

NEWS HIGHLIGHTS

Oct. 16, 2015

Dow Jones Resources Coverage

EXCLUSIVE ANALYSIS AND NEWS BEATS

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- [Unique analysis](#) on the **Oil Market** refusing to rise and **Mexico** strains to lure world's oil giants

Exclusive News

PetroRabigh Tenders Expected as Early as November – Sources

- We reported on Oct. 12 that Saudi Arabia's Rabigh Refining & Petrochemical Co., known as PetroRabigh, could tender the contracts for three new downstream units at its complex on the Red Sea coast in early November, citing sources familiar with the project.
- "Prequalification has been completed and we are waiting for the tender documents to be released in early November," a source said. "We estimate that we will be given four months to formulate bids."
- The company announced the plans on the Saudi Arabia stock exchange on Oct. 5, stating the three units would comprise of a 220,000 ton a year polyether polyols plant, a 17,000 barrel a day naphtha treatment unit and a 106,000 ton a year sulfur recovery building.

Nord Stream 2 Kicks Off Contracting for \$11B Pipelines

- Dow Jones Newswires reported on Oct. 16 that the Nord Stream 2 natural gas pipeline consortium has begun the process of hiring contractors to build the \$11 billion project, which will double supplies of Russian pipeline gas across the Baltic Sea to Western Europe, according to people familiar with the project.
- Contractors have to submit prequalification documents by Oct. 23, the person said.
- A Nord Stream 2 spokesperson confirmed that contractors had been invited to tender for the project, but declined to disclose any further information.

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Glencore Pushes for Rating 3 to 4 Notches Above Junk -- Source

- In our continuing strong coverage of Glencore PLC, we broke the news on Oct. 15 that the company had put together a plan it hopes will result in a credit-rating upgrade, a previously undisclosed part of the firm's attempt to strengthen its balance sheet.
- The Swiss mining and trading giant, whose stock has been buffeted by investor concerns over its highly leveraged balance sheet, had said it would reduce net debt by \$10 billion, bringing it down to about \$20 billion.
- But the company's plans to raise cash through streaming deals, asset sales and other moves could potentially cut more than \$12 billion, putting its net debt at about \$18 billion. Those levels of debt could create conditions for its credit rating to be boosted to BBB+, from its current BBB, we reported.

Rio Boss Sam Walsh Says No Interest in Bidding for Glencore

- In other Glencore-related news, Rio Tinto PLC Chief Executive Sam Walsh said he isn't interested in making a bid for Glencore PLC despite the sharp decline in the embattled Swiss miner's stock in the past few months.
- Mr. Walsh said in an interview Oct. 13 that he doesn't think Rio's and Glencore's businesses are well aligned and that Glencore operates in different geographic areas than Rio.

SunEdison Won't Complete Buyout

- On Oct. 6 we reported exclusively that SunEdison Inc. won't complete its roughly \$700 million planned acquisition of Latin American Power as the U.S. solar-energy producer's woes mount.
- Private-equity-owned Latin American Power walked away from its sale to SunEdison, which was to close Sept. 30, according to people familiar with the matter. SunEdison failed to make a roughly \$400 million upfront cash payment, the people said.
- The busted buyout adds to a litany of difficulties for SunEdison, which is one of the world's biggest operators of solar power producers.

Unique Analysis

Oil Market Refuses to Rise

- Although a long-awaited decline in U.S. oil output has begun, many investors and analysts are still waiting for prices to stage a sustained recovery. We took a deep look at current conditions in the market in a story on Sept. 28.
- Once U.S. output slowed, oil would bounce back, bullish investors reasoned. But their hopes have been thwarted by robust output from other parts of the world, from Russia to Saudi Arabia and Iraq, which has kept a lid on prices.

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- "We now know that the U.S. [production] is in decline," said Eric Nuttall, portfolio manager at Sprott Asset Management, which manages about \$5.8 billion. "I would have thought [prices] would be higher, with the data points, but maybe people need another month or two" of statistics, he said.

Mexico Strains to Lure World's Oil Giants

- The plunge in global crude prices is thwarting Mexico's much-anticipated opening of the country's oil industry to foreign companies, we reported on Sept. 30. The story came just ahead of an auction of nine fields in the shallow-water Gulf of Mexico.
- So far, we reported, the sweeping energy reform has foundered as the entire industry frantically cuts back on the very sorts of projects Mexico is now offering them.
- "Unfortunately, it's very bad timing," said Adrian Lajous, a former Pemex chief executive and a fellow at the Center on Global Energy Policy at Columbia University.

Glencore Oil Deals Could Bite Banks

- Uncertainties over a deal struck last year between Glencore PLC and the government of Chad is shedding light on how Glencore's energy business has taken some banks into risky areas that are causing jitters as commodity prices fall.
- At least seven banks signed on to the arrangement with Chad, which was struck when a barrel of crude was trading near \$100. Instead of having their primary claim on Glencore, the banks had a claim based on the African country's oil output and expected to profit from a steady stream of repayments as that oil flowed through Glencore's global energy and trading business.
- But then oil prices started to tank. This year, Chad, whose economy depends heavily on oil revenue, sought to delay payments it owed via oil deliveries, prompting months of talks to renegotiate terms.

ABOUT THIS NEWSLETTER

This weekly newsletter covers Central Banks, Deals, Resources and Technology topics on a rotating basis. Upcoming issues: Technology October 23, Central Banks October 30, Deals November 6.

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