$188 million, as it includes the potential for SunEdison to collect up to \$44 million after the sale closes depending upon the achievement of certain milestones related to the projects.
- SunEdison wants to declare NRG's renewable-energy unit the stalking horse, or lead, bidder in a sale process that would include a Sept. 6 deadline for bids, Sept. 9 auction and Sept. 15 court hearing to approve the winning bid. NRG said in a statement that its bid "further reaffirms our ongoing commitment to renewable energy."

Cargill May Sell Metals and Energy Businesses

On July 22 we were first to report that Cargill was considering a sale of its metals and energy businesses as it revamps its portfolio around core food and agricultural activities.

- Cargill, the largest private company in the U.S. by sales, has been pruning its vast business empire to help focus on more profitable products and keep pace with consumers' changing tastes.
- The company is exploring sales of the units as part of a strategic review of those businesses that are in an early stage, a source said, adding that Cargill may not end up selling the units.
- As part of its trimming of non-core businesses, Cargill recently agreed to sell its U.S. agricultural retail operations, which sell about \$150 million in supplies and services to farmers annually, to Canada-based agribusiness firm Agrium and to sell two Texas-based cattle feed yards to Friona Industries, a rival feedlot operator.

Chevron May Sell \$5 Billion of Assets in Asia

Chevron is selling assets in Asia worth up to \$5 billion in an effort to raise cash, we reported on Aug. 4.

- Chevron is looking to raise up to \$10 billion globally from asset sales, a big chunk of which will come from its Asia upstream operations, as part of a broader effort to cut costs and adapt to lower oil prices.
- Among the assets Chevron is looking to sell is its stake in an offshore oil field production venture with China's state-owned Cnooc. The stake could fetch as much as \$1 billion

- The American oil major is also shopping its geothermal assets in Indonesia, we reported. It is weighing bids worth more than \$2 billion.

More Exclusive News

Read more about the scoops discussed above and listed below by searching on [N/NRG or N/DJCS] and P/PMDM.

- Aug. 11—Veteran pipeline dealmaker **Kelcy Warren**, chairman of **Energy Transfer Equity**, told us life is too short for hostile deals—a lesson he took away after months of wrangling over his plan to buy rival pipeline giant **Williams Cos.**
- Aug. 8—A Malaysian tycoon was seeking to raise at least \$700 million through an initial public offering of port assets, which would be the country's biggest IPO in more than two years. **Syed Mokhtar Al-Bukary**, whose interests range from rice mills to power generation, plans to list some of **MMC Corp.**'s port assets next year.
- Aug. 2—Malaysia's state oil company was considering delaying a Canadian **liquefied-natural gas** project worth \$27.5 billion. **Petronas** sees oversupply of LNG and lower oil and gas prices as making the project unattractive at the moment, sources said
- July 26—**Saudi Arabia's Capital Markets Authority** told us that the regulator was accelerating plans to ease **foreign investment rules**.
- July 26—**U.S. regulators** were stepping up efforts to figure out why metal bolts used to connect subsea oil equipment such as **blowout preventers** keep breaking, a sign that concerns about these failures are growing. An **Interagency Bolt Action Team** will assess the potential impact of the failures on **oil-drilling** operations.
- July 25—**Iran** had started drawing down **oil** reserves in **floating storage**, data from Marine Traffic showed. The country had been having difficulty shipping out oil as prices sank even as it ramped up production in the wake of lifted sanctions.

Unique Analysis

Mystery Oil Stores Befuddle Analysts

On July 25, Dan Strumpf and Nicole Friedman examined the complex feat of analyzing oil inventories. Some countries, such as Russia and China, choose not to report their oil-storage levels. And traders and oil companies that park supertankers have no obligation to make public their supply. This makes for more cryptic and volatile oil markets. How much crude is in these locations, and how quickly it can be resold into the market, can affect oil prices.

- Keeping track of inventories has become more complicated as developing countries store and consume more oil. The number of energy loans labeled as "classified," or in danger of default, is on course to extend above 50% this year at several major banks, including Wells Fargo and Comerica, according to bankers and others in the industry.
- China is a case in point. Customs data show oil imports have risen at a faster rate than refiners are processing it. The figures suggest the country built a surplus 160 million barrels during the first half of the year. If this has gone into strategic reserves, storage space may be running out—and demand could shrink once that happens.
- In response to the uncertainty, several major banks are reducing their exposure to the energy sector by attempting to sell off souring loans, declining to renew them or clamping down on the ability of oil and gas companies to tap credit lines for cash.

Miners Step Up Debt Payments

Global mining companies have pushed hard to ditch their debts. They have sold pits, laid off workers and pruned expenses from every part of their businesses. This year, an extra tailwind from improving commodity prices is helping miners repay borrowings more quickly than expected, Rhiannon Hoyle and Alex MacDonald reported on Aug. 16.

- The run-up in debt came as miners expanded operations amid a decadelong commodity price boom driven largely by Chinese consumption.
- Concerns about miners' debt levels intensified earlier this year, when Moody's cut the credit ratings of major companies including BHP Billiton, Rio Tinto and Anglo American PLC, with the latter getting downgraded to junk status.
- The sharp rise in the prices of some commodities this year has given companies some breathing space. Iron ore is up 40% so far this year, for example, while thermal-coal prices are up by one-third. This has helped improve cash flow, allowing for some debt reductions.

About This Newsletter

This weekly newsletter covers Central Banks, Deals, Resources and Technology topics on a rotating basis. Next week: Technology.

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